

# FINANCIAL IMPROVEMENT AND AUDIT READINESS (FIAR) PLAN STATUS REPORT



November 2013



UNITED STATES  
DEPARTMENT OF DEFENSE

OFFICE OF THE UNDER SECRETARY OF DEFENSE  
(COMPTROLLER) / CHIEF FINANCIAL OFFICER

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## Message from the Under Secretary of Defense (Comptroller)

*As we begin Fiscal Year (FY) 2014, we are continuing to focus our audit readiness efforts on the information the Department of Defense (DoD) most uses to manage, especially budgetary information and the counts and location of our assets. We also begin FY 2014 facing unprecedented budget challenges. The recent government shutdown, sequestration, and having to operate under continuing resolutions drain resources away from audit readiness efforts and sap morale. Our dedicated civilian workforce, which includes many thousands of financial managers, has been subjected to two furlough periods, without any reassurance that there will not be more. Budget cuts to Defense programs also limit people and other resources for audit readiness efforts.*



*Despite these challenges, we have made significant progress during the past four years. I expect by September 30, 2014, most of the Department's budget statement will have been asserted as audit ready or be under audit. This achievement will help verify that DoD decision-makers have the tools and information they need to effectively manage their missions. More importantly, achieving audit readiness reassures the American people that we are reliable stewards of their funds.*

*The November 2013 Financial Improvement and Audit Readiness (FIAR) Plan Status Report details progress made toward improving business systems, controls, and processes across all functional areas and achieving audit-ready financial statements. A message from the Chief Management Officer of each Military Department reaffirms our collective commitment to audit readiness and precedes their respective Department section of this report. We are grateful for the ongoing commitment of the DoD workforce and remain hopeful the budgetary process will stabilize in ways that support the national security mission and help us meet our audit goals.*

*Robert F. Hale*

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

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## Table of Contents

Executive Summary .....	1
I. Audit Readiness Strategy and Timeline.....	I-1
II. Accomplishments and Progress .....	II-1
III. Army Audit Readiness Plans .....	III-1
IV. DON Audit Readiness Plans.....	IV-1
V. Air Force Audit Readiness Plans .....	V-1
VI. Other Defense Organizations Audit Readiness Plans.....	VI-1
VII. Service Providers Audit Readiness Plans .....	VII-1
VIII. Enterprise Resource Planning Systems and Audit Readiness.....	VIII-1
IX. Risk Management .....	IX-1
Appendix 1. FIAR Governance .....	A1-1
Appendix 2. Status of Audit Readiness Assertions .....	A2-1
Appendix 3. FIAR Resources .....	A3-1
Appendix 4. Systems Material to Audit Readiness .....	A4-1
Appendix 5. FIAR Milestones Defined.....	A5-1
Appendix 6. HASC Panel on Defense Financial Management and Auditability Reform Recommendations.....	A6-1
Appendix 7. Acronyms.....	A7-1

The FIAR Plan Status Report was prepared in accordance with section 1003 of the National Defense Authorization Act (NDAA) for Fiscal Year (FY) 2010, as amended by the FY 2011, FY 2012, and FY 2013 NDAA's. 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 \$110,200.

## Executive Summary

The Department of Defense (DoD) is committed to achieving its audit readiness goals. Achieving these goals will help ensure that the Department's managers have accurate and reliable information. Achieving clean audit opinions, which will take several years to achieve after reaching the audit readiness goal, will demonstrate that improvements have been made and should help reassure Congress and the public that DoD is a good steward of their funds.

Major challenges still exist before the audit readiness goals are met, including escalating budgetary problems. However, substantial progress has been made. In the Fiscal Year (FY) 2012 National Defense Authorization Act (NDAA), Congress required that DoD establish a plan to validate audit readiness of the Statement of Budgetary Resources by September 30, 2014. While it is too soon to know all the details, the Department expects that – for most of the Department – the current-year portion of the Statement of Budgetary Resources will be audit ready by next September.

### **GETTING TO AUDIT READINESS FOR BUDGET STATEMENTS BY SEPTEMBER 30, 2014, AND BEGINNING AUDITS**

The Department seeks to have its budget statements audit ready by September 30, 2014. Audit ready means the Department has strengthened internal controls and improved financial practices, processes, and systems so that there is reasonable confidence that the information can withstand an audit by an independent auditor.

The NDAA also requires that DoD validate the audit readiness of its budget statements. The Department expects to validate audit readiness in one of two ways. Where time permits, the Department will engage an independent public accounting (IPA) firm to perform the validation. In some cases, the Department will rely on management to validate audit readiness by presenting the results of tests of internal controls, supporting documentation, and systems.

After validating audit readiness, the Department will proceed to audit in a cost-effective manner. As indicated in earlier Financial Improvement and Audit Readiness (FIAR) reports, the Department will start the audits on current-year information contained in the Statement of Budgetary Resources (SBR). The Department refers to current year information of the SBR as the Schedule of Budgetary Activities or SBA. Focusing first on the SBA reflects lessons learned from the U.S. Marine Corps (USMC) audit of its SBR. The USMC was unable to produce supporting documentation on historical transactions associated with SBR opening balances quickly enough to meet the audit timelines. Historical documentation (e.g., requisitions, receiving reports, and invoices) exists primarily in paper form and is dispersed across various commands and activities. The USMC was, however, able to provide documentation of current-year transactions, which is the most important information to management and decision-makers.

In August 2012, in response to this USMC audit problem, the Department modified the FIAR Guidance to limit the scope of the first year, FY 2015 SBR audits. The scope of FY 2015 audits will be on current year appropriation activity and transactions (i.e., the SBA). The initial General Fund SBA audits will not include balances from prior year activity. This sensible approach has been favorably received by the Government Accountability Office and the DoD Office of Inspector General (DoD OIG). SBA audits will continue for several years, when SBR audits will begin and include auditable opening balances from prior year SBA audits.

The Department will scope the SBA audits to reflect the nature of the validations that have been completed. If the audit readiness of the current-year SBA for a particular Service or Defense Agency has been validated by an IPA, then the audit will be led by the DoD OIG. If the validation is based on evidence presented by management, DoD proposes to have the IPA lead the initial audit.

It is too soon to know for certain how much of the Department's current-year SBA activities will be audit ready by next September. However, most of the Department's SBA activities will be audit

## FIAR Plan Status Report

ready by that date. Because of the budgetary problems of recent years, as well as specific problems with certain categories of activities, a relatively small portion of SBA activities may not be validated as audit ready. For those activities, the Department will make every effort to validate audit readiness during FY 2015.

### ACHIEVING FULL AUDIT READINESS BY SEPTEMBER 30, 2017

The second audit readiness goal, directed by Congress in the FY 2010 NDAA, requires full financial statements validated as ready for audit by September 30, 2017. To date, \$235 billion or 19 percent of total budgetary resources have an opinion or are under audit, and \$453 billion or 53 percent of DoD assets are either under examination, have been validated as audit ready, or have been asserted as audit ready for existence and completeness.

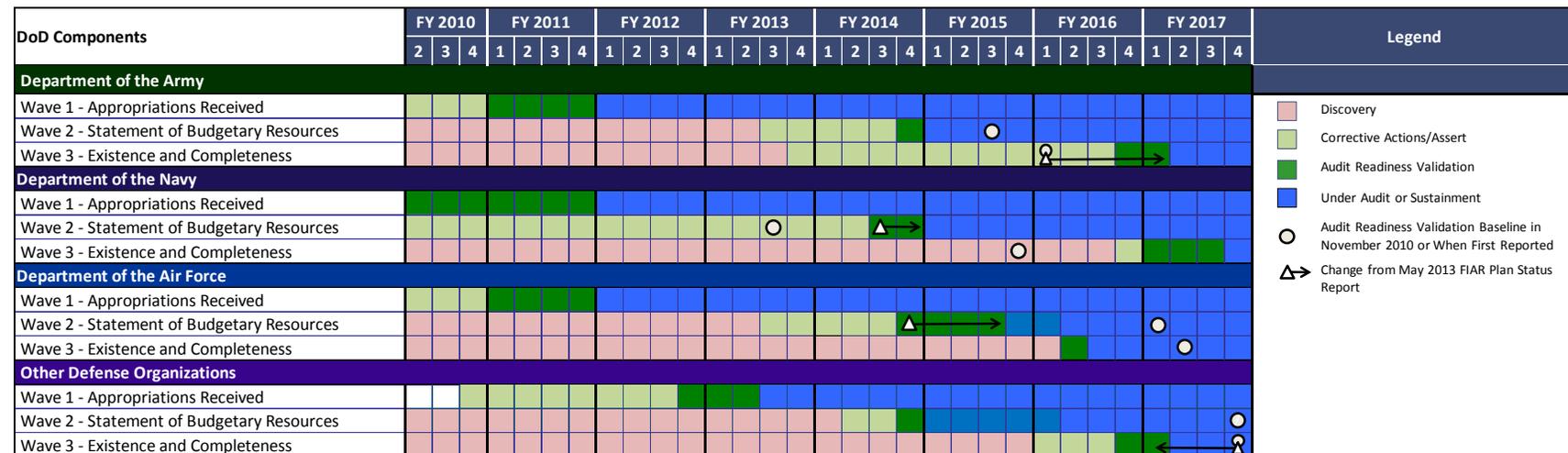
A critical element to full financial statement audit readiness is the work presently taking place to achieve existence and completeness of mission critical assets. Recognizing this essential first step to

Balance Sheet reporting, the Under Secretary of Defense (Comptroller)/Chief Financial Officer (USD(C)/CFO) directed the DoD Components to complete the existence and completeness priority by June 30, 2016. Subsequent sections of this report illustrate the progress the Military Departments and other Defense organizations are making toward this important goal.

Building on the audit readiness progress made to achieve SBR audit readiness, the Department issued updated FIAR Guidance in November 2013. The revised guidance addresses the requirements of producing audit ready full financial statements, including the General Fund Balance Sheet, Statement of Net Cost, Statement of Changes in Net Position, and the Working Capital Fund financial statements.

Preliminary plans for full financial statement audit will be included in the May 2014 FIAR Plan Status Report with detailed plans to follow. Figure ES-1 shows the audit readiness status of the Military Departments and other Defense organizations. See Section I for an explanation of Waves 1, 2, and 3.

**Figure ES-1. Audit Readiness Target Dates by DoD Component**



## POTENTIAL ROADBLOCKS TO FY 2015 AUDITS

Although the Department is diligently working to achieve audit readiness by the end of FY 2014 and begin SBA audits in FY 2015, several challenges exist outside the Department's control and have the potential to impede progress.

### Budgetary Turmoil Effect on Audit Readiness

In recent years, budgetary turmoil has impeded audit readiness progress. By budgetary turmoil, the Department is referring to:

- One government shutdown requiring short furloughing of much of the Department's civilian workforce
- Five government shutdown threats disrupting FIAR activity and plans
- Two six-month continuing resolutions requiring extraordinary and time-consuming management action and another long-term continuing resolution underway
- One six-month period of sequestration including six-days of civilian furloughs over six weeks

Budgetary challenges severely affect senior leadership time, civilian hiring, workforce morale, training, travel, and availability of funds. The challenges the Department faces to improve business and financial processes, controls, and systems is monumental and complex without having to manage and overcome these additional impediments and challenges.

Although the Department has little control over this roadblock, it is committed to doing everything possible to achieve audit readiness for the SBA by the end of FY 2014 and begin SBA audits in FY 2015.

### Availability of Independent Auditors

The tremendous size and complexity of the Department suggests that large numbers of auditors will be needed to conduct DoD-wide SBA audits in FY 2015. First-year audits of any organization typically require significantly more auditors than latter years due to the audit firm's unfamiliarity with the organization's business and financial operations. Additionally, the Department has numerous information systems supporting as being effective and reliable. Substantial numbers of auditors will financial reporting that cannot be demonstrated be needed to conduct tests using large sample sizes.

Independence issues further complicate the availability of IPAs. Most of the large IPA firms and many of the smaller, local firms have been assisting the Components with audit readiness preparation, including the design and implementation of audit ready controls and processes. Any IPA firm that assisted a Component with audit readiness may be precluded from auditing that Component.

The Office of the USD(C) (OUSD(C)) and the DoD OIG jointly issued a Request for Information (RFI) in September 2013. The RFI identified the Department's audit requirements and potential issues, proposed an audit concept of operations, and solicited suggestions and recommendations. The audit concept of operations defines roles, responsibilities, and structure of entities that will be audited in order to support the DoD-wide consolidated financial statement audit and minimize redundancy in audit procedures.

### Capacity of the DoD Office of the Inspector General

By law, the DoD OIG is responsible for auditing the Department's financial statements. Because DoD financial statements are not yet reliable, the DoD OIG has limited its annual financial statement audits in accordance with section 1008 of the FY 2002 NDAA. Although the DoD OIG is aware of the Department's timeline, DoD leadership is concerned the DoD OIG will not have sufficient numbers of experienced auditors to audit or oversee the FY 2015 SBA audits. The DoD OIG may wish to consider retaining its overall responsibility while delegating more of the work to IPAs.

### WHY DOD AUDIT READINESS IS DIFFICULT

In FY 2012, the Department reported \$769 billion in net costs and over \$2 trillion dollars in assets. In addition to the three Military Departments of the Army, Navy, and Air Force, all very large organizations in their own right, the Department includes 8 Combatant Commands, 17 Defense Agencies, 10 Field Activities, 6 Joint Service schools, the Joint Chiefs of Staff, the Inspector General, and many other organizations, such as the National Guard Bureau. It manages almost 3 million employees and provides benefits to another 2 million retirees and their family members. More than 450,000 employees are overseas, both afloat and ashore.

The Department's physical plant consists of several hundred thousand buildings and structures located at more than 5,000 locations, world-wide. When added together, the Department uses over 30 million acres of land, ranging from unoccupied sites supporting a single navigational aid that sit on less than one-half acre, to the Army's vast White Sands Missile Range in New Mexico with over 3.6 million acres, or the Navy's large complex of installations at Norfolk, Virginia, with more than 78,000 employees.

Comparing DoD to another federal agency or a large multi-national corporation does not fully reflect its size. A better analogy for the challenges facing DoD would be trying to audit Walmart, ExxonMobile, Ford Motor Company, and IBM as one combined entity. Before that mega-entity could be audited, every employee would have to learn a new way of doing business. Processes would have to be documented and standardized, and new audit-ready systems capable of exchanging information "across borders" would have to be stood up and used by all. That is the job the Defense Department has been facing.

Adding to the Department's audit readiness challenges are the hundreds of legacy systems used throughout the enterprise. Most of these systems were not designed to support financial statement audits. The Department is modifying and replacing legacy systems, and deploying more modern technology that includes nine Enterprise

Resource Planning (ERP) systems. The new technology is changing business and financial processes and controls that will ultimately support and sustain audit readiness.

### LEADERSHIP COMMITMENT AND GOVERNANCE

The difficulties and challenges faced by the Department in achieving audit readiness can only be overcome if the Department's leadership is committed to the goals and actively monitors progress. Leadership commitment starts at the top. Secretary Hagel has repeatedly emphasized his commitment to the audit effort. In August 2013, he recorded a video message demonstrating his commitment and underscoring the importance of audit readiness. The Secretary reiterated the need for the entire Department to do their part in achieving and sustaining audit readiness. The video has been widely viewed throughout the Services and Components. Additionally, Secretary Hagel is regularly informed about the Department's FIAR plans and progress, as is the Deputy Secretary of Defense.

Following the Secretary's lead, the Military Department Secretaries and Chiefs of Staff of the Military Services are committed to specific near-term goals that 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.

Additionally, the Department has maintained a formal FIAR governance process comprising most of the Department's key senior political leaders, senior executives, and senior action officers, who attend regularly scheduled FIAR Governance Board, FIAR Committee, and FIAR Subcommittee meetings. At these meetings, senior leadership and the Components discuss FIAR status, plans, issues, risks, and lessons learned. See Appendix 1 for additional information on FIAR governance.

## AUDIT READINESS PROGRESS

The Components have made steady progress and demonstrated audit readiness in several ways:

- Financial statement audit opinions
- Audit readiness validated by DoD OIG or IPA examinations
- Audit readiness assertions

### Audit Opinions on Financial Statements

Six DoD organizations received unqualified audit opinions on their FY 2012 financial statements, and three DoD organizations received qualified opinions. Figure ES-2 lists the DoD Components that achieved unqualified and qualified audit opinions on their FY 2012 financial statements. At the time of this report, audit opinions of the FY 2013 financial statements for these same organizations were not available, but the results are expected to be the same.

**Figure ES-2. Financial Statement Audit Opinions**

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

### Audit Readiness Examinations

Since the May 2013 FIAR Report, audit readiness has been validated by examinations for three service providers:

- Defense Finance and Accounting Service – Civilian Pay, Military Pay, and Standard Disbursing Services Phase 1
- Defense Civilian Personnel Advisory Service – Civilian Pay
- Defense Information Systems Agency – Enterprise Computing Services

Additional examinations are underway for:

- Army – All General Fund activities at all General Fund Enterprise Business System (GFEBS) locations
- Navy – Fund Balance with Treasury
- Air Force – Civilian Pay (General Fund and Working Capital Fund) and Funds Distribution to Base
- Defense Finance and Accounting Service – Contract Pay
- Defense Logistics Agency – Civilian Pay, Contract Pay, Defense Agencies Initiative (DAI), Defense Automatic Addressing System (DAAS)

### Audit Readiness Assertions

Since the May 2013 FIAR Report, numerous assessable units have been asserted as audit ready. OUSD(C) reviews of new assertions underway are:

- Navy – Operating Materials and Supplies-Uninstalled Aircraft Engines and Military Equipment-Small Boats (re-asserted)
- Defense Contract Management Agency – Fund Balance with Treasury, Contract/Vendor Pay, Reimbursable Work Orders-Acceptor, and Reimbursable Work Orders-Grantor
- Defense Logistics Agency – Real Property at DLA-hosted sites and General Equipment-Capitalized Assets

## FIAR Plan Status Report

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- Service Medical Activity (Navy) - Consumables
- Chemical Biological Defense Program – Contract Pay, Other Budgetary Activity, Reimbursable Work Orders-Acceptor, Reimbursable Work Orders-Grantor, and Fund Balance with Treasury

See Appendix 2 for a complete listing of audit readiness opinions, examinations, and assertions achieved under the FIAR initiative.

### AUDIT READINESS NEAR-TERM PLANS

To ensure the Department meets the SBR audit readiness goal and the FIAR priority target dates are successfully accomplished, the FIAR governance process regularly 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 near-term plans of the Army, Navy, and Air Force are provided in Figures ES-3, -4, and -5 on the following pages. See Sections III, IV, and V for more information on the plans of the Military Departments.

## FIAR Plan Status Report

Figure ES-3. Department of the Army Audit Readiness Near-Term Plans

Milestone	Tested		Corrected		Validated	
	As Planned	Revised	As Planned	Revised	As Planned	Revised
<b>Statement of Budgetary Resources</b>						
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)	✓		✓		✓	
Automated Fund Balance with Treasury Reconciliation Tool	✓		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)	✓		✓		12/31/2013	
General Fund SBR Assertion/Audit – All Army General Fund Activities at all GFEBS Locations (Examination 3 Processes plus Military Pay)	✓		06/30/2014		09/30/2014	
Fund Balance with Treasury	✓		06/30/2014		09/30/2014	
<b>Mission Critical Assets Existence and Completeness</b>						
Military Equipment, General Equipment, OM&S – All Assets	✓		12/31/2013		06/30/2014	
Real Property – 23 Installations	✓		✓		06/30/2013	12/31/2013
Real Property – All Installations	✓		09/30/2014		03/31/2015	
OM&S – Javelin, Hellfire, and TOW Missiles	✓		✓		✓	

Note: Tested = Completion of Discovery work; Corrected = Completion of corrective actions and assertion of audit readiness; Validated = DoD OIG or IPA opinion on audit readiness assertion; and ✓ = Completed. (Near-term plans for Information Technology Systems have been moved to Appendix 4.)

## FIAR Plan Status Report

Figure ES-4. Department of the Navy Audit Readiness Near-Term Plans

Milestone	Tested		Corrected		Validated	
	As Planned	Revised	As Planned	Revised	As Planned	Revised
<b>Statement of Budgetary Resources</b>						
U. S. Marine Corps	✓		✓		✓	
Reimbursable Work Orders	✓		✓		12/31/2012	03/31/2014
Civilian Pay	✓		✓		✓	
Transportation of People	✓		✓		✓	
Supply Requisition (MILSTRIP)	✓		09/30/2012	01/31/2014	03/31/2013	07/31/2014
Financial Reporting	✓		09/30/2012	03/31/2014	03/31/2013	09/30/2014
Contract/Vendor Pay	✓		12/31/2012	01/31/2014	06/30/2013	07/31/2014
Military Pay	✓		✓		09/30/2013	03/31/2014
Net Outlays (FBWT)	✓		✓		09/30/2013	06/30/2014
<b>Mission Critical Assets Existence and Completeness</b>						
Military Equipment – Ships, Submarines, Satellites, ICBMs	✓		✓		✓	
Military Equipment – Aircraft	✓		✓		✓	
Navy Small Boats	✓		✓		01/31/2014	05/31/2015
Military Equipment – Remainder (Navy)	✓		09/30/2014		05/31/2015	
Military Equipment (USMC)	09/30/2013	12/31/2013	09/30/2014		05/31/2015	03/31/2015
General Equipment – Remainder (Navy)	✓		09/30/2014		05/31/2015	
General Equipment (USMC)	✓		09/30/2014		05/31/2015	
Real Property – Phase 1	05/31/2013	10/31/2014	08/31/2013	12/31/2014	08/31/2015	
Real Property – Phase 2	08/31/2015	04/30/2016	09/30/2016	06/30/2016	05/31/2017	02/28/2017
OM&S (Ordnance)	✓		✓		07/31/2012	02/28/2014
OM&S – Remainder	6/30/2014		03/31/2015		11/30/2015	
OM&S – Uninstalled Aircraft Engines	✓		✓		11/30/2013	05/31/2014
Inventory	✓		09/30/2014		05/31/2015	

Note: Tested = Completion of Discovery work; Corrected = Completion of corrective actions and assertion of audit readiness; Validated = DoD OIG or IPA opinion on audit readiness assertion; and ✓ = Completed. (Near-term plans for Information Technology Systems have been moved to Appendix 4.)

## FIAR Plan Status Report

Figure ES-5. Department of the Air Force Audit Readiness Near-Term Plans

Milestone	Tested		Corrected		Validated	
	As Planned	Revised	As Planned	Revised	As Planned	Revised
<b>Statement of Budgetary Resources</b>						
Funds Distribution to Base	✓		✓		09/30/2012	02/04/2014
Civilian Pay	✓		✓		06/30/2013	02/04/2014
Military Pay	06/30/2012	04/30/2014	03/31/2013	05/31/2014	09/30/2013	09/30/2014
Reimbursable Budget Authority	✓		12/31/2012	06/30/2014	06/30/2013	SBA
Reimbursable Work Orders	04/30/2013	05/30/2014	12/31/2013	06/30/2014	06/30/2014	SBA
Net Outlays (Funds at Treasury)	08/31/2012	03/31/2014	12/31/2013	04/30/2014	06/30/2014	09/30/2014
Contracts (Major)	08/31/2012	05/30/2014	12/31/2013	06/30/2014	06/30/2014	SBA
Contracts (Minor)	10/31/2012	05/30/2014	08/31/2013	06/30/2014	02/28/2014	SBA
Supply Requisition (MILSTRIP)	10/31/2012	05/30/2014	07/31/2013	06/30/2014	01/31/2014	SBA
Financial Reporting	02/28/2013	02/28/2014	12/31/2013	03/31/2014	06/30/2014	07/31/2014
<b>Mission Critical Assets Existence and Completeness</b>						
Military Equipment	✓		✓		✓	
Real Property	✓		06/30/2013	09/30/2014	12/31/2013	12/31/2014
OM&S (Cruise Missiles and Aerial Targets/Drones)	✓		✓		✓	
OM&S (Missile Motors and Spare Engines)	✓		✓		✓	
OM&S (Munitions)	12/31/2013	06/30/2014	06/30/2014	07/31/2014	12/31/2014	12/31/2014

Note: Tested = Completion of Discovery work; Corrected = Completion of corrective actions and assertion of audit readiness; Validated = DoD OIG or IPA opinion on audit readiness assertion; and ✓ = Completed. (Near-term plans for Information Technology Systems have been moved to Appendix 4.)

## AUDIT READINESS RESOURCES

Despite challenging budget times, substantial funds have been set aside and programmed to support achieving auditable financial statements. The FIAR activities funded by the amounts in Figure ES-6 include hiring IPA firms to conduct validations and audits, resolving financial system issues (i.e., achieving an audit ready systems environment), and numerous other audit readiness activities.

**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 IPA validations, examinations, and financial statement audits.

**Financial Systems** includes the resources for designing, developing, and deploying an audit ready systems environment (not including ERP systems). Resources to make needed and cost-effective changes to legacy systems that will be part of the audit ready systems environment are also included. 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.

See Section VIII for ERP resource information and Appendix 3 for the FIAR resource information for the Military Departments and other Defense organizations.

Figure ES-6. DoD Audit Readiness Resources (Dollars in Millions)

DoD Component	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Audit Readiness	456.0	496.1	384.8	316.0	297.2	291.4
<i>Review and Remediation</i>	381.9	424.0	298.7	231.8	217.0	219.2
<i>DFAS Support</i>	57.0	54.0	68.0	66.0	62.0	55.0
<i>Internal Audit Cost</i>	17.0	18.1	18.2	18.2	18.2	17.2
Validations and Audits	58.0	63.2	118.2	118.3	118.4	128.5
Financial Systems	106.6	89.9	77.0	78.1	66.3	30.4
<b>Total Resources</b>	<b>620.6</b>	<b>649.2</b>	<b>580.0</b>	<b>512.4</b>	<b>481.8</b>	<b>450.3</b>

Note: Numbers may not add due to rounding.

## **HOW THE REPORT IS ORGANIZED**

Sections I and II, respectively, address the FIAR strategy and Department-wide accomplishments. The remaining sections are organized by Military Department, the Defense Agencies and other Defense organizations, and service providers. The Military Department sections each begin with a message from the respective Chief Management Officer. The report also includes sections on

Enterprise Resource Planning systems and Risk Management. Appendices provide additional information on FIAR governance, the status of audit readiness assertions, audit readiness resources, systems material to audit readiness, and how the FIAR milestones are defined. Appendix 6 shows the Department's status on each of the January 2012 recommendations from the House Armed Services Committee Panel on Defense Financial Management and Auditability Reform. Appendix 7 defines commonly used acronyms.

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# I. Audit Readiness Strategy and Timeline

This section of the report explains the FIAR Strategy for incrementally meeting the audit readiness goals. The dates for achieving the audit readiness goals are:

- September 30, 2014, for the General Fund Statement of Budgetary Resources (SBR)
- June 30, 2016, for existence and completeness of mission critical assets
- September 30, 2017, for full financial statements

## FIAR STRATEGY (WAVES 1 – 4)

The Department’s FIAR Strategy is based on the FIAR priorities of the SBR and existence and completeness of mission critical assets established by the Under Secretary of Defense (Comptroller)/Chief Financial Officer (USD(C)/CFO) in August 2009 and on the requirement to achieve full audit readiness by September 30, 2017. The Department’s FIAR Strategy draws from the strengths of several alternative approaches and groups individual end-to-end processes into four waves of sequential but interrelated FIAR activity:

Wave 1 – Appropriations Received Audit Readiness

Wave 2 – Statement of Budgetary Resources Audit Readiness

Wave 3 – Existence and Completeness of Mission Critical Assets Audit Readiness

Wave 4 – Full Financial Statements Audit Readiness

Figure I-1 shows the four waves of the FIAR Strategy and the fiscal years when each wave will be completed. Note Wave 1 has been completed, and Waves 1, 2, and 3 started at the same time. Wave 4 will begin after audit readiness has been achieved in the first three

waves. However, much of the work performed in the first three waves satisfies Wave 4 requirements.

Figure I-1. FIAR Strategy and Timeline



FIAR work was organized 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. Successful completion of the four waves leads to achieving interim audit readiness milestones, and ultimately, results in achieving a full-scope financial statement audit.

## WAVE 1 APPROPRIATIONS RECEIVED (VALIDATED AS AUDIT READY)

Wave 1 was completed when Appropriations Received was validated as audit ready. Wave 1 FIAR activity focused on the processes and controls associated with the receipt and distribution (through apportionments, allotments and sub-allotments) of congressionally appropriated funds.

Wave 1 is the first step in receiving, recording, and tracking the funds provided to the Department to accomplish its mission and was critically important to the Department’s overall financial

improvement efforts. The Military Departments completed FIAR activities, submitted audit readiness assertions, and in August 2011, an independent public accounting (IPA) firm completed an audit of Appropriations Received, resulting in unqualified opinions for the Army, Navy, and Air Force. In March 2013, the other Defense organizations were also validated as audit ready on Wave 1, Appropriations Received and Funds Distribution.

### **WAVE 2 STATEMENT OF BUDGETARY RESOURCES (AUDIT READY BY SEPTEMBER 30, 2014)**

Wave 2 FIAR activity focuses on processes, internal controls, systems, and supporting documentation that must be audit ready before the General Fund SBR can be audited. The financial transactions 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 Fund Balance with Treasury (FBWT) line item on the Balance Sheet and line items on the SBR, 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.

#### **Schedule of Budgetary Activity**

The Department is committed to achieving General Fund SBR audit readiness by September 30, 2014, with an initial focus on current year budget activity. Achieving audit readiness means the Department has improved financial practices, processes, and systems, and strengthened internal controls and there is reasonable confidence that financial information used to manage the Department is accurate and reliable.

The U.S. Marine Corps (USMC) is undergoing its third audit. One of the major impediments to the USMC audit was its inability to quickly produce supporting documentation on historical transactions within SBR opening balances. Historical documentation (e.g., requisitions, receiving reports, and invoices) is primarily in paper form and dispersed across various commands and activities worldwide. Lessons learned from the USMC audit have shaped the Department's overall approach.

In August 2012, in response to this USMC audit problem, the Department modified the FIAR Guidance to limit the scope of the first year, FY 2015 SBR audits in order to conduct the audits in a cost effective manner. The scope of FY 2015 audits will be on current year appropriation activity and transactions (i.e., a Schedule of Budgetary Activity (SBA)). The initial General Fund SBA audits will not include balances from prior year activity. This sensible approach has been favorably received by the Government Accountability Office (GAO) and DoD Office of Inspector General (DoD OIG). SBA audits will continue for several years, when SBR audits will begin and include auditable opening balances from prior year SBA audits.

To be cost effective, the Department will scope the SBA audits to reflect the nature of the validations that have been completed. If the audit readiness of the current-year SBA for a particular Service or Defense Agency has been validated by an IPA, then the audit will be led by the DoD OIG. If the validation is based on evidence presented by management, DoD proposes to have the IPA lead the initial audit.

It is too soon to know for certain how much of the Department's current-year SBA activities will be audit ready by next September. However, most of the Department's SBA activities should be audit ready by that date. Because of the budgetary problems of recent years, as well as specific problems with certain categories of activities, a relatively small portion of SBA activities may not be validated as audit ready. For those activities, the Department will make every effort to validate audit readiness by an IPA during FY 2015.

### Planning for SBA Audits in FY 2015

The SBA audits will include the Military Departments and the other Defense organizations (ODOs), and a majority of the DoD Components that share systems and execute funds on behalf of other Components. When Components share systems and execute funds on behalf of other Components (referred to as sub-allotments), processes, controls, and supporting documentation related to those systems and funds reside at more than one Component. This complexity, however, does not need to result in redundant and duplicative testing during SBA and financial statement audits.

To prepare the Department for the SBA audits, as well as for future SBR and full financial statements audits, the Department is developing an Audit Concept of Operations (CONOPS). The CONOPS defines roles, responsibilities, and structure of the DoD Component reporting entities that will be audited in order to support the DoD-wide Consolidated Financial Statement audit and to minimize the redundancy in audit procedures.

The CONOPS aligns and groups the ODOs by general ledger system. For example, all ODOs that use the Defense Agencies Initiative (DAI), which is an Enterprise Resource Planning system, would be grouped together to form a reporting entity for financial statement reporting purposes. The Department is working with the DoD OIG to develop an acquisition strategy for employing IPAs to conduct audits under this CONOPS. A Request for Quotes based on the CONOPS is planned to be issued in Quarter 2 of FY 2014.

### WAVE 3 EXISTENCE AND COMPLETENESS OF MISSION CRITICAL ASSETS (AUDIT READY BY JUNE 2016)

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, the DoD Components must ensure:

- All assets recorded in the Accountable Property Systems of Record (APSR) exist (Existence).
- All existing 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).

Existence and completeness of mission critical assets FIAR activity began after it was established as a priority. Much has been accomplished—53 percent of the assets are either under audit, have been validated as audit ready, or have been asserted as audit ready.

In FY 2013, the USD(C)/CFO established a completion date of June 30, 2016, for existence and completeness of mission critical asset audit readiness. Resolving existence and completeness issues is an essential first step to valuing assets and reporting them on the Department's Balance Sheet, which is required to accomplish Wave 4, Full Financial Statements Audit Readiness, by September 30, 2017.

### WAVE 4 FULL FINANCIAL STATEMENTS (AUDIT READY BY SEPTEMBER 30, 2017)

Building on the audit readiness momentum and progress from earlier waves, Wave 4 includes all other financial statements including General Fund Balance Sheet, Statement of Net Cost, and Statement of Changes in Net Position, and the Working Capital Fund financial statements. Wave 4 also requires the Department to address challenging financial reporting areas such as Environmental Liabilities and valuation of General Property, Plant, and Equipment; Inventory; and Operating Materials and Supplies.

The Department organized its audit readiness waves to address and make use of the interdependencies between budgetary and proprietary accounting information. As Wave 2 focuses on the SBR and its underlying budgetary accounting records, the proprietary

## FIAR Plan Status Report

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accounting records reported on the Balance Sheet also become audit ready. The following interdependencies will help 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, includes a substantial portion of Gross Costs reported on Statement of Net Cost.

Mission critical assets that must be reported on the Balance Sheet include the Department's tremendous, worldwide inventories of military equipment, general equipment, internal use software, real property, operating materials and supplies, and inventory held for sale. To prepare for the extensive work to value these assets, the Department issued valuation policy and guidance to include capitalization thresholds. The effective date for these essential policies to full financial statement audit readiness was October 1, 2013.

Detailed work plans for preparing for full financial statement audits (Wave 4) have not been required of, or developed by, the Components, because the Department is presently focused on the SBR. However, the FIAR Guidance was recently revised to support the Components' preparation of work plans for achieving full audit readiness for Wave 4.

Some of the major elements of the guidance for Wave 4 include:

- Reconciliation requirements between SBR assessable units and proprietary general ledger accounts
- Detailed guidance for valuing and reporting assets
- Financial reporting objectives for additional Balance Sheet line items (e.g., Inventory and Related Property, Investments, Environmental Liabilities, and Loan Guarantee Liabilities)
- Working Capital Fund financial statements

### Planning for Full Financial Statement Audits in FY 2018

Lessons learned and experience from SBA audits and existence and completeness of mission critical asset examinations will be considered as the Department prepares for full financial statements audits beginning in FY 2018. As plans are developed and implemented, they will be reported in future FIAR Plan Status Reports.

## II. Accomplishments and Progress

In 1990, Congress passed the Chief Financial Officer’s Act, the first in a series of management reform legislation designed to improve the general- and financial-management of the federal government. The Government Management Reform Act of 1994 went further by requiring all federal agencies to prepare annual financial statements for independent audit. At that time, the Department of Defense (DoD) was managing its business using a variety of financial processes and systems designed to support budgetary accounting. In order to produce auditable financial statements, DoD business processes and systems would have to be reconfigured to support both budgetary accounting and proprietary accounting.

From 1994 to 2005, the Department began a number of audit efforts with limited success. The Defense Department was not the only agency struggling—even much smaller agencies were taking as long as 5 to 7 years to achieve an opinion. Meanwhile, DoD’s size, complexity, and geographic dispersion were growing as the nation entered the post 9-11 world. Although auditability was arguably now even more important, it often fell in priority as focus intensified on national security and the urgent needs of the warfighter.

In 2005, the Department FIAR Directorate and published the first FIAR Plan. The FIAR Plan broke the Department down by financial area so that comparisons could be made across the board. With that major step forward, the breadth of the challenge and the depth of the problems became much clearer. Many starts and stops occurred, and the approach and methodology continued to be revised.

In 2009, things began to change dramatically. Priorities shifted to improving financial information used most often to manage so that audit readiness and mission readiness became opposite sides of the same coin. Audit readiness became an all-hands priority with Department leadership carrying the mantle. Today, \$158 billion of the Department’s budgetary resources are under audit, and

Department leadership is committed to achieving audit readiness on the full financial statements.

### LEADERSHIP PRIORITY AND ACCOUNTABILITY

Secretary of Defense Chuck Hagel, who was sworn in February 27, 2013, has reaffirmed his steadfast commitment to full audit of DoD financial statements. Sustained leadership, commitment, and accountability are essential to achieving auditable financial statements and sustaining improvements, especially during difficult fiscal times and budget uncertainties.



The Honorable Chuck Hagel  
Secretary of Defense

Both Secretary Hagel and Deputy Secretary Carter have reviewed plans for achieving auditable financial statements and are holding senior leaders from across the Department accountable for progress against those plans. The Department’s tiered governance structure has been effective in driving and keeping the attention of senior leaders. Senior executives, both financial and functional, now have audit goals in their individual performance plans and annual evaluations. This helps ensure those under their leadership are getting the message that better control over financial assets has a big effect on mission success, and everyone has a part to play.

In August 2013, Secretary Hagel recorded an all-hands video message stressing audit readiness as a Department-wide priority. The full video is available through the FIAR Directorate website at <http://comptroller.defense.gov/fiar/index.html> and through the Comptroller public website at <http://comptroller.defense.gov/>.

## STRATEGY AND GUIDANCE

The Department’s early audit strategy focused on improving information reported on the Balance Sheet, such as historical costs of equipment. However, that kind of information is of very limited value to the daily operational needs of DoD managers. In August 2009, the Department moved to a strategy that focuses on improving financial information most needed by DoD managers. The new strategy put improving the quality, accuracy, and reliability of budgetary information and confirming the numbers and locations of assets as the Department’s first priorities.

In May 2010, the Department standardized its approach to audit readiness by issuing written guidance for how to assess and improve processes and controls, and maintain needed documentation. The FIAR Guidance is updated as audit readiness efforts mature and ways to make audit readiness efforts more efficient and effective are realized.

The FIAR Governance Board approved the first significant change in August 2012. Based on lessons learned during the USMC audits and in order to conduct audits in a cost-effective manner, the Department modified the FIAR Guidance to limit the scope of the first year, FY 2015 SBR audits. The scope of FY 2015 audits will be on current year appropriation activity and transactions (i.e., a Schedule of Budgetary Activity (SBA)). The initial General Fund SBA audits will not include balances from prior year activity. SBA audits will continue until FY 2017, when SBR audits will begin and include auditable opening balances from prior year SBA audits. The FIAR Governance Board also approved combining the Evaluation and Assertion phases so that feedback from an auditor comes earlier in the process and issues can be addressed more quickly.

In November 2013, the Department expanded the FIAR Guidance to address Wave 4, Full Financial Statement Audit Readiness. The FIAR Guidance, as well as accompanying tools and templates, can be downloaded from the Department’s FIAR website at <http://comptroller.defense.gov/FIAR/guidance.html>.

## AUDIT OPINIONS, EXAMINATIONS, AND ASSERTIONS

The Department tracks audit readiness progress through financial statement audit opinions, audit readiness validated by DoD OIG or IPA examinations, and audit readiness assertions. Substantial progress is being made.

### Audit Opinions

Six DoD organizations received unqualified audit opinions on their FY 2012 financial statements. Additionally, three DoD reporting organizations received qualified opinions. Figure II-1 lists the DoD Components that achieved unqualified and qualified audit opinions on their FY 2012 financial statements. At the time of this report, audit opinions of the FY 2013 financial statements for these same organizations were not available, but the results are expected to be the same.

**Figure II-1. Financial Statement Audit Opinions**

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

**Audit Readiness Validations and Assertions**

The Department organizes audit readiness activity by business and financial processes (e.g., Military Pay, Contracts, and Reimbursables). Auditors complete an examination to validate management’s assertion that the business or financial process is audit ready.

The Department has also used teams of federal financial statement auditors to perform mock audits on some assessable units. Mock audits conducted by the OUSD(C) are planned and executed using the same procedures, tools, and techniques that auditors would employ during an audit, but the auditors are not considered independent. Mock audits include evaluating manual business processes and related systems used to process transactions affecting the Department’s financial statements.

When the DoD OIG or an IPA completes an audit, examination, or a mock audit, a Notice of Findings and Recommendations is provided to management describing material weaknesses and significant deficiencies in controls that should be remediated. After completing corrective actions, the Component may re-assert audit readiness on

that business or financial process. For example, Navy re-asserted existence and completeness of Small Boats and Uninstalled Aircraft Engines, and the OUSD(C) is completing its review.

Service providers are working to achieve audit readiness and obtain reasonable assurance that their controls over operations and systems are designed and operating effectively. Service providers undergo examinations conducted in accordance with the Statement on Standards for Attestation Engagements (SSAE) No. 16, Reporting on Controls at a Service Organization.

To improve Department-wide efficiency, service providers with three or more customers working to become audit ready must obtain an SSAE No. 16 examination on their controls. The results of the SSAE No. 16 examination can then be relied on by all of the customers’ financial statement auditors, saving time and money.

Figure II-2 shows audit readiness validations and assertions completed or changes in status to an existing assertion since the May 2013 FIAR Plan Status Report. See Appendix 2 for a full listing of audit readiness assertions, including those in sustainment.

**Figure II-2. Audit Readiness Validations, Assertions, and Changes in Status Since May 2013**

DoD Component	Audit Readiness Assertion	Assertion Date	Status
<b>Statement of Budgetary Resources</b>			
Army	SBR Exam 3 – All General Fund Activities at all GFEBs locations	Q3 FY 2013	IPA Examination Underway
Navy	Military Pay	Q2 FY 2013	IPA Examination Underway
Navy	Reimbursable Work Orders – Acceptor	Q2 FY 2013	IPA Examination Underway
Navy	Reimbursable Work Orders – Grantor	Q2 FY 2013	IPA Examination Underway
Navy	Fund Balance with Treasury	Q3 FY 2013	DoD OIG Examination Underway
Air Force	Funds Distribution to Base	Q4 FY 2012	IPA Examination Underway
Air Force	Civilian Pay	Q2 FY 2013	IPA Examination Underway

## FIAR Plan Status Report

DoD Component	Audit Readiness Assertion	Assertion Date	Status
Chemical Biological Defense Program	Contract Pay	Q3 FY 2013	OUSD(C) Review Underway
Chemical Biological Defense Program	Financial Reporting	Q3 FY 2013	OUSD(C) Mock Audit Complete – Additional Corrective Actions Needed
Chemical Biological Defense Program	Fund Balance with Treasury	Q3 FY 2013	OUSD(C) Review Underway
Chemical Biological Defense Program	Other Budgetary Activity	Q3 FY 2013	OUSD(C) Review Underway
Chemical Biological Defense Program	Reimbursable Work Orders – Acceptor	Q3 FY 2013	OUSD(C) Review Underway
Chemical Biological Defense Program	Reimbursable Work Orders – Grantor	Q3 FY 2013	OUSD(C) Review Underway
Defense Civilian Personnel Advisory Service – Service Provider	Civilian Pay (DCPDS)	Q2 FY 2013	IPA SSAE No. 16 Examination Complete – Unqualified Opinion
Defense Contract Management Agency	Contract/Vendor Pay	Q4 FY 2013	OUSD(C) Review Underway
Defense Contract Management Agency	Fund Balance with Treasury	Q4 FY 2013	OUSD(C) Review Underway
Defense Contract Management Agency	Reimbursable Work Orders – Acceptor	Q4 FY 2013	OUSD(C) Review Underway
Defense Contract Management Agency	Reimbursable Work Orders – Grantor	Q4 FY 2013	OUSD(C) Review Underway
Defense Contract Management Agency	Civilian Pay	Q4 FY 2013	OUSD(C) Mock Audit Complete – Additional Corrective Actions Needed
Defense Contract Management Agency – Service Provider	Contract Pay (MOCAS, MDO)	Q1 FY 2014	IPA SSAE No. 16 Examination Pending
Defense Finance and Accounting Service – Service Provider	Civilian Pay (DCPS, ADS)	Q3 FY 2012	IPA SSAE No. 16 Examination Complete – Unqualified Opinion
Defense Finance and Accounting Service – Service Provider	Military Pay (DJMS, DMO)	Q1 FY 2013	IPA SSAE No. 16 Examination Complete – Qualified Opinion
Defense Finance and Accounting Service – Service Provider	Standard Disbursing Service Phase 1 (ADS, IPAC Central Site Wizard)	Q1 FY 2013	IPA SSAE No. 16 Examination Complete – Unqualified Opinion
Defense Finance and Accounting Service – Service Provider	Contract Pay (MOCAS, PPVM, APVM, EAS, SCRT, BAM)	Q1 FY 2014	IPA SSAE No. 16 Examination Underway
Defense Finance and Accounting Service – Service Provider	Financial Reporting	Q1 FY 2014	IPA SSAE No. 16 Examination Pending
Defense Finance and Accounting Service – Service Provider	Standard Disbursing Service Phase 2 (IPAC Central Site Wizard)	Q1 FY 2014	IPA SSAE No. 16 Examination Pending

## FIAR Plan Status Report

DoD Component	Audit Readiness Assertion	Assertion Date	Status
Defense Information Systems Agency – Service Provider	All Assessable Units (Enterprise Computing Services)		IPA SSAE No. 16 Examination Complete – Unqualified Opinion
Defense Logistics Agency	Civilian Pay	Q4 FY 2013	IPA Examination Pending
Defense Logistics Agency – Service Provider	All Assessable Units (DAAS)	Q3 FY 2013	IPA SSAE No. 16 Examination Underway
Defense Logistics Agency – Service Provider	Contract Pay (WAWF)	Q1 FY 2014	IPA SSAE No. 16 Examination Pending
Defense Logistics Agency – Service Provider	All Assessable Units (DAI)	Q1 FY 2014	IPA SSAE No. 16 Examination Pending
Service Medical Activity (Navy)	Consumables	Q3 FY 2013	OUSD(C) Review Underway
<b>Mission Critical Assets Existence and Completeness</b>			
Navy	Military Equipment – Small Boats	Q4 FY 2013	OUSD(C) Review Underway
Navy	OM&S – Uninstalled Aircraft Engines	Q1 FY 2014	OUSD(C) Review Underway
Defense Logistics Agency	General Equipment – Capitalized Assets	Q4 FY 2013	OUSD(C) Review Underway
Defense Logistics Agency	Real Property – DLA Hosted Sites	Q4 FY 2013	OUSD(C) Review Underway

OUSD(C) Review Underway – FIAR is reviewing the assertion documentation to confirm that the Component is ready for examination.

Additional Corrective Actions Needed – Based on OUSD(C) review of the assertion documentation, the Components require certain corrective actions prior to being ready for examination; Components will reassert.

Examination/Audit Pending – OUSD(C) review is complete and no additional corrective actions are needed. The Component is ready to go under examination.

Examination/Audit Underway – The examination or audit is in progress.

In Sustainment – Assertion may not go to examination due to materiality of the assessable unit; Component sustaining audit readiness.

### MOCK AUDITS

The Department plans and executes mock audits using the same procedures, tools, and techniques that auditors employ during an audit, but because the auditors in a mock audit work for management, the auditors are not independent.

The OUSD(C) completed a mock audit and validated audit readiness of Appropriations Received (Wave 1) for all other Defense organizations in March 2013. Based on that experience, roles, responsibilities, action items, and timelines were developed, and lessons learned were captured.

The OUSD(C) began a new round of mock audits on Defense-wide (Treasury Index 97) Financial Reporting and of Civilian Pay in June 2013. For many Defense organizations, these new rounds of mock audits are the first financial statement audit experience over Wave 2 processes. The Defense Finance and Accounting Service is acting as liaison to the mock audit teams and will coordinate the compilation, review, and submission of required supporting documentation and transactions.

### WORKFORCE DEVELOPMENT

While the financial workforce is experienced, trained, and dedicated, they generally do not have direct experience in financial auditing. To help financial managers acquire skills and experience in key areas, including in financial audits, the Department is putting in place a course-based financial management certification program. Additionally, the Department is delivering immediate, practical training on the importance of audit readiness to financial managers as well as others who play a role.

#### FM Certification Program

The DoD Financial Management (FM) Certification Program emphasizes appropriate training and development in major areas such as audit readiness, fiscal law, ethics, decision support, and

leadership development. A Directive-type Memorandum was published in March 2013, and a DoD Instruction is currently in coordination to formalize the program.

Three levels of certification outline training requirements in technical and leadership competencies. To track progress against certification requirements, the workforce uses the DoD FM Learning Management System. This tool enables supervisors and Component certification authorities to track and approve certifications helping them to identify where additional training is needed and plan for future training requirements based on the evolving needs of the Department.

The DoD Financial Management Certification Program provides an overarching framework for professional development in the financial management career field. The program completed a successful pilot at 13 Components with 652 participants. The pilot garnered several lessons learned that were incorporated into the program's overall implementation strategy. To date, the program has been implemented in 7 organizations with over 600 participants. The implementation team provides on-going support through live instructor-led virtual training and online training.

Through the program, the Department ensures the FM workforce has the knowledge, skills, and abilities necessary to meet DoD resourcing challenges and achieve auditable financial statements. Full implementation will be in Quarter 4 of FY 2014.

#### FIAR Training

The Department collected best practices, lessons learned, and case studies to develop two series of interactive courses on auditing DoD. Approximately 3,600 personnel have attended these Tier I and Tier II courses.

Tier I courses enhance Department-wide knowledge and understanding of the FIAR goals and priorities, introduce the FIAR Guidance, and reinforce the Department's internal control over financial reporting requirements. Tier II uses case studies to further

## FIAR Plan Status Report

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explore assessing, improving, and auditing budgetary resources and existence and completeness of mission critical assets. 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.

For personnel outside the financial community who support audit readiness, the Department has developed FIAR Overview. FIAR Overview is a tailored training session that introduces financial improvement and audit readiness requirements and describes the non-financial manager's role in supporting the FIAR initiative.

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.

During FY 2013, 20 Tier I, 14 Tier II, and 7 FIAR Overview sessions were conducted across the country, and there continues to be strong interest for training. The Department is expecting the demand to continue in FY 2014 and plans to update the training content to reflect additional lessons learned and best practices. In addition to the FIAR courses developed and delivered by the OUSD(C), many personnel have attended training developed and delivered by the Components.

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

*Consistent with the National Defense Authorization Act of FY 2013, the Army is well postured to achieve audit readiness of the schedule of budgetary activity by September 30, 2014, 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.*

*At a time of great challenges we face from the strain of war, the reduction of defense budgets, and the furloughs, we continue to make improved financial operations and fiscal stewardship top priorities throughout the Army. Our plan is sufficiently resourced, and has the full support of the Army's top leaders, who are committed to meeting these challenges and fully understand these goals must be met. We regularly assess our progress and provide scorecards to pinpoint areas requiring additional focus. The significant commitment from our Soldiers and civilians enabled us recently to achieve several critical milestones, including receiving a positive audit opinion from the DoD IG on three major missile programs; beginning an audit of more than half of the Army's real property; and undergoing the final 'mock audit' by an external auditor of the Army's budgetary execution processes within GFEBS, the Army's new business system.*

*We continue to improve our business processes and enhance our enterprise resource systems. However, we know that sufficiently trained personnel are critical to sound business operations. Therefore, we have trained more than 18,000 Army personnel in audit readiness fundamentals and continue to expand our online training resources. We provide a suite of audit readiness resources because preparing our staff is the single most important thing we can do to achieve our financial management goals. I am extremely proud of our accomplishments to date because strengthening the business operations that support our Soldiers ensures we continue to be Army Strong.*



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

Dr. 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 improving financial accountability. 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 supporting financial improvement activities throughout the organization. The infrastructure helps financial managers define and execute the Army’s Financial Improvement Plan (FIP), which is maintained by the OASA(FM&C) and includes specific, measurable actions to address audit readiness impediments. Some of the impediments identified in Army audit readiness examinations include:

- Inadequate Information Technology (IT) controls to protect General Fund Enterprise Business System (GFEBS) applications and its supporting IT general controls environment.
- Inadequate controls over journal entry processing within GFEBS and the Defense Departmental Reporting System (DDRS).
- Lack of documentation to support control activities for certain transactions processed within GFEBS.
- Inadequate controls over physical inventory.
- Lack of an accountable property system of record (APSR) for missiles held at contractor’s facilities and at the Redstone Test Center.

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

#### OVERVIEW OF ACCOMPLISHMENTS

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

#### Outreach and Awareness

The OASA(FM&C) uses 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



Security being performed during a battle drill at Forward Operating Base Lightning in Paktia province, Afghanistan, Oct. 3, 2013. (U.S. Army photo by Sgt. Justin A. Moeller)

## FIAR Plan Status Report

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give business process owners an opportunity to report progress and clarify their role in the Army's audit readiness efforts. To complement these focused forums, the Army uses several web-based and print media to communicate its audit readiness strategy to a broad audience.

The Army's quarterly newsletter, The FIP Report, updates business process owners on audit readiness activities, and gives information on upcoming training and other financial management topics.

In August 2013, the Army updated the Audit Readiness Command and Installation Guide for commands and installations. First developed in February 2012, the guide lists and describes audit readiness resources available and describes internal control activities for each command and installation, including the authoritative guidance and policies. The guide also addresses common internal control problems identified by Army audit readiness teams during discovery and testing site visits.

To help Army commanders embed audit readiness into daily business functions, the Army updated its Commanders' Checklist in August 2013. The controls in the checklist coincide with controls in the Audit Readiness Command and Installation Guide. The Army is monitoring each command's progress through periodic Checklist Status Reports. In these reports, each Army command must indicate whether controls are in place and operating effectively.

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

### **SBR Examination 3 Assertion**

In June 2013, the Army asserted audit readiness for the General Fund SBR Examination 3, which covers current year activity (FY 2013) and includes the following business processes and IT controls:

- Funds Receipt, Distribution, and Monitoring
- Reimbursable Orders (Inbound)

- Civilian and Military Pay
- Contractual Services and Acquisition of Capital Assets
- Financial Reporting
- GFEBS and Global Combat Support System – Army (GCSS-A) General and Application Controls
- Procurement Automated Data and Document System (PADDS) to Logistics Modernization Program (LMP) to GFEBS interface controls and application controls to support the procurement process)

This is the final of three preliminary examinations conducted by an IPA to test and validate processes and controls before the full General Fund SBA assertion in FY 2014. The IPA report for Examination 3 is expected in Quarter 2 of FY 2014.

### **Operating Materials and Supplies 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). These assets accounted for \$4.46 billion as of March 31, 2012, approximately 15 percent of the total OM&S. The results of this assertion indicated that the APSRs were complete and accurate. As a result, the Army has proven the existence and completeness of these three missile programs. In April 2013, the DoD OIG issued a qualified opinion over the OM&S Quick Wins assertion.

The Army has begun discovery, corrective action, and evaluation work for all OM&S assets to support the planned assertion in December 2013. This effort expands the Army's audit readiness work to all Class V supply assets (i.e., ammunition of all types,

## FIAR Plan Status Report

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bombs, explosives, mines, fuses, detonators, pyrotechnics, missiles, rockets, propellants, and associated items).

### Real Property Quick Wins Assertion

In December 2012, the Army asserted existence, completeness, and rights and obligations audit readiness for Real Property Quick Wins assets at 23 installations. The Quick Wins assets represented approximately 25 percent of the Army's real property assets reported on the Balance Sheet. Of the 843 sampled assets, the Army could validate the existence of 805 assets (over 95 percent of the sample). Where transactions failed controls testing, the Army validated the existence of the assets tested. The small percentage of assets that could not be validated was because: 1) the asset had been demolished, 2) the asset was incorrectly reported as a consolidated asset record, or 3) the asset could not be identified based on the information available. Of the 1,035 sampled assets, the Army identified 1,011 assets (98 percent of the sample) in the APSR. An IPA is examining the Army's assertion and plans to issue a report by Quarter 2 of FY 2014.

### Monthly Controls Testing

To prepare for the rigors of a financial statement audit, the Army is testing controls monthly across all SBR and existence and completeness assessable units. The output of this testing includes a scorecard that provides month-to-month comparative test results, performance results by command, an analysis of failures, and recommendations based on common failures. In FY 2012, the Army began this testing to mimic the process of a financial statement audit. As a result of this monthly "practice," the Army has demonstrated significant improvements in the ability to manage and respond to financial statement audits, as evidenced by the General Fund SBR IPA Examination 2 and the DoD OIG examination of OM&S Quick Wins.

### FISCAM Assessments

The Army's audit readiness depends on the successful implementation of three core ERPs: GFEBS, GCSS-A, and LMP. The three systems support the Army's business operations while advancing the Army's audit readiness goals. Because of their importance, the Army is conducting Federal Information System Controls Audit Manual (FISCAM) assessments to confirm the ERPs' ability to support auditable business processes and financial statement audits. The Army completed initial assessments of GFEBS and GCSS-A and is in the process of assessing LMP for the following control domains:

- Access Controls/Security Management
- Business Processes
- Change Management
- Continuity Planning
- Interface Controls
- IT Operations
- Program-Level Controls
- Segregation of Duties

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

The FISCAM assessment of GFEBS was completed in January 2013. It included controls critical to the upcoming examination of the General Fund SBR business processes at installations included in GFEBS deployment Waves 1 and 2. The assessment identified 234 control gaps. The Army created a corrective action plan to manage the control gaps. As of August 20, 2013, 127 out of 234 items have been remediated by GFEBS. The corrective actions are being validated by an IPA firm.

## FIAR Plan Status Report

The Army Audit Agency (AAA), at the request of ASA(FM&C) and the ERP program managers, has been concurrently assessing GFEBS and GCSS-A for compliance with the Federal Financial Management Improvement Act of 1996. AAA has identified and worked closely with the functional proponents of these ERPs across all process areas to ensure all financially related transactions meet Federal Financial Management Improvement Act of 1996 (FFMIA) standards. The GCSS-A FISCAM assessment began in September 2011 and was completed in September 2012. The review included controls critical to the SBR Examination 3 assertions issued in June 2013. Observations from this assessment indicated risks in system access, change management, and security monitoring, which are consistent with a system deployment of this magnitude. The Army created a corrective action plan to manage the control gaps, and remediated and retested the high-risk items with a focus on policies and procedures, change management, and user access. The GCSS-A application was included within the scope of the SBR Examination 3. While remediation efforts are underway, an IPA is validating the corrective actions. As of August 20, 2013, 118 out of 149 items have been remediated by GCSS-A.

The LMP FISCAM assessment of IT general and application controls began in July 2012. Testing of IT general controls was completed in March 2013, and 120 control gaps were identified. A corrective action plan was developed and is tracked weekly. As of August 20, 2013, 32 corrective actions have been validated and deemed as complete by the Army Working Capital Fund audit readiness team. The team identified and tested seven primary interfaces. The assessment was completed in June 2013, and 56 control gaps were identified and are being remediated. As of August 30, 2013, 45 corrective actions were complete. In addition, LMP business process application controls are being assessed.

See Appendix 4 for the status of IT general and application control testing and corrective activity for systems material to the SBR and existence and completeness.

## Audit Readiness Training

The Army continues to expand the audit readiness training program to ensure all personnel have the knowledge and skills needed to function effectively in an audit ready environment. As of September 2013, the OASA(FM&C) has delivered audit readiness training to over 18,000 personnel at 241 sites, including more than 3,200 personnel via the Army Learning Management System (ALMS), an important tool for the Army during on-going budget constraints and travel restrictions.

Methods of training include instructor-led courses delivered remotely via Defense Connect Online or video teleconferencing, and online courses available on the ALMS and the AKO website. While the courses include audit readiness awareness and comprehension, the primary focus of this training is the proper implementation and execution of controls, business process improvements, and audit preparation and support. Figure III-1 lists available courses.

**Figure III-1. Army Audit Readiness Training**

Area of Emphasis	Available Courses
Foundational	Army Audit Readiness
	Army FIP
Audit Readiness	Internal Controls
	Testing
	Corrective Action
Audit Readiness Sustainment (SBR)	Contractual Services/Acquisition of Assets
	Civilian Payroll
	Reimbursable Inbound
Audit Readiness Sustainment (E&C)	Military Equipment/General Equipment
	Operating Materials & Supplies
	Real Property



## STATEMENT OF BUDGETARY RESOURCES

In accordance with the DoD FIAR priorities and objectives, the National Defense Authorization Act for FY 2010, and Under Secretary of the Army direction, 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 in September 2010, and an IPA issued an unqualified opinion on the audit readiness assertion in August 2011. The 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 and 2013. Each examination builds in scope, both in number of installations and number of business processes.

**SBR Examination 1.** The scope included manual controls for five business processes at three installations. In November 2011, an IPA issued a qualified opinion. The IPA found consistency of standardized business processes across all three sites. The examination 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 auditor testing. The IPA recommended civilian Permanent Change of Station travel be removed as a process to evaluate because the funds associated with this process were not material. Therefore, Permanent Change of Station will not be included in future examinations, as a separate assessable unit.

**SBR Examination 2.** The scope included 10 business processes at 10 GFEBS Wave 1 and 2 locations (for IMCOM, TRADOC, and FORSCOM only), GFEBS general and application controls, and DFAS operations. In March 2013, the IPA issued an opinion, finding that as designed, the control environment established by the Army was appropriate to mitigate and detect risks to the financial statements and prevent material misstatements from being presented. The IPA noted three material weaknesses and one material deviation in its report. Included in these findings were material weaknesses related to journal voucher processing, lack of or incorrect supporting documentation, late receipt of supporting documentation, and control design and effectiveness weaknesses in the GFEBS application, including supporting database and operating system layers.

**SBR Examination 3.** The scope includes all current year activity in FY 2013, all non-legacy General Fund activity in GFEBS and CEFMS, and DFAS controls for Army's processes. Specifically, the scope includes the following business processes and IT controls:

- Funds Receipt, Distribution, and Monitoring
- Reimbursable Orders (Inbound)
- Civilian and Military Pay
- Contractual Services and Acquisition of Assets
- Financial Reporting
- GFEBS and GCSS-A General and Application Controls



### Appropriations Received

#### Audit Ready and in Sustainment

- Asserted audit readiness of the General Fund SBR Appropriations Received in 09/2010.
- 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	Completion
Discovery	✓
Process Documentation	✓
Test Plans	✓
Conduct Control Testing	✓
Conduct Balance Testing	✓
Complete Corrective Actions/Assert	✓
<b>Audit Readiness Validated</b>	✓

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

Audit Readiness Outcomes	Accountable Entity	Completion
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 affects the balance of the current year funds distributed within the organization is recorded accurately.	OASA(FM&C)	✓
Material systems achieve the relevant FISCAM IT general and application-level general control objectives.	OASA(FM&C), DFAS	✓

## Funds Distribution

### Remaining Audit Readiness Actions and Challenges

- Complete and execute corrective action plans (CAPs) for known deficiencies and weaknesses.
- Conduct monthly internal control retesting and provide commands with a report reflecting testing results, trends, and recommendations.

### Completion Dates for Milestones (✓ = Completed)

FIAR Phases	Completion
Discovery	✓
Process Documentation	✓
Test Plans	✓
Conduct Control Testing	✓
Conduct Balance Testing	✓
Complete Corrective Actions/Assert	06/2014
<b>Audit Readiness Validated</b>	<b>09/2014</b>

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

Audit Readiness Outcomes	Accountable Entity	Completion
Current year funds distributed are recorded timely in the Distribution System.	OASA(FM&C)	06/2014
Current year funds distributed are recorded accurately in the Distribution System and are valid.	OASA(FM&C)	06/2014
Current year sub-allotments are recorded timely.	OASA(FM&C)	06/2014
Current year sub-allotments are recorded accurately and are valid.	OASA(FM&C)	06/2014
Current year funds distributed are recorded timely in the General Ledger.	OASA(FM&C)	06/2014
Current year funds distributed are recorded accurately in the General Ledger and are valid.	OASA(FM&C)	06/2014
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)	06/2014
Material systems achieve relevant FISCAM IT general and application-level general control objectives. (GFEBS)	OASA(FM&C)	06/2014

## Contractual Services and Acquisition of Assets

### Remaining Audit Readiness Actions and Challenges

- Complete and execute CAPs for known deficiencies and weaknesses.
- Identify mitigating controls and substantive procedures to support assertion in absence of CAPs.
- Conduct monthly internal control retesting and provide commands with a report reflecting testing results, trends, and recommendations.

### Completion Dates for Milestones (✓ = Completed)

FIAR Phases	Completion
Discovery	✓
Process Documentation	✓
Test Plans	✓
Conduct Control Testing	✓
Conduct Balance Testing	✓
Complete Corrective Actions/Assert	06/2014
<b>Audit Readiness Validated</b>	<b>09/2014</b>

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

Audit Readiness Outcomes	Accountable Entity	Completion
Obligations are recorded timely.	OASA(FM&C), G-4, IMCOM, TRADOC, FORSCOM, AMC, DFAS	06/2014
Obligations are valid and recorded accurately.	OASA(FM&C), G-4, IMCOM, TRADOC, FORSCOM, AMC, DFAS	06/2014
Accruals and/or payables are recorded timely.	OASA(FM&C), G-4, IMCOM, TRADOC, FORSCOM, AMC, DFAS	06/2014
Accruals and/or payables are valid and recorded accurately.	OASA(FM&C), G-4, IMCOM, TRADOC, FORSCOM, AMC, DFAS	06/2014
Disbursements are recorded timely.	OASA(FM&C), G-4, IMCOM, TRADOC, FORSCOM, AMC, DFAS	06/2014
Disbursements are valid and recorded accurately.	OASA(FM&C), G-4, IMCOM, TRADOC, FORSCOM, AMC, DFAS	06/2014
Stale or invalid obligations and accruals are removed.	OASA(FM&C), G-4, IMCOM, TRADOC, FORSCOM, AMC, DFAS	06/2014
Material systems achieve relevant FISCAM IT general and application-level general control objectives. (ADS, DCAS, DDS, GFEBS, MOCAS, LMP, and WAWF)	OASA(FM&C), PEO-EIS, DFAS, DLA	06/2014

### Reimbursables – Inbound (Acceptor)

#### Remaining Audit Readiness Actions and Challenges

- Complete and execute CAPs for known deficiencies and weaknesses.
- Identify mitigating controls and substantive procedures to support assertion in absence of CAPs.
- Conduct monthly internal control retesting and provide commands with a report reflecting testing results, trends, and recommendations.

#### Completion Dates for Milestones (✓ = Completed)

FIAR Phases	Completion
Discovery	✓
Process Documentation	✓
Test Plans	✓
Conduct Control Testing	✓
Conduct Balance Testing	✓
Complete Corrective Actions/Assert	06/2014
<b>Audit Readiness Validated</b>	<b>09/2014</b>

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

Audit Readiness Outcomes	Accountable Entity	Completion
Unfilled customer orders are recorded timely.	OASA(FM&C), G-4, IMCOM, TRADOC, FORSCOM, AMC, DFAS	06/2014
Unfilled customer orders are valid and recorded accurately.	OASA(FM&C), G-4, IMCOM, TRADOC, FORSCOM, AMC, DFAS	06/2014
Revenue/IPAC collections are recorded timely.	OASA(FM&C), G-4, IMCOM, TRADOC, FORSCOM, AMC, DFAS	06/2014
Revenue/IPAC collections are valid and recorded accurately.	OASA(FM&C), G-4, IMCOM, TRADOC, FORSCOM, AMC, DFAS	06/2014
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	06/2014
Material systems achieve the relevant FISCAM IT general and application-level general control objectives. (GFEBs)	OASA(FM&C), PEO-EIS, DFAS, DLA	06/2014

## Civilian Pay

### Remaining Audit Readiness Actions and Challenges

- Complete and execute CAPs for known deficiencies and weaknesses.
- Identify mitigating controls and substantive procedures to support assertion in absence of CAPs.
- Conduct monthly internal control retesting and provide commands a report on testing results, trends, and recommendations.
- An SSAE No. 16 examination report was issued in FY 2013 for DFAS internal controls supporting Army transactions. The SSAE No. 16 examination covered disbursing, military pay, and portions of the civilian pay processes.

### Completion Dates for Milestones (✓ = Completed)

FIAR Phases	Completion
Discovery	✓
Process Documentation	✓
Test Plans	✓
Conduct Control Testing	✓
Conduct Balance Testing	✓
Complete Corrective Actions/Assert	06/2014
<b>Audit Readiness Validated</b>	<b>09/2014</b>

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

Audit Readiness Outcomes	Accountable Entity	Completion
Civilian personnel actions are valid and recorded accurately.	OASA(FM&C), G-1, CHRA	06/2014
Civilian personnel actions are recorded timely.	OASA(FM&C), G-1, CHRA	06/2014
T&A information is valid and recorded correctly.	OASA(FM&C), G-1, CHRA	06/2014
T&A information is recorded timely.	OASA(FM&C), G-1, CHRA	06/2014
Bi-weekly payroll is calculated and processed correctly.	OASA(FM&C), DFAS	06/2014
Payroll obligations, expenses, accruals, and disbursements are valid and are correctly recorded.	OASA(FM&C), DFAS	06/2014
Payroll obligations, expenses, accruals and disbursements are recorded timely.	OASA(FM&C), DFAS	06/2014
Stale obligations and accruals are removed from the general ledger(s) timely.	OASA(FM&C), DFAS	06/2014
Material systems achieve the relevant FISCAM IT general and application-level general control objectives. (ADS, DCAS, DCPS, ATAAPS, and GFEBs)	OASA(FM&C), PEO-EIS, DFAS, DLA	06/2014

## Military Pay

### Remaining Audit Readiness Actions and Challenges

- Complete and execute CAPs for known deficiencies and weaknesses.
- Identify mitigating controls and substantive procedures to support assertion in absence of CAPs.
- Conduct monthly internal control retesting and provide commands a report on testing results, trends, and recommendations.
- An SSAE No. 16 examination report was issued in FY 2013 for DFAS internal controls supporting Army transactions. The SSAE No. 16 examination covered disbursing, military pay, and portions of the civilian pay processes.

### Completion Dates for Milestones (✓ = Completed)

FIAR Phases	Completion
Discovery	✓
Process Documentation	✓
Test Plans	✓
Conduct Control Testing	✓
Conduct Balance Testing	✓
Complete Corrective Actions/Assert	06/2014
<b>Audit Readiness Validated</b>	<b>09/2014</b>

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

Audit Readiness Outcomes	Accountable Entity	Completion
Personnel information is recorded timely.	G-1	06/2014
Personnel information is valid and recorded accurately.	OASA(FM&C), G-1	06/2014
Payroll is calculated and processed accurately.	OASA(FM&C), DFAS	06/2014
Payroll obligations, expenses, accruals, and disbursements are recorded timely.	OASA(FM&C), DFAS	06/2014
Payroll obligations, expenses, accruals, and disbursements are valid and recorded accurately.	OASA(FM&C), DFAS	06/2014
Obligations and accruals are reviewed, and adjusted as necessary, at least three times per year.	OASA(FM&C), DFAS	06/2014
Material systems achieve the relevant FISCAM IT general and application-level general control objectives. (ADS, DCAS, GFEBS, and DJMS)	OASA(FM&C), PEO-EIS, DFAS, DLA	06/2014

## Financial Reporting

### Remaining Audit Readiness Actions and Challenges

- Complete and execute CAPs for known deficiencies and weaknesses.
- Identify mitigating controls and substantive procedures to support assertion in absence of CAPs.
- Conduct monthly internal control retesting and provide commands a report on testing results, trends, and recommendations.

### Completion Dates for Milestones (✓ = Completed)

FIAR Phases	Completion
Discovery	✓
Process Documentation	✓
Test Plans	✓
Conduct Control Testing	✓
Conduct Balance Testing	✓
Complete Corrective Actions/Assert	06/2014
<b>Audit Readiness Validated</b>	<b>09/2014</b>

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

Audit Readiness Outcomes	Accountable Entity	Completion
Trial balances (or equivalents) are produced timely.	OASA(FM&C), DFAS	06/2014
Trial balances (or equivalents) are valid and accurate.	OASA(FM&C), DFAS	06/2014
Trial balances (or equivalents) are loaded into DDRS-B timely.	OASA(FM&C), DFAS	06/2014
Trial balances (or equivalents) are complete and accurately loaded into DDRS-B.	OASA(FM&C), DFAS	06/2014
Trial balance data in DDRS-B is loaded into DDRS-AFS timely.	OASA(FM&C), DFAS	06/2014
Trial balances data is accurately loaded from DDRS-B into DDRS-AFS.	OASA(FM&C), DFAS	06/2014
Adjustments are recorded timely in DDRS-B and DDRS-AFS.	OASA(FM&C), DFAS	06/2014
Adjustments recorded in DDRS-B and DDRS-AFS are valid and accurate.	OASA(FM&C), DFAS	06/2014
SBR, related footnotes and accompanying information is completed timely.	OASA(FM&C), DFAS	06/2014
SBR, related footnotes and accompanying information is valid and accurate.	OASA(FM&C), DFAS	06/2014
Material systems achieve the relevant FISCAM IT general and application-level general control objectives. (DDRS-AFS, DDRS-B)	OASA(FM&C), PEO-EIS, DFAS, DLA	06/2014

### Fund Balance with Treasury

#### Remaining Audit Readiness Actions and Challenges

- Complete and execute CAPs for known deficiencies and weaknesses.
- Identify mitigating controls and substantive procedures to support assertion in absence of CAPs.
- Conduct monthly internal control retesting and provide commands a report on testing results, trends, and recommendations.

#### Completion Dates for Milestones (✓ = Completed)

FIAR Phases	Completion
Discovery	✓
Process Documentation	✓
Test Plans	✓
Conduct Control Testing	✓
Conduct Balance Testing	✓
Complete Corrective Actions/Assert	06/2014
<b>Audit Readiness Validated</b>	<b>09/2014</b>

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

Audit Readiness Outcomes	Accountable Entity	Completion
Disbursements and collections are reported timely.	OASA(FM&C), DFAS	06/2014
Disbursements and collections are valid and accurately reported.	OASA(FM&C), DFAS	06/2014
Treasury accounts related to the Component are reconciled monthly within required timeline.	OASA(FM&C), DFAS	06/2014
Treasury reconciliations, including general ledger and disbursing system data, are accurate.	OASA(FM&C), DFAS	06/2014
Reconciling differences and budget clearing account items are identified at the transaction level.	OASA(FM&C), DFAS	06/2014
Reconciling and budget clearing account items are valid, appropriately resolved, and the correct amount.	OASA(FM&C), DFAS	06/2014
Material systems achieve the relevant FISCAM IT general and application-level general control objectives. (ADS, DCAS, DDS, GFEBS)	OASA(FM&C), PEO-EIS, DFAS, DLA	06/2014

## **EXISTENCE AND COMPLETENESS OF MISSION CRITICAL ASSETS**

The Army's status and plans for achieving existence and completeness audit readiness of mission critical assets (i.e., Military Equipment, General Equipment, Real Property, Operating Materials and Supplies, and Inventory) is provided in this section.

### **Existence and Completeness Assessable Units**

Existence and completeness assessable units in the Army FIP are:

- Military Equipment
- General Equipment
- Real Property
- Operating Materials and Supplies
- Real Property (Army Working Capital Fund)
- General Equipment (Army Working Capital Fund)
- Inventory (Army Working Capital Fund)

### **Military Equipment and General Equipment**

The audit readiness approach for Military Equipment and General Equipment follows the SBR approach. The Army is conducting monthly internal control and substantive testing Army-wide (e.g., transaction completion testing, transaction authority testing, physical inventory re-performance, and reverse testing of asset records). Results are consolidated, summarized, reviewed, and distributed to Army stakeholders after each testing cycle.

Internal review offices review monthly testing exceptions and assist in the development and implementation of corrective actions to ensure sustainment of an audit ready environment. Improvement is evidenced through each testing cycle by demonstrating property accountability and the operating effectiveness of internal controls. Over the first three quarters of FY 2013, Military Equipment and

General Equipment existence and completeness monthly testing results averaged an 80 percent pass rate for substantive testing and a nearly 50 percent pass rate for internal control testing. The Army is generally able to provide documents supporting assets recorded in the APSR, but documentation may be missing key attributes such as signatures and dates.

The Army will assert the Military Equipment and General Equipment existence and completeness by December 2013. This interim milestone assertion is an important step toward preparing auditable financial statements by September 30, 2017.

### **Operating Materials and Supplies**

The initial OM&S approach focused on the existence and completeness of three tactical missile programs as part of a Quick Wins strategy to determine the auditability of OM&S assets. The Army missile programs included the Hellfire, Javelin, and Tube-launched, Optically-tracked, Wire-guided (TOW) missiles. The OM&S approach followed the FIAR Guidance and included executing substantive testing, creating process flowcharts and narratives of the OM&S key life cycle business processes, and conducting assessments of the internal control activities within the munitions life cycle business processes. The processes include:

- Production
- Receive Shipment
- Surveillance
- Physical Inventory
- Issue and Turn-In
- Prepare Shipment
- Demilitarization
- Account Management

## FIAR Plan Status Report

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After completing the Quick Wins effort, the Army broadened its OM&S audit readiness efforts to all Class V assets.

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 identifying control gaps that require remediation prior to asserting all OM&S classes in December 2013. In addition, the Army is evaluating internal controls for entity-level processes that affect the accountability and visibility of OM&S and the existence and completeness assertions.

### Real Property

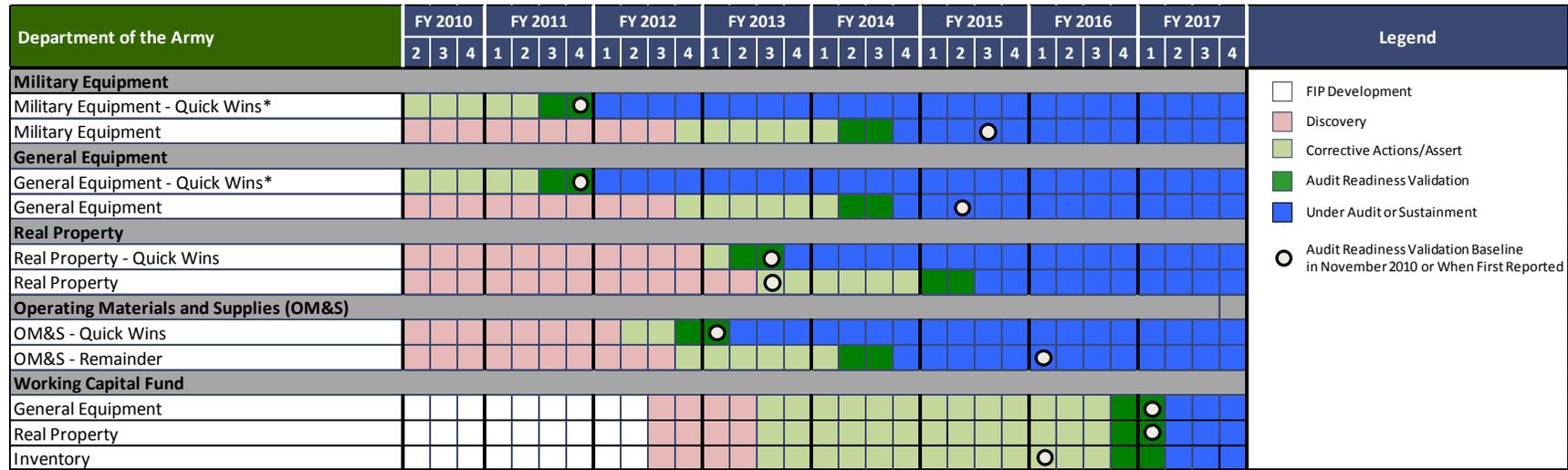
The Army asserted audit readiness of Real Property Quick Wins assets in December 2012. The Real Property Quick Wins assertion focused on 23 installations that reported substantial progress in obtaining key supporting documentation for real property assets, excluding land. The Army was able to validate the existence and completeness of over 95 percent of the sampled assets. These installations are currently under examination by an IPA firm. The IPA report is expected to be issued in Quarter 2 of FY 2014.

Since the Quick Wins assertion, the Army has been engaging in monthly substantive and internal controls testing over all real property assets, excluding land. The results from this testing have revealed a trending improvement over the accountability of real property assets. The Army averages an 85 percent and 63 percent pass rate for the existence and completeness of real property assets, respectively. From a controls perspective, the Army has an overall 70 percent pass rate. The average pass rates were derived from monthly test results from May 2013 to July 2013.

The Army continues to evaluate internal controls and the availability of documentation to support real property transactions. The Army will assert audit readiness for General Fund real property assets in September 2014.

Figure III-4 provides a summary view of the Army audit readiness plans for the existence and completeness assessable units. It also identifies the changes to baseline milestones established in the November 2010 FIAR Plan Status Report or from when first reported. A separate chart follows providing the audit readiness status and progress of each assessable unit. See Appendix 5 for an explanation of the FIAR activity conducted to achieve each milestone in these charts.

Figure III-4. Army Mission Critical Assets Existence and Completeness Audit Readiness Plans



\* Military Equipment and General Equipment Quick Wins have been incorporated into the audit readiness work for all Military and General Equipment.

## Military Equipment

### Remaining Audit Readiness Actions and Challenges

- Continue execution of CAPs for known deficiencies and weaknesses across major command organizations that maintain accountability of assets.
- Transition financial reporting of Military Equipment from legacy data to the Army accountable property system of record.
- Facilitate data conversion and interface development between Army information systems, Property Book Unit Supply-Enhanced, and GFEBS.
- Conduct monthly internal control retesting and provide commands with a report reflecting testing results, trends, and recommendations.

### Completion Dates for Milestones (✓ = Completed)

FIAR Phases	Completion
Discovery	✓
Process Documentation	✓
Test Plans	✓
Conduct Control and Key Supporting Documentation Testing	✓
Complete Corrective Actions/Assert	12/2013
<b>Audit Readiness Validated</b>	<b>06/2014</b>

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

Audit Readiness Outcomes	Accountable Entity	Completion
Acquisitions are recorded in the APSR and general ledger (or DDRS-AFS) timely.	Property Book Holders	12/2013
Acquisitions are recorded accurately in the APSR and general ledger (or DDRS-AFS).	Property Book Holders	12/2013
Disposals are recorded in the APSR and general ledger (or DDRS-AFS) timely.	Property Book Holders	12/2013
Disposals are recorded accurately in the APSR and general ledger (or DDRS-AFS).	Property Book Holders	12/2013
Changes to military equipment (condition, location) are recorded in the APSR timely.	Property Book Holders	12/2013
Changes to military equipment (condition, location) are recorded accurately in the APSR.	Property Book Holders	12/2013
Material systems achieve relevant FISCAM IT general and application-level general control objectives. (GFEBS)	OASA(FM&C), Army G-4, PEO-EIS, DLA, DFAS	12/2013

## General Equipment

### Remaining Audit Readiness Actions and Challenges

- Continue execution of CAPs for known deficiencies and weaknesses across major command organizations that maintain accountability of assets.
- Transition financial reporting of General Equipment from legacy data to the Army accountable property system of record.
- Facilitate data conversion and interface development between Army information systems, Property Book Unit Supply-Enhanced, and GFEBS.
- Conduct monthly internal control retesting and provide commands with a report reflecting testing results, trends, and recommendations.

### Completion Dates for Milestones (✓ = Completed)

FIAR Phases	Completion
Discovery	✓
Process Documentation	✓
Test Plans	✓
Conduct Control and Key Supporting Documentation Testing	✓
Complete Corrective Actions/Assert	12/2013
<b>Audit Readiness Validated</b>	<b>06/2014</b>

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

Audit Readiness Outcomes	Accountable Entity	Completion
Acquisitions are recorded in the APSR and general ledger (or DDRS-AFS) timely.	Property Book Holders	12/2013
Acquisitions are recorded accurately in the APSR and general ledger (or DDRS-AFS).	Property Book Holders	12/2013
Disposals are recorded in the APSR and general ledger (or DDRS-AFS) timely	Property Book Holders	12/2013
Disposals are recorded accurately in the APSR and general ledger (or DDRS-AFS).	Property Book Holders	12/2013
Changes to general equipment (condition, location) are recorded in the APSR timely.	Property Book Holders	12/2013
Changes to general equipment (condition, location) are recorded accurately in the APSR.	Property Book Holders	12/2013
Material systems achieve relevant FISCAM IT general and application-level general control objectives. (GFEBS)	OASA(FM&C), Army G-4, PEO-EIS, DLA, DFAS	12/2013

## Real Property

### Remaining Audit Readiness Actions and Challenges

- Execute corrective actions for known deficiencies and weaknesses across major commands that maintain accountability of assets.
- Conduct monthly internal control retesting and provide commands with a report reflecting testing results, trends, and recommendations.
- Distribute lessons learned and corrective actions to real property stakeholders.
- Support validation efforts being performed over Quick Wins assets. Validation efforts began in 07/2013.

### Completion Dates for Milestones (✓ = Completed)

FIAR Phases	Completion
Discovery	✓
Process Documentation	✓
Test Plans	✓
Conduct Control and Key Supporting Documentation Testing	✓
Complete Corrective Actions/Assert	09/2014
<b>Audit Readiness Validated</b>	<b>03/2015</b>

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

Audit Readiness Outcomes	Accountable Entity	Completion
Acquisitions are recorded in the APSR and general ledger (or DDRS-AFS) timely.	IMCOM, AMC, ARNG, USARC	09/2014
Acquisitions are recorded accurately in the APSR and general ledger (or DDRS-AFS).	IMCOM, AMC, ARNG, USARC	09/2014
Disposals are recorded in the APSR and general ledger (or DDRS-AFS) timely.	IMCOM, AMC, ARNG, USARC	09/2014
Disposals are recorded accurately in the APSR and general ledger (or DDRS-AFS).	IMCOM, AMC, ARNG, USARC	09/2014
Changes to real property (condition, location) are recorded in the APSR timely.	IMCOM, AMC, ARNG, USARC	09/2014
Changes to real property (condition, location) are recorded accurately in the APSR.	IMCOM, AMC, ARNG, USARC	09/2014
Material systems achieve relevant FISCAM IT general and application-level general control objectives. (GFEBS)	OASA(FM&C), OACSIM, DFAS, DLA	09/2014

## Operating Materials and Supplies

### Remaining Audit Readiness Actions and Challenges

- Complete and execute corrective actions for known deficiencies and weaknesses for remaining OM&S, which includes remediating findings from qualified opinion issued by an IPA in 01/2013 for Quick Wins assets.
- Identify mitigating controls and substantive procedures to support the OM&S full assertion in 12/2013.
- Conduct monthly internal control retesting and provide commands with a report reflecting testing results, trends, and recommendations.

### Completion Dates for Milestones (✓ = Completed)

FIAR Phases	Completion
Discovery	✓
Process Documentation	✓
Test Plans	✓
Conduct Control and Key Supporting Documentation Testing	✓
Complete Corrective Actions/Assert	12/2013
<b>Audit Readiness Validated</b>	<b>06/2014</b>

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

Audit Readiness Outcomes	Accountable Entity	Completion
Acquisitions are recorded in the APSR and general ledger (or DDRS-AFS) timely.	AMC	12/2013
Acquisitions are recorded accurately in the APSR and general ledger (or DDRS-AFS).	AMC	12/2013
Disposals are recorded in the APSR and general ledger (or DDRS-AFS) timely.	AMC	12/2013
Disposals are recorded accurately in the APSR and general ledger (or DDRS-AFS).	AMC	12/2013
Changes to OM&S (condition, location) are recorded in the APSR timely.	AMC	12/2013
Changes to OM&S (condition, location) are recorded accurately in the APSR.	AMC	12/2013
Material systems achieve relevant FISCAM IT general and application-level general control objectives. (LMP)	OASA(FM&C), AMC, PEO-EIS, DFAS, DLA	12/2013

## Real Property (Army Working Capital Fund)

### Remaining Audit Readiness Actions and Challenges

- Validate the complete and accurate conversion of real property data from IFS to GFEBS.
- Develop CAPs for known deficiencies and weaknesses identified through testing of controls over existence and completeness at material locations. Execute CAPs across all AWCF locations.
- Identify mitigating controls and substantive procedures to support assertion in absence of implemented corrective action plans.

### Completion Dates for Milestones (✓ = Completed)

FIAR Phases	Completion
Discovery	✓
Process Documentation	✓
Test Plans	✓
Conduct Control and Key Supporting Documentation Testing	✓
Complete Corrective Actions/Assert	06/2016
<b>Audit Readiness Validated</b>	<b>12/2016</b>

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

Audit Readiness Outcomes	Accountable Entity	Completion
Inventory acquisitions are recorded in the APSR and general ledger (or DDRS-AFS) timely.	AMC, DLA	06/2016
Inventory acquisitions are recorded accurately in the APSR and general ledger (or DDRS-AFS).	AMC, DLA	06/2016
Sales are recorded in the APSR and general ledger (or DDRS-AFS) timely.	AMC, DLA	06/2016
Sales are recorded accurately in the APSR and general ledger (or DDRS-AFS).	AMC, DLA	06/2016
Changes to Inventory (condition, location) are recorded in the APSR timely.	AMC, DLA	06/2016
Changes to Inventory (condition, location) are recorded accurately in the APSR.	AMC, DLA	06/2016
Material systems achieve relevant FISCAM IT general and application-level general control objectives. (GFEBS)	OASA(FM&C), OACSIM, DFAS, DLA	06/2016

## General Equipment (Army Working Capital Fund)

### Remaining Audit Readiness Actions and Challenges

- Develop CAPs for known deficiencies and weaknesses identified through testing of controls over existence and completeness at material locations. Execute CAPs across all AWCF locations.
- Identify mitigating controls and substantive procedures to support assertion in absence of implemented corrective action plans.

### Completion Dates for Milestones (✓ = Completed)

FIAR Phases	Completion
Discovery	✓
Process Documentation	✓
Test Plans	✓
Conduct Control and Key Supporting Documentation Testing	✓
Complete Corrective Actions/Assert	06/2016
<b>Audit Readiness Validated</b>	<b>12/2016</b>

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

Audit Readiness Outcomes	Accountable Entity	Completion
Inventory acquisitions are recorded in the APSR and general ledger (or DDRS-AFS) timely.	AMC	06/2016
Inventory acquisitions are recorded accurately in the APSR and general ledger (or DDRS-AFS).	AMC	06/2016
Sales are recorded in the APSR and general ledger (or DDRS-AFS) timely.	AMC	06/2016
Sales are recorded accurately in the APSR and general ledger (or DDRS-AFS).	AMC	06/2016
Changes to Inventory (condition, location) are recorded in the APSR timely.	AMC	06/2016
Changes to Inventory (condition, location) are recorded accurately in the APSR.	AMC	06/2016
Material systems achieve relevant FISCAM IT general and application-level general control objectives. (DPAS, LMP)	OASA(FM&C), Army G-4, PEO-EIS	06/2016

## Inventory (Army Working Capital Fund)

### Remaining Audit Readiness Actions and Challenges

- Perform additional Discovery process documentation and testing at Supply Support Activities (SSA), War Reserve, and Contractor locations.
- Develop and execute CAPs for deficiencies and weaknesses identified in the Inventory processes, focusing on cycle count controls.
- Identify mitigating controls and substantive procedures to support assertion in absence of implemented corrective action plans.
- Monitor the status of DLA’s efforts to obtain and SSAE No. 16 examination for DLA managed customer inventory.

### Completion Dates for Milestones (✓ = Completed)

FIAR Phases	Completion
Discovery	12/2013
Process Documentation	08/2013
Test Plans	09/2013
Conduct Control and Key Supporting Documentation Testing	12/2013
Complete Corrective Actions/Assert	06/2016*
<b>Audit Readiness Validated</b>	<b>12/2016*</b>

\* Revised since the May 2013 FIAR Plan Status Report.

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

Audit Readiness Outcomes	Accountable Entity	Completion
Inventory acquisitions are recorded in the APSR and general ledger (or DDRS-AFS) timely.	AMC, DLA	06/2016*
Inventory acquisitions are recorded accurately in the APSR and general ledger (or DDRS-AFS).	AMC, DLA	06/2016*
Sales are recorded in the APSR and general ledger (or DDRS-AFS) timely.	AMC, DLA	06/2016*
Sales are recorded accurately in the APSR and general ledger (or DDRS-AFS).	AMC, DLA	06/2016*
Changes to Inventory (condition, location) are recorded in the APSR timely.	AMC, DLA	06/2016*
Changes to Inventory (condition, location) are recorded accurately in the APSR.	AMC, DLA	06/2016*
Material systems achieve relevant FISCAM IT general and application-level general control objectives. (LMP)	OASA(FM&C), AMC, PEO-EIS, DFAS, DLA	06/2016*

\* Revised since the May 2013 FIAR Plan Status Report.

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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, and we are executing a plan to meet the Financial Improvement and Audit Readiness (FIAR) goals established by the Secretary of Defense.*

*The DON's progress is evidenced in the unqualified opinions received on the Transportation of People and Civilian Pay assessable units and the successful assertions of the Reimbursable Work Order, Military Pay, and Funds Balance with Treasury assessable units. These successes are only the beginning, and the DON is committed to maintaining these gains for the long-term. We have established an audit sustainment strategy and are continually seeking to improve our business processes in order to establish an enterprise-wide culture of financial accountability from senior leaders down to the functional level.*

*While we are making great progress, much more needs to be done. We continue to significantly improve our coordination with important Service Providers, including the Defense Finance and Accounting Service, the Defense Logistics Agency, the Defense Contract Management Agency, and the Defense Contract Audit Agency. In addition, we continue to perform detailed assessments of significant financial and non-financial feeder systems to identify control weaknesses and to implement the necessary changes and controls to ensure data accuracy and reliability.*

*Consistent with the National Defense Authorization Act of FY 2013, I have determined that the DON can achieve audit readiness of the Schedule of Budgetary Activity (SBA) by September 30, 2014, and without delaying full auditability of the Navy's financial statements by September 30, 2017.*



  
Ray Mabus  
Secretary of the Navy

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## IV. DON Audit Readiness Plans

The Department of the Navy (DON) continues to make significant progress toward asserting audit readiness for Wave 2 – Schedule of Budgetary Resources in FY 2014, Wave 3 – Existence and Completeness in FY 2016, and demonstrating full auditability of the Navy’s financial statements by the end of FY 2017. The DON followed a strategy of first asserting individual SBR and E&C assessable units and then seeking validation by an IPA or the DoD OIG to confirm the effectiveness of the control environment.

In addition to continuing to focus on audit readiness for the remaining SBR assessable units, the DON is also focused on audit readiness sustainment and continuous financial improvement. The



An E2-C Hawkeye prepares to launch from the flight deck of the aircraft carrier USS Theodore Roosevelt. (U.S. Navy photo by Mass Communication Specialist Seaman Kris R. Lindstrom)

DON is committed to promoting a culture, from top leadership down to the functional level, in which all personnel understand their role in audit readiness, and good financial stewardship is the accepted norm. Improvements are being institutionalized through updated financial policies, continuous testing, and strengthening of existing controls. The DON has made substantial progress in aligning stakeholders, prioritizing audit readiness activities, and managing tasks to a detailed schedule.

### Leadership and Accountability

Leadership is engaged at all levels and is committed to meeting audit readiness goals.

**Governance Framework.** Senior leaders guide the execution of the DON audit readiness strategy through committees, such as the Financial Information System Subcommittee and the Property Governance Council. The Audit Readiness Steering Committee, chaired by the Assistant Secretary of the Navy (Financial Management and Comptroller) (ASN (FM&C)), is charged with promoting and facilitating effective financial management and establishing a strong internal control environment. The Audit Readiness Steering Committee also advises on activities and opportunities related to audit readiness and financial management.

**Senior Leadership Engagement.** Senior leadership emphasizes audit readiness activities across the enterprise and down to the functional level. This engagement is not contained within the financial community, but extends across the operational and Budget Submitting Office (BSO) level for the entire Navy. For example, during visits to each BSO, the Vice Chief of Naval Operations (VCNO) personally engaged Admirals requesting updates on their audit readiness progress and status in meeting upcoming key assertion milestones. This type of direct engagement among Navy senior leaders is helping to ensure commitment and success of the DON audit readiness strategy.

## FIAR Plan Status Report

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**Functional Community Commitment.** Senior Executive Service members across the DON have committed to lead primary audit readiness activities and to serve as Segment Functional Leads. These senior leaders provide the necessary oversight and functional expertise to lead the functional community in supporting audit readiness objectives. For example, the Transportation of People functional lead continually engaged the Lead Defense Travel Administrators by conducting periodic training to reinforce internal control procedures and ensure audit readiness sustainment.

**Accountability.** The DON reinforces accountability for audit readiness goals by managing activities through an integrated Plan of Action and Milestones (PoAM). The PoAM outlines the key activities and milestones, as directed by OUSD(C), and assigns responsible parties for achieving them. Progress against milestones is monitored through weekly reviews with individual assessable unit project managers, monthly reviews of progress with the ASN (FM&C), and periodic reviews with the FIAR Governance Board, FIAR Committee, and FIAR Subcommittee. Additionally, the DON is coordinating with BSOs to monitor and update audit readiness responsibilities and progress through weekly PoAM Office Hours, biweekly Command Comptroller audit readiness reports, and monthly BSO FIAR Manager Meetings. By monitoring progress to the PoAM and holding assigned action owners accountable to meet key milestone dates, the DON has continued to make progress on its aggressive assertion schedule.

### Accomplishments and Progress

Continuing the momentum from past successful examinations of Appropriations Received and E-2D Advanced Hawkeye Major Defense Acquisition Program, FY 2013 marked another successful year for the DON's audit readiness efforts. The DON asserted audit readiness for Military Pay, Reimbursable Work Orders Performer and Grantor, and Net Outlays (Fund Balance with Treasury). Additionally, the DON's audit readiness assertions and methodology were validated by receiving unqualified opinions following an examination by an IPA for Civilian Pay and Transportation of

People. In FY 2013 the DON also asserted three mission critical asset subassessable units including Navy Small Boats, Ordnance, and Uninstalled Aircraft Engines. The lessons learned from these successful assertions and examinations are being applied to the remaining SBR and E&C assessable units.

The DON continues to demonstrate progress in identifying financial statement variances through trial balance and sub-ledger reconciliations while reducing gaps and anomalies through extensive data mining efforts. These efforts have 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. Additionally, the DON has made considerable progress in completing a quantitative drill down (QDD) while mapping over 30 million financial transactions across the Navy's four general ledgers to their appropriate assessable unit. The completion of the QDD will mark the first time an effort of this complexity has been completed in the history of DON financial improvement and audit readiness.

### Challenges and Risks

The DON has demonstrated substantial progress, but significant challenges remain. Like other DoD Components, the effect of sequestration and furloughs reduced available resources in the Navy and service providers. Risk remains due to the uncertainty of budget constraints in future fiscal years that may affect the DON's ability to achieve full financial statement auditability by the end of FY 2017.

In addition to sequestration and the uncertainty of future budgets, the DON continues to face audit readiness challenges in addressing its IT system infrastructure. Many of the legacy IT systems that impact the financial statements were not designed to account for resources in a way compatible with the requirements of auditable financial statements. Faced with this challenge, the DON and service providers continue to assess IT systems to identify control weaknesses, prioritize deficiencies, and implement the necessary changes and corrective actions to ensure data accuracy and reliability

during future audits. Additionally, the DON continues to reduce the number of applications and systems, which do not meet the DON business, IT, and financial process standards.

### **Audit Readiness Sustainment**

DON leadership understands that audit readiness is not a one-time effort. Sustaining an audit ready environment requires a continually focused effort, a financially sound IT infrastructure, and dedicated resources. The DON sustains audit readiness efforts by focusing on key post-assertion milestones. After a successful assertion, each segment prepares for examination by conducting smaller-scale, risk-based testing of controls to ensure completed corrective actions continue to operate effectively. After an IPA or DoD OIG completes an examination of the segment, where necessary, additional corrective actions or retesting of the control environment are completed before moving to the audit phase. After completing a successful initial audit and establishing a stable control environment, the DON moves toward an auditable steady-state and engages in Internal Controls Over Financial Reporting activities for the long-term.

### **Infrastructure for FY 2015 and Future Audits**

The DON is establishing the audit infrastructure required to ensure that audit readiness gains are sustained for future audits through:

**Audit Response and Evaluation Division (FMO-5).** The DON recently established a new division within the Office of the ASN/FM&C. The new Audit Response and Evaluation Division (FMO-5) focuses on audit sustainment activities including audit response. The organization's mission is to institutionalize a Department-wide audit response and evaluation quality control program and to promote and sustain financial management improvements. Through the quality control program, FMO-5 will review the infrastructure (e.g., structure, policies, processes, procedures, systems, and staffing) and validate the accuracy, completeness, integration, and compliance of the Navy's business

processes used to generate audit ready financial statements. FMO-5's efforts are directly focused on creating a DON-wide culture of self-assessment that facilitates BSO ownership of sustaining audit readiness.

**Audit Response Center (ARC) Tool.** The ARC Tool is the central audit management tool designed to support assertion preparation, audit engagements, and sustainment activities. The ARC Tool establishes a data repository that facilitates the dissemination of testing guidebooks and instructions to the BSOs and IPAs, gathering and storing supporting documentation requested by auditors, and tracking auditor requests from initial inquiry through fulfillment. The ARC tool has been used to facilitate multiple rounds of testing for each assessable unit, for two successful IPA examinations (Civilian Pay and Transportation of People), and for additional sustainment testing currently underway.

**Building BSO-Level Audit Capacity.** Sustaining auditability across the DON will require increased knowledge and functional skills across the BSOs. To assist BSOs with increasing their audit response capabilities, the DON has added regional Audit Response and Sustainment Centers and 117 new full-time positions.

**Business Process Standardization (BPS) Program.** The DON FMO BPS Program completed the BPS Phase II effort in September 2013. This phase resulted in the documentation and publication of the end-to-end financial business processes in coordination with the FIAR segment assertions. The final BPS Phase III effort is currently underway and is focused on enabling BSOs to implement standardization efforts identified during Phase II. This includes establishing configuration control mechanisms to update process standards throughout the DON's audit sustainment phases and institutionalizing methods to continually monitor, measure, and improve DON-wide process standards and policies.

Figure IV-1 shows the summary status of audit readiness for Waves 1, 2, and 3.

# FIAR Plan Status Report

**Figure IV-1. DON Audit Readiness Plans by Wave**

Department of the Navy	FY 2010			FY 2011			FY 2012			FY 2013			FY 2014			FY 2015			FY 2016			FY 2017			Legend							
	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1		2	3	4				
Wave 1 - Appropriations Received	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	<ul style="list-style-type: none"> <li>█ Discovery</li> <li>█ Corrective Actions/Assert</li> <li>█ Audit Readiness Validation</li> <li>█ Under Audit or Sustainment</li> <li>○ Audit Readiness Validation Baseline in November 2010 or When First Reported</li> </ul>
Wave 2 - Statement of Budgetary Resources	█	█	█	█	█	█	█	█	█	█	█	█	█	○	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	
Wave 3 - Existence and Completeness	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	○	█	█	█	█	█	█	█	█	█	

## STATEMENT OF BUDGETARY RESOURCES

In accordance with the FIAR Guidance, the DON will be asserting audit readiness of Statement of Budgetary Resources (SBR) processes, controls, and systems in FY 2014 and will be ready for a Schedule of Budgetary Activity (SBA) audit by the DoD OIG in FY 2015. The SBA audit is an incremental step to achieving an auditable SBR.

As the DON executes its SBR approach, the Navy is focused on four tenets:

1. Establish an effective and sustainable control environment.
2. Standardize business processes across the BSOs, legacy environments, and Navy ERP Program. Standardization will lead to greater efficiency and cost effectiveness through common and more easily understood processes, enhanced internal controls, and improved audit readiness.
3. Develop repeatable processes and enhance capabilities to reconcile the financial statements for future financial audits.
4. Create an audit support infrastructure, emphasizing enterprise-wide and top-to-bottom knowledge and control of financial data, as well as the ability to respond efficiently and effectively to auditor requests for information.

These tenets provide the foundation for the DON SBR strategy and are coupled with the active management of the SBR PoAM. The PoAM monitors progress for each of the primary SBR assessable units including:

- E-2D Advanced Hawkeye Major Defense Acquisition Program (E-2D MDAP)
- Civilian Pay
- Transportation of People
- Reimbursable Work Orders

- Military Pay
- Net Outlays (Fund Balance with Treasury)
- Supply Requisition (MILSTRIP)
- Contract/Vendor Pay
- Financial Statement Compilation and Reporting

To apply an appropriate amount of attention and focus on material business processes, the DON established separate workstreams. The workstreams were separated 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). While the OUSD(C) established assessable units represent the primary components of the SBR, the additional workstreams represent subcomponents that will enable a comprehensive assertion with a complete and accurate accounting of all material business processes. The workstreams include:

- Military Permanent Change of Station, distinguished from the Transportation of People assessable unit
- Transportation of Things, decoupled from the Transportation of People assessable unit
- Field Level Adjustments and Period End Close Process, separated from the Financial Statement Compilation and Reporting assessable unit

The workstreams are monitored, tested, and held to the same standards as their full assessable unit counterparts and will complement the full scope of the SBR without delaying progress or the corrective actions for the primary assessable units.

### Accomplishments

Recent accomplishments include audit readiness assertions for Reimbursable Work Orders, Military Pay, Fund Balance with Treasury, and the Military Permanent Change of Station workstream.

## FIAR Plan Status Report

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IPA examinations of Civilian Pay and Transportation of People resulted in unqualified opinions. Lessons learned from these achievements benefit audit readiness assertion and examination activities for the remaining SBR assessable units, including activities such as conducting iterative and interim reviews of all OUSD(C) deliverables, employing a proven testing and corrective action methodology across all assessable units, and conducting training with the BSOs prior to significant policy updates, procedure changes, and corrective action implementation.

### Remaining Activity to Achieve FY 2014 Goal

While significant progress has been made in preparing for asserting audit readiness in FY 2014, essential activities remain:

- To establish auditability of end-to-end business processes, the DON relies on service providers to execute controls and assess financial systems impacting DON financial statements. The DON will continue to work with service providers to ensure their efforts are integrated into the DON's overall assertion strategy and sustainment approach.
- Additional discovery efforts are required to fully identify and validate Contract/Vendor Pay segment processes and controls performed by service providers on behalf of the DON. During Round II testing, the segment encountered a high volume of transactions that reside outside of the Navy control environment (i.e., Cost Vouchers, Combined Invoice and Receiving Report, and 2-in-1 Invoices). Because these controls reside outside of the Navy's control environment, gaps were identified in the Contract/Vendor Pay testing methodology and will be retested during a third round of testing.
- The DON is assessing the impact of "miscellaneous transactions," transactions that are not properly classified to their associated business events. Policy for standard controls and processes for these transactions will be established to streamline obtaining supporting documentation during future audits.

- In support of the MILSTRIP segment, the DON continues to conduct data reconciliations to ensure the sustainability of a strong internal control environment. To complete the reconciliations, the DON is working with stakeholders to retrieve data from multiple sources.
- The DON continues to coordinate with BSOs and service providers to implement corrective actions to standardize and improve the identification and classification of adjusting journal entries and institute standard period end closing processes. An important part of this effort was issuing a new adjustment policy and completing BSO-level training.

### Challenges and Risks

The DON remains confident in its ability to meet the assertion goal in FY 2014. However, challenges remain in the following areas:

**IT Deficiencies.** Each assessable unit is impacted by numerous IT systems (over 20 different systems for each segment). Because of the significant number IT deficiencies uncovered during the DON's IT assessments, the DON must implement all of the corrective actions required (over 130 total identified to date). To address this challenge, the DON has prioritized the materially relevant systems and is addressing the most significant deficiencies first in order to support the stable IT system control environment required for assertion in FY 2014.

**Journal Vouchers and Adjusting Journal Entries.** Numerous corrective actions are required to remediate internal control weaknesses and the lack of supporting documentation (sufficient substantive audit trail) for entries made into the Defense Departmental Reporting System (DDRS) and the field-level accounting systems. The corrective actions require significant time and stakeholders must collaborate. Furthermore, this risk is pervasive across all assessable units. To mitigate this risk, the DON, in close collaboration with DFAS, has developed an updated policy for substantiating journal vouchers and adjustments and has conducted training across all BSOs.

### **Audit Ready Systems Environment**

The DON has made significant progress toward completing internal assessments of its IT systems. A strategy for governance and accountability of IT system assessments is being developed in partnership with the DON Chief Information Officer (CIO). Initial internal assessments have pointed to areas in need of significant improvement and corrective action. The governance process will help ensure a priority is placed on correcting or mitigating the weaknesses.

To establish IT capabilities to support and sustain an audit, the DON is strengthening the DON CIO and DASN (FO) partnership and promoting joint messaging and future training. In addition, the DON is committed to improving the IT enterprise by providing training on Federal Information System Controls Audit Manual (FISCAM) and Financial Audit Manual (FAM) standards and sharing lessons learned from previous and current system assessment activities.

See Appendix 4 for the status of IT general and application control testing and corrective activity for systems material to the SBR and existence and completeness.

### **U.S. Marine Corp SBR and SBA Audits**

The USMC continues to be at the forefront of audit readiness for the DON and the Department of Defense. The FY 2010 and FY 2011 audits of the USMC SBR were major milestones in demonstrating the accuracy, transparency, and reliability of DON financial information. Although the USMC did not achieve unqualified opinions, the significant lessons learned from participating in these audits have greatly assisted the USMC in its effort to continually reassess the efficiency and effectiveness of processes, strengthen operational and financial internal controls, and improve financial information and accountability.

For the FY 2012 audit, the USMC piloted an approach by completing a current year SBA, instead of a full SBR audit. SBA audits are providing the USMC with a sustainable path toward full

SBR audit. By focusing on the current fiscal year appropriation activity first, the USMC is maturing its processes into a full SBR incrementally, while still meeting the requirements of the FIAR Guidance. This modified approach enabled the USMC to complete the entire SBA audit within the required timeframe for the first time.

The USMC is focused on continual process improvement. For the FY 2012 audit, the auditors identified concerns over the receipt and acceptance of MILSTRIP and the management of the Transportation of Things assessable units. In response, the USMC is conducting an internal assessment of MILSTRIP in conjunction with the Installations and Logistics BSO to ensure an adequate audit trail is established and maintained to substantiate receipt and acceptance. Additionally, the USMC prepared an extensive reconciliation and burn rate analysis of Transportation of Things obligations. Both of these initiatives were critical in strengthening the control environment and increasing the auditors' understanding and confidence in USMC business processes.

The USMC IT control environment has continued to improve. In coordination with DLA and DFAS, the USMC continues to develop a PoAM to monitor remediation activities and ensure IT deficiencies are addressed in a timely manner. To date, 40 of the IT deficiencies identified have been remediated and accepted by the DoD OIG. The 23 outstanding findings require additional action including the implementation of software change requests, technical implementation, such as an automated user provisioning system, and updated IT procedures. The USMC and its service providers continue to prioritize the findings and its resources to address the remaining outstanding IT issues.

As the USMC waits for the final FY 2012 audit opinion and begins testing for the FY 2013 audit, the USMC remains steadfast in its resolve to improve its processes, systems, and internal controls environment.

Figure IV-2 shows the DON audit readiness plans for the SBR by assessable unit and identifies baseline milestones established in the November 2010 FIAR Plan Status Report or from when first



## E-2D Advanced Hawkeye Acquisition Program

### Audit Ready and in Sustainment

- Corrective action plans (CAPs) identified in the quick-win assertion have been incorporated into other assertions and will be retested and validated as part of those assertion and sustainment activities.
- No sustainment activities required for this quick-win assertion.

### Completion Dates for Milestones (✓ = Completed)

FIAR Phases	Completion
Discovery	✓
Process Documentation	✓
Test Plans	✓
Conduct Control Testing	✓
Conduct Balance Testing	✓
Complete Corrective Actions/Assert	✓
<b>Audit Readiness Validated</b>	<b>✓</b>

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

Audit Readiness Outcomes	Accountable Entity*	Completion
Obligations are recorded in the correct period	Navy	✓
Obligations are recorded accurately and are valid	Navy	✓
Accruals and/or payables are recorded in the correct period and within 10 days of receipt	Navy, DFAS, DCMA	N/A
Accruals and/or payables are valid and recorded accurately	Navy, DFAS, DCMA	N/A
Outlays, collections, and receipts are recorded in the correct period	DFAS, DCMA	✓
Disbursements are valid and recorded accurately	DFAS, DCMA	✓
Obligations are reviewed, and adjusted as necessary, at least three times per year	Navy, DFAS, DCMA	✓
All material systems achieve the relevant FISCAM IT general and application-level control objectives. (Legacy: FMS-NSMA ERP: Navy ERP)	Navy, SSP	09/2014*

\* Revised since the May 2013 FIAR Plan Status Report.

## Civilian Pay

### Audit Ready and in Sustainment

- Achieved an unqualified opinion during an IPA examination in 03/2013.
- The DON continues to execute a sustainment strategy focused on recurring testing of internal controls by audit sustainment organizations (e.g., Naval Audit Service).
- First round of sustainment testing completed in 07/2013 and results are being reviewed by Naval Audit Service.
- Maintaining accountability and a high-state of audit readiness through sustainment testing, conducting additional BSO and service provider training, and engaging senior leaders on sustainment progress.
- The DFAS Civilian Payroll SSAE No. 16 examination, which is important to achieving financial reporting objectives for controls and processes owned by DFAS, was completed in 08/2013 and will support the ongoing sustainment strategy.

### Completion Dates for Milestones (✓ = Completed)

FIAR Phases	Completion
Discovery	✓
Process Documentation	✓
Test Plans	✓
Conduct Control Testing	✓
Conduct Balance Testing	✓
Complete Corrective Actions/Assert	✓
<b>Audit Readiness Validated</b>	✓

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

Audit Readiness Outcomes	Accountable Entity	Completion
Personnel data are recorded timely.	Navy	✓
Personnel data are valid and recorded accurately.	Navy	✓
Payroll is calculated and processed accurately.	Navy, DFAS	✓
Payroll obligations, expenses, accruals, and disbursements are recorded timely.	Navy, DFAS	✓
Payroll obligations, expenses, accruals, and disbursements amounts are valid and recorded correctly.	Navy, 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)	Navy, SSP	ERP: 09/2014*

\* Revised since the May 2013 FIAR Plan Status Report.

## Transportation of People

### Audit Ready and in Sustainment

- Achieved an unqualified opinion on an IPA examination 03/2013. Results are under review for corrective action.
- First round of sustainment testing completed in 09/2013 and results are under review by Naval Audit Service.
- Sustainment strategy is focused on recurring testing of controls by audit sustainment organizations (e.g., Naval Audit Service).
- Continue maintaining accountability and a high-state of audit readiness through sustainment testing, conducting additional BSO and service provider training, and engaging senior leaders on sustainment progress.
- The DON Defense Travel System PMO continues to conduct functional-level audit readiness training across the BSOs to maintain best practices.

### Completion Dates for Milestones (✓ = Completed)

FIAR Phases	Completion
Discovery	✓
Process Documentation	✓
Test Plans	✓
Conduct Control Testing	✓
Conduct Balance Testing	✓
Complete Corrective Actions/Assert	✓
<b>Audit Readiness Validated</b>	✓

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

Audit Readiness Outcomes	Accountable Entity	Completion
Travel information is recorded timely.	Navy	✓
Travel information is valid and recorded accurately.	Navy	✓
Travel costs are calculated correctly and are processed accurately.	Navy	✓
Travel obligations, expenses, accruals, and disbursements are recorded timely.	Navy	✓
Travel obligations, expenses, accruals, and disbursements are valid and recorded correctly.	Navy	✓
Obligations and accruals are reviewed, and adjusted as necessary, at least three times per year.	Navy	✓
Material Navy systems achieve relevant FISCAM IT general and application-level control objectives. (NROWS; OASIS/EASIS; POEMS; FMS-NSMA   ERP: Navy ERP)*	Navy	✓
Material service provider systems achieve relevant FISCAM IT general and application-level control objectives. (STARS-FL; STARS-HCM   ERP: DTS)*	DFAS, DLA*	09/2014*

\* Revised since the May 2013 FIAR Plan Status Report.

## Reimbursable Work Orders

### Remaining Audit Readiness Actions and Challenges

- Post-disbursement validation and monthly billing review corrective actions have been tested during post-assertion sustainment; based on results, the DON will continue to test and refine processes in preparation for examination.
- IPA examination to begin Quarter 1 of FY 2014.
- Continue to support and participate in DoD-wide corrective actions for the Invoice Processing Payment (IPP) platform, which will reduce reliance on manual reconciliations and demonstrate receipt and acceptance.
- Continue maintaining accountability and a high-state of audit readiness through sustainment testing, conducting additional BSO and service provider training, and engaging senior leaders on sustainment progress.
- Coordinate stakeholders to refine policies, procedures, and processes to strengthen the audit-ready environment.

### Completion Dates for Milestones (✓ = Completed)

FIAR Phases	Completion
Discovery	✓
Process Documentation	✓
Test Plans	✓
Conduct Control Testing	✓
Conduct Balance Testing	✓
Complete Corrective Actions/Assert	✓
<b>Audit Readiness Validated</b>	<b>03/2014*</b>

\* Revised since the May 2013 FIAR Plan Status Report.

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

Audit Readiness Outcomes	Accountable Entity	Completion
Obligations are recorded timely.	Navy	✓
Obligations are valid and recorded accurately.	Navy	✓
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	✓
Stale or invalid obligations and accruals are removed.	Navy, DFAS	✓
Material systems achieve relevant FISCAM IT general and application-level control objectives.	Navy	09/2014*

\* Revised since the May 2013 FIAR Plan Status Report.

## Supply Requisition (MILSTRIP)

### Remaining Audit Readiness Actions and Challenges

- Reconcile feeder system discrepancies between transactions recorded in the Navy general ledger and in DoD supply systems.
- Implement corrective actions to mitigate remaining controls and feeder system reconciliation weaknesses prior to assertion.
- Work with DFAS to finalize FISCAM results for VISTA (Navy inter-fund billing system) and address deficiencies affecting audit readiness.
- Continue to improve and standardize requisitioning processes across multiple commodity types (fuel, food, and materials).

### Completion Dates for Milestones (✓ = Completed)

FIAR Phases	Completion
Discovery	✓*
Process Documentation	✓
Test Plans	✓
Conduct Control Testing	✓*
Conduct Balance Testing	✓*
Complete Corrective Actions/Assert	01/2014*
<b>Audit Readiness Validated</b>	<b>07/2014*</b>

\*Revised since the May 2013 FIAR Plan Status Report.

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

Audit Readiness Outcomes	Accountable Entity	Completion
Obligations are recorded timely.	Navy	01/2014*
Obligations are valid and recorded accurately.	Navy	01/2014*
Receipt/payables are recorded timely.	Navy	01/2014*
Receipt/payables are valid and recorded accurately.	Navy	01/2014*
Disbursements are recorded timely.	Navy	01/2014*
Disbursements are valid and recorded accurately.	Navy	01/2014*
Stale or invalid obligations and accruals are removed.	Navy	01/2014*
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)	Navy, SSP	09/2014*

\* Revised since the May 2013 FIAR Plan Status Report.

## FIAR Plan Status Report

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### Explanation for the Changed Assertion Milestone

<b>Supply Requisition (MILSTRIP)</b>	
<b>Original Milestone Date</b>	09/2013
<b>Reason(s) Milestone Was Changed</b>	Due to the volume of MILSTRIP transactions, the DON requires additional time to complete Feeder System reconciliation between Navy general ledger and DoD supply systems to ensure completeness of the transaction universe. Additionally, time was required to ensure existing internal controls are fully implemented and sustainable prior to examination.
<b>Revised Milestone Date</b>	01/2014
<b>Actions to Ensure Milestone Will Be Met</b>	DON has developed feeder system reconciliation logic and automated resolution procedures to reduce the manual research required by the BSOs. Formal training was conducted with the BSOs to ensure reconciliation requirements and CAPs are understood to ensure internal controls are institutionalized prior to Round III Testing.
<b>Impact on Achieving Full Auditability by 2017</b>	At this time, the revised milestone has no negative impact to the goal of full auditability in 2017.

## Financial Statement Compilation and Reporting

### Remaining Audit Readiness Actions and Challenges

- Field-level adjustments and period-end close processes workstream:
  - Develop and implement a field-level adjustment policy and transaction CAP to standardize processes and supporting documentation.
  - Conduct control testing.
  - Implement CAPs for processes to close out year-end and month-end.
- FSCR Steps 0-11 include transactions starting from BSO submission of 1071 feeder files through generating DON financial statements:
  - Test controls and validate supporting documentation.
  - Reconcile UTB and ATB data.

### Completion Dates for Milestones (✓ = Completed)

FIAR Phases	Completion
Discovery	✓*
Process Documentation	✓*
Test Plans	✓*
Conduct Control Testing	✓*
Conduct Balance Testing	✓*
Complete Corrective Actions/Assert	03/2014*
<b>Audit Readiness Validated</b>	<b>09/2014*</b>

\* Revised since the May 2013 FIAR Plan Status Report.

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

Audit Readiness Outcomes	Accountable Entity	Completion
Trial balance data is produced timely.	Navy, DFAS	03/2014*
Trial balance data is valid and accurate.	Navy, DFAS	03/2014*
Trial balance data is completely/accurately loaded into DDRS-B.	DFAS	03/2014*
Trial balance data is completely/accurately loaded from DDRS-B into DDRS-AFS.	DFAS	03/2014*
Adjustments recorded in DDRS-B and DDRS-AFS are recorded timely.	DFAS	03/2014*
Adjustments recorded in DDRS-B and DDRS-AFS are valid and accurate.	DFAS	03/2014*
SBR related footnotes and accompanying information is completed timely.	Navy, DFAS	03/2014*
SBR related footnotes and accompanying information is valid and accurate.	Navy, DFAS	03/2014*
Material systems achieve relevant FISCAM IT general and application-level control objectives.	Navy, SSP	09/2014*

\* Revised since the May 2013 FIAR Plan Status Report.

**FIAR Plan Status Report**

**Explanation for the Changed Assertion Milestone**

<b>Financial Statement Compilation and Reporting</b>	
<b>Original Milestone Date</b>	09/2013
<b>Reason(s) Milestone Was Changed</b>	Additional time was required to complete the Unadjusted Trial Balance (UTB) to Adjusted Trial Balance (ATB) data reconciliations and conduct Round II Testing of DFAS internal controls used to generate the DON's financial statements. Additionally, time was required to ensure adjusting journal entries generated by the BSOs and DFAS can be properly supported and institute standard period end closing processes.
<b>Revised Milestone Date</b>	03/2014
<b>Actions to Ensure Milestone Will Be Met</b>	<p>The revised milestone date allows for sufficient run time to complete the UTB to ATB data reconciliations, as well as remediate and test both DON and DFAS owned internal controls related to adjusting journal entries and closing processes.</p> <p>Based upon Round I Testing, the DON issued a formal policy defining and governing required KSDs used to support adjusting journal entries and conducted formal training with the BSOs and DFAS to ensure requirements are understood. An additional round of testing will be conducted to ensure the CAPs have been implemented prior to assertion.</p>
<b>Impact on Achieving Full Auditability by 2017</b>	At this time, the revised milestone has no negative impact to the goal of full auditability in 2017.

## Contract/ Vendor Pay

### Remaining Audit Readiness Actions and Challenges

- Resolve remaining variances and validate reconciliations between feeder systems and general ledger systems.
- Review Round III results which comprised of testing specific controls (bilateral agreements and internally entitled transactions) and supporting documents not captured during Round II testing.
- Coordinate additional corrective actions with BSOs including procedures to ensure timely recording of obligations.
- Develop CONOPs for Navy reliance on shared service provider (SSP) processes supporting receipt and acceptance and invoice entitlement controls.
- Update process flows with additional Navy and SSP processes for the WAWF and MOCAS feeder systems.

### Completion Dates for Milestones (✓ = Completed)

FIAR Phases	Completion
Discovery	✓
Process Documentation	✓
Test Plans	✓
Conduct Control Testing	✓
Conduct Balance Testing	✓
Complete Corrective Actions/Assert	01/2014*
<b>Audit Readiness Validated</b>	<b>07/2014*</b>

\* Revised since the May 2013 FIAR Plan Status Report.

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

Audit Readiness Outcomes	Accountable Entity	Completion
Obligations are recorded timely.	Navy	01/2014*
Obligations are valid and recorded accurately.	Navy	01/2014*
Accruals and/or payables are recorded timely.	Navy, DFAS, DCMA	01/2014*
Accruals and/or payables are valid and recorded accurately.	Navy, DFAS, DCMA	01/2014*
Disbursements are recorded timely.	DFAS, DCMA	01/2014*
Disbursements are valid and recorded accurately.	DFAS, DCMA	01/2014*
Stale or invalid obligations and accruals are removed.	Navy, DFAS, DCMA	01/2014*
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, SSP	09/2014*

\* Revised since the May 2013 FIAR Plan Status Report.

**FIAR Plan Status Report**

**Explanation for the Changed Assertion Milestone**

<b>Contract/Vendor Pay</b>	
<b>Original Milestone Date</b>	06/2013
<b>Reason(s) Milestone Was Changed</b>	In order to ensure end-to-end coverage of the Contract / Vendor Pay segment, the DON required additional discovery efforts to fully identify processes and validate controls performed by SSPs on our behalf. Round II Testing results also indicated that additional time is required to issue policy governing the usage of miscellaneous transactions, develop internal controls, and standardize key supporting documents to support transactions. Miscellaneous transactions are generally 'non-standard' transactions that are processed in the Legacy and/or Navy ERP environment.
<b>Revised Milestone Date</b>	01/2014
<b>Actions to Ensure Milestone Will Be Met</b>	The DON has completed discovery efforts with SSPs and identified required internal controls to support DON transactions and to ensure comprehensive coverage. These controls will be tested by the SSPs to ensure the controls are operating effectively.  DON will conduct a materiality analysis of miscellaneous transactions and develop a standard policy governing usage and required key supporting documents. Training will be conducted with the BSOs to ensure these CAPs are implemented and the DON will conduct additional testing to verify CAP effectiveness prior to assertion.
<b>Impact on Achieving Full Auditability by 2017</b>	At this time, the revised milestone has no negative impact to the goal of full auditability in 2017.

## Military Pay

### Remaining Audit Readiness Actions and Challenges

- Executed sustainment testing, reinforced corrective actions, and increased communications focused on Military Pay regulations in preparation for examination.
- Following the examination:
  - Develop and implement process improvements.
  - Coordinate with Naval Audit Service to review independent entities and validate testing results.
  - Refine controls to ensure continuity.
  - Implement corrective actions and demonstrate a consistent 90 percent passing rate through sustainment testing.
  - Use a risk-based approach to monitor processes and systems and sustain effectiveness of controls.

### Completion Dates for Milestones (✓ = Completed)

FIAR Phases	Completion
Discovery	✓
Process Documentation	✓
Test Plans	✓
Conduct Control Testing	✓
Conduct Balance Testing	✓
Complete Corrective Actions/Assert	✓
<b>Audit Readiness Validated</b>	<b>03/2014*</b>

\* Revised since the May 2013 FIAR Plan Status Report.

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

Audit Readiness Outcomes	Accountable Entity	Completion
Personnel data are recorded timely.	BUPERS, RESFOR, CNIC	✓
Personnel data are valid and recorded accurately.	BUPERS, RESFOR, CNIC	✓
Payroll is calculated and processed accurately.	DFAS	✓
Payroll obligations, expenses, accruals, and disbursements are recorded timely.	DFAS, BUPERS, RESFOR	✓
Payroll obligations, expenses, accruals, and disbursements amounts are valid and recorded correctly.	DFAS, BUPERS, RESFOR	✓
Obligations and accruals are reviewed, and adjusted as necessary, at least three times per year.	DFAS, BUPERS, RESFOR	✓
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)	Navy, SSP	09/2014*

\* Revised since the May 2013 FIAR Plan Status Report.

### Net Outlays (Fund Balance with Treasury)

#### Remaining Audit Readiness Actions and Challenges

- Began sustainment efforts, include testing controls, validating CAPs, and continuing Treasury reconciliation procedures.
- Reduce reliance on labor-intensive manual controls by testing automated application controls for systems that process and reconcile net outlays between Treasury and the general ledgers.
- Submit the assertion to the DoD OIG for review prior to examination.
- Develop a post-examination sustainment strategy that includes the transition of DON-led testing to the DFAS audit readiness team.

#### Completion Dates for Milestones (✓ = Completed)

FIAR Phases	Completion
Discovery	✓
Process Documentation	✓
Test Plans	✓
Conduct Control Testing	✓
Conduct Balance Testing	✓
Complete Corrective Actions/Assert	✓
<b>Audit Readiness Validated</b>	<b>06/2014*</b>

\* Revised since the May 2013 FIAR Plan Status Report.

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

Audit Readiness Outcomes	Accountable Entity	Completion
Disbursements and collections are reported timely.	DFAS	✓
Disbursements and collections are valid and reported accurately.	DFAS	✓
Treasury accounts are reconciled timely.	Navy, DFAS	✓
Reconciliations, including general ledger and disbursing system data, are accurate.	Navy, DFAS	✓
Reconciling items are identified timely.	Navy, DFAS	✓
Reconciling items are valid and resolved accurately.	Navy, DFAS	✓
Material Navy systems achieve relevant FISCAM IT general and application-level control objectives. (Legacy: PBIS/PBAS, FMS-NSMA   ERP: Navy ERP)*	Navy*	03/2014*
Material service provider systems achieve relevant FISCAM IT general and application-level control objectives. (Legacy: DCAS, DDRS-B, BAM, STARS-FL, STARS-HCM)*	DFAS, DLA*	12/2013*

\* Revised since the May 2013 FIAR Plan Status Report.

## EXISTENCE AND COMPLETENESS OF MISSION CRITICAL ASSETS

The DON has continued progress in its efforts to achieve existence and completeness audit readiness of mission critical assets. According to the FIAR Guidance, mission critical assets are “assets deemed necessary to perform the primary missions of the Department.” DON mission critical assets include Military Equipment (e.g., ships, aircraft, and combat vehicles), Real Property (e.g., land, buildings, structures, and utilities), Inventory (e.g., rations, supplies, spare parts, and fuel), Operating Materials and Supplies (OM&S) (e.g., ammunition, munitions, and missiles), and General Equipment (e.g., training equipment, special tooling, and special test equipment). Similar to Wave 2 SBR efforts, the strategy for Wave 3 existence and completeness is dependent upon the cooperation and collaboration of responsible operational personnel, leadership support and buy-in, and the development of compliant procedures to achieve audit readiness of these assets deployed around the world.

### Accomplishments

In FY 2013, the DON asserted three existence and completeness mission critical asset subassessable units including Navy Small Boats, Ordnance, and Uninstalled Aircraft Engines. These successful existence and completeness assertions, along with subassessable units previously asserted (i.e., Ships and Submarines, Aircraft, Satellites, and Trident Missiles), represent approximately 83 percent of the DON’s General Property, Plant and Equipment, and 61 percent of its Inventory and Related Property.

Other accomplishments in FY 2013 included completing Discovery for General Equipment, Military Equipment (Remainder), OM&S (Remainder), and Inventory. Through these efforts, the DON identified financial and operational internal control gaps that, without an effective mitigation strategy, may prevent successful assertions. As a result, the DON developed corrective action plans to mitigate the identified risks.

### Remaining Activity to Achieve FY 2016 Goal

To achieve existence and completeness audit readiness by June 30, 2016, the DON plans to continue its existence and completeness discovery and corrective action efforts for the General Equipment, Military Equipment (Remainder), OM&S (Remainder), Inventory, and Real Property assessable units. The DON will validate these efforts by testing internal control and supporting documentation. The DON is also determining valuation implications during the existence and completeness Discovery and Corrective Action phases, in preparation for Wave 4 activities required to establish full financial statement auditability in 2017. As existence and completeness business units assert audit readiness, the DON will focus on developing and executing a sustainment strategy.

### Challenges and Risks

The DON has identified enterprise-wide challenges and risks to achieving existence and completeness audit readiness by FY 2016. Specifically, there is a significant need for well-defined financial management and functional roles and responsibilities to support the execution of business process, IT, and financial reporting internal controls. For example, lead and custodial roles and responsibilities for executing existence and completeness physical inventories and reporting need to be clarified, and the DON is developing a standard business process.

In addition, the DON has identified a financial and operational need to transition asset data from legacy systems and micro applications (i.e., Microsoft Excel spreadsheets and Access databases) into the Navy ERP environment, the Defense Property Accountability System (DPAS), or another Accountable Property System of Record (APSR) for existence and completeness tracking and reporting purposes. Disparate systems and applications present existence and completeness accountability and auditability challenges due to a lack

## FIAR Plan Status Report

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of standardization and centralized property data. These enterprise-wide challenges and risks impact multiple assessable units, including General Equipment, Military Equipment (Remainder), and OM&S (Remainder) assessable units.

The DON identified supporting documentation access and retention challenges. For example, supporting documents that pre-date Wide Area Work Flow (WAWF) were not required to be retained for longer than six years and three months (per National Archives and Records Administration requirements) and may not be retrievable during an audit. Even with the centralized repository of WAWF, access by DON personnel is limited to the organization that performed the receipt and acceptance for the relevant asset. The DON is developing a document retention strategy and updated policy with consideration for supporting future audits.

### Audit Ready Systems Environment

A sound IT environment is also critical to the DON business and financial processes that support the ability to meet existence and completeness audit readiness assertions in FY 2016. Currently, the DON is challenged to manage the extensive scope of APSRs for existence and completeness assessable units. Many of these APSRs were designed as logistical systems and do not have the infrastructure to maintain all required data elements. In addition, some of these systems are micro applications, and do not appropriately interface with financial reporting systems. The DON Office of Financial Operations is coordinating with BSOs to develop a corrective action strategy and timeline that supports an audit ready systems environment for June 30, 2016. The plan is to transition asset data currently in legacy systems and micro applications into the DPAS, Navy ERP, or another APSR.

Navy ERP configuration will be critical in establishing and sustaining an audit ready systems environment. The DON plans to further enhance functionality of Navy ERP to capture cost data, including multiple contracts and invoices from various components.

Additionally, the DON will perform risk-based FISCAM reviews on relevant systems supporting material business and finance processes.

See Appendix 4 for the status of IT general and application control testing and corrective activity for systems material to the SBR and existence and completeness.

Figure IV-3 shows the DON audit readiness plans for the existence and completeness of mission critical assets and identifies the baseline milestones established in the November 2010 FIAR Plan Status Report or from when first reported. The assessable units that have been validated as audit ready and in sustainment are:

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

The assessable units in which work continues are:

- Military Equipment – Navy Small Boats
- Military Equipment – Remainder (Navy)
- Military Equipment (USMC)
- General Equipment (Navy)
- General Equipment (USMC)
- Real Property – Navy (Phase I)
- Real Property – Navy (Phase II)
- Real Property (USMC)
- Operating Materials and Supplies – Ordnance (DON)
- Operating Materials and Supplies – Uninstalled Aircraft Engines (DON)
- Operating Materials and Supplies – Remainder (Navy)



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

### Audit Ready and in Sustainment

- Asserted audit readiness on each sub-assessable unit in FY 2010 and achieved an unqualified opinion from the DoD OIG in FY 2011.
- Sustaining audit readiness by monitoring quarterly asset additions and deletions within DPAS, the system of record.
- Transitioning DPAS reconciliations to the BSO that owns the respective sub-assessable unit to improve repeatability and sustain audit readiness.
- Develop a Ships and Submarines valuation strategy (Wave 4).

### Completion Dates for Milestones (✓ = Completed)

FIAR Phases	Completion
Discovery	✓
Process Documentation	✓
Test Plans	✓
Conduct Control and Key Supporting Documentation Testing	N/A
Complete Corrective Actions/Assert	✓
<b>Audit Readiness Validated</b>	✓

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

Audit Readiness Outcomes	Accountable Entity	Completion
Military equipment acquisitions are recorded in the APSR and general ledger (or DDRS-AFS) timely.	Navy	✓
Military equipment acquisitions are recorded accurately in the APSR and general ledger (or DDRS-AFS).	Navy	✓
Military equipment disposals are recorded in the APSR and general ledger (or DDRS-AFS) timely.	Navy	✓
Military equipment disposals are recorded accurately in the APSR and general ledger (or DDRS-AFS).	Navy	✓
Changes to military equipment (condition, location) are recorded in the APSR timely.	Navy	✓
Changes to military equipment (condition, location) are recorded accurately in the APSR.	Navy	✓
Material systems achieve relevant FISCAM IT general and application-level general control objectives.	DON, OUSD(AT&L)	✓

## Military Equipment – Aircraft (DON)

### Audit Ready and in Sustainment

- Asserted audit readiness in FY 2010 and achieved an unqualified opinion from the DoD OIG in FY 2011.
- Sustaining audit readiness by monitoring quarterly asset additions and deletions within DPAS, the system of record.
- Transitioning DPAS reconciliations to NAVAIR, the buying and acquiring BSO, to improve repeatability and sustain audit readiness.
- Develop an Aircraft valuation strategy (Wave 4).

### Completion Dates for Milestones (✓ = Completed)

FIAR Phases	Completion
Discovery	✓
Process Documentation	✓
Test Plans	✓
Conduct Control and Key Supporting Documentation Testing	N/A
Complete Corrective Actions/Assert	✓
<b>Audit Readiness Validated</b>	✓

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

Audit Readiness Outcomes	Accountable Entity	Completion
Military equipment acquisitions are recorded in the APSR and general ledger (or DDRS-AFS) timely.	NAVAIR	✓
Military equipment acquisitions are recorded accurately in the APSR and general ledger (or DDRS-AFS).	NAVAIR	✓
Military equipment disposals are recorded in the APSR and general ledger (or DDRS-AFS) timely.	NAVAIR	✓
Military equipment disposals are recorded accurately in the APSR and general ledger (or DDRS-AFS).	NAVAIR	✓
Changes to military equipment (condition, location) are recorded in the APSR timely.	NAVAIR	✓
Changes to military equipment (condition, location) are recorded accurately in the APSR.	NAVAIR	✓
Material systems achieve relevant FISCAM IT general and application-level general control objectives.	DON, OUSD(AT&L)	✓*

\* Revised since the May 2013 FIAR Plan Status Report.

## Military Equipment – Navy Small Boats

### Remaining Audit Readiness Actions and Challenges

- Asserted audit readiness in FY 2013, but because of immateriality, Navy Small Boats will be validated along with Military Equipment – Remainder.
- Navy Small Boats was DON’s first controls-based and substantive-based assertion. Prior efforts were solely substantive-based.
- Develop sustainment testing strategy to monitor the Boat Inventory Management office’s processes and controls.
- Develop and execute a Navy Small Boats valuation strategy (Wave 4), including addressing capital improvements discovered during assertion.

### Completion Dates for Milestones (✓ = Completed)

FIAR Phases	Completion
Discovery	✓
Process Documentation	✓
Test Plans	✓
Conduct Control and Key Supporting Documentation Testing	✓
Complete Corrective Actions/Assert	✓*
<b>Audit Readiness Validated</b>	<b>05/2015*</b>

\* Revised since the May 2013 FIAR Plan Status Report.

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

Audit Readiness Outcomes	Accountable Entity	Completion
Military equipment acquisitions are recorded in the APSR and general ledger (or DDRS-AFS) timely.	NAVSEA	✓
Military equipment acquisitions are recorded accurately in the APSR and general ledger (or DDRS-AFS).	NAVSEA	✓
Military equipment disposals are recorded in the APSR and general ledger (or DDRS-AFS) timely.	NAVSEA	✓
Military equipment disposals are recorded accurately in the APSR and general ledger (or DDRS-AFS).	NAVSEA	✓
Changes to military equipment (condition, location) are recorded in the APSR timely.	NAVSEA	✓
Changes to military equipment (condition, location) are recorded accurately in the APSR.	NAVSEA	✓
Material systems achieve relevant FISCAM IT general and application-level general control objectives.	DON, OUSD(AT&L)	09/2014*

\* Revised since the May 2013 FIAR Plan Status Report.

## Military Equipment – Remainder (Navy)

### Remaining Audit Readiness Actions and Challenges

- Completed an initial round of controls and substantive testing. Following data call, will compile DPAS and EXMIS data.
- Continue to identify gaps in controls, develop and implement corrective actions, and complete additional testing to validate audit readiness.
- Integrate Wave 4 valuation into existence and completeness Wave 3 efforts, including addressing possible overstatement within DPAS due to capitalized improvements data.
- Identified legacy systems and applications (i.e., Excel and Access) that cannot maintain FIAR required data elements or interface with financial reporting systems, and developing a data transition plan to DPAS or another system of record that can track milestone dates.

### Completion Dates for Milestones (✓ = Completed)

FIAR Phases	Completion
Discovery	✓*
Process Documentation	✓
Test Plans	✓
Conduct Control and Key Supporting Documentation Testing	✓*
Complete Corrective Actions/Assert	09/2014
<b>Audit Readiness Validated</b>	<b>05/2015</b>

\* Revised since the May 2013 FIAR Plan Status Report.

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

Audit Readiness Outcomes	Accountable Entity	Completion
Military equipment acquisitions are recorded in the APSR and general ledger (or DDRS-AFS) timely.	Navy BSOs	09/2014
Military equipment acquisitions are recorded accurately in the APSR and general ledger (or DDRS-AFS).	Navy BSOs	09/2014
Military equipment disposals are recorded in the APSR and general ledger (or DDRS-AFS) timely.	Navy BSOs	09/2014
Military equipment disposals are recorded accurately in the APSR and general ledger (or DDRS-AFS).	Navy BSOs	09/2014
Changes to military equipment (condition, location) are recorded in the APSR timely.	Navy BSOs	09/2014
Changes to military equipment (condition, location) are recorded accurately in the APSR.	Navy BSOs	09/2014
Material systems achieve relevant FISCAM IT general and application-level general control objectives.	DON, OUSD(AT&L)	09/2014*

\* Revised since the May 2013 FIAR Plan Status Report.

## Military Equipment – (USMC)

### Remaining Audit Readiness Actions and Challenges

- Completed discovery efforts for processes and controls for military equipment acquisition and acceptance at MARCORSYSCOM and affiliated Program Executive Office.
- Drafted reports resulting from test of supporting documentation, internal controls to provide progress updates to stakeholders.
- Develop and implement CAPs and retest supporting documentation and internal control to validate remediation.
- Inconsistencies in acquisition, accountability, and disposal processes revealed a need to update policies and procedures to ensure documentation is maintained as required, accountability of military equipment is accurately tracked in the APSR, and internal controls are adequately documented.
- Reconciliation of the APSR to the general ledger continues to be a challenge due to multiple systems and inconsistencies in recording military equipment at contractor sites. Additionally, a review of the APSR revealed errors in how the system calculates depreciation. Moving forward, GCSS-MC Logistics System will be used to report military equipment capitalized assets.

### Completion Dates for Milestones (✓ = Completed)

FIAR Phases	Completion
Discovery	12/2013
Process Documentation	✓*
Test Plans	✓*
Conduct Control and Key Supporting Documentation Testing	12/2013
Complete Corrective Actions/Assert	09/2014*
<b>Audit Readiness Validated</b>	<b>03/2015*</b>

\* Revised since the May 2013 FIAR Plan Status Report.

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

Audit Readiness Outcomes	Accountable Entity	Completion
Military equipment acquisitions are recorded in the APSR and general ledger (or DDRS-AFS) timely.	USMC	03/2014
Military equipment acquisitions are recorded accurately in the APSR and general ledger (or DDRS-AFS).	USMC	03/2014
Military equipment disposals are recorded in the APSR and general ledger (or DDRS-AFS) timely.	USMC	03/2014
Military equipment disposals are recorded accurately in the APSR and general ledger (or DDRS-AFS).	USMC	03/2014
Changes to military equipment (condition, location) are recorded in the APSR timely.	USMC	03/2014
Changes to military equipment (condition, location) are recorded accurately in the APSR.	USMC	03/2014
Material systems achieve relevant FISCAM IT general and application-level general control objectives. (GCSS-MC)	DON FMO	03/2014

FIAR Plan Status Report

Explanation for the Changed Assertion Milestone

Military Equipment (USMC)	
<b>Original Milestone Date</b>	03/2014
<b>Reason(s) Milestone Was Changed</b>	<p>Discovery efforts at Marine Corps Systems Command (MARCORSYSCOM) identified significant deficiencies in key processes and controls designed to ensure Military Equipment (ME) information in DPAS is accurate, complete, and is supported by KSDs. The magnitude of identified deficiencies and associated corrective actions required adjustments to USMC’s milestone date. In conjunction with the implementation of CAPs, the USMC is executing additional data cleansing designed to ensure all ME assets in logistics accountable property systems (e.g., GCSS-MC) are appropriately included in DPAS and to compile and to evaluate KSDs. USMC is developing standard operating procedures and training to ensure revised processes and controls are executed by all personnel in accordance with USMC and DoD policy and corrective actions are sustained over time.</p> <p>Based on physical inventories executed on statistically selected samples of ME assets and other ME internal control and substantive testing, USMC identified significant process and control deficiencies. Implementation of corrective actions to resolve ME acquisition, asset management, and disposal related process and internal control deficiencies identified during the Discovery Phase requires adjustment to USMC’s original milestone date. In addition to designing and implementing corrective actions to support financial reporting objectives, USMC must allow the new or revised processes and controls to operate for a period of time (i.e., from between 1 – 3 months) prior to retesting to ensure the corrected processes and internal controls appropriately mitigate the deficiencies.</p>
<b>Revised Milestone Date</b>	09/2014
<b>Actions to Ensure Milestone Will Be Met</b>	USMC has substantially completed discovery phase activities and, therefore, does not anticipate the identification of additional significant deficiencies that will require adjustments to milestone dates.
<b>Impact on Achieving Full Auditability by 2017</b>	At this time, the revised milestone has no negative impact to the goal of full auditability in 2017.

## General Equipment (Navy)

### Remaining Audit Readiness Actions and Challenges

- Completed an initial round of controls and substantive testing. Following data call, will compile DPAS and Navy ERP data.
- Continue to identify gaps in controls, develop and implement corrective actions, and complete additional testing to validate Wave 3 assertion readiness, if necessary.
- Integrating Wave 4 valuation into E&C Wave 3 efforts.
- Identified legacy systems and applications (i.e., Excel and Access) that cannot maintain required data elements or interface with financial reporting systems, and developing a data transition plan to DPAS, Navy ERP, or another system of record that can track milestone dates.

### Completion Dates for Milestones (✓ = Completed)

FIAR Phases	Completion
Discovery	✓*
Process Documentation	✓
Test Plans	✓
Conduct Control and Key Supporting Documentation Testing	✓*
Complete Corrective Actions/Assert	09/2014
<b>Audit Readiness Validated</b>	<b>05/2015</b>

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

Audit Readiness Outcomes	Accountable Entity	Completion
General equipment acquisitions are recorded in the APSR and general ledger (or DDRS-AFS) timely.	Navy BSOs	09/2014
General equipment acquisitions are recorded accurately in the APSR and general ledger (or DDRS-AFS).	Navy BSOs	09/2014
General equipment disposals are recorded in the APSR and general ledger (or DDRS-AFS) timely.	Navy BSOs	09/2014
General equipment disposals are recorded accurately in the APSR and general ledger (or DDRS-AFS).	Navy BSOs	09/2014
Changes to general equipment (condition, location) are recorded in the APSR timely.	Navy BSOs	09/2014
Changes to general equipment (condition, location) are recorded accurately in the APSR.	Navy BSOs	09/2014
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, OUSD(AT&L)	09/2014*

\* Revised since the May 2013 FIAR Plan Status Report.

## General Equipment (USMC)

### Remaining Audit Readiness Actions and Challenges

- Tested field-level existence and completeness in FY 2012 and FY 2013. Corrective actions include developing and standardizing best practices. Testing also revealed the need to report assets not purchased by, but in possession of, the USMC.
- Performed internal controls testing. Corrective actions include determining best practices and future revisions to policies and procedures, and ensuring assets are consistently recorded in the system of record. Corrective actions relate to document retention, improved data reporting to financial statements, and data migration to official systems of record.
- Reconciling the system of record to the general ledger continues to be a challenge. Additionally, a review of the system of record revealed errors in how the system calculates depreciation.

### Completion Dates for Milestones (✓ = Completed)

FIAR Phases	Completion
Discovery	✓*
Process Documentation	✓
Test Plans	✓
Conduct Control and Key Supporting Documentation Testing	✓*
Complete Corrective Actions/Assert	09/2014
<b>Audit Readiness Validated</b>	<b>05/2015*</b>

\* Revised since the May 2013 FIAR Plan Status Report.

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

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

### Real Property – Navy (Phase I)

**Remaining Audit Readiness Actions and Challenges**

- Finalize real property processes and system enhancements.
- Deliver BSO-wide communications and training of the updated Navy Facilities Command (NAVFAC) real property processes and systems.
- Conduct internal control test procedures for all assessable (Acquisition by Construction, Acquisition Other Than Construction, Inventory, Disposal) and subassessable units.
- Assertion scope addresses approximately 80 percent of the material real property. The remaining material real property within the DON balance is included in the full scope of the assertion in Phase II.

**Completion Dates for Milestones (✓ = Completed)**

FIAR Phases	Completion
Discovery	✓*
Process Documentation	✓
Test Plans	✓
Conduct Control and Key Supporting Documentation Testing	✓*
Complete Corrective Actions/Assert	12/2014
<b>Audit Readiness Validated</b>	<b>08/2015</b>

\* Revised since the May 2013 FIAR Plan Status Report.

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

Audit Readiness Outcomes	Accountable Entity	Completion
Completed acquisitions, and transfers-in are recorded in the APSR and general ledger timely.	NAVFAC	12/2014*
Completed acquisitions, and transfers-in are recorded accurately in the APSR and general ledger.	NAVFAC	12/2014*
Real property disposals and transfers-out are recorded in the APSR and general ledger timely.	NAVFAC	12/2014*
Real property disposals and transfers-out are recorded accurately in the APSR and general ledger.	NAVFAC	12/2014*
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	05/2014*

## Real Property – Navy (Phase II)

### Remaining Audit Readiness Actions and Challenges

- Create a detailed Phase II PoAM, covering the remaining material real property within the DON.
- Develop and implement sustainable “to-be” processes for Non-MILCON Transfer and Acceptance, Construction in Progress, Inventory (Linear Structures) and real property financial reporting.
- Deliver BSO-wide communications and training of the updated NAVFAC real property processes and systems.
- Conduct internal control testing for all assessable and subassessable units.
- Pending the results from the iNFADS audit and potential corrective actions required, the Navy will update Phase I and Phase II PoAMs and cost estimates to address any remaining deficiencies.
- All management assertions will be accomplished with the implementation of the “to be” processes.

### Completion Dates for Milestones (✓ = Completed)

FIAR Phases	Completion
Discovery	04/2016
Process Documentation	11/2015
Test Plans	12/2015
Conduct Control and Key Supporting Documentation Testing	04/2016
Complete Corrective Actions/Assert	06/2016
<b>Audit Readiness Validated</b>	<b>02/2017</b>

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

Audit Readiness Outcomes	Accountable Entity	Completion
Construction in progress (CIP) is recorded in the general ledger timely.	NAVFAC	06/2016
CIP is recorded accurately in the general ledger.	NAVFAC	06/2016
Completed CIP, other acquisitions, and transfers-in are recorded in the APSR and general ledger timely.	NAVFAC	06/2016
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	05/2014

## Real Property – USMC

### Remaining Audit Readiness Actions and Challenges

- USMC strategy is an iterative approach by installation for discovery and corrective actions. Audit readiness reviews are being conducted with 60 percent of the installations completed.
- Corrective actions for real estate/Class 1 centrally managed by HQMC is underway.
- Service-level processes have been completed and controls are in development.
- Corrective actions are being monitored and may present a moderate risk if installations cannot fully resource the requirements for corrective action. Risks will be further defined and quantified as CAPs are developed at the installation level.
- Reconciliation of the APRS to the general ledger balances is underway. Quarterly reconciliation to the general ledger to be developed.
- Conducting Service-wide training of installation-level procedures and controls.
- Implementing valuation and other policy changes.
- Impact of SSAE No. 16 examinations and service provider assertions to USMC assertion are not fully resolved. Current strategy is for the USMC Real Property to be ready to assert process and controls based on face-value of service provider generated acceptance documentation (DD1354s). As Service providers adjust their processes and valuation accuracy, the USMC will adjust its processes and controls. However, it may be determined that the USMC cannot assert until service providers and systems adopt fully audit-ready processes.

### Completion Dates for Milestones (✓ = Completed)

FIAR Phases	Completion
Discovery	3/2014
Process Documentation	✓
Test Plans	✓
Conduct Control and Key Supporting Documentation Testing	3/2014
Complete Corrective Actions/Assert	09/2014
<b>Audit Readiness Validated</b>	<b>05/2015</b>

## FIAR Plan Status Report

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

Audit Readiness Outcomes	Accountable Entity	Completion
Completed acquisitions and transfers-in are recorded in the APSR and general ledger timely.	USMC	4/2014
Completed acquisitions and transfers-in are recorded accurately in the APSR and general ledger.	USMC	5/2014
Real property disposals and transfers-out are recorded in the APSR and general ledger timely.	USMC	5/2014
Real property disposals and transfers-out are recorded accurately in the APSR and general ledger.	USMC	6/2014
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)	Navy	5/2014

## Operating Materials and Supplies – Ordnance (DON)

### Audit Ready and in Sustainment

- Asserted audit readiness in FY 2013. Currently undergoing examination and validation with the DoD OIG.
- Developing sustainment testing strategy to maintain audit readiness.
- Develop an Ordnance valuation strategy (Wave 4) as part of the DON's E&C Wave 3 effort.

### Completion Dates for Milestones (✓ = Completed)

FIAR Phases	Completion
Discovery	✓
Process Documentation	✓
Test Plans	✓
Conduct Control and Key Supporting Documentation Testing	✓
Complete Corrective Actions/Assert	✓
<b>Audit Readiness Validated</b>	<b>05/2014*</b>

\* Revised since the May 2013 FIAR Plan Status Report.

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

Audit Readiness Outcomes	Accountable Entity	Completion
OM&S acquisitions are recorded in the APSR and general ledger (or DDRS-AFS) timely.	Navy	✓
OM&S acquisitions are recorded accurately in the APSR and general ledger (or DDRS-AFS).	Navy	✓
OM&S disposals are recorded in the APSR and general ledger (or DDRS-AFS) timely.	Navy	✓
OM&S disposals are recorded accurately in the APSR and general ledger (or DDRS-AFS).	Navy	✓
Changes to OM&S (condition, location) are recorded in the APSR timely.	Navy	✓
Changes to OM&S (condition, location) are recorded accurately in the APSR.	Navy	✓
Material systems achieve relevant FISCAM IT general and application-level general control objectives.	DON	✓*

\* Revised since the May 2013 FIAR Plan Status Report.

## Operating Materials and Supplies – Uninstalled Aircraft Engines (DON)

### Remaining Audit Readiness Actions and Challenges

- Asserted audit readiness in FY 2013. Currently pending examination and validation with the DoD OIG or an IPA.
- Develop sustainment testing strategy to monitor processes and controls performed by the DECKPLATE community.
- Develop an Uninstalled Aircraft Engines valuation strategy (Wave 4) as part of the DON’s E&C Wave 3 effort.

### Completion Dates for Milestones (✓ = Completed)

FIAR Phases	Completion
Discovery	✓
Process Documentation	✓
Test Plans	✓
Conduct Control and Key Supporting Documentation Testing	✓
Complete Corrective Actions/Assert	✓*
<b>Audit Readiness Validated</b>	<b>05/2014</b>

\* Revised since the May 2013 FIAR Plan Status Report.

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

Audit Readiness Outcomes	Accountable Entity	Completion
OM&S acquisitions are recorded in the APSR and general ledger (or DDRS-AFS) timely.	NAVAIR	✓*
OM&S acquisitions are recorded accurately in the APSR and general ledger (or DDRS-AFS).	NAVAIR	✓*
OM&S disposals are recorded in the APSR and general ledger (or DDRS-AFS) timely.	NAVAIR	✓*
OM&S disposals are recorded accurately in the APSR and general ledger (or DDRS-AFS).	NAVAIR	✓*
Changes to OM&S (condition, location) are recorded in the APSR timely.	NAVAIR	✓*
Changes to OM&S (condition, location) are recorded accurately in the APSR.	NAVAIR	✓*
Material systems achieve relevant FISCAM IT general and application-level general control objectives. (Legacy: DECKPLATE   ERP: Navy ERP)	Navy FMO	09/2014*

\* Revised since the May 2013 FIAR Plan Status Report.

## Operating Materials and Supplies – Remainder (Navy)

### Remaining Audit Readiness Actions and Challenges

- Continue to identify gaps in controls, develop and implement corrective actions, and complete additional testing to validate audit readiness.
- Compile OM&S data to support upcoming controls and substantive testing.
- Identified legacy systems and micro applications (i.e., Excel and Access) that cannot maintain FIAR required data elements or interface with financial reporting systems, and developing a data transition plan to DPAS, Navy ERP, or another system of record that can track milestone dates.

### Completion Dates for Milestones (✓ = Completed)

FIAR Phases	Completion
Discovery	01/2014*
Process Documentation	✓*
Test Plans	12/2013*
Conduct Control and Key Supporting Documentation Testing	01/2014*
Complete Corrective Actions/Assert	03/2015
<b>Audit Readiness Validated</b>	<b>11/2015</b>

\* Revised since the May 2013 FIAR Plan Status Report.

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

Audit Readiness Outcomes	Accountable Entity	Completion
OM&S acquisitions are recorded in the APSR and general ledger (or DDRS-AFS) timely.	Navy	03/2015
OM&S acquisitions are recorded accurately in the APSR and general ledger (or DDRS-AFS).	Navy	03/2015
OM&S disposals are recorded in the APSR and general ledger (or DDRS-AFS) timely.	Navy	03/2015
OM&S disposals are recorded accurately in the APSR and general ledger (or DDRS-AFS).	Navy	03/2015
Changes to OM&S (condition, location) are recorded in the APSR timely.	Navy	03/2015
Changes to OM&S (condition, location) are recorded accurately in the APSR.	Navy	03/2015
Material systems achieve relevant FISCAM IT general and application-level general control objectives. (Legacy: ILSMIS, STARS-FL, STARS-HCM   ERP: Navy ERP)	DON	03/2015*

\* Revised since the May 2013 FIAR Plan Status Report.

## Operating Materials and Supplies (USMC)

### Remaining Audit Readiness Actions and Challenges

- Complete process documentation and testing at ammunition depots and Government Furnished Materials at contractor sites.
- Develop and implement CAPs and retesting of supporting documentation and internal control to validate remediation.
- Equipment Accountability and Visibility Integrated Process Team (IPT) worked with the supply community on asset accountability and requirements to standardize and document OM&S supply processes.
- Reconciliation of the APSR to the general ledger continues to be a challenge due to multiple systems and inconsistency in recording OM&S at contractor sites into USMC APSR. Issue to be addressed at an IPT Training Conference.
- GCSS-MC does not have an OM&S inventory report that can be used for accurate and efficient asset reporting at this time. Incremental capability will be added to address enterprise-wide needs.

### Completion Dates for Milestones (✓ = Completed)

FIAR Phases	Completion
Discovery	✓*
Process Documentation	✓
Test Plans	✓
Conduct Control and Key Supporting Documentation Testing	✓*
Complete Corrective Actions/Assert	09/2014
<b>Audit Readiness Validated</b>	<b>03/2015</b>

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

Audit Readiness Outcomes	Accountable Entity	Completion
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 APSR.	USMC	07/2014
Material systems achieve relevant FISCAM IT general and application-level general control objectives.	DON FMO	07/2014

## Inventory (DON)

### Remaining Audit Readiness Actions and Challenges

- Implemented Navy ERP version 1.1 to manage all DON WCF-SM inventory assets.
- FMO and NAVSUP finalized Round 1 testing workbooks. Workgroups and training for inventory managers at selected inventory sites (afloat, ashore, commercial) will follow.
- PoAM development is complete through Wave 3 E&C.
- Compiled data to support Round 1 testing and determining the most appropriate sampling methodology.

### Completion Dates for Milestones (✓ = Completed)

FIAR Phases	Completion
Discovery	✓*
Process Documentation	✓*
Test Plans	✓*
Conduct Control and Key Supporting Documentation Testing	✓*
Complete Corrective Actions/Assert	09/2014
<b>Audit Readiness Validated</b>	<b>05/2015</b>

\* Revised since the May 2013 FIAR Plan Status Report.

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

Audit Readiness Outcomes	Accountable Entity	Completion
Inventory acquisitions are recorded in the APSR and general ledger (or DDRS-AFS) timely.	DON, DLA	09/2014
Inventory acquisitions are recorded accurately in the APSR and general ledger (or DDRS-AFS).	DON, DLA	09/2014
Inventory disposals are recorded in the APSR and general ledger (or DDRS-AFS) timely.	DON, DLA	09/2014
Inventory disposals are recorded accurately in the APSR and general ledger (or DDRS-AFS).	DON, DLA	09/2014
Changes to inventory (condition, location) are recorded in the APSR timely.	DON, DLA	09/2014
Changes to inventory (condition, location) are recorded accurately in the APSR.	DON, DLA	09/2014
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)	Navy, SSP	09/2014*

\* Revised since the May 2013 FIAR Plan Status Report.

## Government Furnished Equipment (DON)

### Remaining Audit Readiness Actions and Challenges

- Developed a PoAM for GFE.
- Held a kick-off meeting with Acquisition and Property Management personnel.
- Identifying contracts that contain GFE.
- The DON Item Unique Identification (IUID) registry was not fully funded, and it is difficult to determine the GFE universe. This challenge will be addressed during discovery.
- Navy ERP is not configured to track equipment, so an alternate APSR will need to be identified or established to support assertion.

### Completion Dates for Milestones (✓ = Completed)

FIAR Phases	Completion
Discovery	03/2014
Process Documentation	01/2014
Test Plans	02/2014
Conduct Control and Key Supporting Documentation Testing	03/2014
Complete Corrective Actions/Assert	09/2015
<b>Audit Readiness Validated</b>	<b>05/2016</b>

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

Audit Readiness Outcomes	Accountable Entity	Completion
GFE acquisitions are recorded in the APSR and general ledger (or DDRS-AFS) timely.	Navy	09/2015
GFE acquisitions are recorded accurately in the APSR and general ledger (or DDRS-AFS).	Navy	09/2015
GFE disposals are recorded in the APSR and general ledger (or DDRS-AFS) timely	Navy	09/2015
GFE disposals are recorded accurately in the APSR and general ledger (or DDRS-AFS).	Navy	09/2015
Changes to general equipment (condition, location) are recorded in the APSR timely.	Navy	09/2015
Changes to general equipment (condition, location) are recorded accurately in the APSR.	Navy	09/2015
Material systems achieve relevant FISCAM IT general and application-level general control objectives. (Legacy: DPAS, FMS-NSMA, STARS-FL, STARS-HCM   ERP: Navy ERP)	Navy, SSP	06/2015

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## Message from the Department of the Air Force Chief Management Officer

*The Department of the Air Force remains steadfastly committed to meeting the near and long term milestones for audit readiness. Despite challenges arising from a contract protest and sequestration, we made significant progress and have been regaining momentum.*

*Over the last six months, the Air Force Financial Improvement and Audit Readiness (FIAR) team has been diligently executing an acceleration strategy based on the March 2013 OUSD(C) FIAR guidance and focused on ensuring the most critical and material areas are ready for audit. We recognize there will be additional challenges and will apply sound, cost-effective actions to mitigate process and system weaknesses. The efforts we plan to accomplish in fiscal year 2014 will be critical to meeting the plan of asserting audit readiness of our schedule of budgetary activity (SBA) by September 30, 2014 with no remaining schedule margin. Our schedule does not allow for separate examinations of each of our assessable units by an Independent Public Accountant (IPA) prior to September 30, 2014, however, we believe our schedule should allow sufficient time for all necessary assessable units to be tested and for essential corrective actions to be implemented. Achieving this should enable us to engage an IPA for a SBA audit on schedule. The results of the SBA audit will put us well on the path to achieving audit readiness by 2017.*

*The Air Force's audit readiness efforts are designed to build in lasting improvements. I have determined the Air Force remains on a well-designed, albeit aggressive path that is affordable and sustainable and enables us to move into an audit (led by an IPA) of our SBA by September 30, 2014, which is consistent with National Defense Authorization Act requirements. We believe we can support this requirement without an unaffordable or unsustainable level of one-time fixes and manual work-arounds while continuing progress in achieving audit readiness of the Air Force's financial statements by September 30, 2017.*



A handwritten signature in black ink that reads "Eric K. Fanning".

**Eric K. Fanning**  
Chief Management Officer  
Department of the Air Force

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## V. Air Force Audit Readiness Plans

The vision for the Air Force is “The World’s Greatest Air Force – powered by Airmen, Fueled by Innovation.” For generations, the allure of airpower has attracted outstanding Americans to serve their country. One of the Air Force’s greatest strengths is its ability to recruit, develop, and retain innovative patriots with strong character, a belief in respect for others, and a commitment to high standards and our core values of *Integrity First, Service Before Self, and Excellence In All We Do*. Meeting audit readiness goals is in alignment with these high standards. The U.S. Air Force is the greatest air force in the world because of its Airmen – Active, Reserve, Guard, and Civilian – and to remain the greatest, the Air Force must make its team even stronger.

The mission of the Air Force is “Fly, Fight and Win.” The Air Force’s enduring contributions are rooted in the original roles and responsibilities assigned in 1947. Today, they are called: (1) air and space superiority, (2) intelligence, surveillance, and reconnaissance, (3) rapid global mobility, (4) global strike, and (5) command and control. The Air Force already combines its air, space, and cyber forces to maximize these enduring contributions. Faced with fiscal challenges, the Air Force must make prudent choices to ensure that it is able to unleash the full potential of airpower. Audit readiness will help the Air Force realize that potential.

To excel as stewards of its resources, the Air Force is executing a strategy to modernize legacy systems, transforming business and financial management processes to improve combat support for the nation’s warfighting forces. Providing reliable, accurate, and timely information to decision makers at all levels is essential. This strategy is important to achieving CFO Act compliance.

The Air Force is fully committed to achieving the audit readiness goals and has focused its immediate efforts on completing the key activities to achieve audit readiness for the Statement of Budgetary



The first U.S. Air Force F-35A Lightning II aircraft to land at Hill Air Force Base (AFB), Utah, arrives Sept. 13, 2013. (DoD photo by Staff Sgt. Devin Doskey, U.S. Air Force)

Resources by September 30, 2014, and continues to execute the tasks to meet full financial statement audit readiness by September 30, 2017.

### Leadership and Accountability

Air Force senior leadership continues to support the Department’s near- and long-term audit readiness goals. FIAR updates and status are reported in a number of forums. FIAR remains an agenda item during Air Force Four Star CORONA meetings. During these meetings, the Chief of Staff of the Air Force is able to reinforce his commitment to audit readiness. Air Staff functional leads report progress biweekly to the Air Force Deputy Chief Management Officer. Major Command (MAJCOMs) best practices are shared across the Air Force, and the MAJCOMs have been directed to establish FIAR governance processes to review progress.

## FIAR Plan Status Report

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The Air Force is continually looking for opportunities to reinforce its commitment to audit readiness and functional leads have incorporated audit readiness actions in their respective oversight meetings. Additionally, cross-functional oversight meetings are taking place among the Air Staff with participation of field-level personnel. The Chief and Vice Chief continue to champion the mindset of “Every Dollar Counts” and are encouraging Airmen to embrace an innovative cost conscious culture.

Extensive FIAR activity is occurring across the entire enterprise, including at all MAJCOMs. The MAJCOMs are leading the audit readiness efforts outside the Pentagon by holding weekly collaborative meetings across all Air Force processes and more specifically, Air Force assessable units. By designating a lead MAJCOM for each assessable unit, the Air Force has made significant progress in outlining and documenting processes, developing test plans, and conducting recurring monthly self-testing across seven assessable units: Funds Distribution to Base, Reimbursements, Civilian Pay, Military Pay, Travel Pay, Vendor Pay, and Contracts.

Each assessable unit went through the rigorous OMB Circular A-123 process. Through this process, the Air Force identified the major attributes and process owners that were at risk of material misstatement. In addition, test scripts were developed along with an aggressive recurring test schedule. The MAJCOMs generate statistically sound monthly samples that are parsed out to base-level for research, validation, and reporting back up the chain to the Air Force Comptroller.

In addition to financial related testing, process owners are conducting OMB Circular A-123 reviews and testing in their functional areas for monthly reporting. These efforts have laid the groundwork for initial assertions and the flexibility to modify testing to sustain assertions in the future. As the Air Force works toward unqualified opinions, the MAJCOMs are creating a sustainable path for maintaining audit readiness.

Senior officials’ accountability is mirrored at lower management levels. Numerous leaders across a wide range of functions are managing a broad portfolio of responsibilities, and audit readiness goals are one of the critical measures for their success. Senior Executive Service members continue to have FIAR goals in their performance plans.

Governance structures and organizations hold senior military and civilian officials accountable for meeting FIAR milestones and measuring OMB Circular A-123 performance with the objective of continued process improvement. This is monitored through the recurring Enterprise Senior Working Group, Executive Steering Group, and Senior Assessment Team, as well as quarterly briefings to the CMO on open material weaknesses.

MAJCOM commanders are emphasizing the importance of strong financial practices, such as resolving unliquidated obligations, to achieve FIAR compliance and meet the challenges of operating under a much more constrained resource environment. Air Force Materiel Command, the largest command, has included FIAR goals and objectives in its strategic plan and reviews progress at the MAJCOM Council level monthly. That practice is being implemented across the Air Force. In January 2013, SAF/FMP updated the Commanders’ Checklist for Audit Readiness and is currently adding regulatory citations to aid its usefulness in self-inspection programs and for oversight conducted by the Office of the Air Force Inspector General.

### Accomplishments and Progress

The Air Force paradigm continues shifting from one of basic regulatory compliance to one of sustainable FIAR audit readiness. SAF/FM leads biweekly MAJCOM Collaborative Team teleconferences and includes other functional process owners (e.g., Acquisition (SAF/AQ), Personnel (AF/A1), Logistics (AF/A4), and DFAS) that keep the enterprise focused on audit readiness. For example, the logistics community is in final coordination on an audit

## FIAR Plan Status Report

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readiness sustainment plan that outlines its goals and continued support for maintaining audit readiness after reaching initial success.

Significant testing has been accomplished for most SBR assessable units. Results show steady improvements giving assurance that the Air Force is on the right path. To date, testing has been accomplished for Funds Distribution to Base, Military Pay, Civilian Pay, Reimbursements, and Contracts (Major and Minor). The Commanders' Checklist for Audit Readiness documents the process and controls for many Air Force processes and is an invaluable tool used by the MAJCOMs in their self-inspection programs.

### Challenges and Risks

The Air Force is executing an accelerated strategy based on the FIAR Guidance and is focused on ensuring the most critical and material areas are ready for audit. The limited time to implement and test corrective actions remains a primary concern. The Air Force schedule does not allow for examination of each assessable unit by an IPA prior to September 30, 2014. However, each assessable unit will be tested after corrective actions have been implemented, and the Air Force plan is to be ready for an IPA audit of the entire Air Force Schedule of Budgetary Activity in FY 2015. The Air Force also continues to assess the general and application controls of the financially significant systems. Implementing mitigating controls to offset legacy system weaknesses will present challenges.

### Audit Readiness Sustainment

The Air Force is keenly aware that to remain fully auditable after assertion, concerted efforts are needed. To that end, the Air Force is implementing a recurring, focused approach to maintain auditability. Through this approach, commanders will be provided the means to preserve internal controls and processes needed to sustain auditability without putting an intolerable burden on mission accomplishment through the Manager's Internal Control Program (MICP). Once assessable units are asserted, the controls and objectives will be integrated into the MICP with updates to the

Commander's Checklist for Audit Readiness and quality assurance reviews. At a minimum, internal control and supporting documentation testing and quality assurance reviews, as well as audit requests and compliance inspections, will be conducted each year. This, too, is part of the paradigm shift to audit readiness at the lowest mission-execution level in the Air Force.

Full integration of assessable unit controls and processes will take coordination with applicable functional owners and, in some cases, policies may change. During the time required to apply these changes, the Air Force will annually review and update assertion work products, and continue control testing. Results from these tests and reviews will highlight corrective actions needed to keep the Air Force on track.

Sustainment efforts are ongoing for the Military Equipment, OM&S Cruise Missiles, OM&S Aerial Targets/Drones, Spare Engines, and Uninstalled Missile Motors existence and completeness assessable units. Using contractor support, the assertion work products for these assessable units are being fully reviewed and updated for any changes in policy or processes, and corrective action plan progress. The work products were updated to include the additional Financial Reporting Objectives outlined in the FIAR Guidance.

As corrective actions are identified, whether through assertion packages, audits, quality assurance, internal control and supporting document testing, or self-identification, they will be tracked for progress and completion through a centralized corrective action plan list. The list includes corrective action plans already identified in the annual Statement of Assurance and updated in the OUSD(C) FIAR Planning Tool.

### Infrastructure for FY 2015 and Future Audits

The Air Force is working within the legacy environment to use current systems to house supporting transaction documentation and develop methods for quick retrieval when needed to be provided to auditors. For example, SAF/AQC is working within the Electronic

## FIAR Plan Status Report

Document Access (EDA) system to maintain signed contracts for retention and expeditious access during audit.

The Assistant Secretary of the Air Force for Financial Management and Comptroller (SAF/FM) expanded the duties of one of their directorates to oversee and coordinate the self-testing being performed by MAJCOM resources. This office will assist the MAJCOMs in maintaining audit readiness as the Air Force moves into sustainment and will monitor the Air Force audit readiness sustainment, incorporating audit readiness and adherence to OMB Circular A-123 in process flows, narratives, risk analysis, and testing, as well as instilling accountability for internal controls with all MAJCOMs.

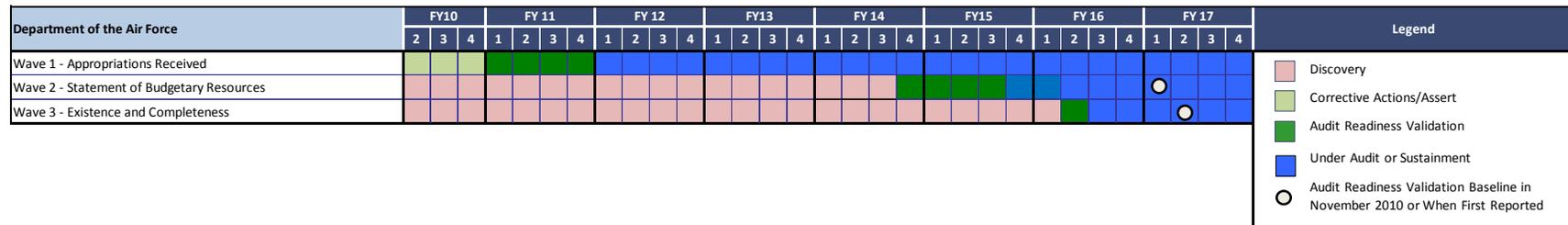
All MAJCOMs have dedicated resources to support audit readiness. Further, AFMC established a governance structure that includes FIAR goals and objectives in their strategic plan and reviews progress at the MAJCOM Council level monthly. The governance process established at AFMC is being used as a benchmark for all MAJCOMs to follow.

SAF/FM is working with DFAS to finalize the concepts of operations (CONOPs) that define the support required from both the Air Force and DFAS in achieving and sustaining audit readiness for each assessable unit. The CONOPs will identify, define, and delineate roles and responsibilities at the key control activity level to obtain and sustain successful assertions and audits.

The Air Force electronically maintains documentation related to assertion and self-testing. Collaborative forums have been established for SBR assessable units and SharePoint sites are under development to house assertion packages, MICP, and corrective action plan information, which was previously located on the Air Force Knowledge Now platform. Regular recurring FIAR meetings are held across the Air Force at all levels to support FIAR assertions.

Figure V-1 provides a summary view of the Air Force plans for achieving audit readiness by the waves of the FIAR Strategy.

**Figure V-1. Air Force Audit Readiness Plans by Wave**



## STATEMENT OF BUDGETARY RESOURCES

The Air Force has reassessed its current audit readiness status for each assessable unit in Discovery. The revised dates, the result of contractor protest and sequestration challenges previously reported, are reflected in each assessable unit chart. The audit readiness strategy has been revised to accelerate activities based on the FIAR Guidance and is focused on ensuring the most critical and material areas are ready for audit.

### Accomplishments

The Air Force realigned its efforts and is now focused on the audit readiness criteria, referred to as dealbreakers in the FIAR Guidance, and completing the Funds Distribution to Base assertion (approximately \$162 billion) and the Civilian Pay assertion (approximately \$17 billion). These assessable units have been asserted as audit ready and are currently undergoing an examination by an IPA with results to be provided in February 2014.

The Air Force continued integrating the Air Force Audit Agency (AFAA) and MAJCOM activities into its FIAR strategy and used these resources to perform critical testing of Military Pay and Reimbursable processes and documentation. For example, besides the work AFAA did in Military Pay, it is also supporting the Air Force audit readiness efforts in the Supply Requisition (MILSTRIP) assessable unit by validating three significant key controls: (1) outlays represent valid/authorized transactions, (2) outlays against obligations made during period of availability of appropriation, and (3) recorded balances of fiscal year outlays are supported by detail records. As with Military Pay, AFAA is working with SAF/FM to quickly provide draft results to ensure readiness efforts keep moving.

AFAA previously identified errors in rates of obligations resulting from not effectively implementing the tri-annual review process. Significant testing through the MAJCOM collaborative groups has improved this problem area and provided the ability to use funds

before they expire. AFAA reviewed Accounts Payable transaction supporting documentation and identified areas needing improvement, such as maintaining the minimum required documentation. Finally, in the area of civilian pay, leave, and premium pay supporting documentation, significant improvement was observed through MAJCOM testing.

### Remaining Activity to Achieve FY 2014 Goal

The Air Force is focusing its resources for the time remaining until September 30, 2014, on accelerating SBR assertion efforts. Employing the revised FIAR Guidance, the Air Force is eliminating many of the redundant steps outlined in the previous FIAR Guidance. While the testing work outlined in the Discovery and Corrective Action phases of the FIAR Methodology are still required, the revised methodology includes necessary time for detailed walk-throughs by experienced personnel.

The approach will be more streamlined than the previous repetitive “test and decide” methodology. Following the revised FIAR Guidance will help ensure internal controls that fail by way of design or effectiveness can be mitigated or compensated through the identification and testing of alternative controls or substantive procedures. Finally, the Financial Improvement Plans (FIPs) are being reviewed to eliminate unnecessary or repetitive steps, ensuring the most critical actions are being taken to accomplish the assertion work products.

### Challenges and Risks

The Air Force has identified potential challenges and risks to achieving audit readiness by the end of FY 2014. The current Air Force legacy systems infrastructure was not designed to achieve the key controls of a financial statement audit. As such, process controls in these legacy system environments may not provide sufficient audit trails to include reconciliations. The accelerated SBR schedule reduced the time available to identify, develop, and implement corrective actions. Finally, the revised assertion dates will

## FIAR Plan Status Report

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not allow an IPA examination of the remaining SBR assessable units to be completed prior to September 30, 2014. The Air Force is aware of these challenges and risks and has developed an acceleration strategy to assist in early identification of corrective actions in the manual processes and financially significant systems.

### Audit Ready Systems Environment

The Air Force has developed a streamlined approach to execute the FISCAM reviews for financially significant systems. The overall approach follows that of an IPA when conducting a financial system audit and leverages AFAA audits to validate system assessments. This approach for Air Force systems prepares each system team (functional and program managers) to support the audit.

Schedules have been created for each system for documenting, testing, and developing corrective actions for ineffective controls. Integrating the Air Force FIAR IT resources with system teams allows for a consistent, repeatable methodology and test strategy across Air Force system assessments. Successful execution of this approach will result in early identification of audit readiness criteria dealbreakers and the development of corrective actions.

See Appendix 4 for the status of IT general and application control testing and corrective activity for systems material to the SBR and existence and completeness.

Figure V-2 shows the Air Force audit readiness plans for the SBR by assessable unit and identifies the validation baseline milestones established in the November 2010 FIAR Plan Status Report or from when first reported. The Air Force SBR assessable units are:

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

Progress and plan charts for each SBR assessable unit follow Figure V-2. See Appendix 5 for an explanation of the FIAR activity conducted to achieve each milestone in these charts.

# FIAR Plan Status Report

## Figure V-2. Air Force SBR Audit Readiness Plans by Wave

Department of the Air Force	FY 2010			FY 2011			FY 2012			FY 2013			FY 2014			FY 2015			FY 2016			FY 2017			Legend			
	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1		2	3	4
<b>Validated as Audit Ready and in Sustainment</b>																												
<b>Wave 1 - Appropriations Received</b>																												
Appropriations Received																												
<b>Audit Readiness Work in Progress</b>																												
<b>Wave 2 - Statement of Budgetary Resources</b>																												
Funds Distribution to Base**																												
Civilian Pay**																												
Military Pay**																												
Reimbursement Budget Authority and Execution*																												
Net Outlays (Fund Balance with Treasury)**																												
Contracts (Major)*																												
Contracts (Minor)*																												
Supply Requisition (MILSTRIP)*																												
Financial Reporting**																												
Space Based Infrared System (SBIRS)**																												

\* Audit readiness will be validated by an IPA audit of the Air Force SBA in FY 2015.  
 \*\* Audit readiness will be re-validated by an IPA audit of the Air Force SBA in FY 2015.

### Funds Distribution to Base

#### Remaining Audit Readiness Actions and Challenges

- Builds on the previous Appropriations Received and Funds Distribution to MAJCOM assertion.
- An IPA is currently performing an examination to validate audit readiness with estimated completion date of 02/2014.
- Upon completion of the examination, the Air Force will develop and implement corrective actions, if applicable, and execute sustainment activities in accordance with FIAR requirements.

#### Completion Dates for Milestones (✓ = Completed)

FIAR Phases	Completion
Discovery	✓
Process Documentation	✓
Test Plans	✓
Conduct Control Testing	✓
Conduct Balance Testing	✓
Complete Corrective Actions/Assert	✓
<b>Audit Readiness Validated</b>	<b>02/2014*</b>

\* Revised since the May 2013 FIAR Plans Status Report.

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

Outcomes	Accountable Entity	Completion
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	✓

## Civilian Pay

### Remaining Audit Readiness Actions and Challenges

- An IPA is currently performing an examination to validate audit readiness with an estimated completion date of 02/2014.
- Upon completion of the examination, the Air Force will develop and implement corrective actions, if applicable, and execute sustainment activities in accordance with FIAR requirements.

### Completion Dates for Milestones (✓ = Completed)

FIAR Phases	Completion
Discovery	✓
Process Documentation	✓
Test Plans	✓
Conduct Control Testing	✓
Conduct Balance Testing	✓
Complete Corrective Actions/Assert	✓
<b>Audit Readiness Validated</b>	<b>02/2014*</b>

\* Revised since the May 2013 FIAR Plans Status Report.

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

Outcomes	Accountable Entity	Completion
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, ATAAPS, DCPDS, DCPS, JOCAS II, DMAP-TAAS)	DFAS, DISA, SAF/FMPS	✓

## Military Pay

### Remaining Audit Readiness Actions and Challenges

- Analyze control information and supporting documentation gathered during end-to-end process walkthrough.
- Leverage DFAS SSAE No. 16 examination process flows, testing, and corrective actions for controls reliance. Identify controls not covered by the SSAE No. 16 examination and implement other assessment procedures.
- Continue to apply the results of DFAS, MAJCOM, and AFAA internal control and supporting documentation testing to gain efficiencies and develop and implement corrective actions.
- Identify and implement corrective action for basic allowance for housing supporting documentation weakness identified by AFAA.
- Assess general and application controls of the financially significant systems.

### Completion Dates for Milestones (✓ = Completed)

FIAR Phases	Completion
Discovery	04/2014*
Process Documentation	02/2014*
Test Plans	02/2014*
Conduct Control Testing	02/2014*
Conduct Balance Testing	04/2014*
Complete Corrective Actions/Assert	05/2014*
<b>Audit Readiness Validated</b>	<b>09/2014*</b>

\* Revised since the May 2013 FIAR Plans Status Report.

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

Outcomes	Accountable Entity	Completion
Personnel data are recorded timely.	HAF/A1	05/2014*
Personnel data are valid and recorded accurately.	HAF/A1	05/2014*
Payroll is calculated and processed accurately.	DFAS	05/2014*
Payroll obligations, expenses, accruals, and disbursements are recorded timely.	SAF/FM, DFAS	05/2014*
Payroll obligations, expenses, accruals, and disbursements amounts are valid and recorded correctly.	SAF/FM, DFAS	05/2014*
Obligations and accruals are reviewed, and adjusted as necessary, at least three times per year.	SAF/FM, DFAS	05/2014*
Material systems achieve relevant FISCAM IT general and application-level control objectives. (DDRS-AFS, DDRS-B, GAFS-R, GAFS-BQ, DJMS-AC, DJMS-RC, DMO, MILPDS, AROWS, AROWS-R)	SAF/FM, DFAS, DISA	05/2014*

\* Revised since the May 2013 FIAR Plans Status Report.

## Reimbursement Budget Authority and Execution

### Remaining Audit Readiness Actions and Challenges

- Perform an end-to-end process walkthrough to validate controls and supporting documentation.
- Leverage the results of DFAS and MAJCOM control and supporting documentation testing to gain efficiencies and develop and implement corrective actions.
- Continue to assess the general and application controls of financially significant systems.
- Continue to implement and monitor corrective actions to include a new standard document ID that provides traceability from customer order thru obligation, execution, billing, and collection and creation of a second set of budgetary activity codes (BACs) for reimbursable execution of O&M Appropriation funds.
- Expand new reimbursable BACs from four initial test bases in FY 2013 to more than 20 bases in FY 2014. Air Force-wide implementation is scheduled for FY 2015.
- Address complexities from implementing reimbursable BACs on centrally managed rate-based programs such as the Flying Hour Program.

### Completion Dates for Milestones (✓ = Completed)

FIAR Phases	Completion
Discovery	05/2014*
Process Documentation	02/2014*
Test Plans	02/2014*
Conduct Control Testing	02/2014*
Conduct Balance Testing	05/2014*
Complete Corrective Actions/Assert	06/2014
<b>Audit Readiness Validated</b>	<b>**</b>

\* Revised since the May 2013 FIAR Plans Status Report.

\*\* Audit readiness will be validated by an IPA audit of the Air Force SBA in FY 2015.

## FIAR Plan Status Report

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

Outcomes	Accountable Entity	Completion
Unfilled customer orders are recorded timely.	SAF/FMB	06/2014
Unfilled customer orders are valid and recorded accurately.	SAF/FMB	06/2014
Revenue, advances, and IPAC collections are recorded timely.	SAF/FMB, DFAS	06/2014
Revenue, advances, and IPAC collections are valid and recorded accurately.	SAF/FMB, DFAS	06/2014
Stale or invalid unfilled customer orders and uncollected customer payments/accounts receivable are removed.	SAF/FMB	06/2014
Obligations are recorded timely.	SAF/FMB	06/2014
Obligations are valid and recorded accurately.	SAF/FMB	06/2014
Accruals and payables are recorded timely.	SAF/FMB, DFAS	06/2014
Accruals and payables are valid and recorded accurately.	SAF/FMB, DFAS	06/2014
IPAC disbursements and advances are recorded timely.	SAF/FMB, DFAS	06/2014
IPAC disbursements and advances are valid and recorded accurately.	SAF/FMB, DFAS	06/2014
Stale or invalid obligations and accruals are removed.	SAF/FMB, DFAS	06/2014
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, JOCAS II, SAMIS)	SAF/FMP, DFAS	06/2014

## Net Outlays (Fund Balance with Treasury)

### Remaining Audit Readiness Actions and Challenges

- IPA validated FBWT reconciliation assertion in 10/2011.
- Perform an end-to-end process walkthrough to validate the controls and supporting documentation.
- Integrate the “handoff controls” (Complementary User Controls) from DFAS Disbursing and Financial Reporting SSAE No. 16 examinations into Air Force work products.
- Leverage the results of DFAS control and supporting documentation testing to gain efficiencies and develop and implement corrective actions.
- 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).

### Completion Dates for Milestones (✓ = Completed)

FIAR Phases	Completion
Discovery	03/2014*
Process Documentation	01/2014*
Test Plans	01/2014*
Conduct Control Testing	01/2014*
Conduct Balance Testing	03/2014*
Complete Corrective Actions/Assert	04/2014*
<b>Audit Readiness Validated</b>	<b>09/2014</b>

\* Revised since the May 2013 FIAR Plans Status Report.

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

Outcomes	Accountable Entity	Completion
Disbursements and collections are reported timely.	DFAS	04/2014*
Disbursements and collections are valid and reported accurately.	DFAS	04/2014*
Treasury accounts are reconciled timely.	DFAS	04/2014*
Reconciliations, including general ledger and disbursing system data, are accurate.	DFAS	04/2014*
Reconciling items are identified timely.	DFAS	04/2014*
Reconciling items are valid and resolved accurately.	DFAS	04/2014*
Material systems achieve relevant FISCAM IT general and application-level general control objectives. (DDRS-AFS, DDRS-B, GAFS-R, GAFS-BQ, ADS, CDS, DEAMS, MOCAS, DJMS-AC, DJMS-RC)	SAF/FM, DFAS	04/2014*

\* Revised since the May 2013 FIAR Plans Status Report.

## Contracts (Major)

### Remaining Audit Readiness Actions and Challenges

- Use an end-to-end process walkthrough to validate the controls and supporting documentation.
- Integrate the “handoff controls” from the DFAS Contract Pay SSAE No. 16 examination into Air Force work products.
- Apply the results of the DFAS and MAJCOM control and supporting documentation testing to gain efficiencies and develop and implement corrective actions.
- Implement applicable corrective actions resulting from previous MDAP SBIRS audit readiness validation examination.
- Monitor with DFAS the systems change request to correct interface issues with the Unix Pre-Validation Module to GAFS-BL that can cause duplicate payments/transactions.
- Work with DFAS to obtain a detailed Quantitative Drill Down Level 2 to eliminate financial instruments (MORDs and MIPRs) that are not MOCAS payments.

### Completion Dates for Milestones (✓ = Completed)

FIAR Phases	Completion
Discovery	05/2014*
Process Documentation	02/2014*
Test Plans	02/2014*
Conduct Control Testing	02/2014*
Conduct Balance Testing	05/2014*
Complete Corrective Actions/Assert	06/2014
<b>Audit Readiness Validated</b>	<b>**</b>

\* Revised since the May 2013 FIAR Plans Status Report.

\*\* Audit readiness will be validated by an IPA audit of the Air Force SBA in FY 2015.

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

Outcomes	Accountable Entity	Completion
Obligations are recorded timely.	SAF/AQ, SAF/FM, DFAS	06/2014*
Obligations are valid and recorded accurately.	SAF/AQ, SAF/FM, DFAS	06/2014*
Accruals and/or payables are recorded timely.	DFAS	06/2014*
Accruals and/or payables are valid and recorded accurately.	DFAS	06/2014*
Disbursements are recorded timely.	DFAS	06/2014*
Disbursements are valid and recorded accurately.	DFAS	06/2014*
Stale or invalid obligations and accruals are removed.	SAF/FM, DFAS, DLA	06/2014*
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, GEX, WAWF, MOCAS, PMRT)	SAF/AQ, SAF/FM, DFAS, DISA, DLA	06/2014*

\* Revised since the May 2013 FIAR Plans Status Report.

## Contracts (Minor)

### Remaining Audit Readiness Actions and Challenges

- Perform an end-to-end process walkthrough to validate controls and supporting documentation.
- Leverage the results of DFAS and MAJCOM control and supporting documentation testing to gain efficiencies and develop and implement corrective actions.
- Work with DFAS on corrective actions for supporting documentation retention in the Online Report Viewer system.
- Develop an accrual methodology for goods and services received but not invoiced and accepted.
- Continue to coordinate with SAF/AQ to implement a process that includes a legacy system upload of signed contracts for retention and expeditious access during audit.

### Completion Dates for Milestones (✓ = Completed)

FIAR Phases	Completion
Discovery	05/2014*
Process Documentation	02/2014*
Test Plans	02/2014*
Conduct Control Testing	02/2014*
Conduct Balance Testing	05/2014*
Complete Corrective Actions/Assert	06/2014*
<b>Audit Readiness Validated</b>	<b>**</b>

\* Revised since the May 2013 FIAR Plans Status Report.

\*\* Audit readiness will be validated by an IPA audit of the Air Force SBA in FY 2015.

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

Outcomes	Accountable Entity	Completion
Obligations are recorded timely.	SAF/AQ, SAF/FM,DFAS	06/2014*
Obligations are valid and recorded accurately.	SAF/AQ, SAF/FM,DFAS	06/2014*
Accruals and/or payables are recorded timely	DFAS	06/2014*
Accruals and/or payables are valid and recorded accurately.	DFAS	06/2014*
Disbursements are recorded timely.	DFAS	06/2014*
Disbursements are valid and recorded accurately.	DFAS	06/2014*
Stale or invalid obligations and accruals are removed.	SAF/FM,DFAS	06/2014*
Material systems achieve relevant FISCAM IT general and application-level general control objectives. (DDRS-AFS, DDRS-B, GAFS-R, GAFS-BQ, ABSS, CMOS, SCS, GEX, DAAS, DIFS, EC/EDI, DPS, DTS, EDA, EDM, IAPS, SPS, WAWF, OLRV, PCOLS)	SAF/AQ, SAF/FM, DFAS, DISA, DLA	06/2014*

\* Revised since the May 2013 FIAR Plans Status Report.

## Supply Requisition (MILSTRIP)

### Remaining Audit Readiness Actions and Challenges

- Ability to generate a complete universe of transactions may impact assertion due to non-interfund transactions.
- Current universe data will affect the scheduled end-to-end process walkthrough and may hinder the validation of controls and supporting documentation.
- Integrate the “handoff controls” (Complimentary User Controls) from DLA SSAE No. 16 examinations into Air Force work products.
- Leverage the results of the DLA, MAJCOM, and AFAA control and supporting documentation testing to gain efficiencies and develop and implement corrective actions.

### Completion Dates for Milestones (✓ = Completed)

FIAR Phases	Completion
Discovery	05/2014*
Process Documentation	03/2014*
Test Plans	03/2014*
Conduct Control Testing	03/2014*
Conduct Balance Testing	05/2014*
Complete Corrective Actions/Assert	06/2014*
<b>Audit Readiness Validated</b>	<b>**</b>

\* Revised since the May 2013 FIAR Plans Status Report.

\*\* Audit readiness will be validated by an IPA audit of the Air Force SBA in FY 2015.

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

Outcomes	Accountable Entity	Completion
Obligations are recorded timely.	SAF/AQ, SAF/FM,DFAS	06/2014*
Obligations are valid and recorded accurately.	SAF/AQ, SAF/FM,DFAS	06/2014*
Receipt and payables are recorded timely.	DFAS	06/2014*
Receipt and payables are valid and recorded accurately.	DFAS	06/2014*
Disbursements are recorded timely.	DFAS	06/2014*
Disbursements are valid and recorded accurately.	DFAS	06/2014*
Stale or invalid obligations and accruals are removed.	SAF/FM,DFAS	06/2014*
Material systems achieve relevant FISCAM IT general and application-level general control objectives. (DDRS-AFS, DDRS-B, GAFS-R, GAFS-BQ, DAAS)	SAF/AQ, SAF/FM,DFAS, DISA, DLA	06/2014*

\* Revised since the May 2013 FIAR Plans Status Report.

## Financial Reporting

### Remaining Audit Readiness Actions and Challenges

- Perform an end-to-end process walkthrough to validate controls and supporting documentation.
- Integrate the “handoff controls” from the DFAS Financial Reporting SSAE No. 16 examination into work products.
- Apply the results of DFAS control and supporting documentation testing to gain efficiencies and develop corrective actions.
- Finalize control test plans and journal voucher testing to ensure adjustments are sampled and tested for correct category, supporting documentation, approval, and USSGL posting.
- Identify variances in source system reconciliations and ensure all systems have been captured in the SBR reconciliation tool, ART.

### Completion Dates for Milestones (✓ = Completed)

FIAR Phases	Completion
Discovery	02/2014*
Process Documentation	01/2014*
Test Plans	01/2014*
Conduct Control Testing	01/2014*
Conduct Balance Testing	02/2014*
Complete Corrective Actions/Assert	03/2014*
<b>Audit Readiness Validated</b>	<b>07/2014*</b>

\* Revised since the May 2013 FIAR Plans Status Report.

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

Outcomes	Accountable Entity	Completion
Trial balances (or equivalents) are produced timely.	DFAS	03/2014*
Trial balances (or equivalents) are valid and accurate.	DFAS	03/2014*
Trial balances (or equivalents) are loaded into DDRS-B timely.	DFAS	03/2014*
Trial balances (or equivalents) are completely and accurately loaded into DDRS-B.	DFAS	03/2014*
Trial balance data in DDRS-B are loaded into DDRS-AFS timely.	DFAS	03/2014*
Trial balance data are completely and accurately loaded from DDRS-B into DDRS-AFS.	DFAS	03/2014*
Adjustments recorded in DDRS-B and DDRS-AFS are recorded timely.	DFAS	03/2014*
Adjustments recorded in DDRS-B and DDRS-AFS are valid and accurate.	DFAS	03/2014*
SBR related footnotes and accompanying information is completed timely.	SAF/FM, DFAS	03/2014*
SBR related footnotes and accompanying information is valid and accurate.	SAF/FM, DFAS	03/2014*
Material systems achieve relevant FISCAM IT general and application-level general control objectives. (DDRS-AFS, DDRS-B, DDRS-DCM, GAFS-R, GAFS-BQ, DEAMS, AFM)	DFAS	03/2014*

\* Revised since the May 2013 FIAR Plans Status Report.

## Space Based Infrared System Acquisition Program

### Audit Ready and in Sustainment

- IPA validated audit readiness assertion in 01/2013.
- Corrective actions noted during the examination are being implemented and monitored in the Contract (Major) assessable unit.
- Sustainment for supporting documentation is being performed in the Contracts (Major) assessable unit.

### Completion Dates for Milestones (✓ = Completed)

FIAR Phases	Completion
Discovery	✓
Process Documentation	✓
Test Plans	✓
Conduct Control Testing	✓
Conduct Balance Testing	✓
Complete Corrective Actions/Assert	✓
<b>Audit Readiness Validated</b>	✓

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

Outcomes	Accountable Entity	Completion
Obligations are recorded in the correct period and within 10 days of award.	SAF/AQ, SAF/FM, DFAS	✓
Obligations are recorded accurately and are valid.	SAF/AQ, SAF/FM, DFAS	✓
Accruals and/or payables are recorded in the correct period and within 10 days of receipt.	DFAS	✓
Accruals and/or payables are valid and recorded accurately.	DFAS	✓
Disbursements are recorded in the correct period and within 10 days of payment.	DFAS	✓
Disbursements are valid and recorded accurately.	DFAS	✓
Obligations and accruals are reviewed, and adjusted as necessary, at least three times per year.	SAF/FM, DFAS, DLA	✓
Material systems achieve the relevant FISCAM IT general and application-level control objectives. (DDRS-AFS, DDRS-B, GAFS-R, GAFS-BQ, ABSS, ACPS, ConWrite, SPS, EDA, GEX, WAWF, MOCAS, PMRT)	SAF/AQ, SAF/FM, DFAS, DISA, DLA	✓

## EXISTENCE AND COMPLETENESS OF MISSION CRITICAL ASSETS

The following assessable units were examined by the DoD OIG and validated as audit ready:

- Military Equipment – Unqualified Opinion in June 2012
- OM&S (Cruise Missiles) – Unqualified Opinion in June 2012
- OM&S (Aerial Targets/Drones) – Unqualified Opinion in June 2012
- OM&S (Uninstalled Missile Motors) – Unqualified Opinion in January 2013
- OM&S (Spare Engines) – Qualified Opinion in January 2013

For General Equipment, the Air Force has completed approximately 73 percent of the book-to-floor and floor-to-book inventory of all equipment accounts. As expected, some discrepancies were found but are not expected to prevent the Air Force from achieving its auditability goals. Several Accountable Property System of Record (APSR) reconciliations were performed to ensure financial transactions are being recorded in the general ledger. Support is being provided from service providers to ensure these reconciliations are permanently implemented and corrective actions are being addressed.

### Remaining Activity to Achieve FY 2016 Goal

The Air Force is accelerating existence and completeness assertion efforts similar to how the SBR efforts are being accelerated. Using the March 2013 revised FIAR Guidance, many of the redundant steps outlined in the previous FIAR Guidance are being eliminated. While the testing work outlined in the Discovery and Corrective Action phases of the FIAR methodology are still required, the revised methodology includes necessary time for detailed walk-throughs by experienced personnel. The approach will be more streamlined. Following the revised guidance will help ensure internal

controls that fail by way of design or effectiveness can be mitigated or compensated through the identification and testing of alternative controls or substantive procedures. FIPs are being reviewed to eliminate unnecessary or repetitive steps, ensuring the most critical actions are taken to accomplish assertion work products.

The assessable units Munitions, Real Property, General Equipment, Government Furnished Equipment, Inventory/OM&S (Base Possessed), OM&S (Contractor Managed/Possessed), Inventory/OM&S (Depot), and General Equipment – Information Technology (GE-IT), a newly established assessable unit, are at various stages within the Discovery Phase. Air Force senior leadership made the strategic decision to establish GE-IT as a separate and distinct assessable unit to ensure dedicated focus and resources are available to address this critical area. A memorandum was issued by the Air Force Comptroller, Chief Information Officer, and Deputy Chief of Staff for Logistics, Installations and Mission Support.

The Air Force is focused on documenting current processes and identifying risks and internal controls in preparation for walkthroughs and testing. The Air Force is also working with its service providers to understand and document their processes, risks, and key internal controls. Memorandums of Understanding will be developed with each service provider to document agreements on roles and responsibilities. APSR to GAFS-R reconciliations are being developed to ensure all financial transactions are being captured in the general ledger.

A Capitalized Medical Equipment assessable unit assertion package was initially submitted to the OUSD(C) in April 2013. However, the OUSD(C) identified internal control deficiencies. Corrective actions have been identified to address the deficiencies. The proposed corrective actions will be coordinated with the OUSD(C). When audit readiness validation is complete in December 2013, Capitalized Medical Equipment will transition to sustainment.

### Challenges and Risks

The Air Force identified potential challenges and risks to achieving existence and completeness audit readiness by June 30, 2016. The current Air Force legacy systems infrastructure was not designed to achieve the key controls of a financial statement audit. As such, process controls in these legacy systems environments may not provide sufficient audit trails, including preparing reconciliations. During inventory counts, discrepancies have been noted. This includes assets found that were not in an accountable record and assets that were on record, but were not found. The Air Force is aware of these challenges and risks and has developed an acceleration strategy to assist in earlier identification of corrective actions in the manual processes and financially significant systems.

AFAA has completed six audits over various aspects of Military Equipment that indicated existence and completeness controls were effective and an unqualified report was issued. Similar effective processes and controls that supported a Military Equipment clean opinion from AFAA are in place for General Equipment.

The Air Force has identified challenges and risks to several assessable units. There is no APSR for Operating Material and Supplies managed and possessed by contractors. Identifying items in the possession of contractors has been difficult. The Air Force is using the Service Development and Delivery Process to identify a suitable APSR. An auditable interim solution has been developed to meet FIAR objectives without an APSR. A long-term system solution will be implemented after assertion.

Many of our assessable units, such as Munitions and Real Property, are heavily dependent on the role of service providers. Conflicting priorities and timelines of the service providers may impact achieving existence and completeness audit readiness by June 30, 2016. Assessable unit scope and timelines may be impacted by service providers opting not to obtain SSAE No. 16 examinations. Assessable unit teams are working closely with service providers to mitigate these risks as much as possible by identifying corrective actions early and providing enough time for implementation.

The Air Force has reassessed its current audit readiness status for each assessable unit in Discovery. The revised dates are reflected in each assessable unit status and plan chart. The revised dates are a direct result of a contract protest and sequestration. The Air Force has revised its audit readiness strategy to accelerate activities based on the revised FIAR Guidance, ensuring the most critical and material areas are ready for audit.

### Audit Ready Systems Environment

The Air Force has developed a streamlined approach to execute the FISCAM reviews and evaluation process. It allows for corrective actions to be identified earlier in the process. See Appendix 4 for the status of IT general and application control testing and corrective activity for systems material to the SBR and existence and completeness.

The Air Force existence and completeness assessable units that are audit ready and in sustainment are:

- Military Equipment
- OM&S (Cruise Missiles)
- OM&S (Aerial Targets and Drones)
- OM&S (Spare Engines)
- OM&S (Uninstalled Missile Motors)

## FIAR Plan Status Report

The Air Force evaluated remaining Inventory and OM&S assessable units and concluded it was not feasible to determine transaction universes given how the assessable units were organized. Assessable units were therefore reorganized based on the APSR. The assessable units in which work continues are:

- General Equipment
- General Equipment (Information Technology)
- General Equipment (Capitalized Medical Equipment)
- Real Property
- Inventory and OM&S (Base Possessed)
- Inventory and OM&S (Depot)
- Inventory and OM&S (In-Transit)
- OM&S (Medical and Dental)
- OM&S (Munitions)
- OM&S (Spares Contractor Managed and Contractor Possessed)
- OM&S (U2 and Unmanned Aerial Vehicles)
- Government Furnished Equipment

Figure V-3 crosswalks the old assessable unit name to the new assessable unit name and also identifies two new assessable units.

Figure V-4 shows the Air Force audit readiness plans for the existence and completeness of mission critical assets and the validation baseline milestones established in the November 2010 FIAR Plan Status Report or from when first reported. Progress and plan charts for each existence and completeness assessable unit follow Figure V-4. See Appendix 5 for an explanation of the FIAR activity conducted to achieve each milestone in these charts.

**Figure V-3. Revised Assessable Units**

Former Assessable Unit	New Assessable Unit
N/A	General Equipment (Information Technology)
N/A	General Equipment (Capitalized Medical Equipment)
Inventory OM&S (Spares, Air Force Managed)	Inventory and OM&S (Depot)
	Inventory and OM&S (In-Transit)
	OM&S (Medical and Dental)
	OM&S (U2 and Unmanned Aerial Vehicles)
OM&S (Spares, Contractor Managed and Air Force Possessed)	Inventory and OM&S (Base Possessed)



## Military Equipment

### Audit Ready and in Sustainment

- Asserted 10/2010, and in 06/2012, DoD OIG issued an unqualified opinion on their existence and completeness examination.
- Performing sustainment activities in accordance with FIAR requirements, including reconciliation with DFAS to confirm transactions and property recorded in APSR are accurately and timely posted to the general ledger.
- Corrective actions noted during the examination and/or sustainment will be implemented and monitored to include systems edits for asset reporting, records for missiles, reporting of depreciation, and recording of capitalized equipment modifications.

### Completion Dates for Milestones (✓ = Completed)

FIAR Phases	Completion
Discovery	✓
Process Documentation	✓
Test Plans	✓
Conduct Control and Key Supporting Documentation Testing	✓
Complete Corrective Actions/Assert	✓
<b>Audit Readiness Validated</b>	✓

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

Audit Readiness Outcomes	Accountable Entity	Completion
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. (RAMPOD, REMIS)	AF/A4LX	✓
Military equipment acquisitions are recorded in the APSR and general ledger (or DDRS-AFS) timely.	AF/A4LX, DFAS	✓

## Operating Materials and Supplies (Cruise Missiles)

### Audit Ready and in Sustainment

- Asserted 06/2010, and in 06/2012 DoD OIG issued an unqualified opinion on their existence and completeness examination.
- Performing sustainment activities in accordance with FIAR requirements, including reconciliation with DFAS to confirm transactions and property recorded in APSR are accurately and timely posted to the general ledger.
- Determine impact of additional financial reporting objectives added after assertion and DoD OIG examination.

### Completion Dates for Milestones (✓ = Completed)

FIAR Phases	Completion
Discovery	✓
Process Documentation	✓
Test Plans	✓
Conduct Control and Key Supporting Documentation Testing	✓
Complete Corrective Actions/Assert	✓
<b>Audit Readiness Validated</b>	<b>✓</b>

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

Audit Readiness Outcomes	Accountable Entity	Completion
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 APSR.	AF/A4L	✓
Material systems achieve relevant FISCAM IT general and application-level general control objectives. (REMIS)	AF/A4L	✓

## Operating Materials and Supplies (Aerial Targets and Drones)

### Audit Ready and in Sustainment

- Asserted 06/2010, and in 06/2012, DoD OIG issued an unqualified opinion on their existence and completeness examination.
- Performing sustainment activities in accordance with FIAR requirements, including reconciliation with DFAS to confirm transactions and property recorded in APSR are accurately and timely posted to the general ledger.
- Determine impact of additional financial reporting objectives added after assertion and DoD OIG examination.

### Completion Dates for Milestones (✓ = Completed)

FIAR Phases	Completion
Discovery	✓
Process Documentation	✓
Test Plans	✓
Conduct Control and Key Supporting Documentation Testing	✓
Complete Corrective Actions/Assert	✓
<b>Audit Readiness Validated</b>	<b>✓</b>

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

Audit Readiness Outcomes	Accountable Entity	Completion
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 APSR.	AF/A4L	✓
Material systems achieve relevant FISCAM IT general and application-level general control objectives. (REMIS)	AF/A4L	✓

## Operating Materials and Supplies (Spare Engines)

### Audit Ready and in Sustainment

- Asserted 03/2012, and DoD OIG issued a qualified opinion on their existence and completeness examination.
- Complete corrective actions noted during the examination, which includes inventory discrepancies, completion of Blue Book updates, and long term storage policy and system enhancements for financial reporting.
- Performing sustainment activities in accordance with FIAR requirements.
- Evaluate the disposal process to better classify items that are non-serviceable in obsolete or excess status to comply with the financial reporting requirements.

### Completion Dates for Milestones (✓ = Completed)

FIAR Phases	Completion
Discovery	✓
Process Documentation	✓
Test Plans	✓
Conduct Control and Key Supporting Documentation Testing	✓
Complete Corrective Actions/Assert	✓
<b>Audit Readiness Validated</b>	✓

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

Audit Readiness Outcomes	Accountable Entity	Completion
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 APSR.	AF/A4L	✓
Material systems achieve relevant FISCAM IT general and application-level general control objectives. (CEMS, IDMS)	AF/A4L	✓

## Operating Materials and Supplies (Uninstalled Missile Motors)

### Audit Ready and in Sustainment

- Asserted 03/2012, and DoD OIG issued an unqualified opinion on their existence and completeness examination.
- Complete corrective actions noted during the examination, including review of FISCAM, Blue Book updates, and compliance with regulations for internal controls.
- Executing sustainment activities in accordance with FIAR requirements.
- Review reconciliation with DFAS to confirm transactions and property recorded in APSR are accurately and timely posted to the general ledger.

### Completion Dates for Milestones (✓ = Completed)

FIAR Phases	Completion
Discovery	✓
Process Documentation	✓
Test Plans	✓
Conduct Control and Key Supporting Documentation Testing	✓
Complete Corrective Actions/Assert	✓
<b>Audit Readiness Validated</b>	✓

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

Audit Readiness Outcomes	Accountable Entity	Completion
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 APSR.	AF/A4L	✓
Material systems achieve relevant FISCAM IT general and application-level general control objectives. (IMDB)	AF/A4L	✓

## General Equipment

### Remaining Audit Readiness Actions and Challenges

- Perform an end-to-end process walkthrough to validate controls and supporting documentation.
- Conduct a physical inventory to validate existence and completeness.
- Develop reconciliation with DFAS to confirm transactions and property recorded in APSR are accurately and timely posted to the general ledger.
- Document the processes surrounding the Air Force Equipment Management System (AFEMS) and strategize how to achieve legacy system audit readiness.
- Develop reconciliation with DFAS to confirm transactions and property recorded in AFEMS are accurately and timely posted to GAFS-R.

### Completion Dates for Milestones (✓ = Completed)

FIAR Phases	Completion
Discovery	06/2015*
Process Documentation	10/2014*
Test Plans	10/2014*
Conduct Control and Key Supporting Documentation Testing	06/2015*
Complete Corrective Actions/Assert	08/2015*
<b>Audit Readiness Validated</b>	<b>10/2015*</b>

\* Revised since the May 2013 FIAR Plans Status Report.

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

Audit Readiness Outcomes	Accountable Entity	Completion
General equipment acquisitions are recorded in the APSR and general ledger (or DDRS-AFS) timely.	AF/A4LE, DFAS	06/2015*
General equipment acquisitions are recorded accurately in the APSR and general ledger (or DDRS-AFS).	AF/A4LE, DFAS	06/2015*
General equipment disposals are recorded in the APSR and general ledger (or DDRS-AFS) timely.	AF/A4LE, DFAS	06/2015*
General equipment disposals are recorded accurately in the APSR and general ledger (or DDRS-AFS).	AF/A4LE, DFAS	06/2015*
Changes to general equipment (condition, location) are recorded in the APSR timely.	AF/A4LE	06/2015*
Changes to general equipment (condition, location) are recorded accurately in the APSR.	AF/A4LE	06/2015*
Material systems achieve relevant FISCAM IT general and application-level general control objectives. (AFEMS)	AF/A4I	06/2015*
General equipment acquisitions are recorded in the APSR and general ledger (or DDRS-AFS) timely.	AF/A4LE, DFAS	06/2015*

\* Revised since the May 2013 FIAR Plan Status Report

## General Equipment (Information Technology)

### Remaining Audit Readiness Actions and Challenges

- Separated information technology equipment from other general equipment, and CIO office is determining the scope.
- Perform an end-to-end process walkthrough to validate controls and supporting documentation.
- Conduct a physical inventory to validate existence and completeness.
- Develop a reconciliation process with DFAS to ensure transactions and property recorded in the APSR is accurately and timely posted to the general ledger.
- Continue to assess the general and application controls of the material, financially significant systems.

### Completion Dates for Milestones (✓ = Completed)

FIAR Phases	Completion
Discovery	11/2015
Process Documentation	03/2015
Test Plans	03/2015
Conduct Control and Key Supporting Documentation Testing	11/2015
Complete Corrective Actions/Assert	01/2016
<b>Audit Readiness Validated</b>	<b>03/2016</b>

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

Audit Readiness Outcomes	Accountable Entity	Completion
General equipment acquisitions are recorded in the APSR and general ledger (or DDRS-AFS) timely.	AF/A4LM, DFAS	01/2016
General equipment acquisitions are recorded accurately in the APSR and general ledger (or DDRS-AFS).	AF/A4LM, DFAS	01/2016
General equipment disposals are recorded in the APSR and general ledger (or DDRS-AFS) timely.	AF/A4LM, DFAS	01/2016
General equipment disposals are recorded accurately in the APSR and general ledger (or DDRS-AFS).	AF/A4LM, DFAS	01/2016
Changes to general equipment (condition, location) are recorded in the APSR timely.	AF/A4LM	01/2016
Changes to general equipment (condition, location) are recorded accurately in the APSR.	AF/A4LM	01/2016
Material systems achieve relevant FISCAM IT general and application-level general control objectives.	AF/A4I	01/2016

## General Equipment (Capitalized Medical Equipment)

### Remaining Audit Readiness Actions and Challenges

- Coordinate with OUSD(C) to complete audit readiness validation.
- When audit readiness validation is complete, begin sustainment by performing annual assessments.
- Complete corrective action plans for known deficiencies and weaknesses.

### Completion Dates for Milestones (✓ = Completed)

FIAR Phases	Completion
Discovery	✓
Process Documentation	✓
Test Plans	✓
Conduct Control and Key Supporting Documentation Testing	✓
Complete Corrective Actions/Assert	12/2013
<b>Audit Readiness Validated</b>	<b>12/2013</b>

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

Audit Readiness Outcomes	Accountable Entity	Completion
Medical equipment acquisitions are recorded in the APSR and general ledger (or DDRS-AFS) timely.	SG, AFMOA, DFAS	✓
Medical equipment acquisitions are recorded accurately in the APSR and general ledger (or DDRS-AFS).	SG, AFMOA, DFAS	12/2013
Medical equipment disposals are recorded in the APSR and general ledger (or DDRS-AFS) timely.	SG, AFMOA, DFAS	✓
Medical equipment disposals are recorded accurately in the APSR and general ledger (or DDRS-AFS).	SG, AFMOA, DFAS	✓
Changes to medical equipment (condition, location) are recorded in the APSR timely.	SG, AFMOA, DFAS	✓
Changes to medical equipment (condition, location) are recorded accurately in the APSR.	SG, AFMOA, DFAS	✓
Material systems achieve relevant FISCAM IT general and application-level general control objectives.	SG, AFMOA, DFAS	✓
Material systems achieve relevant FISCAM IT general and application-level control objectives. (DMLSS)	SG, AFMOA, DFAS	✓

## Real Property

### Remaining Audit Readiness Actions and Challenges

- Perform an end-to-end process walkthrough to validate controls and supporting documentation.
- Conduct a physical inventory to validate existence and completeness.
- Develop reconciliation with DFAS to confirm transactions and property recorded in ACES-RP are accurately and timely posted to GAFS-R.
- Work with service providers to gain an understanding of their processes, risks, and controls over cost accumulation and financial reporting of construction-in-progress amounts.

### Completion Dates for Milestones (✓ = Completed)

FIAR Phases	Completion
Discovery	07/2015*
Process Documentation	02/2015*
Test Plans	02/2015*
Conduct Control and Key Supporting Documentation Testing	07/2015*
Complete Corrective Actions/Assert	09/2015*
<b>Audit Readiness Validated</b>	<b>11/2015*</b>

\* Revised since the May 2013 FIAR Plans Status Report.

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

Audit Readiness Outcomes	Accountable Entity	Completion
Construction in progress (CIP) is recorded the general ledger timely.	HAF/A7C	07/2015*
CIP is recorded accurately in the general ledger.	HAF/A7C	07/2015*
Completed CIP, other acquisitions, and transfers-in are recorded in the APSR and general ledger timely.	HAF/A7C	07/2015*
Completed CIP, other acquisition, and transfers-in are recorded accurately in the APSR and general ledger.	HAF/A7C	07/2015*
Real property disposals and transfers-out are recorded in the APSR and general ledger timely.	HAF/A7C	07/2015*
Real property disposals and transfers-out are recorded accurately in the APSR and general ledger.	HAF/A7C	07/2015*
Material systems achieve relevant FISCAM IT general and application-level general control objectives. . (ACES-RP, CFEMS, iNFADS, GFEBs, IWIMS, ABSS, CRIS, NexGen IT)	HAF/A7C	07/2015*

\* Revised since the May 2013 FIAR Plans Status Report.

## Inventory and Operating Materials and Supplies (Base Possessed)

### Remaining Audit Readiness Actions and Challenges

- Perform an end-to-end process walkthrough to validate controls and supporting documentation.
- Conduct a physical inventory to validate existence and completeness.
- Develop a reconciliation process with DFAS to ensure transactions and property recorded in the APSR are accurately and timely posted to the general ledger.
- Continue to assess the general and application controls of the material, financially significant systems.

### Completion Dates for Milestones (✓ = Completed)

FIAR Phases	Completion
Discovery	10/2015*
Process Documentation	12/2014*
Test Plans	12/2014*
Conduct Control and Key Supporting Documentation Testing	10/2015*
Complete Corrective Actions/Assert	11/2015*
<b>Audit Readiness Validated</b>	<b>01/2016*</b>

\* Revised since the May 2013 FIAR Plans Status Report.

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

Audit Readiness Outcomes	Accountable Entity	Completion
Inventory acquisitions are recorded in the APSR and general ledger (or DDRS-AFS) timely.	AF/A4LM, DFAS	11/2015*
Inventory acquisitions are recorded accurately in the APSR and general ledger (or DDRS-AFS).	AF/A4LM, DFAS	11/2015*
Inventory disposals are recorded in the APSR and general ledger (or DDRS-AFS) timely.	AF/A4LM, DFAS	11/2015*
Inventory disposals are recorded accurately in the APSR and general ledger (or DDRS-AFS).	AF/A4LM, DFAS	11/2015*
Changes to inventory (condition, location) are recorded in the APSR timely	AF/A4LM	11/2015*
Changes to inventory (condition, location) are recorded accurately in the APSR.	AF/A4LM	11/2015*
Material systems achieve relevant FISCAM IT general and application-level general control objectives. (ILS-S)	AF/A4I	11/2015*

\* Revised since the May 2013 FIAR Plans Status Report.

## Inventory and Operating Materials and Supplies (Depot)

### Remaining Audit Readiness Actions and Challenges

- Inventory and OM&S (Depot) is a sub-assessable unit under Working Capital Fund Inventory and General Fund OM&S Spare Parts.
- AF Inventory/OM&S spare parts housed at a DLA facility create a service provider relationship.
- In 06/2012 AF and DLA signed an MOA that defined audit readiness and sustainment roles and responsibilities for AF-owned inventory. An updated MOU/key milestone memo will be made available to all services.

### Completion Dates for Milestones (✓ = Completed)

FIAR Phases	Completion
Discovery	07/2015
Process Documentation	05/2015
Test Plans	06/2015
Conduct Control and Key Supporting Documentation Testing	07/2015
Complete Corrective Actions/Assert	12/2015
<b>Audit Readiness Validated</b>	<b>03/2016*</b>

\* Revised since the May 2013 FIAR Plans Status Report.

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

Audit Readiness Outcomes	Accountable Entity	Completion
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 APSR.	AFMC/A4	09/2015
Material systems achieve relevant FOSCAM IT general and application-level general control objectives. (ADIS, SCS, DSS, ILS-S.)	AFMC/A4	09/2015

## Inventory and Operating Materials and Supplies (In-Transit)

### Remaining Audit Readiness Actions and Challenges

- Inventory and OM&S In-Transit is a sub-assessable unit under Working Capital Fund Inventory and General Fund OM&S Spare Parts.
- Perform an end-to-end process walkthrough to validate controls and supporting documentation.
- Conduct a physical inventory to validate existence and completeness.
- Develop a reconciliation process with DFAS to ensure transactions and property recorded in the APSR are accurately and timely posted to the general ledger.
- Continue to assess the general and application controls of the material, financially significant systems.

### Completion Dates for Milestones (✓ = Completed)

FIAR Phases	Completion
Discovery	07/2015
Process Documentation	05/2015
Test Plans	06/2015
Conduct Control and Key Supporting Documentation Testing	07/2015
Complete Corrective Actions/Assert	12/2015
<b>Audit Readiness Validated</b>	<b>03/2016*</b>

\* Revised since the May 2013 FIAR Plans Status Report.

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

Audit Readiness Outcomes	Accountable Entity	Completion
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 APSR.	AFMC/A4	09/2015
Material systems achieve relevant FOSCAM IT general and application-level general control objectives.	AFMC/A4	09/2015

## Operating Materials and Supplies (Medical and Dental)

### Remaining Audit Readiness Actions and Challenges

- OM&S (Medical and Dental) is a sub-assessable unit under Working Capital Fund Inventory and General Fund OM&S Spare Parts.
- Perform an end-to-end process walkthrough to validate controls and supporting documentation.
- Conduct a physical inventory to validate existence and completeness.
- Develop a reconciliation process with DFAS to ensure transactions and property recorded in the APSR are accurately and timely posted to the general ledger.
- Continue to assess the general and application controls of the material, financially significant systems.

### Completion Dates for Milestones (✓ = Completed)

FIAR Phases	Completion
Discovery	07/2015
Process Documentation	05/2015
Test Plans	06/2015
Conduct Control and Key Supporting Documentation Testing	07/2015
Complete Corrective Actions/Assert	12/2015
<b>Audit Readiness Validated</b>	<b>03/2016*</b>

\* Revised since the May 2013 FIAR Plans Status Report.

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

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

## Operating Materials and Supplies (Munitions)

### Remaining Audit Readiness Actions and Challenges

- Perform an end-to-end process walkthrough to validate controls and supporting documentation.
- Conduct a physical inventory to validate existence and completeness.
- Develop reconciliation with DFAS to confirm transactions and property recorded in APSR are accurately and timely posted to the general ledger.
- Continue to assess the general and application controls of the material, financially significant systems.
- Continue coordination with service providers and ensure schedules and timelines meet audit readiness milestones.

### Completion Dates for Milestones (✓ = Completed)

FIAR Phases	Completion
Discovery	06/2014
Process Documentation	05/2014*
Test Plans	05/2014*
Conduct Control and Key Supporting Documentation Testing	06/2014*
Complete Corrective Actions/Assert	07/2014*
<b>Audit Readiness Validated</b>	<b>09/2014*</b>

\* Revised since the May 2013 FIAR Plans Status Report.

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

Audit Readiness Outcomes	Accountable Entity	Completion
OM&S acquisitions are recorded in the APSR and general ledger (or DDRS-AFS) timely.	US Army, SAF/AQ, DFAS, AF/A4LW	07/2014*
OM&S acquisitions are recorded accurately in the APSR and general ledger (or DDRS-AFS).	US Army, SAF/AQ, DFAS, AF/A4LW	07/2014*
OM&S disposals are recorded in the APSR and general ledger (or DDRS-AFS) timely.	US Army, AF/A4LW, DFAS	07/2014*
OM&S disposals are recorded accurately in the APSR and general ledger (or DDRS-AFS).	US Army, AF/A4LW, DFAS	07/2014*
Changes to OM&S (condition, location) are recorded in the APSR timely.	AF/A4LW	07/2014*
Changes to OM&S (condition, location) are recorded accurately in the APSR.	AF/A4LW	07/2014*
Material systems achieve relevant FISCAM IT general and application-level general control objectives. (CAS, LMP)	AF/A4IS	07/2014*

\* Revised since the May 2013 FIAR Plans Status Report.

## Operating Materials and Supplies (Spares, Contractor Managed and Contractor Possessed)

### Remaining Audit Readiness Actions and Challenges

- Perform an end-to-end process walkthrough to validate controls and supporting documentation.
- Conduct a physical inventory to validate existence and completeness.
- Develop reconciliation with DFAS to confirm transactions and property recorded in APSR are accurately and timely posted to the general ledger.
- Continue using the Service Development and Delivery Process to identify a government APSR.
- Develop an interim solution for the accountability and reporting processes.

### Completion Dates for Milestones (✓ = Completed)

FIAR Phases	Completion
Discovery	10/2015*
Process Documentation	03/2015*
Test Plans	03/2015*
Conduct Control and Key Supporting Documentation Testing	10/2015*
Complete Corrective Actions/Assert	01/2016*
<b>Audit Readiness Validated</b>	<b>03/2016*</b>

\* Revised since the May 2013 FIAR Plans Status Report.

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

Audit Readiness Outcomes	Accountable Entity	Completion
OM&S acquisitions are recorded in the APSR and general ledger (or DDRS-AFS) timely.	AF/A4LM, DFAS	10/2015*
OM&S acquisitions are recorded accurately in the APSR and general ledger (or DDRS-AFS).	AF/A4LM, DFAS	10/2015*
OM&S disposals are recorded in the APSR and general ledger (or DDRS-AFS) timely.	AF/A4LM, DFAS	10/2015*
OM&S disposals are recorded accurately in the APSR and general ledger (or DDRS-AFS).	AF/A4LM, DFAS	10/2015*
Changes to OM&S (condition, location) are recorded in the APSR timely.	AF/A4LM	10/2015*
Changes to OM&S (condition, location) are recorded accurately in the APSR.	AF/A4LM	10/2015*
Material systems achieve relevant FISCAM IT general and application-level general control objectives. (ILS-S)	AF/A4I	10/2015*

\* Revised since the May 2013 FIAR Plans Status Report.

## Operating Materials and Supplies (U2 and Unmanned Aerial Vehicles)

### Remaining Audit Readiness Actions and Challenges

- OM&S U2 and Unmanned Aerial Vehicles is a sub-assessable unit under Working Capital Fund Inventory and General Fund OM&S Spare Parts.
- Perform an end-to-end process walkthrough to validate controls and supporting documentation.
- Conduct a physical inventory to validate existence and completeness.
- Develop a reconciliation process with DFAS to ensure transactions and property recorded in the APSR are accurately and timely posted to the general ledger.
- Continue to assess the general and application controls of the material, financially significant systems.

### Completion Dates for Milestones (✓ = Completed)

FIAR Phases	Completion
Discovery	07/2015
Process Documentation	05/2015
Test Plans	06/2015
Conduct Control and Key Supporting Documentation Testing	07/2015
Complete Corrective Actions/Assert	12/2015
<b>Audit Readiness Validated</b>	<b>03/2016*</b>

\* Revised since the May 2013 FIAR Plans Status Report.

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

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

## Government Furnished Equipment

### Remaining Audit Readiness Actions and Challenges

- Perform an end-to-end process walkthrough to validate controls and supporting documentation.
- Determine the universe of contracts with GFE and populate in the APSR.
- Develop a reconciliation with DFAS to confirm transactions and property recorded in APSR are accurately and timely posted to the general ledger
- Continue to assess the general and application controls of the material, financially significant systems.

### Completion Dates for Milestones (✓ = Completed)

FIAR Phases	Completion
Discovery	11/2015*
Process Documentation	03/2015*
Test Plans	03/2015*
Conduct Control and Key Supporting Documentation Testing	11/2015*
Complete Corrective Actions/Assert	01/2016*
<b>Audit Readiness Validated</b>	<b>03/2016*</b>

\* Revised since the May 2013 FIAR Plans Status Report.

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

Audit Readiness Outcomes	Accountable Entity	Completion
General equipment acquisitions are recorded in the APSR and general ledger (or DDRS-AFS) timely.	AF/A4LM, DFAS	01/2016*
General equipment acquisitions are recorded accurately in the APSR and general ledger (or DDRS-AFS).	AF/A4LM, DFAS	01/2016*
General equipment disposals are recorded in the APSR and general ledger (or DDRS-AFS) timely.	AF/A4LM, DFAS	01/2016*
General equipment disposals are recorded accurately in the APSR and general ledger (or DDRS-AFS).	AF/A4LM, DFAS	01/2016*
Changes to general equipment (condition, location) are recorded in the APSR timely.	AF/A4LM	01/2016*
Changes to general equipment (condition, location) are recorded accurately in the APSR.	AF/A4LM	01/2016*
Material systems achieve relevant FISCAM IT general and application-level general control objectives. (AFEMS, SCS)	AF/A4I	01/2016*

\* Revised since the May 2013 FIAR Plans Status Report.

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## VI. Other Defense Organizations Audit Readiness Plans

Many other Defense organizations (ODOs) have achieved the FIAR goals and received opinions, as shown in Figure VI-1, on their FY 2012 financial statements.

**Figure VI-1. FY 2012 Financial Statement Audit Opinions**

<b>Unqualified Audit Opinion</b>
Defense Commissary Agency
Defense Contract Audit Agency
Defense Finance and Accounting Service
Defense Health Agency – Contract Resource Management
Military Retirement Fund
<b>Qualified Audit Opinion</b>
Defense Information Systems Agency – Working Capital Fund
Defense Information Systems Agency – General Fund
Office of the Inspector General
Medicare-Eligible Retiree Health Care Fund

The ODOs in the above chart are working to sustain the unqualified opinions, or correct deficiencies and strengthen controls with the goal of receiving unqualified opinions. The Defense Information Systems Agency’s (DISA) FY 2013 financial statements will not be audited, while it works to remediate a deficiency identified during the FY 2012 audit, which is expected to be completed during FY 2014. For more information, see the DISA charts in this section of the report.

For purposes of the FIAR Plan, the ODOs include:

- U.S. Special Operations Command (USSOCOM)
- Defense Agencies
- Intelligence Community (IC) Defense Agencies
- Field Activities
- Chemical Biological Defense Program (CBDP)
- Military Retirement Fund (MRF)
- Medicare-Eligible Retiree Health Care Fund
- Other organizations and accounts that receive Defense-wide appropriated funds

As required by the FY 2011 Intelligence Authorization Act, the IC Defense Agencies are working to obtain an unqualified audit opinion on all of their financial statements by FY 2016, and will start audits of their FY 2014 financial statements in 2014. The FY 2014, FY 2015, and FY 2016 financial statement audits accomplish the DoD FIAR priorities for the Statement of Budgetary Resources, existence and completeness of mission critical assets, and full financial statement audit readiness.

This section of the report is organized into three subsections: the Statement of Budgetary Resources, existence and completeness of mission critical assets, and the IC Defense Agencies.

## STATEMENT OF BUDGETARY RESOURCES

As directed by the Under Secretary of Defense (Comptroller)/Chief Financial Officer in August 2009, the ODOs are focused on improving business and financial processes, testing and strengthening controls, ensuring supporting documentation is acceptable and readily available for future audits, and modifying or deploying business and financial systems to:

- Improve budgetary information, which is most often used to manage the Department, and
- Achieve Statement of Budgetary Resources (SBR) audit readiness by September 30, 2014, as required by the Secretary of Defense and Congress.

SBR audit readiness is defined as having tested and corrected processes, controls, and systems enabling the ODOs to produce auditable financial information used by management and reported in the SBR. As required by the USD(C)/CFO, the ODOs are preparing for an audit of a Schedule of Budgetary Activity (SBA) in FY 2015, which is consistent with the direction to the Military Departments.

SBA audits will be limited to current appropriation activity (e.g., obligation and expenditure transactions). Achieving and sustaining an auditable SBA is a sensible path to full audit readiness, and this approach has been well received by the GAO and DoD OIG. Upon successful audits of current year appropriation activity, the Department will then begin audits of the complete SBR.

## 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 employ during an audit, but because the auditors work for management, the auditors are not considered independent. The mock audits include evaluating business and financial processes and related systems used to process transactions affecting the Department's financial statements. During FY 2013, the following ODO mock audits were completed with the results as indicated.

- In March 2013, a mock audit of the Appropriations Received and Funds Distribution assessable units validated the ODOs' audit readiness.
- In October 2013, a discovery mock audit of the Civilian Pay and Financial Reporting assessable units was conducted, resulting in the identification of deficiencies and weaknesses. Notices of Findings and Recommendations (NFRs) were prepared by the IPA, and the ODOs are working to correct the deficiencies and weaknesses.

The ODO milestones for accomplishing the SBR priority and for preparing for an SBA audit in FY 2015 are presented in Figure VI-2. Assessable Unit Progress and Plan Charts for each ODO that is working to achieve SBR audit readiness in FY 2014 follow Figure VI-2. The 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. See Appendix 5 for an explanation of the FIAR activity performed to achieve each milestone.

# FIAR Plan Status Report

## Figure VI-2. Other Defense Organizations SBR Audit Readiness Plans by Wave

Other Defense Organization	FY 2010			FY 2011			FY 2012			FY 2013			FY 2014			FY 2015			FY 2016			FY 2017			Legend			
	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1		2	3	4
<b>Currently Under Audit</b>																												
Military Retirement Fund																												<ul style="list-style-type: none"> <li><span style="display: inline-block; width: 10px; height: 10px; border: 1px solid black; background-color: white;"></span> FIP Development</li> <li><span style="display: inline-block; width: 10px; height: 10px; border: 1px solid black; background-color: #f08080;"></span> Discovery</li> <li><span style="display: inline-block; width: 10px; height: 10px; border: 1px solid black; background-color: #90ee90;"></span> Corrective Actions/Assert</li> <li><span style="display: inline-block; width: 10px; height: 10px; border: 1px solid black; background-color: #008000;"></span> Audit Readiness Validation</li> <li><span style="display: inline-block; width: 10px; height: 10px; border: 1px solid black; background-color: #0000ff;"></span> Under Audit or Sustainment</li> <li><span style="display: inline-block; width: 10px; height: 10px; border: 1px solid black; border-radius: 50%; background-color: white;"></span> Audit Readiness Validation Baseline in November 2010 or When First Reported</li> </ul>
Defense Health Agency - CRM																												
Medicare-Eligible Retiree Health Care Fund																												
Defense Commissary Agency																												
Defense Information Systems Agency - WCF																												
Defense Information Systems Agency - GF																												
Defense Finance and Accounting Service																												
Defense Contract Audit Agency																												
Office of Inspector General, DoD																												
<b>Validated as Audit Ready</b>																												
<b>Wave 1 - Appropriations Received</b>																												
Service Medical Activities (Army, Navy, Air Force)																												
Defense Advanced Research Projects Agency																												
Defense Health Agency - FOD																												
Chemical Biological Defense Program																												
Military Retirement Fund Payments																												
DoD Component Level Accounts																												
Washington Headquarters Services																												
U.S. Special Operations Command																												
Missile Defense Agency																												
Other 97 Funds Provided to the Army by OSD																												
DoD Education Activity																												
Defense Security Cooperation Agency																												
Defense Threat Reduction Agency																												
Defense Contract Management Agency																												
Defense Logistics Agency - GF																												
<b>Wave 2 - Statement of Budgetary Resources</b>																												
Military Retirement Fund Payments																												
<b>Audit Readiness Work in Progress</b>																												
<b>Wave 2 - Statement of Budgetary Resources</b>																												
DoD Component Level Accounts																												
Service Medical Activity (Army, Navy, Air Force)																												
Washington Headquarters Services																												
U.S. Special Operations Command																												
Missile Defense Agency																												
Other 97 Funds Provided to the Army by OSD																												
Defense Advanced Research Projects Agency																												
DoD Education Activity																												
Defense Health Agency - FOD																												
Chemical Biological Defense Program																												
Defense Security Cooperation Agency																												
Defense Threat Reduction Agency																												
Defense Contract Management Agency																												
Defense Technical Information Center																												
Defense Logistics Agency - GF																												

Note: All material ODOs (with the exception of Intelligence Agencies) are presented in this table.

## DoD Component-Level Accounts

### Overview

- DoD Component Level Accounts are included in the TI-97 financial statement represented by a specific limit, and its balances are not reported on the financial statement of a specific agency.
- Appropriations Received, Financial Reporting, Other Budgetary Activity, and Fund Balance with Treasury assessable units are tied to the balances within the DoD Component Level Accounts. FIAR activity (reviews) in accordance with FIAR Guidance detailing the DFAS-Indianapolis processes were documented and tested in 04/2013.
- Mock audit for TI-97 Appropriations Received validated audit readiness, but also identified process weaknesses that are being worked by the Defense Agencies.

### Remaining Audit Readiness Actions and Challenges

- Corrective action plans for the Appropriations Received, Financial Reporting, Other Budgetary Activity, and Fund Balance with Treasury have been signed by DFAS Audit Readiness management and DFAS operational management. Retesting of completed corrective actions is scheduled for early FY 2014.
- Implementation of DDRS-B to the DFAS financial reporting process for TI-97 was moved to Quarter 2 of FY 2014. DDRS-B is essential to Financial Reporting and Other Budgetary Activity corrective actions.
- Development of the Defense Reconciliation and Reporting Tool (DRRT) is estimated to be completed in 03/2014 and will be used for reconciling TI-97 Fund Balance with Treasury. It will reduce unsupported amounts reported on the SBR.
- The DoD Component Level Account continues to lack a Chief Financial Executive to support balances and track activity.

### Statement of Budgetary Resources Milestones (✓ = Completed)

Assessable Units	Tested	Corrected
Appropriations Received	✓	✓
Financial Reporting	✓	03/2014
Fund Balance with Treasury	✓	03/2014
Other Budgetary Activity	✓	03/2014
<b>SBA Assertion</b>	<b>12/2013</b>	<b>03/2014</b>

## Chemical Biological Defense Program

### Overview

- CBDP provides chemical and biological defense capabilities in support of national military strategies.
- CBDP is a program and all funding is distributed to the services and various Defense organizations for execution. Since it is not an agency, the assertion effort is unique within DoD.
- Asserted 06/2013 to its processes using legacy systems and those ERP systems active as of FY 2012.
- Participated in the OUSD(C) efforts to define the scope of the IPA examination for the early-asserting Components.
- Developed a CONOPS as a framework for the assertion, fully documenting the material assessable units included in the assertion and defining service provider and system dependencies.
- Reconciling feeder systems to the general ledger to meet the completeness assertion.

### Remaining Audit Readiness Actions and Challenges

- An assessment of the full end-to-end processes cannot be completed without service provider process and system documentation, most of which was not complete as of CBDP's assertion date. As the documentation becomes available, CBDP will assess and incorporate compensating controls as necessary. CBDP is working with its service providers to obtain the necessary information.
- CBDP does not own the systems used to process its transactions and is reliant upon service providers to provide assurance via SSAE No 16 examinations and FIAR activity in accordance with FIAR Guidance.
- Legacy system balances are being transferred to GFEBS and will be completed in FY 2014.
- As of FY 2013, a significant portion of CBDP's funding allocated to the Joint PEO for CBRN is now executed in GFEBS. These processes will be documented, tested, and assessed in FY 2014.

### Statement of Budgetary Resources Milestones (✓ = Completed)

Assessable Units	Tested	Corrected
Appropriations Received	✓	✓
Contract Pay	✓	✓*
Fund Balance with Treasury	✓	✓*
Other Budget Activity	✓	✓*
Reimbursable Work Orders – Acceptor	✓	✓*
Reimbursable Work Orders – Grantor	✓	✓*
<b>SBA Assertion</b>	✓	✓*

\* Revised since the May 2013 FIAR Plans Status Report.

## Defense Advanced Research Projects Agency

### Overview

- DARPA maintains technological superiority and national security by sponsoring revolutionary, high-payoff research for military use.
- Submitted to the OUSD(C) process narratives, flowcharts, risk assessments, financial reporting objectives, and test plans for all assessable units.
- Enhanced user access controls over DAI by implementing a manual process to identify and mitigate potential conflicts of interest among system users.

### Remaining Audit Readiness Actions and Challenges

- Building a comprehensive quantitative analysis tool to reconcile transaction level details from DAI to official financial reports and FBWT. Estimated completion date for the tool is 03/2014.
- Performing reconciliations between feeder systems within each assessable unit to DAI.
- Coordinating with service providers to identify process ownership and responsibilities for monitoring and testing controls over financial reporting and systems, and formalizing process and control responsibilities by developing Memorandums of Understanding with the service providers.

### Statement of Budgetary Resources Milestones (✓ = Completed)

Assessable Units	Tested	Corrected
Appropriations Received	✓	✓
Civilian Pay	12/2013	03/2014
Contract Pay	12/2013	03/2014
Financial Reporting	12/2013	03/2014
Fund Balance with Treasury	12/2013	03/2014
Other Budgetary Activity	12/2013	03/2014
Reimbursable Work Orders – Acceptor	12/2013	03/2014
Reimbursable Work Orders – Grantor	12/2013	03/2014
Travel	12/2013	03/2014
Vendor Pay	12/2013	03/2014
<b>SBA Assertion</b>	<b>12/2013</b>	<b>03/2014</b>

## Defense Contract Management Agency

### Overview

- DCMA provides contract administration services to the DoD Acquisition Community and its partners.

### Remaining Audit Readiness Actions and Challenges

- Completing implementation of corrective actions plans.
- Testing of implemented corrective actions plans.

### Statement of Budgetary Resources Milestones (✓ = Completed)

Assessable Units	Tested	Corrected
Appropriations Received	✓	✓
Civilian Pay	✓	✓*
Contract Pay	✓	✓*
Fund Balance with Treasury	✓	✓*
Other Budget Authority	✓	✓*
Reimbursable Authority	✓	✓*
Vendor Pay	✓	✓*
<b>SBA Assertion</b>	✓*	✓*

\* Revised since the May 2013 FIAR Plan Status Report.

## Defense Information Systems Agency (General Fund)

### Overview

- DISA engineers and provides command and control capabilities and enterprise infrastructure to continuously operate and assure a global net-centric enterprise in support to warfighters, National leaders, and other mission and coalition partners.
- DISA engaged an external auditor to audit the FY 2012 financial statements and was issued a qualified opinion 11/2012. The qualifier on the opinion was pertained to a segment of capital property with respect to the existence assertion. The auditor's report stated that all other areas are complete and reliable, which includes the Statement of Budgetary Resources.

### Remaining Audit Readiness Actions and Challenges

- No remaining FIAR work is required.

### Statement of Budgetary Resources Milestones (✓ = Completed)

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

## Defense Logistics Agency (General Fund)

### Overview

- DLA provides worldwide logistics support to the Military Services, as well as other federal agencies and foreign countries.
- DLA Enterprise Business System (EBS) Procure-to-Pay Business Process is undergoing a DoD OIG audit that includes General Fund.
- As part of the OUSD(C) Financial Reporting mock audit, DLA is providing listings of the manual adjustments affecting DLA's General Fund SBR and also completing a crosswalk from DLA's EBS ending FY 2012 unadjusted General Fund trial balance to the DLA SBR.

### Remaining Audit Readiness Actions and Challenges

- As a result of the first round of controls and substantive test work, implementing corrective actions for deficiencies in Other Budgetary Activity, Reimbursable Work Orders – Acceptor, Reimbursable Work Orders – Grantor, Fund Balance with Treasury, and Financial Reporting.
- Perform and assess a second round of controls and substantive testing.
- Implementing the Standard Financial Information Structure (SFIS) and U.S. Treasury's Government-wide Treasury Account Symbol (GTAS) Adjusted Trial Balance System requirements within EBS to support the FY 2014 assertion during Quarter 1 of FY 2014.
- Approximately 30 percent of DLA funds are provided (sub-allotted) to non-DLA activities. Therefore, DLA must rely on the non-DLA activities to also become audit ready. In coordination with OUSD(C), DLA is working related issues: understanding non-DLA activities' audit readiness timelines to gauge how they fit within DLA timelines, identifying control issues so DLA can implement mitigating controls, and performing substantive testing to gain assurance in the amounts included in DLA financial statements.

## FIAR Plan Status Report

### Statement of Budgetary Resources Milestones (✓ = Completed)

Assessable Units	Tested	Corrected
Appropriations Received	✓	✓
Civilian Pay	✓	✓*
Contract Pay	✓*	06/2014
Financial Reporting	✓*	06/2014
Fund Balance with Treasury	✓*	06/2014
Other Budgetary Activity	✓*	06/2014
Reimbursable Work Orders – Acceptor	✓*	06/2014
Reimbursable Work Orders – Grantor	✓*	06/2014
Suballotments	✓*	06/2014
Vendor Pay	✓*	06/2014
<b>SBA Assertion</b>	✓*	<b>06/2014</b>

\* Revised since the May 2013 FIAR Plan Status Report.

## Defense Security Cooperation Agency

### Overview

- DSCA synchronizes global security cooperation programs, funding, and efforts across the Office of the Secretary of Defense (OSD), Joint Staff, State Department, COCOMS, Military Services, and U.S. Industry.
- Sustaining audit readiness for Appropriations Received and Funds Distribution.

### Remaining Audit Readiness Actions and Challenges

- Due to multiple system limitations in the current legacy accounting system, DSCA is evaluating alternative ERPs.
- Creating a repeatable process to prepare the quantitative drill down, population of transaction-level detail and reconciliations, and data mining.
- Corrective action plans are being executed to remediate deficiencies. Processes, internal controls, and supporting documentation that align with financial reporting objectives are being updated to validate DSCA’s assertion for Hire-to-Retire, Procure-to-Pay, and Budget-to-Report.
- Working closely with the service providers responsible for the systems, data, processes, internal controls, and supporting documentation that have a direct impact on audit readiness.

### Statement of Budgetary Resources Milestones (✓ = Completed)

Assessable Units	Tested	Corrected
Appropriations Received	✓	✓
Civilian Pay	✓	03/2014
Financial Reporting	✓	03/2014
Fund Balance with Treasury	✓	03/2014
Other Budget Authority	✓	03/2014
Reimbursable Work Orders	✓	03/2014
Vendor Pay	✓	03/2014
<b>SBA Assertion</b>	✓	<b>03/2014</b>

## Defense Technical Information Center

### Overview

- DTIC serves the DoD community as the largest central resource for scientific and technical information and provides and delivers innovative collaboration products and services to connect DoD, federal, industry, and academia partners.
- Coordinating with the OUSD(C) and DFAS to remediate the Appropriations Received and Funds Distribution mock audit's Notice of Findings and Recommendations.
- Coordinating with OUSD(C) and DFAS on corrections and updates for the Civilian Pay mock audit.
- Completed the Wave 2 Discovery Phase for Civilian Pay, RWO-A, RWO-G, Contract Pay, Vendor Pay, and FBWT.
- Developed and implemented corrective action plans to remediate the control deficiencies for Civilian Pay and RWO-A.
- Asserted audit readiness for Civilian Pay and RWO-A.

### Remaining Audit Readiness Actions and Challenges

- Complete Discovery for Financial Reporting and assess DTIC's level of involvement, as the majority of the process and controls lie with DFAS. DTIC is working to ensure the relevant FROs have been satisfied by existing control activities.
- Continue to develop and implement corrective action plans to remediate deficiencies identified in control testing of RWO-G, Contract Pay, Vendor Pay, and FBWT.
- Obtain system documentation and reports from service providers to leverage controls covered by SSAE No. 16 examinations. Identify control risks and gaps, and implement corrective actions.
- Work with service providers to determine roles and ensure all corrective actions are implemented.
- Challenges include prioritizing resources, coordinating with service providers, and identifying or developing DAI reports to reconcile transaction populations.

### Statement of Budgetary Resources Milestones (✓ = Completed)

Assessable Units	Tested	Corrected
Appropriations Received	✓	✓
Civilian Pay	✓	✓*
Contract Pay	✓*	01/2014
Financial Reporting	12/2013	03/2014
Fund Balance with Treasury	✓*	03/2014
Reimbursable Work Orders – Acceptor (RWO-A)	✓	✓*
Reimbursable Work Orders – Grantor (RWO-G)	✓*	01/2014
Vendor Pay	✓*	01/2014
<b>SBA Assertion</b>	<b>12/2013</b>	<b>03/2014</b>

\* Revised since the May 2013 FIAR Plan Status Report.

## Defense Threat Reduction Agency

### Overview

- DTRA is the combat support agency for countering weapons of mass destruction.
- Completed documentation and testing of material business processes for all SBR assessable units.
- Continuing to work with suballotment holders to implement the DTRA Comptroller policy requiring suballotment holders to routinely provide transaction-level data to meet financial management and reporting requirements.
- Appropriations Received was retested to assess the controls within the new DAI system environment and validated audit ready.

### Remaining Audit Readiness Actions and Challenges

- Developing corrective action plans for issues identified during material business process testing. The issues include unmatched disbursements, DAI's inability to provide a detailed audit trail for transactional entries to the general ledger, and an inability to retrieve supporting documentation in a timely manner.
- Working with service providers to document roles and responsibilities for DTRA business processes, and to assess system controls and reconciliations with feeder systems.
- Challenges include insufficient agency and service provider infrastructure to support audit and current audit readiness status of DAI. In addition, DAI has not been implemented to its full operating capability, resulting in a continued reliance on noncompliant legacy feeder systems.

### Statement of Budgetary Resources Milestones (✓ = Completed)

Assessable Units	Tested	Corrected
Appropriations Received – Wave 1	✓	✓
Appropriations Received – Wave 2	✓*	03/2014
Civilian Pay	✓*	03/2014
Contract Pay	✓*	03/2014
Fund Balance with Treasury	✓*	03/2014
Reimbursable Work Orders – Acceptor	✓*	03/2014
Reimbursable Work Orders – Grantor	✓*	03/2014
Vendor Pay	✓*	03/2014
<b>SBA Assertion</b>	✓*	<b>03/2014</b>

\* Revised since the May 2013 FIAR Plan Status Report.

## DoD Education Activity

### Overview

- DoDEA plans, directs, coordinates, and manages the education programs for military and DoD civilian eligible dependents.
- Completed process documentation in support of assertion.
- Developed corrective action plans and CONOPS to address financial reporting objectives for all assessable units.

### Remaining Audit Readiness Actions and Challenges

- Coordination with service providers' plans and timelines that support DoDEA's assertion schedule for each assessable unit.
- Implementing corrective action plans and subsequent control testing within established timelines.
- Challenges include tying financial reports to the legacy system of record (WAAS) to produce a quantitative drill down to identify the dollar balances of each assessable unit.

### Statement of Budgetary Resources Milestones (✓ = Completed)

Assessable Units	Tested	Corrected
Appropriations Received	✓	✓
Civilian Pay	✓	01/2014
Contract Pay	✓	01/2014
Financial Reporting	✓	01/2014
Fund Balance with Treasury	✓	01/2014
Reimbursable Work Orders – Acceptor	✓	01/2014
Reimbursable Work Orders – Grantor	✓	01/2014
Vendor Pay	✓	01/2014
<b>SBA Assertion</b>	✓	<b>03/2014*</b>

\* Revised since the May 2013 FIAR Plan Status Report.

## FIAR Plan Status Report

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### Explanation for the Revised SBA Assertion Milestone

SBA Assertion	
<b>Original Milestone Date</b>	01/2014
<b>Reason(s) Milestone Was Changed</b>	Additional discovery needed to identify and document key process steps and key controls.
<b>Revised Milestone Date</b>	03/2014
<b>Actions to Ensure Milestone Will Be Met</b>	The milestone was revised as part of DoDEA's strategy to build on initial internal control testing and corrective actions. The milestone is now monitored based on set deliverables required in accordance with detailed financial improvement plans. The deliverables to support this milestone are posted to the FIAR Tool and reviewed by OUSD(C).
<b>Impact in Achieving Full Auditability by 2017</b>	None

## Military Retirement Fund (Payments)

### Overview

- This assessable unit represents two Defense-wide accounts that receive annual payments from the Department of Treasury to pay 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 in October of each year.
- OUSD(C) completed an audit readiness assessment in 09/2011 and determined these accounts are audit ready as 100 percent of the supporting documents were available and reconciled to the accounting records. The DoD OIG concurred with the OUSD(C) assessment.

### Remaining Audit Readiness Actions and Challenges

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

### Statement of Budgetary Resources Milestones (✓ = Completed)

Assessable Units	Tested	Corrected
Appropriations Received	✓	✓
Financial Reporting	✓	✓
Other Budgetary Accounts	✓	✓
<b>SBA Assertion</b>	✓	✓

## Missile Defense Agency

### 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.
- Awaiting OUSD(C) mock audit of Contract Pay, Vendor Pay, and Reimbursable Work Orders to validate audit readiness.
- High-level testing revealed issues with documentation retention. Working corrective actions to address this issue.
- Tri-annual review process is used to identify overstated and stale obligations. Beginning 03/2013, MDA implemented spot checks of tri-annual review results and strengthened the review of supporting documentation.
- Civilian Pay reconciliation between the DAI, DCPS, and DCAS completed with no issues identified.

### Remaining Audit Readiness Actions and Challenges

- Based on OUSD(C) feedback, updating process documentation, risk analysis, and test plans to include key attributes that are being tested to support financial reporting objectives.
- Working with DFAS to understand DFAS processes and testing of systems controls in support of MDA's assertion.
- Issuing document retention policy within MDA to centralize the retention and storing of purchase orders, invoices, receiving reports, and MIPRs.
- Ensuring standard reconciliation processes and other controls are in place and effective to support key supporting documentation testing and sustainment.
- Partnering with MDA's Business Financial Managers to ensure all processes are documented and controls are in place ensuring obligations and disbursements are accurately and timely reported.
- Testing controls at individual program offices and availability of supporting documentation (purchase orders, invoices, receiving reports, MIPRs, etc.) to ensure it is available to satisfy auditor requests and also leverage best practices across the agency.
- MDA does not own DAI or other systems affecting audit readiness and relies on service providers to provide process and control assurance.

## FIAR Plan Status Report

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### Statement of Budgetary Resources Milestones (✓ = Completed)

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

## Service Medical Activity (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.
- SMA does not own accounting systems and, therefore, relies on the Military Services and service providers to provide process and control assurance on their respective systems.
- Defense Health Agency (DHA) is currently pursuing FBWT reconciliation initiatives with DFAS, OUSD(C), and Treasury to resolve reconciliation obstacles and explore Treasury disbursing functions on a pilot basis.
- The tested dates were revised as a result of developing and implementing new reconciliations of entitlement and general ledger systems. Process owners are executing required actions to meet the SBA assertion milestone.

### Remaining Audit Readiness Actions and Challenges

- Continue to identify service provider (e.g., DFAS and DLA) reliance to use required documentation for upcoming SBA assertion.
- Complete remaining testing and remediation activities for all assessable units.
- Coordinate with OUSD(C) and DFAS to identify transaction populations of entitlement systems to demonstrate the completeness of segment testing populations.
- Sustain detailed general ledger transactional data in a DHA developed SQL server tool.
- Coordinate with system owners to perform testing on user access rights and evaluate system controls.
- Complete CONOPs to clearly communicate roles and responsibilities with service providers.
- Inability to reconcile FBWT will impact audit readiness.
- Reconciling large amounts of financial data in multiple feeder systems remains a potential obstacle and could affect assertion schedule.
- Incomplete documentation from service providers and Military Services could delay assertion.
- Lack of sufficient supporting documentation for DFAS prepared adjustments may preclude DHA from submitting a complete assertion package.
- Leadership command and control continues to be a challenge due to the alignment with their respective line services, management, line services' systems, processes, and controls.

## FIAR Plan Status Report

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### Statement of Budgetary Resources Milestones (✓ = Completed)

Assessable Units	Tested	Corrected
Appropriations Received and Funds Distribution	✓	✓
Civilian Pay	12/2013*	03/2014
Contract Pay	12/2013*	03/2014
Financial Reporting	12/2013*	03/2014
Fund Balance with Treasury	12/2013*	03/2014
Other Budget Authority	12/2013*	03/2014
Reimbursable Work Orders – Grantor	12/2013*	03/2014
Reimbursable Work Orders – Acceptor	01/2014*	03/2014
Vendor Pay	12/2013*	03/2014
<b>SBA Assertion</b>	<b>01/2014*</b>	<b>03/2014</b>

\* Revised since the May 2013 FIAR Plan Status Report.

## Defense Health Agency – Financial Operations Division

### Overview

- DHA Comptroller controls the DHA financial operations, manages the allotment of the Defense Health Program Appropriation and DoD Unified Medical Program, and supports the Uniform Services in TRICARE Program implementation.
- On schedule to assert SBA audit readiness 03/2014.
- Currently pursuing FBWT reconciliation initiatives with DFAS, OUSD(C), and Treasury to resolve reconciliation obstacles and explore Treasury disbursing functions on a pilot basis.
- DHA does not own DAI or other systems relating to audit readiness and relies on service providers to provide process and control assurance.
- The tested dates were revised as a result of developing and implementing new reconciliations of entitlement and general ledger systems. Process owners are executing required actions to meet the 03/2014 SBA assertion.

### Remaining Audit Readiness Actions and Challenges

- Continue to identify all key service provider (e.g., DFAS and DLA) reliance to use required documentation for upcoming SBA assertion.
- Complete remaining testing and remediation activities for all assessable units.
- Coordinate with OUSD(C) and DFAS to identify transaction populations of entitlement systems to demonstrate the completeness of segment testing populations.
- Sustain detailed general ledger transactional data in a DHA developed SQL server tool.
- Coordinate with system owners to perform testing on user access rights and evaluate system controls.
- Complete CONOPs to clearly communicate roles and responsibilities with service providers.
- Inability to reconcile FBWT will impact audit readiness.
- Reconciling large amounts of financial data in multiple feeder systems remains a potential obstacle and could impact assertion schedule.
- Incomplete documentation from service providers could delay assertion.
- Lack of sufficient supporting documentation for DFAS prepared adjustments may preclude DHA from submitting a complete assertion package.

## FIAR Plan Status Report

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### Statement of Budgetary Resources Milestones (✓ = Completed)

Assessable Units	Tested	Corrected
Appropriations Received and Funds Distribution	✓	✓
Civilian Pay	✓	03/2014
Contract Pay	12/2013	03/2014
Financial Reporting	12/2013	03/2014
Fund Balance with Treasury	12/2013	03/2014
Other Budget Authority	12/2013	03/2014
Reimbursable Work Orders – Acceptor	12/2013	03/2014
Reimbursable Work Orders – Grantor	12/2013	03/2014
Vendor Pay	12/2013	03/2014
<b>SBA Assertion</b>	12/2013	03/2014

## U.S. Special Operations Command

### Overview

- USSOCOM is a Unified Combatant Command and provides fully capable Special Operations Forces to defend the U.S. and its interests.
- USSOCOM comprises a headquarters organization; Army, Navy, Air Force, Marines, and Joint Components; and Theatre Special Operations Commands that are aligned with Geographic Combatant Commands.
- USSOCOM funds are executed in the automated systems of the Military Services. USSOCOM does not have a general ledger accounting system.

### Remaining Audit Readiness Actions and Challenges

- Continue to participate in SBR assessable unit OUSD(C) mock audits that started in 06/2013 and are planned for completion in 06/2014.
- Because USSOCOM financial transactions are executed in the systems of the Military Services, it is dependent on the auditability of the Services' processes and controls to become auditable.
- USSOCOM Service Components are scheduled to implement ERPs, in some cases, beyond the assertion date. Rediscovery and retesting will be required in future ERP environments.

### Statement of Budgetary Resources Milestones (✓ = Completed)

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

## Washington Headquarters Services

### Overview

- WHS provides administrative and/or operational support to field activities, OSD, Defense Agencies, and Military Departments.
- WHS Phase 2 efforts for suballotments, as reported in the May 2013 FIAR Report, have been canceled as WHS will instead be participating in the early audit set to begin in FY 2014, per agreements with OUSD(C).

### Remaining Audit Readiness Actions and Challenges

- A quantitative drill down between EBAS and the financial statements produced by DFAS will be performed to ensure completeness of the population of transactions.
- Implementation of a full interface capability between EBAS and DCAS, ADS, and DDRS-B is estimated to be completed in early FY 2014.

### Statement of Budgetary Resources Milestones (✓ = Completed)

Assessable Units	Tested	Corrected
Appropriations Received	✓	✓
Civilian Pay	✓	06/2014*
Contract Pay	✓	06/2014*
Reimbursable Work Orders – Acceptor	✓	06/2014*
Reimbursable Work Orders – Grantor	✓	06/2014*
Vendor Pay	✓	06/2014*
<b>SBA Assertion</b>	✓*	<b>06/2014*</b>

\* Revised since the May 2013 FIAR Plan Status Report.

## FIAR Plan Status Report

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### Explanation for the Revised SBA Assertion Milestone

SBA Assertion	
<b>Original Milestone Date</b>	06/2013
<b>Reason(s) Milestone Was Changed</b>	The assertion date was revised to coincide with the revised implementation schedule of DDRS-B, which is used by DFAS to produce WHS financial statements.
<b>Revised Milestone Date</b>	06/2014
<b>Actions to Ensure Milestone Will Be Met</b>	WHS will continue audit readiness sustainment activities including implementing corrective action plans and retesting transactions and controls that have been determined to be ineffective.
<b>Impact in Achieving Full Auditability by 2017</b>	None

## EXISTENCE AND COMPLETENESS OF MISSION CRITICAL ASSETS

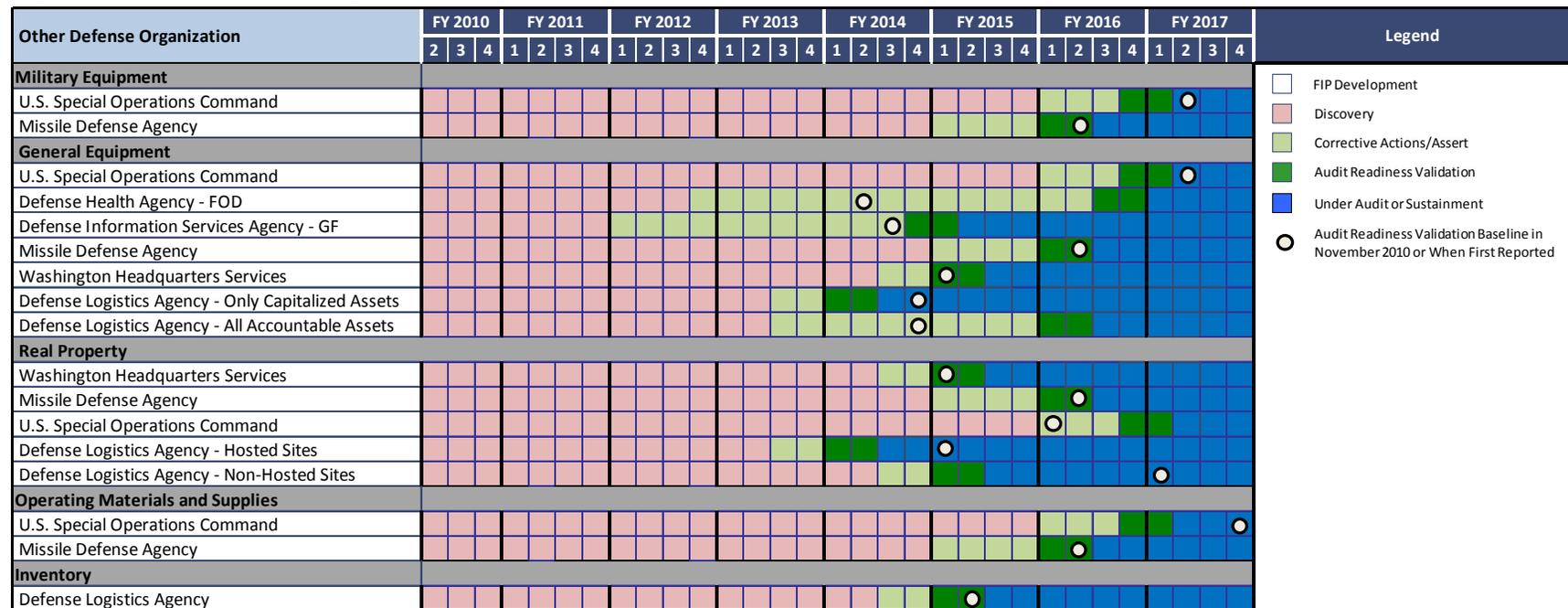
ODOs that have a material dollar value of mission critical assets and that are preparing for existence and completeness audits by improving mission critical asset information are:

- 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

The ODO milestones for achieving the mission critical asset existence and completeness priority are provided in Figure VI-3. The figure also identifies the baseline milestones established in 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. The charts provide an overview describing their FIAR status, strategy to achieve audit readiness, and milestones identifying the assessable units in their FIPs and planned dates for completing testing and corrective actions. See Appendix 5 for an explanation of the FIAR activity performed to achieve each milestone.

Figure VI-3. Other Defense Organizations Mission Critical Assets Existence and Completeness Audit Readiness Plans



## Defense Information Systems Agency (General Fund)

### Overview

- DISA engineers and provides command and control capabilities and enterprise infrastructure to continuously operate and assure a global net-centric enterprise in support to warfighters, National leaders, and other mission and coalition partners.
- DISA engaged an external auditor to audit the FY 2012 financial statements and was issued a qualified opinion in 11/2012. The qualifier on this opinion was pertained to a segment of capital property with respect to the existence assertion.

### Remaining Audit Readiness Actions and Challenges

- DISA formed a tiger team to resolve the auditor’s material finding for the existence assertion to ensure all capitalized assets are accounted for in Defense Property Accountability System.
- Planning to assert existence is 05/2014. The milestone plan includes built-in periodical internal control testing to validate that subsidiary records tie back to the financial statements and risks are mitigated.

### Existence and Completeness Milestones (✓ = Completed)

Assessable Units	Tested	Corrected
General Equipment	03/2014*	05/2014*

\* Revised since the May 2013 FIAR Plan Status Report.

## Defense Logistics Agency

### Overview

- DLA provides worldwide logistics support to the Military Services, as well as other federal agencies and foreign countries.
- Physical inventory existence and completeness counts of materiel in DLA custody began 10/2013 and is expected to be completed in 01/2014.
- Asserted to the existence, completeness, rights and obligations, and valuation for capitalized equipment.
- DLA has a number of “host” sites where DLA maintains responsibility for real property (buildings and linear structures) assets regardless of whether those using the property are DLA or other Component personnel.
- Asserted existence, completeness, and rights of DLA host site real property assets, excluding improvements, at Richmond, Virginia; New Cumberland, Pennsylvania; Columbus, Ohio; and San Joaquin, California.

### Remaining Audit Readiness Actions and Challenges

- DLA recognizes a deficiency for inventory in-transit reporting. Corrective actions include data cleansing for in-transits from procurement and in-transits between storage locations. For long term sustainment, actions include developing standard operating procedures and establishing metrics.
- DLA Disposition Services moved from legacy business processes to the Enterprise Business System in 04/2013 and is continuing to resolve implementation and business logic resolution.
- DLA OIG identified automated inventory reconciliation discrepancies. DLA is resolving the discrepancies by correcting systems deficiencies and revising inventory records management policy gaps.
- Due to DLA’s worldwide presence, performing general equipment accountable asset physical inventories requires a concerted effort.
- DLA has real property at over 600 non-host sites and is executing a physical inventory of those assets to be completed by 12/2013.
- Cleaning up non-host real property inventory data collected with the assistance of the U.S. Army Corps of Engineers. The verification and reconciliation of the non-host data records will provide traceability to DLA financial records.
- Continuing to test and correct the automated systems following FISCAM procedures, as well as ensuring compliance with FFMA requirements.

## FIAR Plan Status Report

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### Existence and Completeness Milestones (✓ = Completed)

Assessable Units	Tested	Corrected
Inventory	03/2014*	09/2014
General Equipment – All Accountable Assets	01/2015*	09/2015
General Equipment – Capitalized Assets	✓*	✓*
Real Property – DLA Hosted Sites	✓*	✓*
Real Property – Non-DLA Hosted Sites	07/2014	09/2014
Construction-in-Progress (Real Property and General Equipment)	01/2015	09/2015

\* Revised since the May 2013 FIAR Plan Status Report.

## Missile Defense Agency

### 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 existence and completeness audit readiness for Military Equipment-Sensors in Quarter 2 of FY 2012.
- Standard processes were developed for Acquire to Retire and Plan to Stock. The corresponding narratives and flowcharts were updated.
- Monitoring CAPs for property accountability and GFP accountability for Military Equipment, General Equipment, OM&S, and Real Property.
- Although MDA now reports its financial statements using DAI, the system does not provide full visibility at the transaction-level for all of the documents within a specific balance.
- Completed risk assessments for Military Equipment, General Equipment, OM&S, and Real Property.

### Remaining Audit Readiness Actions and Challenges

- Testing began in Quarter 3 of FY 2013. CAPs are being developed for system issues and deficiencies identified during testing.
- Working with stakeholders to implement and execute CAPs for property accountability and government furnished property. CAPs will be completed in Quarter 3 of FY 2015 and testing by Quarter 4 of FY 2015.
- Developed a staggered assertion timeline beginning in Quarter 3 of FY 2013. Assertion packages will be completed as the organizations pass testing of internal controls
- Capital assets are captured in the Defense Property Accountability System (DPAS) and then entered quarterly into MDAs financial statements by journal voucher. A DPAS to DAI interface is planned for implementation in FY 2014.
- The contract Life Cycle Management system, proposed as the successor to the Standard Procurement System, is not anticipated to be fielded until after the audit readiness validation date.

### Existence and Completeness Milestones (✓ = Completed)

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

## Defense Health Agency – Financial Operations Division

### Overview

- TRICARE provides health benefits for military personnel, military retirees, and their dependents, including some members of the Reserve Component.
- DHA Comptroller controls the DHA financial operations, manages the allotment of the Defense Health Program Appropriation and DoD Unified Medical Program, and supports the Uniform Services in TRICARE Program implementation.
- Currently planning an internal mock audit for property, plant, and equipment to support the upcoming existence and completeness assertion.

### Remaining Audit Readiness Actions and Challenges

- Finalize general equipment standard operating procedures, addressing acquisition through disposal processes.
- Submit test plans to OUSD(C) to ensure DHA is testing the right attributes to address the Financial Reporting Objectives.
- Internal PP&E mock audit will begin in Quarter 4 of FY 2013 after OUSD(C) approves the test plans.
- Corrective actions plans will be developed to remediate known deficiencies including identification and inventory of Government Furnished Equipment and Internal Use Software Work in Progress.
- Challenges to audit readiness include demonstrating the completeness of transaction universe and testing populations.

### Existence and Completeness Milestones (✓ = Completed)

Assessable Units	Tested	Corrected
General Equipment	09/2015*	03/2016*

\* Revised since the May 2013 FIAR Plan Status Report.

## U.S. Special Operations Command

### Overview

- USSOCOM is a Combatant Command and provides fully capable Special Operations Forces to defend the U.S. and its interests.
- USSOCOM comprises a headquarters organization; Army, Navy, Air Force, Marines, and Joint Components; and Theatre Special Operations Commands that are aligned with Geographic Combatant Commands.
- USSOCOM assets are reported in the automated systems of the Military Services. USSOCOM does not have property systems of its own.

### Remaining Audit Readiness Actions and Challenges

- Each Military Service component of USSOCOM accounts for its equipment in the property system of its Military Service, resulting in a lack of a Command-wide accountable property system of record and manual processes that include journal vouchers used to consolidate and report asset purchases, disposals, and depreciation.
- USSOCOM is implementing DPAS to capture all equipment in one system.
- USSOCOM teams are travelling to all major locations, where equipment is physically located, to capture an inventory of all equipment for existence and completeness purposes.

### Existence and Completeness Milestones (✓ = Completed)

Assessable Units	Tested	Corrected
General Equipment	12/2015*	06/2016*
Military Equipment	12/2015*	06/2016*
Operating Materials and Supplies	12/2015*	06/2016*
Real Property	12/2015*	06/2016*

\* Revised since the May 2013 FIAR Plan Status Report.

## Washington Headquarters Services

### Overview

- WHS provides administrative and operational support to Office of the Secretary of Defense, Military Departments, Defense Agencies, and Field Activities.
- WHS is responsible for real property and general equipment associated with the Pentagon Reservation, National Capital Region, and the supporting WHS activities.

### Remaining Audit Readiness Actions and Challenges

- Conducting Discovery of real property and general equipment assets by validating existence and completeness of accountable property records in the financial statements.

### Existence and Completeness Milestones (✓ = Completed)

Assessable Units	Tested	Corrected
General Equipment	03/2014*	09/2014*
Real Property	03/2014*	09/2014*

\* Revised since the May 2013 FIAR Plan Status Report.

## FIAR Plan Status Report

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### Explanation for the Revised Corrected (Assertion) Milestone

General Equipment	
Original Milestone Date	06/2014
Reason(s) Milestone Was Changed	The milestone date was revised to allow additional resources to be dedicated to the SBA audit set to begin in FY 2014.
Revised Milestone Date	09/2014
Actions to Ensure Milestone Will Be Met	WHS will continue audit readiness sustainment activities including implementing corrective action plans and retesting transactions and controls that have been determined to be ineffective.
Impact in Achieving Full Auditability by 2017	None

### Explanation for the Revised Corrected (Assertion) Milestone

Real Property	
Original Milestone Date	06/2014
Reason(s) Milestone Was Changed	The milestone date was revised to allow additional resources to be dedicated to the SBA audit set to begin in FY 2014.
Revised Milestone Date	09/2014
Actions to Ensure Milestone Will Be Met	WHS will continue audit readiness sustainment activities including implementing corrective action plans and retesting transactions and controls that have been determined to be ineffective.
Impact in Achieving Full Auditability by 2017	None

## **INTELLIGENCE COMMUNITY DEFENSE AGENCIES**

The FY 2011 Intelligence Authorization Act required the Defense Intelligence Agencies to obtain an unqualified audit opinion on all financial statements by FY 2016. The Defense Intelligence Agencies include:

- Defense Intelligence Agency (DIA)
- National Geospatial-Intelligence Agency (NGA)
- National Security Agency (NSA)

Due to the accelerated timeline, unique operational requirements, classification requirements, and congressional guidance unique to the 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 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. In 2014, the strategy requires the IC Defense agencies to begin full financial statement audits of the FY 2014 financial statements, followed by financial statements audits each year thereafter.

DIA, NGA, and NSA 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.

## Defense Intelligence Agency

### Overview

- Established and staffed Integrated Audit Teams along with a Program Management Office to manage and execute all aspects of the agency initiative to reach and sustain an unqualified audit opinion
- DIA is on schedule to complete Discovery activities for Wave 2 for 94 percent of assessable units. The remaining assessable unit is dependent on service provider.

### Remaining Audit Readiness Actions and Challenges

- DIA decomposed the agency Financial Statements and corresponding business processes into 22 assessable units (17 in Wave 2) and assigned each to Integrated Audit Teams that will execute audit remediation activities from discovery to corrective action.
- DIA directly linked IMS tasks to the corresponding FIAR WBS level 2 and 3 tasks.
- DIA established comprehensive audit metrics to monitor and report progress against IMS tasks and phases by assessable unit and overall.

### Statement of Budgetary Resources Milestones (✓ = Completed)

Assessable Units	Tested	Corrected
Appropriations Received	✓	✓
Fund Balance with Treasury	✓*	✓*
Payables	10/2014	12/2014
Reimbursable Work Orders - Acceptor	01/2014	03/2014
Reimbursable Work Orders - Grantor	01/2014	03/2014
<b>SBR Assertion</b>	<b>01/2014</b>	<b>03/2014</b>

\* Revised since the May 2013 FIAR Plan Status Report.

## Defense Intelligence Agency

### Overview

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

### Remaining Audit Readiness Actions and Challenges

- On schedule to complete Discovery phase tasks by Quarter 2 of FY 2015 for PP&E (Wave 3).

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### Existence and Completeness Milestones (✓ = Completed)

Assessable Units	Tested	Corrected
Property, Plant, and Equipment	06/2015	09/2015

## National Geospatial-Intelligence Agency

### 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. Developing interfaces with feeder systems.
- Documenting, assessing, and testing new business process and internal controls associated with GEO-F implementation.
- Established the NGA Audit Committee. The Audit Committee will resolve any impediments to progress, drive audit readiness activities, and report on the status of audit readiness activities to the Director, NGA.
- Re-baselined the CAP to address new processes and controls associated with the GEO-F implementation.

### Remaining Audit Readiness Actions and Challenges

- 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.
- Preparing to undergo an audit of the FY 2014 financial statements.

### Statement of Budgetary Resources Milestones (✓ = Completed)

Assessable Units	Tested	Corrected
Appropriations Received	✓	✓
Fund Balance with Treasury	✓*	01/2014
Payables	✓*	01/2014
Reimbursable Work Orders - Acceptor	✓*	01/2014
Reimbursable Work Orders - Grantor	✓*	01/2014
<b>SBR Assertion</b>	✓*	<b>01/2014</b>

\* Revised since the May 2013 FIAR Plan Status Report.

## National Geospatial-Intelligence Agency

### Overview

- Implemented a Cost Accumulation Framework and agency policy that integrates key planning, acquisition, purchasing, and funds execution process elements to effectively identify, account for, track, and support all agency expenditures. The framework includes approval of requisitions for proper accounting treatment and contract structure requirements to maintain proper accounting cost segregation during execution and provide evidential material for expenditures.
- Established standard operating procedures encompassing logistics, finance, and contracting to systemically report contractor acquired and government furnished property, including procedures for inspecting contractor property control environments and systems.
- NGA’s MCAP supports a full scope audit of the FY 2014 financial statements, including PP&E.

### Remaining Audit Readiness Actions and Challenges

- Completed an inventory plan for conducting a wall-to-wall inventory at 129 sites and locations containing NGA property for 04/2013 – 06/2013 execution. Reconciliation of inventory results with existing property records, valuation of agency contracts, and identification of the NGA capital asset will establish the PP&E existence and completeness baseline.
- NGA’s MCAP requires Contractor Acquired Property to be part of the beginning balance valuation and inventory efforts.

### Existence and Completeness Milestones (✓ = Completed)

Assessable Units	Tested	Corrected
Property, Plant, and Equipment	✓*	01/2014

\* Revised since the May 2013 FIAR Plan Status Report.

## National Security Agency

### Overview

- DNI FY 2014 CIG directed NSA to undergo a full scope audit in FY 2014. Based on its audit remediation schedule, NSA anticipates several activities will not be completed resulting in a disclaimer on the FY 2014 financial statement audit opinion.
- Scheduled to complete audit remediation activities prior to FY 2016 with the goal of receiving an unqualified opinion on the FY 2016 financial statements.
- Submitted six assertions packages (Imputed Cost, Net Position, Salaries and Benefits, a combined Appropriations Received and Information Technology, General and Application Controls, and Other Assets and Liabilities) that have been validated as audit ready by ODNI. Appropriations Received has been validated as audit ready

### Remaining Audit Readiness Actions and Challenges

- Audit readiness strategy involves assessing the end-to-end business processes, systems, and supporting documentation for 15 key financial events.
- Asserted evaluation of financial events ready for an audit is 29 percent complete. Several financial events are undergoing remediation activities before a formal evaluation can be completed. The remediation activities are currently 68 percent complete.
- Testing will not be performed by NSA. Rather, testing will be conducted by an IPA during the FY 2014 audit.

### Statement of Budgetary Resources Milestones (✓ = Completed)

Assessable Units	Tested	Corrected
Appropriations Received	✓	✓
Fund Balance with Treasury	**	02/2014
Payables	**	✓*
Reimbursable Work Orders - Acceptor	**	✓*
Reimbursable Work Orders - Grantor	**	✓*
<b>SBR Assertion</b>	<b>**</b>	<b>03/2015</b>

\* Revised since the May 2013 FIAR Plan Status Report.

\*\* Testing will be performed by an IPA during the FY 2014 audit.

## National Security Agency

### Overview

- As noted in the NSA SBR chart, DNI FY 2014 CIG directed NSA to undergo a full scope audit in FY 2014. Based on its audit remediation schedule, NSA anticipates several activities will not be completed resulting in a disclaimer on the FY 2014 financial statement audit opinion.

### Remaining Audit Readiness Actions and Challenges

- Scheduled to complete audit remediation activities prior to FY 2016 with the goal of receiving an unqualified opinion on the FY 2016 financial statements.
- Testing will not be performed by NSA. Rather, testing will be conducted by an IPA during the FY 2014 audit.

### Existence and Completeness Milestones (✓ = Completed)

Assessable Units	Tested	Corrected
Property, Plant, and Equipment	**	09/2015

\*\* Testing will be performed by an IPA during the FY 2014 audit.

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## VII. Service Providers Audit Readiness Plans

Service providers perform a variety of functions and services for their customers, the DoD Components, including:

- Accounting and Finance
- Civilian Personnel Management System Support
- Military and Civilian Pay
- Contract Management
- Real Property Construction
- Asset Acquisition, Storage, and Issuance
- Information Technology System Operations and Hosting Support

Each service provider function and service is integrated in the customers' business and financial processes. As a result, service provider audit readiness is tied to the auditability of their customers' financial statements and presents a risk to the success in their customers, the Components, meeting FIAR goals.

The Department modified the FIAR Guidance to include a step-by-step methodology that each service provider must follow and to require each service provider to prepare a financial improvement plan. The OUSD(C) monitors and reviews the service providers' plans, and a service provider working group meets regularly to discuss challenges and share lessons learned. Additionally, the OUSD(C) routinely reports progress, issues, and challenges to the FIAR Governance Board and FIAR committees.

### SERVICE PROVIDERS AUDIT READINESS

In support of the Department's audit readiness efforts, service providers are working to achieve audit readiness and obtain reasonable assurance that their controls over operations and systems are designed and operating effectively. Service providers undergo examinations conducted in accordance with the Statement on Standards for Attestation Engagements (SSAE) No. 16, Reporting on Controls at a Service Organization.

To improve Department-wide efficiency, service providers with three or more customers working to become audit ready must obtain an SSAE No. 16 examination on their controls. The results of the SSAE No. 16 examination can then be relied on by all of the customers' financial statement auditors, saving time and money.

Service providers that forego obtaining an SSAE No. 16 examination must work with their customers to determine how they will support the customers' 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 their customers' financial reporting objectives. Specifically, service providers must achieve financial reporting objectives by implementing control activities and providing supporting documentation, which will ultimately be audited as part of their customers' financial statement audits. Coordinating service provider FIAR activity is critical to their customers' audit readiness, and therefore, service provider tasks and milestones are integrated and reflected in their customers' FIAR plans.

## SERVICE PROVIDERS AND ASSESSABLE UNITS

In this section of the report, the service providers' audit readiness status and plans are grouped into three subsections based on the FIAR priorities of the Statement of Budgetary Resources (SBR) and existence and completeness of mission critical assets, and DoD-wide Computing Services. Although USACE and NAVFAC are listed below under existence and completeness of mission critical assets, the services they provide also impact their customers' SBR.

### Statement of Budgetary Resources

- Defense Civilian Personnel Advisory Service (DCPAS)
- Defense Contract Management Agency (DCMA)
- Defense Finance and Accounting Service (DFAS)
- Defense Logistics Agency (DLA)

### Existence and Completeness of Mission Critical Assets

- Department of Army
- U.S. Army Corps of Engineers (USACE)
- Naval Facilities Command (NAVFAC)
- Defense Logistics Agency (DLA)

### DoD-wide Computing Services

- Office of the Under Secretary of Defense (Acquisition, Technology and Logistics) (OUSD(AT&L))
- Defense Information Systems Agency (DISA)
- Defense Logistics Agency (DLA)

Since the May 2013 FIAR Plan Status Report, the Department identified the OUSD(AT&L) and the four DoD Components identified under Existence and Completeness of Mission Critical Assets as service providers, because the services they provide impact the audit readiness of many Components. These service providers are participating in the service provider working group and are following the service provider FIAR methodology in the FIAR Guidance. The FIAR status and plans of these service providers in support of their customers are also presented in this section of the report.

The service providers are working to achieve audit readiness by assessable units that are consistent with the Components' assessable units. For the SBR, the service providers' assessable units are:

- Civilian Pay
- Military Pay
- Contract Pay
- Standard Disbursing Service
- Financial Reporting

For existence and completeness of mission critical assets, the service providers' assessable units are:

- Real Property
- Operating Materials and Supplies
- Military Service-Owned Items in DLA Custody

Figure VII-1 provides the service providers' status and plans for achieving audit readiness and for conducting SSAE No. 16 examinations by assessable unit, when applicable. Service provider quad-charts providing information and milestones on their status and plans for achieving audit readiness in support of their customers follow the figure.

# FIAR Plan Status Report

## Figure VII-1. Service Provider Audit Readiness Plans

Assessable Unit / Service Provider	FY 2011				FY 2012				FY 2013				FY 2014				FY 2015				FY 2016				FY 2017				Legend				
	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4					
<b>Civilian Pay</b>																																	
DCPAS (Includes DCPDS)																																	<ul style="list-style-type: none"> <li><span style="display: inline-block; width: 10px; height: 10px; background-color: #f08080; border: 1px solid black; margin-right: 5px;"></span> Discovery</li> <li><span style="display: inline-block; width: 10px; height: 10px; background-color: #c0c0c0; border: 1px solid black; margin-right: 5px;"></span> Corrective Action</li> <li><span style="display: inline-block; width: 10px; height: 10px; background-color: #ffff00; border: 1px solid black; margin-right: 5px;"></span> Audit Readiness Assertion</li> <li><span style="display: inline-block; width: 10px; height: 10px; background-color: #008000; border: 1px solid black; margin-right: 5px;"></span> Audit Readiness Validated</li> <li><span style="display: inline-block; width: 10px; height: 10px; background-color: #0000ff; border: 1px solid black; margin-right: 5px;"></span> SSAE No. 16 Examination or Sustainment</li> <li><span style="display: inline-block; width: 0; height: 0; border-left: 5px solid transparent; border-right: 5px solid transparent; border-bottom: 8px solid #800080; margin-right: 5px;"></span> Scope and Timeline Defined and Communicated</li> <li><span style="display: inline-block; width: 10px; height: 10px; border: 1px solid black; border-radius: 50%; margin-right: 5px;"></span> Audit Readiness Validation Baseline in November 2010 or When First Reported</li> </ul>
DFAS (Includes DCPS, ADS & ATAAPS)																																	
<b>Military Pay</b>																																	
DFAS (Includes DJMS & DMO)																																	
<b>Contract Pay</b>																																	
DCMA (Includes MOCAS & MDO)																																	
DFAS (Includes MOCAS, EAS, APVM, & PPVM)																																	
DLA (Includes WAWF & EDA)																																	
<b>Standard Disbursing Service</b>																																	
DFAS (Includes ADS)																																	
<b>Financial Reporting</b>																																	
DFAS (Includes DDRS)																																	
<b>Existence and Completeness of Mission Critical Assets</b>																																	
Department of the Army – OM&S (Ammunition)																																	
U.S. Army Corps of Engineers – Real Property																																	
Navy Facilities Command – Real Property																																	
DLA – Military Service-Owned Items in DLA Custody																																	
<b>DoD-Wide Computing Services</b>																																	
DISA																																	
DLA (Includes DAI)																																	
DLA (Includes DAAS/GEX)																																	
DLA (Includes DTS)																																	

## CIVILIAN PAY

The Civilian Pay assessable unit includes the processes, controls, systems, 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-2 presents the Civilian Pay process and key common systems used by the Components, 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 assessable unit.

The Department uses service providers to ensure standardized and efficient processing of civilian pay. The most critical service providers and Components in the Civilian Pay process are DCPAS and DFAS.

### Defense Civilian Personnel Advisory Service

DCPAS maintains the Defense Civilian Personnel Data System (DCPDS), the Department’s civilian personnel system used to initiate, approve, and process personnel actions for civilian employees. Additionally, and for most Components other than the Military Services, DCPAS hosts the personnel system at a DCPAS-managed data center. Accordingly, the Components 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

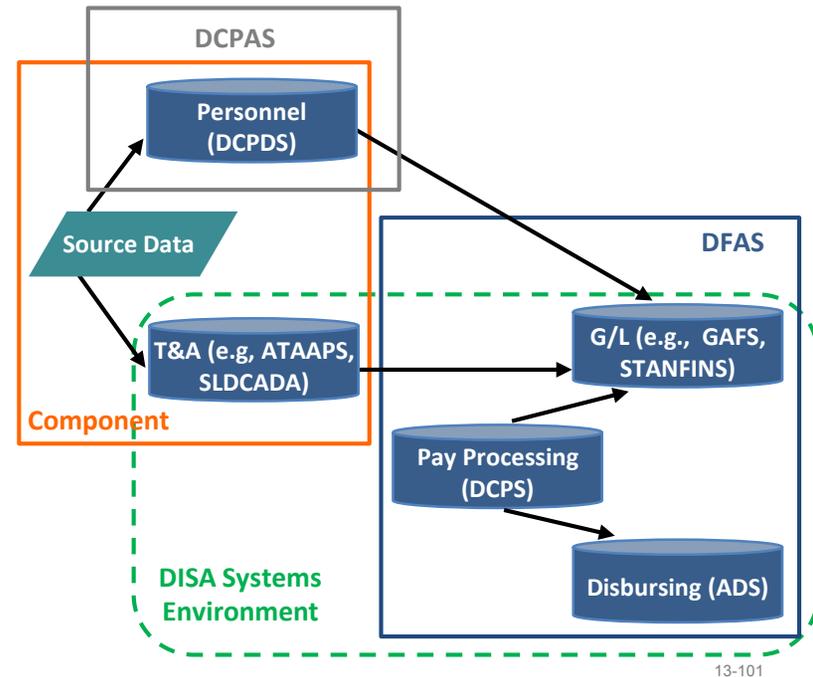
DFAS calculates biweekly civilian pay using personnel data obtained from DCPDS combined with time and attendance information provided by the Components. In addition to calculating the biweekly payroll, DFAS disburses the biweekly pay for the Components. For

some Components, DFAS also records the biweekly pay accounting transactions in the general ledger.

Because the services performed by DFAS represent a large portion of the Civilian Pay activity, the Components rely on DFAS processes, systems, and controls for a large portion of the civilian pay process. DFAS received an unqualified opinion on its Statement on Auditing Standard No. 70 (SAS 70) (predecessor to SSAE No. 16) examination over the payroll-processing portion of its civilian pay services.

In FY 2013, DCPAS and DFAS underwent SSAE No. 16 examinations and achieved unqualified opinions

Figure VII-2. Civilian Pay Process



## FIAR Plan Status Report

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### DoD Components

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 Components, and when such information is not accurate, the amount paid will not be accurate. Therefore, the

responsibility for audit readiness is shared by the Components and the service providers. As shown in Figure VII-2, the source data along with time and attendance information comes from the Components.

The following quad-charts provide the status of DCPAS and DFAS audit readiness plans for Civilian Pay.

## Defense Civilian Personnel Advisory Service – Civilian Pay

### 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.
- DCPAS asserted audit readiness for the Defense Civilian Personnel Data System (DCPDS) and received OUSD(C) approval for an initial SSAE No. 16 examination in FY 2013.
- An IPA completed an initial SSAE No. 16 examination for DCPDS, for the 01/2013 – 06/2013 reporting period and issued an unqualified opinion for the design and operating effectiveness of internal controls.

### Sustainment Strategy

- For testing exceptions noted in the initial DCPDS SSAE No. 16 examination report, DCPAS will provide corrective action plans to OUSD(C) for review and approval.
- An IPA will complete annual SSAE No. 16 examinations beginning with the 10/2013 – 06/2014 reporting period. Examination reports and corrective action plans will be provided to OUSD(C) for review and approval as necessary.

### SSAE No. 16 Examination Milestones (✓ = Completed)

FIAR Phases	Completion
Scope and Timeline Defined and Communicated	✓
Controls Documented	✓
Controls Tested	✓
Corrective Actions	✓
DoD Component Assertion Support	✓
Assertion	✓
<b>Audit Readiness Validated</b>	✓*

\* Revised since the May 2013 FIAR Plan Status Report.

### Completion Dates for Outcomes (✓ = Completed)

Audit Readiness Outcomes	Completion
Civilian personnel actions are recorded accurately and are valid.	✓
Material systems achieve the relevant FISCAM IT general and application-level control objectives.	✓

## Defense Finance and Accounting Service – Civilian Pay

### 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 2013, the DFAS Civilian Pay Service underwent an SSAE No. 16 examination and received an unqualified opinion for the reporting period of 10/2012 – 06/2013.
- An IPA will audit the Civilian Pay Service for reporting period 10/2013 – 06/2014. An opinion is expected in 08/2014.
- Conducted self-reviews to ensure all key controls were validated prior to assertion. Army and Navy asserted in Quarter 4 of FY 2012, and Air Force asserted in Quarter 1 of FY 2013. Defense Agencies will assert in Quarter 3 of FY 2014.

### Remaining Audit Readiness Actions and Challenges

- Maintain Civilian Pay audit readiness through annual execution of the Managers Internal Control Program (MICP).
- Undergo annual SSAE No. 16 examinations.
- Processes such as accruals, field accounting, and financial reporting related to Civilian Pay that vary by Component are not included in the scope of the SSAE No. 16 examination. Therefore, DFAS is conducting self-reviews in accordance with the FIAR Guidance to document and test processes and controls.
- Provide audit readiness support for each Component for the processes and controls in support of customer assertions, including testing payroll general ledger postings and reconciliations.

### SSAE No. 16 Examination Milestones (✓ = Completed)

FIAR Phases	Completion
Scope and Timeline Defined and Communicated	✓
Controls Documented	✓
Controls Tested	✓
Corrective Actions	✓*
DoD Component Assertion Support	✓*
Assertion	✓*
<b>Audit Readiness Validated</b>	<b>✓*</b>

\* Revised since the May 2013 FIAR Plan Status Report.

### Completion Dates for Outcomes (✓ = Completed)

Audit Readiness Outcomes	Completion
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.	06/2014*
Payroll is calculated and processed accurately.	✓
Payroll obligations, expenses, accruals, and disbursements are valid and recorded accurately and in correct amounts in the GLs.	06/2014
Payroll obligations, expenses, accruals, and disbursements are recorded in the GL 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.	06/2014

\* Revised since the May 2013 FIAR Plan Status Report.

## 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-3 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 assessable unit.

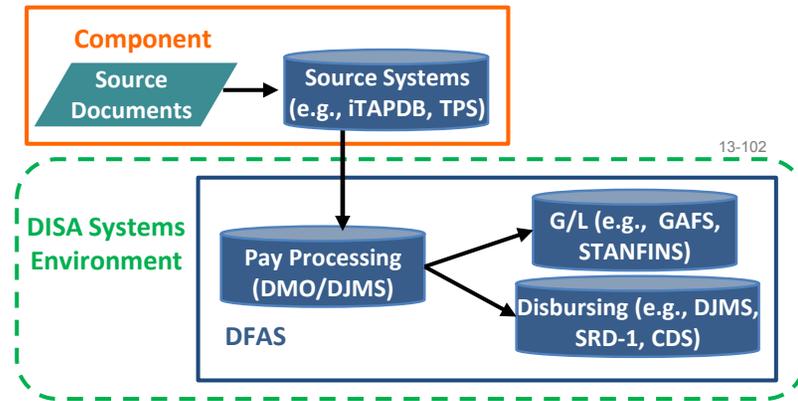
### Defense Finance and Accounting Service

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 Service 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 No. 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-3. Military Pay Process



### Military Services

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 Military Services’ 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-3, the source data comes from the Military Services.

The following quad-chart provides the status of the DFAS audit readiness plans for Military Pay (excluding the USMC).

## Defense Finance and Accounting Service – Military Pay

### Overview

- DFAS provides military payroll services to approximately 2.27 million active, reserve, and guard Military Service members to include processing all pay affecting entitlement transactions, certification of all military payrolls, and accounting for, and disposition of, all authorized deductions from gross pay.
- In FY 2013, an IPA completed an SSAE No. 16 examination of the Military Pay processes for the reporting period of 01/2013 – 06/2013. The IT applications in scope for the SSAE No. 16 examination are the Defense Joint Military Pay System-Active Component/Reserve Component and the Defense Military Pay Office systems.
- The IPA issued a qualified opinion on the SSAE No. 16 examination due to exceptions related to access controls and segregation of duties. Corrective actions were implemented and validated to be effective as of 10/2013.

### Remaining Audit Readiness Actions and Challenges

- Maintain Military Pay audit readiness through annual execution of the MICP.
- Undergo annual SSAE No. 16 examinations.
- Processes, such as accruals, field accounting, and financial reporting related to Military Pay, vary by Component and are being addressed in FIAR activity (self-reviews) conducted in accordance with the FIAR Guidance and are not included in the scope of the SSAE No. 16 examination.
- 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.
- Navy asserted in 03/2013. Air Force will assert in 05/2014, and Army will assert in 06/2014.

### SSAE No. 16 Examination Milestones (✓ = Completed)

FIAR Phases	Completion
Scope and Timeline Defined and Communicated	✓
Controls Documented	✓
Controls Tested	✓
Corrective Actions	✓
Military Service Assertion Support	✓
Assertion	✓
<b>Audit Readiness Validated</b>	<b>✓*</b>

\* Revised since the May 2013 FIAR Plan Status Report.

### Completion Dates for Outcomes (✓ = Completed)

Audit Readiness Outcomes	Completion
Personnel information is recorded accurately and is valid.	✓
Payroll is calculated and processed accurately.	✓
Payroll obligations, expenses, accruals, and disbursements are recorded timely.	06/2014
Payroll obligations, expenses, accruals, and disbursements are recorded at correct amounts in the GL(s) and are valid.	06/2014
Obligations and accruals are reviewed, and adjusted as necessary, at least three times per year.	06/2014
Material systems achieve the relevant FISCAM IT general and application-level control objectives.	✓

### 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 issuing of a contract, includes receipt of goods or services and payment of invoices, and ends with the close-out of the contracts.

Figure VII-4 presents the Contract Pay process and key common systems used by the Components 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 assessable unit.

The Department uses service providers to ensure standardized and efficient processing of Contract Pay. The most significant service providers and Components for Contract Pay are DCMA, DFAS, and DLA.

#### 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, the Components 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.

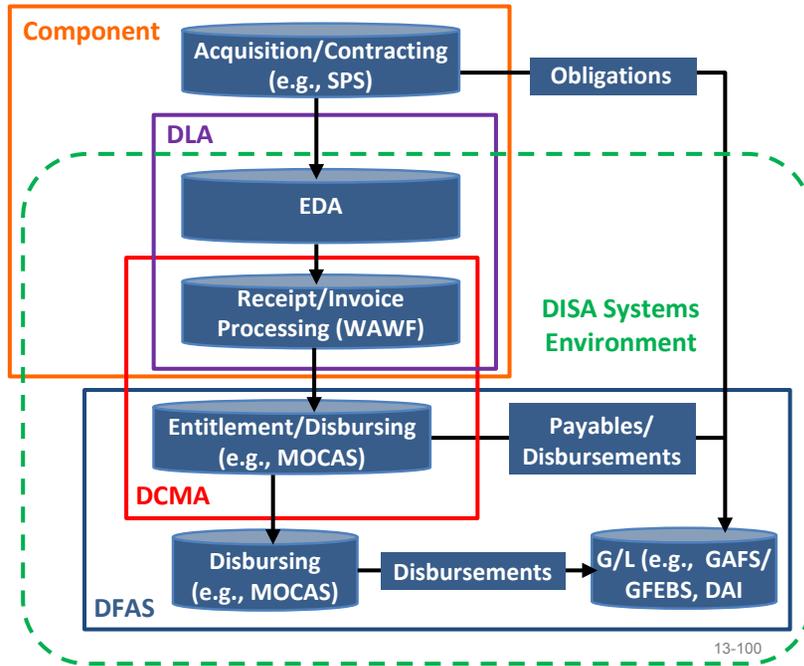
#### Defense Finance and Accounting Service

DFAS is responsible for the entitlement and disbursement of contract payments for the Components and, for some Components, records the contract pay accounting transactions in the general ledgers. Accordingly, the Components 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, the Components 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.

Figure VII-4. Contract Pay Process



### DoD Components

As is the case with Civilian Pay and Military Pay, the Components and the service providers share responsibility for correct contract payments. The Component responsibilities begin with ensuring the appropriate contract and accounting data is recorded in the contract writing system. Additionally, contract and vendor payments require both the Components and the service providers to perform a three-way match before being disbursed, that is, verify that the invoice, receiving report, and contract terms agree. Figure VII-4 shows that the Component 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.

## Defense Contract Management Agency – Contract Pay

### 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 MOCAS.
- 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.
- Redesigned controls to address gaps in completeness, accuracy, and timeliness, and incorporated changes into policies.
- Completed follow-up testing and categorized findings.

### Remaining Audit Readiness Actions and Challenges

- Proceed with initial SSAE No. 16 examination.

### SSAE No. 16 Examination Milestones (✓ = Completed)

FIAR Phases	Completion
Scope and Timeline Defined and Communicated	✓
Controls Documented	✓
Controls Tested	✓
Corrective Actions	✓*
DoD Component Assertion Support	✓*
Assertion	✓*
<b>Audit Readiness Validated</b>	<b>04/2014</b>

\* Revised since the May 2013 FIAR Plan Status Report.

### Completion Dates for Outcomes (✓ = Completed)

Audit Readiness Outcomes	Completion
Disbursements are recorded accurately and are valid.	✓*
Material systems achieve the relevant FISCAM IT general and application-level control objectives.	✓*
Obligations are recorded accurately and are valid (in MOCAS).	✓*
Stale or invalid obligations and accruals are removed.	✓*

\* Revised since the May 2013 FIAR Plan Status Report.

## Defense Finance and Accounting Service – Contract Pay

### Overview

- The Contract Pay end-to-end process is defined by seven key processes: (1) Commitments and Obligations, (2) Receipts and Acceptance, (3) Invoice Entitlement, (4) Pre-Validation, (5) Disbursing and Posting Expenditure, (6) Reporting and Accounting, and (7) Reconciliation 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 contractors approximately \$200 billion per year.
- Engaged IPA to conduct an SSAE No. 16 exam for reporting period 11/2013 – 04/2014. The report is expected 06/2014.

### Remaining Audit Readiness Actions and Challenges

- Support the Contract Pay SSAE No. 16 examination.
- Processes, such as accruals, field accounting, and financial reporting related to Contract Pay, vary by Component and are not included in the scope of the SSAE No. 16 examination. Instead, DFAS is conducting FIAR activity (self-reviews) in accordance with the FIAR Guidance.
- Provides audit readiness support for each Component for the processes and controls in support of customer assertions, including testing general ledger postings and reconciliations.
- Completion dates based on the latest of the Component’s contract pay assertion date. Army, Air Force, and DLA will assert 06/2014.

### SSAE No. 16 Examination Milestones (✓ = Completed)

FIAR Phases	Completion
Scope and Timeline Defined and Communicated	✓
Controls Documented	✓
Controls Tested	✓*
Corrective Actions	✓*
DoD Component Assertion Support	✓*
Assertion	✓*
<b>Audit Readiness Validated</b>	<b>06/2014*</b>

\* Revised since the May 2013 FIAR Plan Status Report.

### Completion Dates for Outcomes (✓ = Completed)

Audit Readiness Outcomes	Completion
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.	06/2014*
Accruals and/or payables are recorded accurately and are valid.	06/2014*
Disbursements are recorded in the correct period and within 10 days of payment.	06/2014*
Disbursements are recorded accurately and are valid (in MOCAS).	✓
Obligations and accruals are reviewed, and adjusted as necessary, at least three times per year.	06/2014*
Material systems achieve the relevant FISCAM IT general and application-level control objectives.	✓*

\* Revised since the May 2013 FIAR Plan Status Report.

## Defense Logistics Agency – Contract Pay

### Overview

- DLA manages many DoD enterprise business systems, including WAWF and EDA.
- In coordination with OUSD(C), determined an SSAE No. 16 examination was not required for EDA in FY 2014 due to the low number of customer support requests.
- In accordance with FIAR Guidance, DLA completed a review of EDA in 03/2013 and completed corrective actions in 11/2013.
- DLA completed a review of WAWF in 04/2013 in accordance with FIAR Guidance, addressed resulting corrective actions, and asserted in 09/2013.

### Remaining Audit Readiness Actions and Challenges

- Negotiate disposition of findings for controls shared with or owned by DISA for WAWF and EDA.
- Monitor customer requests for EDA support to determine if an SSAE No. 16 examination will be needed in the future.
- Undergo an SSAE No. 16 examination for WAWF, address any corrective actions, and submit the report to OUSD(C) for review and validation.

### SSAE No. 16 Examination Milestones (✓ = Completed)

FIAR Phases	Completion
Scope and Timeline Defined and Communicated	✓
Controls Documented	✓
Controls Tested	✓
Corrective Actions	✓*
DoD Component Assertion Support	✓*
Assertion	✓*
<b>Audit Readiness Validated</b>	<b>07/2014</b>

\* Revised since the May 2013 FIAR Plan Status Report.

### Completion Dates for Outcomes (✓ = Completed)

Audit Readiness Outcomes	Completion
Material systems achieve the relevant FISCAM IT general and application-level control objectives. (WAWF & EDA)	✓*

\* Revised since the May 2013 FIAR Plan Status Report.

## STANDARD DISBURSING SERVICE

The Standard Disbursing Service 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.

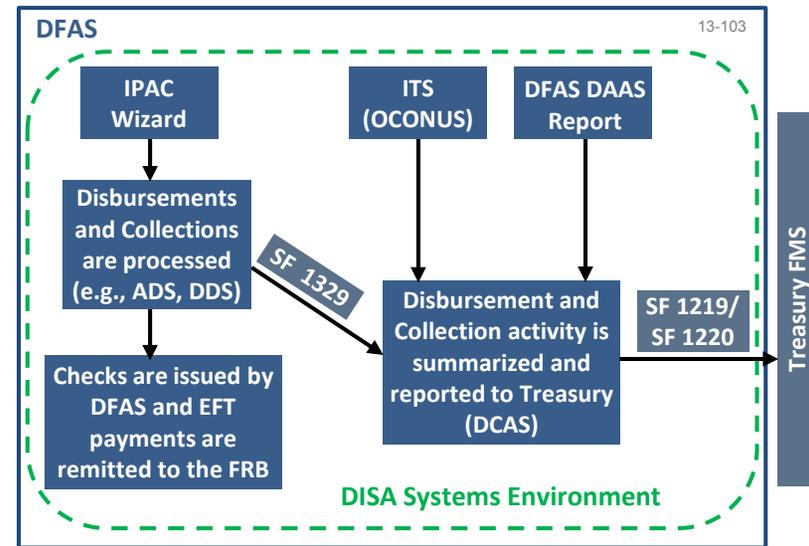
Figure VII-5 presents the disbursing process and key common systems used from initiating source documents through recording of the disbursing activity in the general ledger. The square boxes show which entity plays a role in the manual processes or owns the related system. The green dashed line identifies system hosting services addressed in the DoD-wide Computing Services assessable unit.

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 Components. DFAS prepares and reports monthly fund balances to Treasury, and issues checks and remits electronic fund transactions to the Federal Reserve. In addition, for some Components, DFAS records disbursement transactions in the general ledgers. Accordingly, the Components 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.

Figure VII-5. Standard Disbursing Service Process



### Defense Logistics Agency

DLA maintains DCAS, which is used to summarize and report disbursements and collections to Treasury. However, the Components rely on DFAS to ensure the completeness, accuracy, and validity for disbursing activity.

The following chart provides information on the status of DFAS audit readiness plans for disbursing.

## Defense Finance and Accounting Service – Standard Disbursing Service

### Overview

- DFAS disbursing processed 164 million transactions in FY 2012 of which 98 million (or 60 percent) were processed through Automated Disbursing System (ADS) Disbursing Station Symbol Number (DSSN) 8522. DFAS disbursed a total of \$617.4 billion in FY 2012, of which \$226.2 billion was disbursed for ADS DSSN 8522.
- The Standard Disbursing Initiative (SDI) selected ADS as the system solution based on costs, technical capabilities, and risks. ADS will provide a single disbursing capability for the Army, Air Force, and other Defense organizations.
- In FY 2013, DFAS Standard Disbursing Service underwent an SSAE No. 16 examination and received an unqualified opinion for the reporting period of 01/2013 – 06/2013.
- The scope of the SSAE No. 16 examination included business processes and controls for the transactions disbursed through the ADS associated with DSSN 8522 only (DFAS Cleveland centralized disbursing).
- Completed FIAR activity (self-reviews) in accordance with the FIAR Guidance for STANFINS Redesign Subsystem One (SRD-1, primarily Army, Marine Corps, and other Defense organization payments) and Deployable Disbursing System (DDS) in 06/2013 for applicable manual controls. Corrective actions have been completed.
- The Discovery phase for the Central Disbursing System (CDS, primarily Air Force payments) was completed in 10/2013. Corrective action plans are being developed.

### Remaining Audit Readiness Actions and Challenges

- Maintain Standard Disbursing Service audit readiness through annual execution of the MICP.
- Undergo annual SSAE No. 16 examinations.
- In preparation for the FY 2014 examination, DFAS expanded the SSAE No. 16 examination scope to include DSSN 6102 (Marine Corps, which is also disbursed through ADS).
- Beyond FY 2014, the scope of the Standard Disbursing Service SSAE No. 16 examination will be expanded on an incremental basis to support DFAS customers' audit readiness efforts. The SDI implementation schedule will result in inclusion of both tactical and enterprise disbursing services in future SSAE No. 16 examinations.
- DDS currently provides tactical disbursements for Army and Marine Corps. From an enterprise disbursing perspective, SRD-1 will be fully retired into ADS in Quarter 4 of FY 2014, and it is anticipated the CDS will be fully retired into ADS in FY 2015.
- Processes, such as accruals, field accounting, and financial reporting related to Disbursing, vary by Component and are being addressed by FIAR activity (self-reviews) in accordance with the FIAR Guidance and are not included in the scope of the SSAE No. 16 examination.
- DFAS provides audit readiness support for each Component for these processes and controls in support of customer assertions, including testing general ledger postings and reconciliations. The last customer assertion for disbursing is scheduled for 06/2014.
- As an interim solution until the SSAE No. 16 examination can be expanded, DFAS is evaluating SRD-1, DDS, and the CDS via self-review.

## FIAR Plan Status Report

### SSAE No. 16 Examination Milestones (✓ = Completed)

FIAR Phases	Completion
Scope and Timeline Defined and Communicated	✓
Controls Documented	✓
Controls Tested	✓
Corrective Actions	✓
DoD Component Assertion Support	✓
Assertion	✓
<b>Audit Readiness Validated</b>	✓*

\* Revised since the May 2013 FIAR Plan Status Report.

### Completion Dates for Outcomes (✓ = Completed)

Audit Readiness Outcomes	Completion
Disbursements are recorded timely.	06/2014
Disbursements are recorded accurately and are valid.	06/2014
Material systems achieve the relevant FISCAM IT general and application-level control objectives.	✓

## FINANCIAL REPORTING

Financial Reporting includes the processes, systems, controls, and documentation used to prepare DoD financial statements. After the Components 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-6 (see the following page) presents the financial reporting process and key Components, 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 assessable unit.

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

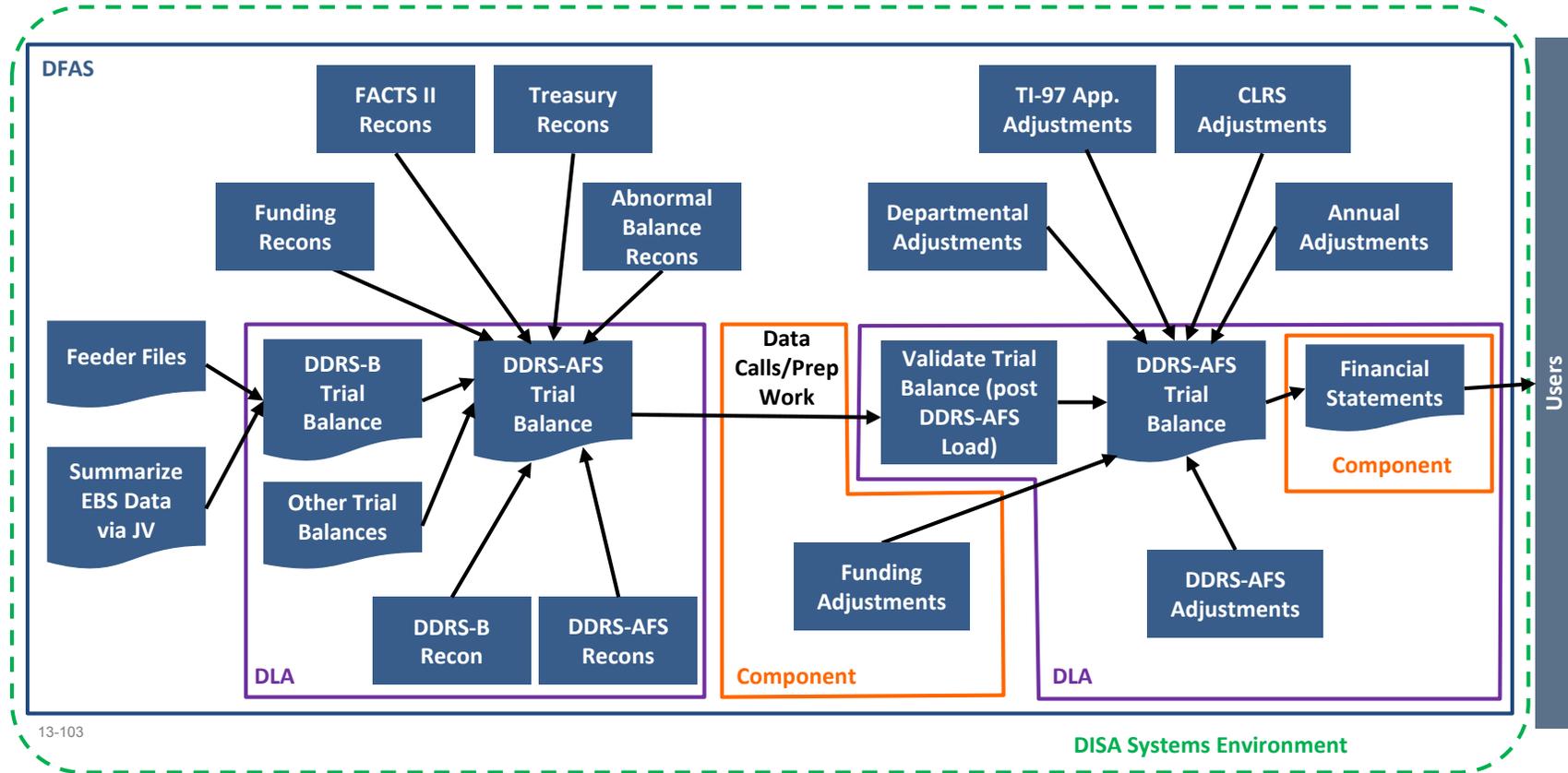
DFAS is responsible for cross-walking, reconciling, validating, and adjusting the trial balances for the Components. Accordingly, the Components rely on DFAS financial reporting processes and systems, including the relevant system and business controls to help ensure the completeness, accuracy, validity, and restricted access for financial reporting.

### 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, the Components 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.

The DFAS chart providing its status and audit readiness plans for financial reporting follows Figure VII-6. See the DLA chart in the DoD-wide Computing Services assessable unit for DDRS audit readiness status and plans.

Figure VII-6. Financial Reporting Process



## Defense Finance and Accounting Service – Financial Reporting

### Overview

- Financial Reporting end-to-end is the process by which DFAS organizes financial data and 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.
- The 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.
- The scope of the SSAE 16 includes the trial balance preparation, validation, eliminations, and adjustments performed through DDRS. This does not include TI 97 (other Defense organizations) financial reporting processes performed outside of DDRS.
- Self-reviews for TI97 Financial Reporting were completed as of 06/2013 for applicable manual controls. Corrective Action Plans were prepared and signed off on by the respective operational areas.
- A mock audit, performed by OUSD FIAR, was focused on the various adjustments performed during the TI97 Financial Reporting process. Results from this mock audit are expected by 11/2013.

### Remaining Audit Readiness Actions and Challenges

- SSAE No. 16 examination period will be 01/2014 – 07/2014, and the audit report is expected in 09/2014.
- DDRS ownership will be transitioning from DLA to DFAS during FY 2014. The transition could cause risks for the SSAE No. 16 examination if it occurs during the examination period.
- Testing of DFAS controls for Army financial reporting will be completed and scheduled for assertion in 09/2014.
- Testing of DFAS controls for Navy financial reporting will be completed and scheduled for assertion in 03/2014.
- Testing of DFAS controls for Air Force financial reporting was completed in 09/2013, supporting Air Force assertion of 03/2014.
- Testing of DFAS controls for DCMA financial reporting was completed 09/2013, supporting DCMA assertion of 09/2013.
- Testing of DFAS controls for DLA financial reporting will be completed 12/2013, supporting DLA assertion of 06/2014.
- Delayed implementation of the Defense Departmental Reporting System – Budgetary (DDRS-B) for other Defense organizations in FY 2014 will impact on the implementation of corrective actions for TI-97 financial reporting.

## FIAR Plan Status Report

### SSAE No. 16 Examination Milestones (✓ = Completed)

FIAR Phases	Completion
Scope and Timeline Defined and Communicated	✓
Controls Documented	✓
Controls Tested	✓
Corrective Actions	✓*
DoD Component Assertion Support	✓*
Assertion	✓*
<b>Audit Readiness Validated</b>	<b>09/2014</b>

\* Revised since the May 2013 FIAR Plan Status Report.

### Completion Dates for Outcomes (✓ = Completed)

Audit Readiness Outcomes	Completion
Trial balances are loaded into reporting system timely.	06/2014*
Trial balances are complete and accurately loaded into reporting system.	06/2014*
Trial balance data is loaded into DDRS-AFS timely.	✓*
Trial balance data is accurately loaded into DDRS-AFS.	✓*
All adjustments are recorded timely.	✓*
All adjustments are recorded accurately and are valid.	✓*
The Statement of Budgetary Resources, related footnotes and accompanying information is completed timely.	✓*
The Statement of Budgetary Resources, related footnotes and accompanying information is accurate and valid.	✓*
All material systems achieve the relevant FISCAM IT general and application-level general control objectives.	✓*

\* Revised since the May 2013 FIAR Plan Status Report.

### EXISTENCE AND COMPLETENESS OF MISSION CRITICAL ASSETS

Four service providers support the Components in the acquisition or construction, storage, issue, and disposal of Component owned mission critical assets:

- Department of Army
- U.S. Army Corps of Engineers
- Naval Facilities Command
- Defense Logistics Agency

The processes, controls, and systems used by these service providers are integral to their customer's ability to achieve existence and completeness audit readiness. In some instances the services provided also affect the customers' Statement of Budgetary Resources and future reporting of asset costs.

#### Department of the Army

The Department of the Army is the Defense Department's Single Manager for Conventional Ammunition (SMCA), thus the Army acquires ammunition for itself and Military Services. However, the SMCA role is not limited to acquisition services. It also plays a major role in the storage, distribution, and accountability for ammunition prior to its issuance to the owning Military Service. For example, the SMCA stores in excess of 20 percent of the Navy's conventional ammunition and in excess of 50 percent of the Marine Corps and Air Force conventional ammunition. Moreover, the SMCA is responsible for the disposal of excess, obsolete, or unserviceable ammunition held by the Army and the other Military Services.

Because the SMCA is accountable for substantial portions of its customers' ammunition it has a critical role in the reporting of existence and completeness of customer ammunition.

From the perspective of financial reporting, SMCA customers depend on the reliability of financial information and information on inventory balances and asset condition that the SMCA provides. Its customers use inventory quantity information from the SMCA, along with their own information about the cost of the items, to report the cost of their on-hand ammunition on their financial statements.

#### U.S. Army Corps of Engineers

The U.S. Army Corps of Engineers is one of two designated agents for constructing real property within the Department. While many of the processes and services are the same as the USACE Civil Works program, supporting real property construction within the Department is a separate role. Besides providing its services to the Department of the Army, it provides services for the design and construction of real property for the Air Force. Additionally, USACE provides services for the maintenance, repair, design, construction, rehabilitation, alternation, addition, and expansion of real property facilities for the Defense Agencies and DoD Field Activities.

Because USACE is the initiator of formal transfers of completed real property to its customers, it has a major role in the existence and completeness of customer accountability records.

From the perspective of financial reporting, the USACE execution of its customers' Military Construction Appropriations impact customers' Statements of Budgetary Resources and Balance Sheets. During construction, cost amounts provided by USACE are reported on its customers' Balance Sheets as Construction in Progress, and when construction is completed, USACE provides the asset cost amounts and supporting documentation for the amounts to its customers for reporting on their financial statements.

#### Naval Facilities Command

The Naval Facilities Command is the second of two designated agents for constructing real property within the Department. Besides providing its services to the Department of the Navy, it provides services for the design and construction of Air Force real property.

## FIAR Plan Status Report

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Additionally, NAVFAC provides services for the maintenance, repair, design, construction, rehabilitation, alternation, addition, and expansion of real property facilities for the Defense Agencies and DoD Field Activities.

Because NAVFAC is the initiator of formal transfers of completed real property to its customers, it has a major role in the existence and completeness of customer accountability records.

From the perspective of financial reporting, NAVFAC execution of its customers' Military Construction Appropriations impact the customers' Statements of Budgetary Resources and Balance Sheets. During construction, cost amounts provided by NAVFAC are reported on its customers' Balance Sheets as construction in progress, and when completed, NAVFAC provides the asset cost amounts and supporting documentation for the amounts its customers report on their financial statements.

## Defense Logistics Agency

The Defense Logistics Agency provides storage and distribution services for Military Service owned assets that are in DLA custody. DLA provides these services through a network of 25 distribution centers in the United States and overseas. The accountability system for these assets is Distribution Standard System (DSS).

Because DLA is accountable for substantial portions of its customers' assets, it has a critical role in the reporting of existence and completeness of those assets.

From a financial reporting perspective, the Military Services depend on DLA for reliable inventory counts and asset condition information when they prepare and publish their financial statements.

The following charts provide the status of the Department of the Army, USACE, NAVFAC, and DLA audit readiness plans in support of their Component customers.

## Department of the Army – OM&S (Ammunition)

### Overview

- Army has acquisition authority and custodial accountability for conventional ammunition for the Military Services, and as such:
  - Executes a single set of audit readiness activities for the Army and other Military Services.
  - Performs monthly internal controls testing of business processes to identify deficiencies for mitigation.
  - Is leveraging the Army’s existence and completeness assertion of three Army-owned missile programs as discovery for the larger set of mission critical assets.

### Remaining Audit Readiness Actions and Challenges

- Implement and validate corrective actions that address identified internal control weaknesses.
- Complete Army’s internal FISCAM assessment of LMP and implement corrective actions.
- Provide process documentation, test results and a description of internal controls to customers that will afford their auditors sufficient information to assess the risk of material misstatement.
- Develop and implement a process for providing documentation to non-Army organizations asserting audit readiness for ammunition.

### Completion Dates for Milestones (✓ = Completed)

FIAR Phases	Completion
Scope and Timeline Defined and Communicated	✓
Controls Documented	✓
Controls Tested	✓
Corrective Actions	✓
Reporting Entity Assertion Support	12/2013
<b>Assertion</b>	<b>12/2013</b>

### Completion Dates for Outcomes (✓ = Completed)

Audit Readiness Outcomes	Completion
All transactions are recorded (physical inventory reconciles to APSR records) and properly classified (individual item identifier, where applicable, asset type, controlling organization) within the APSR.	✓
Physical inventories are conducted to validate the existence (APSR records reconcile to physical inventory).	✓
Physical inventories are conducted to validate transactions recorded in the APSR pertain to the Component (identification number where applicable, asset marked with Components name).	✓
All transactions are consistently categorized by type in APSR, summarized, or reported from period to period.	✓
All transactions are recorded (physical inventory reconciles to APSR records) and properly classified (individual item identifier where applicable, asset type, controlling organization) within the APSR.	✓
All material systems achieve the relevant FISCAM IT general and application-level general control objectives.	12/2015

## U.S. Army Corps of Engineers – Real Property

### Overview

- Army Civil Works fund, managed by USACE, has received an unqualified financial statement audit opinion since FY 2008.
- USACE utilizes the same financial system, CEFMS with its associated controls, to manage the military construction funds regardless of source, (i.e., the customer providing the funds).
- With minor enhancements, USACE customers can rely on the Civil Works audit opinion as the basis for asserting SBR audit readiness, real property existence and completeness, and for Construction in Progress (CIP) reporting.
- Army performs monthly testing of internal controls for real property business processes including USACE processes to identify deficiencies for mitigation.

### Remaining Audit Readiness Actions and Challenges

- Complete validation of CIP balances.
- Implement process changes to achieve timely completion of documentation for transfers of real property when construction is completed and real property is placed in service.
- Expand ICOFR testing to include incremental manual control activities for Military Programs.
- Implement automated accruals for receipt of goods and services.
- Support DFAS implementation of Fund Balance with Treasury reconciliations, specifically for Military Construction Appropriations.

### Completion Dates for Milestones (✓ = Completed)

FIAR Phases	Completion
Scope and Timeline Defined and Communicated	✓
Controls Documented	✓
Controls Tested	✓
Corrective Actions	✓
Reporting Entity Assertion Support	✓
Assertion	12/2013

### Completion Dates for Outcomes (✓ = Completed)

Audit Readiness Outcomes	Completion
All project related transactions are recorded.	✓
Recorded projects exist at a given date and are supported by appropriate detailed records that are accurately summarized and reconciled.	✓
All construction in progress transactions are consistently and accurately categorized, summarized or reported from period to period.	12/2013
Appropriate construction in progress amounts are transferred to the DoD Component in a timely manner upon completion of the project.	12/2013
All material systems achieve the relevant FISCAM IT general and application-level general control objectives.	✓

## Navy Facilities Command – Real Property

### Overview

- NAVFAC utilizes the same financial system, FIS with its associated controls, to manage military construction funds, regardless of source (i.e., the customer providing the funds).
- Developed draft non-Navy MILCON Transfer and Acceptance (T&A) processes in coordination with Air Force and DLA. The processes address identification of RPUIDs and completion of draft, interim, and final DD Form 1354s.
- Developed a periodic virtual inventory process to perform book to floor and floor to book reconciliations of all buildings and structures on Navy installations.
- Created a comprehensive Real Property Document Retention Appendix, detailing key supporting documents needed for each process.

### Remaining Audit Readiness Actions and Challenges

- Develop MOUs and Service Level Agreements with customers.
- Complete validation of the CIP balances. Develop and implement sustainable "to-be" processes for non-Navy MILCON T&A, CIP accumulation, periodic virtual inventory (Linear Structures) and real property and CIP financial reporting.
- Expand SBR testing efforts to include non-Navy MILCON appropriations. Provide process documentation and test results to customers for use when asserting audit readiness.
- Provide a description of internal controls to customers that will provide their auditors sufficient information to assess the risk of material misstatement. Develop and implement a process for providing documentation to non-Navy organizations asserting audit readiness for real property.

### Completion Dates for Milestones (✓ = Completed)

FIAR Phases	Completion
Scope and Timeline Defined and Communicated	✓
Controls Documented	07/2014
Controls Tested	10/2014
Corrective Actions	05/2016
Reporting Entity Assertion Support	09/2016
<b>Assertion</b>	<b>09/2016</b>

### Completion Dates for Outcomes (✓ = Completed)

Audit Readiness Outcomes	Completion
All project related transactions are recorded.	09/2016
Recorded projects exist at a given date and are supported by appropriate detailed records that are accurately summarized and reconciled.	09/2016
All construction in progress transactions are consistently and accurately categorized, summarized or reported from period to period.	09/2016
Appropriate construction in progress amounts are transferred to the DoD Component in a timely manner upon completion of the project.	09/2016
All material systems achieve the relevant FISCAM IT general and application-level general control objectives.	TBD

## Defense Logistics Agency – Military Service-Owned Items in DLA Custody

### Overview

- DLA stores Military Service-owned items and issues them to the Services, as requested. Because DLA stores the items in its facilities and uses a DLA owned system, Distribution Standard System (DSS) as the APSR, it is responsible for achieving existence and completeness audit readiness for the portion of the Military Service owned items in its custody.
- DLA’s assertion will support multiple Military Service assertions.
- DLA uses the same processes and policies for Military Service-owned items as are used by the Military Services.
- A FISCAM review was performed on DSS. Corrective actions were completed, and the system deemed audit ready 10/2013.

### Remaining Audit Readiness Actions and Challenges

- Complete process documentation and testing ensuring adequate support for the Military Service assertions exists.
- Ensure corrective actions take into account any impact on Military Service assertions.
- Finalize agreements with the Military Services documenting audit readiness roles and responsibilities.
- Engage an IPA to perform a SSAE No. 16 examination.
- Ensure corrective actions or recommendations from the SSAE No. 16 examination have been mitigated and approved and forwarded to OUSD(C).

### SSAE No. 16 Milestones (✓ = Completed)

FIAR Phases	Completion
Scope and Timeline Defined and Communicated	✓
Controls Documented	✓
Controls Tested	✓
Corrective Actions	N/A
DoD Component Assertion Support	✓
Assertion	✓
<b>Audit Readiness Validated</b>	✓

### Completion Dates for Outcomes (✓ = Completed)

Audit Readiness Outcomes	Completion
All transactions are recorded (physical inventory reconciles to APSR records) and properly classified (individual item identifier where applicable, asset type, controlling organization) within the APSR.	09/2014
Physical inventories are conducted to validate the existence (APSR records reconcile to physical inventory).	09/2014
Physical inventories are conducted to validate transactions recorded in the APSR pertain to the DoD Component.	09/2014
All material systems achieve the relevant FISCAM IT general and application-level general control objectives. (DSS)	✓

## 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 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 (SAS 70) examinations over ITGCs at its System Management Centers, and received an unqualified opinion on an SSAE No. 16 examination in June 2012. (SAS 70 examinations have been replaced by SSAE No. 16 examinations by the American Institute of Certified Public Accountants.)

### Defense Logistics Agency

As a service provider, DLA maintains and operates systems that support the Component assessable unit processes. These systems include DTS, DSS, and DAI. 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.

### Office of the Under Secretary of Defense (Acquisition, Technology & Logistics)

The Property and Equipment Policy Office of the OUSD(AT&L) serves as the Program Manager for the Defense Property and Accountability Systems (DPAS). DPAS is an Accountable Property System of Record (APSR) and is used by the Army, Navy, Marine Corps and many Defense Agencies and other Defense organizations. DPAS is also used for financial reporting, which includes calculating depreciation on capitalized assets.

The OUSD(AT&L) received an unqualified opinion on an SSAE No. 16 examination in October 2012 validating that DPAS automated controls and documentation support auditability and that ITGCs are appropriately designed and operating effectively. The OUSD(AT&L) is planning to conduct SSAE examinations in support of its customers' financial statement audits.

## Defense Information Systems Agency – DoD-Wide Computing Services

### Overview

- Since 2005, DISA hosting services has had SAS No. 70/SSAE No. 16 examinations annually that review general controls surrounding the hosted information systems.
- Received an unqualified opinion for the SSAE No. 16 examination in 2012 and 2013.

### Strategy Summary

- DISA ESD has a team that continuously monitors and validates audit readiness status.
- DISA will continue to provide annual SSAE No. 16 examination reports for use by our customers.

### SSAE No. 16 Examination Milestones (✓ = Completed)

FIAR Phases	Completion
Scope and Timeline Defined and Communicated	✓
Controls Documented	✓
Controls Tested	✓
Corrective Actions	✓
DoD Component Assertion Support	✓
Assertion	✓
<b>Audit Readiness Validated</b>	✓

### Completion Dates for Outcomes (✓ = Completed)

Audit Readiness Outcomes	Completion
Material systems achieve the relevant FISCAM IT general control objectives.	✓

## Defense Logistics Agency – DoD-Wide Computing Services

### Overview

- Management of many DoD enterprise business systems, material to SBR assessable units, such as Financial Reporting, is the responsibility of DLA.
- In coordination with OUSD(C), determined an SSAE No. 16 examination for EFD in FY 2014 was not required due to the low number of customer support requests.
- Completed a review in accordance with FIAR Guidance for EFD in 04/2013.
- DAAS/GEX was asserted in 08/2013, and an SSAE No. 16 examination was started in 09/2013.
- DAI asserted audit readiness in 09/2013.
- DLA completed a review of DTS in 04/2013 in accordance with FIAR Guidance.

### Strategy Summary

- Complete EFD corrective actions.
- Monitor customer requests for EFD support to determine if an SSAE No. 16 examination will be needed in the future.
- DAAS/GEX currently undergoing an SSAE No. 16 examination through 02/2014. When completed, any corrective actions will be addressed and a report submitted to OUSD(C) for review and validation.
- Undergo an SSAE No. 16 examination for DAI. When completed, any corrective actions will be addressed, and a report submitted to OUSD(C) for review and validation.
- Complete corrective actions for DTS, assert, and undergo an SSAE No. 16 examination.

### Completion Dates for Outcomes (✓ = Completed)

Audit Readiness Outcomes	Completion
Material systems achieve the relevant FISCAM IT general control objectives.	
DAI	✓*
DAAS/GEX	✓*
DTS	12/2013*

\* Revised since the May 2013 FIAR Plan Status Report.

## FIAR Plan Status Report

### SSAE No. 16 Examination Milestones (✓ = Completed)

Milestones	DAI	DAAS/GEX	DTS
Scope and Timeline Defined and Communicated	✓	✓	✓
Controls Documented	✓	✓	✓
Controls Tested	✓	✓	✓
Corrective Actions	✓*	✓*	✓*
DoD Component Assertion Support	✓*	✓*	12/2013*
Assertion	✓*	✓*	12/2013*
<b>Audit Readiness Validated</b>	<b>07/2014</b>	<b>05/2014*</b>	<b>08/2015</b>

\* Revised since the May 2013 FIAR Plan Status Report.

### Explanation for the Changed Assertion Milestone

DAAS/GEX Audit Readiness Validated	
<b>Original Milestone Date</b>	12/2013
<b>Reason(s) Milestone Was Changed</b>	Increased length of SSAE No. 16 examination through 02/2014.
<b>Revised Milestone Date</b>	05/2014
<b>Actions to Ensure Milestone Will Be Met</b>	Continue to monitor SSAE No. 16 examination to prevent any delays.
<b>Impact on Achieving Full Auditability by 2017</b>	None

### Explanation for the Changed Assertion Milestone

DTS Assertion	
<b>Original Milestone Date</b>	10/2013
<b>Reason(s) Milestone Was Changed</b>	Contracting issues with vendor hosting system caused delay in addressing corrective actions.
<b>Revised Milestone Date</b>	12/2013
<b>Actions to Ensure Milestone Will Be Met</b>	Increase level of contractor support and expand scope under new contract award in 09/2013, which includes activities that support audit readiness efforts and timelines. Monitor CAP progress and report status bi-weekly to DLA J6 Executive leadership. Address and/or escalate issues as identified.
<b>Impact on Achieving Full Auditability by 2017</b>	None

## OUSD(Acquisition, Technology and Logistics) – DoD-Wide Computing Services

### Overview

- OUSD(AT&L) serves as the Program Manager for the Defense Property Accountability System (DPAS). DPAS is used by many DoD Components including: Army, Navy, USMC, DSS, BMDO, DoDIG, DISA, DFAS, DECA, DIA, DCMA, CENTCOM, DTSA, DHA, MEPCOM, DARPA, WHS, PFPA, Joint Staff, DSCA, NGA, DCAA, DTRA, DoDEA, DMA, MDA, USACE, NDU, DAU, WHCA, USSOCOM, and NSA.
- DPAS is an APSR and is used for both property accountability (i.e., property control and management) and for financial reporting purposes (e.g., calculating depreciation and financial statement reporting).
- An unqualified SSAE No. 16 examination report was issued in 09/2012.

### Remaining Audit Readiness Actions and Challenges

- Continue conducting SSAE No. 16 examinations with the next examination to be completed by 09/2014.

### SSAE No. 16 Milestones (✓ = Completed)

FIAR Phases	Completion
Scope and Timeline Defined and Communicated	✓
Controls Documented	✓
Controls Tested	✓
Corrective Actions	N/A
DoD Component Assertion Support	✓
Assertion	✓
<b>Audit Readiness Validated</b>	✓

### Completion Dates for Outcomes (✓ = Completed)

Audit Readiness Outcomes	Completion
Material systems achieve the relevant FISCAM IT general and application-level control objectives.	✓

## 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 important 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.

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, resulting 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.

## 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 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 environments and the deployment of the ERPs.
- Audit ready systems environment requirements are incorporated in the 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' financial improvement plans (FIPs). See Appendix 4 for a complete listing of systems material to audit readiness and the planned completion dates for control testing and correction of each system.

## 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 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 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 the time it takes Army to complete its year end close from 4 – 5 days to 8 – 12 hours.
- Air Force Defense Enterprise Accounting and Management System (DEAMS), currently fielded to six Air Force bases and DFAS in Limestone, Maine, provides an integrated financial management system eliminating the need for users to access up to three legacy systems to process a single transaction. The integration of obligations, invoices, and receipts into a core accounting system has reduced average monthly interest penalty

payments within DEAMS from \$26 per \$1 million in FY 2011 to \$7 per \$1 million in FY 2013.

- Global Combat Support System – Marine Corps (GCSS-MC) Release 1.1 is fielded to the entire 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 material 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 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.

## FIAR Plan Status Report

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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.

For each ERP, the following detail is provided:

- Overview of the ERP
- Program cost
- Impact on legacy systems
- IT controls
- Implementation milestones and audit readiness information
- Financial reporting impact
- Status of financial reporting objectives by assessable unit

### THE DEPARTMENT OF THE ARMY

Army auditability is dependent on establishing an audit ready systems environment that includes deploying ERPs and interfacing them with legacy business and financial systems. The Army ERPs are identified below and in Figure VIII-1, and there are charts that follow for each ERP that provide detailed information. Figure VIII-1 also identifies the Army's audit readiness plans by wave.

- 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 109 legacy systems. 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 Soldiers. Fundamental to the Army's transformation efforts, the 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. In July 2012, the Army completed 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 over 32 locations Army-wide, 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 2014.

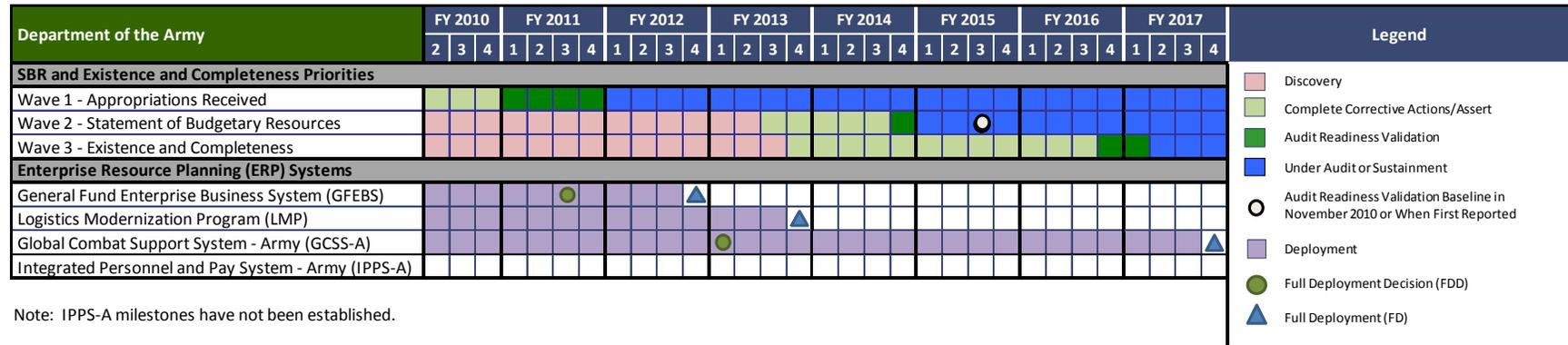
The Army has a federated approach to ERP systems implementation, particularly for GFEBS and GCSS-A. The GFEBS and GCSS-A

## FIAR Plan Status Report

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 outcome, 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.

**Figure VIII-1. Army Audit Readiness and ERP Plans**



## General Fund Enterprise Business System (GFEBS)

### Overview

- GFEBS is the Army’s General Fund web-enabled accounting, asset management, and financial system used to standardize, streamline, and share critical data across the active Army, Army National Guard, and Army Reserve. GFEBS serves as the source for consolidated Army General Fund financial reporting.
- The deployment schedule for GFEBS included eight waves to thousands of financial users across the globe. Releases were deployed by functionality.
- In 07/2012, the Army completed GFEBS deployment. GFEBS has more than 53,000 users at 227 locations in 71 countries and affects every Army organization and function.
- Internal assessments are underway to ensure GFEBS meets all audit readiness requirements.

### Program Cost

Program Cost by Appropriation	To Date (\$M)	Completion
RDT&E	\$379.8	\$379.8
Procurement	\$243.1*	\$284.6
Operations and Maintenance	\$280.6*	\$849.4

\* Revised since the May 2013 FIAR Plan Status Report.

### Impact on Legacy Systems

Legacy Systems Environment	# of Systems
Legacy Systems Sunset to Date	36
Legacy Systems Scheduled for Sunset	109
Legacy Systems Interfaced to Date	45
Legacy Systems to Be Interfaced	47

### Information Technology Controls (✓ = Completed)

Controls	Tested	Corrected
Security Management	✓	✓
Access	✓	✓
Configuration Management	✓	✓
Segregation of Duties	✓	05/2014*
Contingency Planning	✓	✓
Completeness	✓	✓
Accuracy	✓	✓
Validity	✓	✓
Confidentiality	✓	✓
Availability	✓	✓

\* Revised since the May 2013 FIAR Plan Status Report.

## FIAR Plan Status Report

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### GFEBs Implementation Milestones and Audit Readiness Information

Milestones	Functions	Completion	Percent of Total Budget Authority
Milestone A		06/2005	0
Milestone B		03/2008	20
Release/Wave 1	General Ledger Module (GLM), Budget Resource Management (BRM), Pay Management (PayM), Receivables Management (RecM)	04/2009	Captured in Milestone B
Milestone C	GLM, BRM, PayM, RecM, Cost Management (CM), Fund Balance with Treasury Mgmt (FBWTM)	03/2009	29
Release/Wave 2	GLM, BRM, PayM, RecM	04/2010	Captured in Milestone C
Release/Wave 3	GLM, BRM, PayM, RecM, CM, FBWTM, Property Management (PropM)	10/2010	Captured in Milestone C
Full Deployment Decision	GLM, BRM, PayM, RecM, CM, FBWTM	06/2011	51
Full Deployment	GLM, BRM, PayM, RecM, CM, FBWTM, PropM	07/2012	61

### GFEBs Financial Reporting Impact

GFEBs serves as a key source for consolidated Army General Fund financial reporting.

## FIAR Plan Status Report

### GFEB Status of Financial Reporting Objectives by Assessable Unit (✓ = Completed)

FIAR Assessable Units	# of Financial Reporting Objectives for Assessable Units	# of Financial Reporting Objectives Planned for ERP	Tested	Corrected
<b>Statement of Budgetary Resources</b>				
Contract Pay	29	17	✓	06/2014
Supplies (MILSTRIP)	29	12	✓	06/2014
Reimbursable Work Order – Grantor	29	17	✓	06/2014
Fund Balance with Treasury	14	0		
Appropriations Received	5	0		
Military Pay	13	2	✓	06/2014
Civilian Pay	13	2	✓	06/2014
Reimbursable Work Order – Acceptor	12	5	✓	06/2014
Other Budgetary Activity	8	0*		06/2014
Financial Reporting	14	5*	✓*	06/2014
<b>Mission Critical Assets Existence and Completeness</b>				
Military Equipment	10	TBD	TBD	12/2013
General Equipment	10	TBD	TBD	12/2013
Real Property	10	TBD	12/2013	09/2014
OM&S	10	TBD	✓*	12/2013
Inventory	10	N/A		

\* Revised since the May 2013 FIAR Plan Status Report.

## Logistics Modernization Program (LMP)

### Overview

- LMP is one of the world’s largest, fully integrated supply chain, maintenance, repair and overhaul, planning, execution, and financial management systems. Its mission is to sustain, monitor, measure, and improve the modernized, national-level logistics support solution.
- LMP handles 2 million transactions daily and \$22 billion in inventory. It is deployed to 21,000 users in more than 50 locations around the world, interfaces with more than 70 DoD systems, and exceeds industry standards with a system response time of less than 2 seconds per transactions in 97 percent of all cases.
- LMP Increment 2 will add 9,000 new users, give 5,000 users additional functionality, and provide new and expanded capabilities that address business transformation for the Army and the DoD Directive for Item Unique Identification (IUID).

### Program Cost

Program Cost by Appropriation	To Date (\$M)	Completion
AWCF – CIP	\$891.6*	\$1,361.7*
AWCF – OPS	\$726.2*	\$2,508.5*
OMA	\$97.0*	\$184.5*
BRAC	\$3.1	\$3.1

\* Revised since the May 2013 FIAR Plan Status Report.  
 Note: To Date as of August 21, 2013 – Program Cost is for Increments 1 and 2.

### Impact on Legacy Systems

Legacy Systems Environment	# of Systems
Legacy Systems Sunset to Date	2 (8 CCSS, 42 SDS)*
Legacy Systems Scheduled for Sunset	1 (CCSS NAMI)*
Legacy Systems Interfaced to Date	72
Legacy Systems to Be Interfaced	5**

\* 8 CCSS and 42 SDS refer to the number of instances of these legacy systems.  
 \*\*If unable to secure the rights to FM-Mobile/SILC, that interface will drop from the list.

### Information Technology Controls (✓ = Completed)

Controls	Tested	Corrected
Security Management	✓	12/2015
Access	✓	12/2015
Configuration Management	✓	12/2015
Segregation of Duties	✓	12/2015
Contingency Planning	✓	12/2015
Completeness	06/2014	12/2015
Accuracy	06/2014	12/2015
Validity	06/2014	12/2015
Confidentiality	06/2014	12/2015
Availability	06/2014	12/2015

## FIAR Plan Status Report

### LMP Implementation Milestones and Audit Readiness Information

Milestones	Functions	Completion	Percent of Total Budget Authority
CECOM Go-Live	General Ledger Mgmt (GLM), Budgetary Resource Mgmt (BRM), Payment Mgmt (PayM), Receivable Management (RecM)	07/2003	N/A*
AMCOM Go-Live	General Ledger Mgmt (GLM), Budgetary Resource Mgmt (BRM), Payment Mgmt (PayM), Receivable Management (RecM)	03/2009	N/A*
FFMIA Compliance (Blue Book ver 6.0)	Demonstration of LMP FFMIA Compliance with the Army Audit Agency – LMP determined to be “Substantially Compliant”	04/2007	N/A*
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	N/A*
TACOM/JM&L/ASC Go-Live	General Ledger Mgmt (GLM), Budgetary Resource Mgmt (BRM), Payment Mgmt (PayM), Receivable Management (RecM)	10/2010	N/A*
BEA Compliance (ver 8.0)	Program Compliance	09/2011	N/A*
03/2011 Functional Release	SFIS 8.0 Historical Financial Records Update	03/2011	N/A*
12/2011 Functional Release	GFEBs Interfaces , SFIS Compliance Capability, OSD Functional Financial Requirements, Constructive Receipts, improved Fed/Non Fed determination	12/2011	N/A*
SFIS Compliance (ver 8.0)*	Demonstrate compliance with remaining SFIS 8.0 Business Rules with ODCMO*	12/2012*	N/A*
SFIS Compliance (ver 9.0)*	Demonstrate compliance with remaining SFIS 9.0 Business Rules with ODCMO*	09/2013* <sup>1</sup>	N/A*
BEA Compliance (ver 10.0)*	Program Compliance	05/2013*	N/A*
FFMIA Compliance (Blue Book ver Jan 2011)	Demonstration of LMP FFMIA Compliance with the Army Audit Agency	02/2014 <sup>2</sup>	N/A*
Implement Governance, Risk and Compliance capability	Enhanced Access Controls and Segregation of Duties Management	03/2014*	N/A*
GTAS Compliance*	Implement the functional changes to support GTAS reporting*	05/2015* <sup>3</sup>	N/A*
SFIS Compliance (ver 10.0)*	Demonstrate remaining SFIS Business Rules with DCMO	05/2015* <sup>4</sup>	N/A*
AWCF Audit Readiness CAPS*	Complete FISCAM Corrective Actions Plan to enable ASA(FM&C) FO to assert audit readiness*	12/2015*	N/A*

## FIAR Plan Status Report

Milestones	Functions	Completion	Percent of Total Budget Authority
AWCF Audit Readiness Assertion*	Complete validation of FISCAM controls for ASA(FM&C) FO to assert audit readiness*	06/2016*	N/A*

\* Revised since the May 2013 FIAR Plan Status Report.

<sup>1</sup> LMP is submitting an SFIS-compliant trial balance and is currently 84 percent compliant with the SFIS 9.0 business rules implementation plan.

<sup>2</sup> Revised FFMIA compliance date is 02/2014 to complete additional testing requirements with the final report to follow.

<sup>3</sup> LMP is assessing the feasibility to accelerate the implementation of GTAS and SFIS 10.0 in 11/2014.

<sup>4</sup> LMP is a Working Capital Fund system and does not receive funding from general funds appropriations.

### LMP Financial Reporting Impact

System compliance reviews are an important step toward relying on controls within LMP. Integration between LMP and GFEBS consists of budget execution and obligation transactions that are reported on the SBR. Additionally, LMP is an 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.

## FIAR Plan Status Report

### LMP Status of Financial Reporting Objectives by Assessable Unit (✓ = Completed)

FIAR Assessable Units	# of Financial Reporting Objectives for Assessable Units	# of Financial Reporting Objectives Planned for ERP	Tested	Corrected
<b>Statement of Budgetary Resources</b>				
Contract Pay	29	21*	06/2014*	12/2015*
Supplies (MILSTRIP)	29	21*	06/2014*	12/2015*
Vendor Pay	29	21*	06/2014*	12/2015*
Reimbursable Work Order – Grantor	29	21*	06/2014*	12/2015*
Fund Balance with Treasury	14	TBD		
Appropriations Received	5	TBD		
Military Pay	N/A	N/A		
Civilian Pay	13	TBD		
Reimbursable Work Order – Acceptor	12	TBD		
Other Budgetary Activity	8	TBD		
Financial Reporting	10	TBD		
Government Purchase Card	29	TBD		
Temporary Duty Travel	29	TBD		
<b>Mission Critical Assets Existence and Completeness</b>				
Military Equipment	N/A	N/A		
General Equipment	10	TBD		
Real Property	10	TBD		
OM&S	10	TBD		
Inventory	10	TBD		

\* Revised since the May 2013 FIAR Plan Status Report.

## Global Combat Support System – Army (GCSS-A)

### Overview

- GCSS-A provides 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, and received a Full Deployment Decision in Quarter 1 of FY 2013.

### Program Cost

Program Cost by Appropriation	To Date (\$M)	Completion
RDT&E	\$1,011.1	\$1,062.9
Procurement	\$276.1	\$891.1
Operations and Maintenance	\$159.0	\$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 Systems Environment	# of Systems
Legacy Systems Sunset to Date	0
Legacy Systems Scheduled for 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 2 will also include interfaces for two legacy systems – SAAS-Mod and ULLS-AE.

### Information Technology Controls (✓ = Completed)

Controls	Tested	Corrected
Security Management	✓	✓*
Access	✓	✓*
Configuration Management	✓	✓*
Segregation of Duties	✓	✓*
Contingency Planning	✓	✓*
Completeness	✓	✓*
Accuracy	✓	✓*
Validity	✓	✓*
Confidentiality	✓	✓*
Availability	✓	✓*

\* Revised since the May 2013 FIAR Plan Status Report.

## FIAR Plan Status Report

### GCSS-A Implementation Milestones and Audit Readiness Information

Milestones	Functions	Completion	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)	12/2012	31
Initial Deployment/IOC	BRM, CM, FBWTM, GLM, PayM, RecM	12/2012	32
Wave 1	BRM, CM, FBWTM, GLM, PayM, RecM	03/2016*	48
Wave 2	BRM, CM, FBWTM, GLM, PayM, RecM	09/2017	65
Full Deployment	BRM, CM, FBWTM, GLM, PayM, RecM	09/2017	65

\* Revised since the May 2013 FIAR Plan Status Report.

### GCSS-A Financial Reporting Impact

GCSS-A Wave 1 enables an initial capability in achieving financial audit readiness for supply transactions at the tactical unit and installation levels. When Wave 2 is complete, financial audit

readiness also will include maintenance and property book accountability financial transactions at these same levels.

FIAR Plan Status Report

**GCSS-A Status of Financial Reporting Objectives by Assessable Unit (✓ = Completed)**

FIAR Assessable Units	# of Financial Reporting Objectives for Assessable Units	# of Financial Reporting Objectives Planned for ERP	Tested	Corrected
<b>Statement of Budgetary Resources</b>				
Contract Pay	29	0		
Supplies (MILSTRIP)	29	TBD	TBD	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		
<b>Mission Critical Assets Existence and Completeness</b>				
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

- Hybrid solution using ERP software and agile development to deliver integrated personnel and pay capabilities.
- 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 include 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)	Completion
RDT&E	\$159.0*	\$214.8*
Procurement	--	\$2.0*
Operations and Maintenance	--	\$201.4*

\* Revised since the May 2013 FIAR Plan Status Report.

Note: Costs are based on the Increment I program office estimate and will be validated once the Increment I program schedule is approved.

### Impact on Legacy Systems

Legacy Systems Environment	# of Systems
Legacy Systems Sunset to Date	0
Legacy Systems Scheduled for Sunset	48*
Legacy Systems Interfaced to Date	15
Legacy Systems to Be Interfaced	83

\* Revised since the May 2013 FIAR Plan Status Report.

### Information Technology Controls (✓ = Completed)

Controls	Tested	Corrected
Security Management	TBD	TBD
Access	TBD	TBD
Configuration Management	TBD	TBD
Segregation of Duties	TBD	TBD
Contingency Planning	TBD	TBD
Completeness	TBD	TBD
Accuracy	TBD	TBD
Validity	TBD	TBD
Confidentiality	TBD	TBD
Availability	TBD	TBD

Note: Testing of IT controls will be determined when deployment plans have been completed.

**IPPS-A Implementation Milestones and Audit Readiness Information**

Milestones	Functions	Completion	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	TBD*
Contract Award	IPPS-A Increment I System Integrator awarded; development underway.	02/2012	TBD*
Release 1.0 Milestone C	Authorizes IPPS-A to enter Production and Deployment Phase of the Acquisition Lifecycle; prepare for Full Deployment Decision (FDD).	TBD*	TBD*
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.	TBD*	TBD*
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.	TBD*	0

\* Revised since the May 2013 FIAR Plan Status Report.

**IPPS-A Financial Reporting Impact**

IPPS-A will ultimately feed SFIS-compliant data to GFEBS for Military Personnel Appropriation payroll and funded orders. IPPS-A will replace approximately 50 legacy personnel systems and off-ramp from 5 DoD pay systems. Although IPPS-A is required to meet auditability standards and will be audit ready at each release, it is not required to meet the audit readiness goals of FY 2014 and FY 2017. As a result, legacy systems will be used for the SBR assertion and DJMS will be the Army system required to meet

FY 2014 and FY 2017 audit readiness requirements for the payroll portion of the Military Pay appropriation. Lessons learned from the FY 2014 SBR audit will help ensure that the design and development of IPPS-A is in line with the requirements for a full financial statement audit assertion. IPPS-A is being designed and developed to be compliant with FISCAM, FFMIA, SFIS, and BEA standards and will eliminate or assist in eliminating a number of the Army's material weaknesses.

## FIAR Plan Status Report

### IPSS-A Status of Financial Reporting Objectives by Assessable Unit (✓ = Completed)

FIAR Assessable Units	# of Financial Reporting Objectives for Assessable Units	# of Financial Reporting Objectives Planned for ERP	Tested	Corrected
<b>Statement of Budgetary Resources</b>				
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		
<b>Mission Critical Assets Existence and Completeness</b>				
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

Navy ERP is an integrated business management system designed to modernize, streamline, and standardize how the Navy manages people, money, programs, equipment, and supplies for those commands using Navy ERP. Navy ERP combines business process reengineering 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 47 percent of the Navy's Total Obligation Authority (approximately \$63 billion). Navy ERP's goal is to support fleet readiness by standardizing many Navy business operations, thereby normalizing and reducing overhead costs and optimizing business operations. 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.

Navy ERP also improves the Navy's visibility into costs of operations for those organizations using the system, leading to improved decision making. It enhances the Navy's ability to produce auditable financial statements in compliance with the Chief Financial Officers Act of 1990 and the National Defense Authorization Acts. It also standardizes business processes to meet DoD Financial Management Regulation, Federal Financial Management Improvement Act of 1996, and Standard Financial Information Structure.

Navy ERP will support audit readiness by:

1. Producing audit ready documentation from Navy ERP data and information. Through continuous process improvement, Navy ERP is making information easier to obtain during an audit by consolidating and configuring Navy ERP to produce suitable reports and documentation.
2. Implementing various tools and enhancements as needed to support future audits. These tools will be assessed and implemented based on their ability to improve the retrieval and accuracy of audit information and documentation to support audit efforts.

The Navy ERP Program Management Office (PMO) is working closely with the Office of Financial Operations (FMO) to support audit readiness. Navy ERP is coordinating with its user community to assess and recommend improvements to the current environment, support model, internal controls, and business intelligence toolset to prepare for financial audits. In addition, the FMO is performing a limited Federal Information System Controls Audit Manual (FISCAM) assessment to review compliance with the FIAR Guidance. The expected completion date for the second round of limited FISCAM testing is late in Quarter 2 of FY 2014.

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 from interfaced systems all the way to the Navy's general ledger trial balances, which are the basis for 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

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### 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

NAVSUP deployed Navy ERP Release 1.1 using a rolling deployment separated into two phases with eight conversions:

Phase I: Weapons System Support deployment. Each conversion is known as a Material Group (MG):

- MG 1: Mechanicsburg/Philadelphia deployed March 2010
- MG 2: Mechanicsburg/Philadelphia deployed November 2010
- MG 3: Mechanicsburg/Philadelphia and Norfolk deployed March 2011

Phase II: Fleet Logistics Center (FLC), known as Regional Go Lives (RGLs):

- FLC 1: Pearl Harbor and Norfolk deployed July 2011

- FLC 2: Sigonella (Italy) and Jacksonville deployed November 2011
- FLC 3: San Diego deployed March 2012
- FLC 4: Puget Sound and Yokosuka deployed August 2012
- FLC 5: Afloat Material deployed December 2012

NAVSUP users were active in the system starting March 2010, and the system was stabilized by April 2013.

### ERP Progress and Plan Charts

Figure VIII-2 provides a summary of the DON audit readiness and ERP plans. Following Figure VIII-2 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)

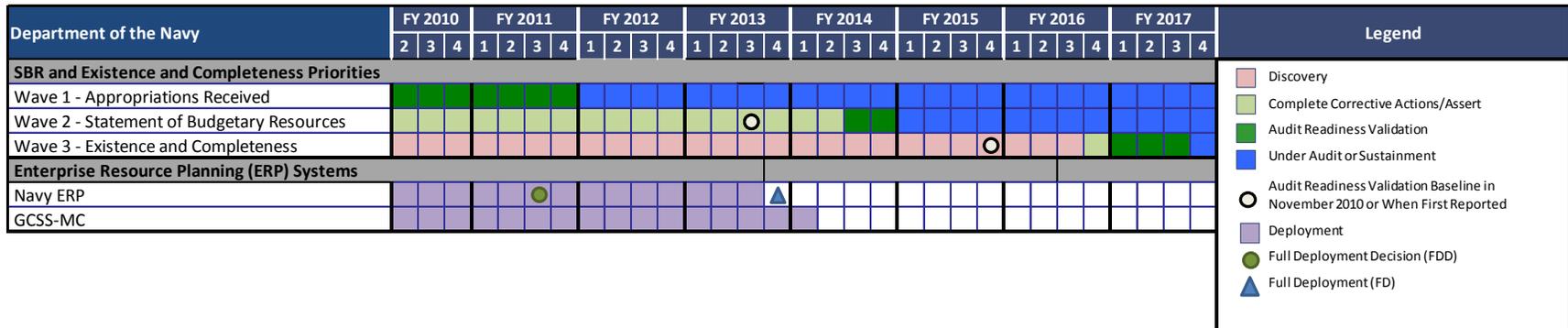
GCSS-MC is the primary technology enabler for the Marine Corps Logistics Modernization strategy. It is a portfolio of systems that provides the backbone for all logistics information required by Marine Air Ground Task Forces and the support establishment.

The core is modern, commercial-off-the-shelf ERP 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-2. 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. To date, there are 72,000 Navy ERP users.
- Successful Operational Testing was completed 04/2009.
- Navy ERP FISCAM assessment phase 1 was completed 12/2012. Corrective action plans were developed to address identified deficiencies. Phase 2 will include evaluating compliance with the corrective action plans and is scheduled to be completed 02/2014.
- Challenges included operating environment changes, workforce acceptance of new technology, and data conversion from legacy systems.
- Navy ERP implemented a change management strategy including user training, communications, and on-site user support. Additionally, data conversion risks were mitigated through legacy data cleansing, data conversions, and use of advanced data conversion tools.

### Impact on Legacy Systems

Legacy Systems Environment	# of Systems
Legacy Systems Sunset to Date	77*
Legacy Systems Scheduled for Sunset	11*
Legacy Systems Interfaced to Date	54*
Legacy Systems to Be Interfaced	5*

\* Revised since the May 2013 FIAR Plan Status Report.

Note: New interfaces are required to support new grants management functionality. 89 systems total will be retired by FY 2016.

### Program Cost

Program Cost by Appropriation	To Date (\$M)	Completion
RDT&E	\$316.3	\$316.3
Procurement	\$68.6	\$73.1*
Operations and Maintenance	\$430.1	\$430.1

\*Revised since the May 2013 FIAR Plan Status Report.

Note: Cost includes investment appropriations only. Cost to date is through FY 2012. Cost at Completion is through the current FYDP (FY 2018).

### Information Technology Controls (✓ = Completed)

Controls	Tested	Corrected
Security Management	✓	TBD*
Access	✓	TBD*
Configuration Management	✓	✓
Segregation of Duties	✓	TBD*
Contingency Planning	✓	✓
Completeness	✓	✓
Accuracy	✓	✓
Validity	✓	✓
Confidentiality	✓	✓
Availability	✓	✓

\* Revised since the May 2013 FIAR Plan Status Report.

## FIAR Plan Status Report

### Navy ERP Implementation Milestones and Audit Readiness Information

Milestones	Functions	Completion	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)	05/2008	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	06/2011	~47
Full Deployment (FD)	GLM, BRM, PayM, RecM, CM, FBWTM, PropM	08/2013 <sup>1</sup>	~50

<sup>1</sup>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 Status of Financial Reporting Objectives by Assessable Unit (✓ = Completed)

FIAR Assessable Units	# of Financial Reporting Objectives for Assessable Units	# of Financial Reporting Objectives Planned for ERP	# of Financial Reporting Activities Tested for ERP	Tested	Corrected
<b>Statement of Budgetary Resources</b>					
Contract Pay	29	20	20	TBD	01/2014*
Supplies (MILSTRIP)	29	20	7	✓	01/2014*
Vendor Pay	29	20	20	TBD	01/2014*
Reimbursable Work Order – Grantor	29	29	5	✓	✓
Fund Balance with Treasury	14	12	12	✓	✓
Appropriations Received	5	4	4	✓	✓
Military Pay	13	0 <sup>1</sup>	0 <sup>1</sup>	N/A	N/A
Civilian Pay	13	12	9	✓	✓
Reimbursable Work Order – Acceptor	12	12	8	✓	✓
Other Budgetary Activity	8	0	0	TBD <sup>*2</sup>	05/2014*
Financial Reporting	10	TBD <sup>3</sup>	TBD <sup>3</sup>	✓*	03/2014*
<b>Mission Critical Assets Existence and Completeness</b>					
Military Equipment	10	0	N/A	✓*	09/2014*
Real Property	10	0 <sup>4</sup>	N/A	04/2016 <sup>*5</sup>	04/2016 <sup>*5</sup>
Inventory	10	10	10*	✓*	09/2014
OM&S	10	10	10*	01/2014*	03/2015
General Equipment	10	10	10*	✓*	09/2014

\* Revised since the May 2013 FIAR Plan Status Report.

<sup>1</sup> Military Pay transactions are not processed within Navy ERP.

<sup>2</sup> The DON is developing the strategy and testing timeline for Other Budgetary Activity as part of the SBA assertion.

<sup>3</sup> The Financial Statement Compilation and Reporting team and the ERP team are identifying Navy ERP FROs.

<sup>4</sup> iNFADS is the Accountable Property System Record for Real Property. NAVFAC does not plan to move Real Property to Navy ERP.

<sup>5</sup> Real Property is being asserted in two phases. Dates represent the testing and assertion of the final Phase II effort.

## 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 the entire Marine Corps, with Release 1.2 (Minimum Deployed Solution) still in the Development and Test phase.

### Program Cost

Program Cost by Appropriation	To Date (\$M)	Completion
RDT&E	\$289.0*	\$365.6*
Procurement	\$59.2*	\$89.0*
Operations and Maintenance	\$363.9*	\$1,133.1*

\* Revised since the May 2013 FIAR Plan Status Report.  
 Note: Increment 1 cost at completion extends through FY 2023.

### Impact on Legacy Systems

Legacy Systems Environment	# of Systems
Legacy Systems Sunset to Date	0
Legacy Systems Scheduled for Sunset	4
Legacy Systems Interfaced to Date	13
Legacy Systems to Be Interfaced	0

### Information Technology Controls (✓ = Completed)

Controls	Tested	Corrected
Security Management	✓	✓
Access	✓	✓
Configuration Management	✓	✓
Segregation of Duties	✓	✓
Contingency Planning	✓	✓
Completeness	✓	✓
Accuracy	✓	✓
Validity	✓	✓
Confidentiality	✓	✓
Availability	✓	✓

**GCSS-MC Implementation Milestones and Audit Readiness Information**

Milestones	Functions	Completion	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)	03/2010	0
Milestone C	GLM, BRM, PayM, RecM	05/2010	0
Initial Operating Capability/Initial Deployment	GLM, BRM, PayM, RecM	06/2010	0
Rel 1.1 - Limited Fielding Decision	GLM, BRM, PayM, RecM	11/2010	0
Rel 1.1 - Continued Fielding Release 1.1	GLM, BRM, PayM, RecM	10/2012*	0
Rel 1.2 - Limited Release for FOT&E	GLM, BRM, PayM, RecM, Cost Management (CM), Property Management (PropM)	10/2014*	0
Full Deployment Decision (FDD) <sup>1</sup>	GLM, BRM, PayM, RecM, CM, PropM	TBD	0
Full Deployment <sup>2</sup>	GLM, BRM, PayM, RecM, CM, PropM	TBD	0

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.

<sup>1</sup> Acquisition Program Baseline update pending critical change decision.

<sup>2</sup> Determined at FDD.

**GCSS-MC Financial Reporting Impact**

GCSS-MC R1.1 has been fully fielded. The remaining R1.1.1 capability is scheduled for completion by December 2014. This will complete Increment 1. The system is upgrading to the Oracle 12.2 e-Business Suite in FY 2015. The USMC uses the Defense Property Accountability System (DPAS) for military equipment valuation and reporting of military equipment capitalized assets in USMC financial statements.

Inventory balance and valuation of OM&S is transferred from GCSS-MC to the Standard Accounting, Budgeting and reporting System (SABRS) via the GL Journal Funds Check interface. It is

envisioned that the GCSS-MC Logistics System will be the inventory reporting system to the Marine Corps financial system for OM&S reporting.

The Standard Accounting, Budgeting and Reporting System (SABRS) is the financial system that is utilized for budget management and booking and expense 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 and General property. It is envisioned that GCSS-MC Logistics System will report military equipment capitalized assets in USMC financial statements to meet the CDD

## FIAR Plan Status Report

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requirement. This capability will be satisfied with the development of Inventory Valuation for fixed assets. 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. GCSS-MC seeks to address several key challenges enabling enterprise-wide standard processes, and enterprise equipment and inventory accountability and auditability.

Root causes of these challenges include processes reengineering and an aging portfolio of stove-piped IT assets. Symptoms of these

causes can be seen in USMC's capability gap analyses, lessons learned from Operation Iraqi Freedom (OIF), Operation Enduring Freedom (OEF), and ongoing field operations.

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 Financial Reporting Objectives by Assessable Unit (✓ = Completed)

FIAR Assessable Units	# of Financial Reporting Objectives for Assessable Units	# of Financial Reporting Objectives Planned for ERP	Tested	Corrected
<b>Statement of Budgetary Resources</b>				
Contract Pay	29	0		
Supplies (MILSTRIP)	29	10	TBD	TBD
Vendor Pay	29	0		
Reimbursable Work Order – Grantor	29	0		
Fund Balance with Treasury	14	0		
Appropriations Received	17	17	TBD	TBD
Military Pay	13	0		
Civilian Pay	13	0		
Reimbursable Work Order – Acceptor	12	1	TBD	TBD
Other Budgetary Activity	8	3	TBD	TBD
Financial Reporting	10	9	TBD	TBD
<b>Mission Critical Assets Existence and Completeness</b>				
Military Equipment	10	TBD	TBD	TBD
Real Property	10	N/A		
Inventory	10	TBD	TBD	TBD
OM&S	10	TBD	TBD	TBD
General Equipment	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 legacy 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 the end of FY 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 SBR audit readiness. 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,

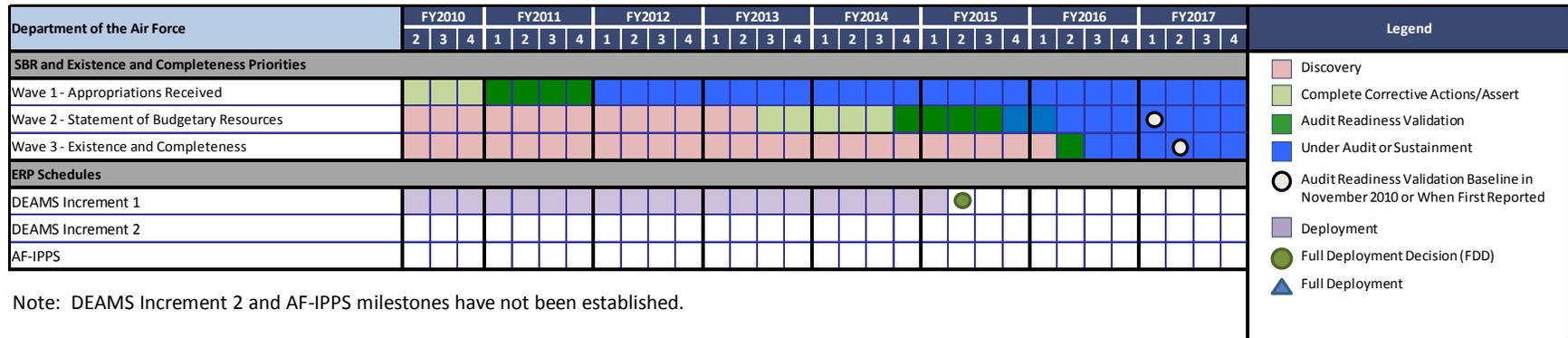
DEAMS is deployed at Scott Air Force Base (AFB), McConnell AFB, Dover AFB, Grand Forks AFB, Little Rock AFB, Pope AFB, and DFAS Limestone, Maine, and successfully achieved Milestone B in Quarter 2 of FY 2012. In preparation for further deployment of DEAMS, the Air Force is conducting audit readiness 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 personnel 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-3 provides a summary of the Air Force audit readiness and ERP plans. Following Figure VIII-3 are ERP progress and plan charts for each ERP being deployed by the Air Force.

# FIAR Plan Status Report

## Figure VIII-3. Air Force Audit Readiness and ERP Plans



## Defense Enterprise Accounting and Management System (DEAMS) Increment 1

### Overview

- DEAMS is an automated accounting and financial management execution system for USTRANSCOM and Air Force.
- Complies with relevant laws, regulations, and policies; permits agile response to statutory, regulatory, and policy changes; enables clean audit opinions; supports assurances on internal controls; assists in resolution of existing material weaknesses; and supports analysis of financial events.
- The deployment strategy is phased by Major Command and MAJCOM location.
- 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 in 05/2010 and McConnell AFB in 10/2012.

### Program Cost

Program Cost by Appropriation	To Date (\$M)	Completion
RDT&E	\$260.3*	\$591.1
Procurement	\$8.8*	\$50.0
Operations and Maintenance	\$44.3*	\$59.5
Transportation Working Capital Fund – Capital	\$115.3*	\$126.8
Transportation Working Capital Fund – Operating	\$12.7*	\$32.2

\* Revised since the May 2013 FIAR Plan Status Report.

Note: Program acquisition costs by appropriation for Increment 1. At Completion does not include 10 years of sustainment costs.

### Impact on Legacy Systems

Legacy Systems Environment	# of Systems
Legacy Systems Sunset to Date	1
Legacy Systems Scheduled for Sunset	12*
Legacy Systems Interfaced to Date	37*
Legacy Systems to Be Interfaced	71*

\* Revised since the May 2013 FIAR Plan Status Report.

Source: Systems Requirements Document version 1.9 (07/2013).

### Information Technology Controls (✓ = Completed)

Controls	Tested	Corrected
Security Management	✓	TBD*
Access	✓	TBD*
Configuration Management	✓	TBD*
Segregation of Duties	✓	TBD*
Contingency Planning	✓	TBD*
Completeness	✓	TBD*
Accuracy	✓	TBD*
Validity	✓	TBD*
Confidentiality	✓	TBD*
Availability	✓	TBD*

\* Revised since the May 2013 FIAR Plan Status Report.

Note: Updated to reflect the Air Force's integrated FIAR IT plan.

**DEAMS Implementation Milestones and Audit Readiness Information**

Milestones	Functions	Completion	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)	01/2012	42
Milestone C	GLM, BRM, PayM, RecM, PropM, FBWT (GF)	08/2014	78
Full Deployment Decision (FDD)	GLM, BRM, PayM, RecM, PropM, FBWT (GF)	02/2015	86
Full Deployment	GLM, BRM, PayM, RecM, PropM, FBWT (GF)	TBD	100

**DEAMS Financial Reporting Impact**

DEAMS is a financial management system using standardized, transaction-based, Standard Financial Information Structure compliant data. DEAMS will produce financial statements for the Transportation Working Capital Fund (TWCF) and the Air Force General Fund, becoming the Air Force System of Record and replacing the General Accounting Finance System (GAFS), the

Integrated Accounts Payable System, and other financial feeder systems. DEAMS addresses current financial management challenges, including resolving material weaknesses; improving timeliness and accuracy of financial management information; supporting consistent financial reporting to the Department; and enabling Business Process Reengineering.

## FIAR Plan Status Report

### DEAMS Status of Financial Reporting Objectives by Assessable Unit (✓ = Completed)

FIAR Assessable Units	# of Financial Reporting Objectives for Assessable Units	# of Financial Reporting Objectives Planned for ERP	Tested	Corrected
<b>Statement of Budgetary Resources</b>				
Contract Pay	29	29	09/2014*	
Supplies (MILSTRIP)	29	29	09/2014*	
Vendor Pay	29	29	09/2014	TBD
Reimbursable Work Order – Grantor	29	29	09/2014	TBD
Fund Balance with Treasury	14	14*	09/2014	TBD
Appropriations Received	5	5	09/2014	TBD
Military Pay	13	13	09/2014	TBD
Civilian Pay	13	10*	09/2014	TBD
Reimbursable Work Order – Acceptor	12	12	09/2014	TBD
Other Budgetary Activity	8	8	09/2014	TBD
Financial Reporting	10	10	09/2014	TBD
<b>Mission Critical Assets Existence and Completeness</b>				
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 Equipment	10	3	09/2016	TBD

\* Revised since the May 2013 FIAR Plan Status Report.

## Air Force – Integrated Personnel and Pay System (AF-IPPS)

### Overview

- AF-IPPS is an FFMIA compliant system, supporting Military Pay auditability. Functionality will support audit readiness general and application controls, but it will not be deployed in time to support financial statement audit readiness by September 30, 2017.
- Comprehensive 24/7 self-service, web-based solution enabling transformation of military personnel and pay processing by integrating personnel and pay processes into one COTS, self-service system and maintaining an authoritative member record throughout the persons career.
- Supports SECAF “3 to 1” Initiative to implement a common personnel management process across all 3 Air Force components.
- Releases: (1) Leave, (2) Cadets, (3) Officers, (4) Enlisted, (5) Upgrade.
- Contract 1 awarded to IBM in 08/2013. A protest was received 09/2013. GAO evaluation of the protest will take up to 100 days. No discussion is allowed with IBM during the protest period.
- Challenges include network and processor monitoring and performance, legacy data management, common-infrastructure governance, synchronization between AF-IPPS implementation and other Air Force systems modernization.

### Impact on Legacy Systems

Legacy Systems Environment	# of Systems
Legacy Systems Sunset to Date	0
Legacy Systems Scheduled for Sunset	22
Legacy Systems Interfaced to Date	0
Legacy Systems to Be Interfaced	92

Source: Systems Requirements Document version 1.6 (May 3, 2012).

### Program Cost

Program Cost by Appropriation	To Date (\$M)	Completion
RDT&E	\$122.5*	\$710.2
Procurement	--	\$13.3*

\* Revised since the May 2013 FIAR Plan Status Report.

Note: To Date (through FY 2013) based on Actuals and At Completion (through FY 2027) based on AF-IPPS Service Cost Position, dated June 2011.

### Information Technology Controls (✓ = Completed)

Controls	Tested	Corrected
Security Management	TBD	TBD
Access	TBD	TBD
Configuration Management	TBD	TBD
Segregation of Duties	TBD	TBD
Contingency Planning	TBD	TBD
Completeness	TBD	TBD
Accuracy	TBD	TBD
Validity	TBD	TBD
Confidentiality	TBD	TBD
Availability	TBD	TBD

Note: AF-IPPS is an unbaselined MAIS program. Information Technology Controls will be tested post contract award.

## FIAR Plan Status Report

### AF-IPPS Implementation Milestones and Audit Readiness Information

Milestones	Functions	Completion	Percent of Total Budget Authority
Contract 1 Award		TBD	TBD
Release 1/Initial Operating Capability (IOC)	Deploys the leave request capability for the entire AF population except Cadets and Blue Printing of system. Includes foundational infrastructure for Production and Continuity of Operations (COOP) environments, the framework for self-service, workflow to include civilian approval officials, security to manage leave requests, and conversion of all required data.	TBD	TBD
Contract 2 Award		TBD	TBD
Release 2	This release will deploy all functionality necessary to pay AF cadets, including ROTC and USAF Academy cadets.	TBD	TBD
Release 3	This release will deploy all personnel, pay, and training functionality for managing the Active, Guard, and Reserve Officer and Cadet populations including conversion of the member's current and historical personnel and pay data.	TBD	TBD
Release 4/Full Deployment Decision	This release will deploy all remaining personnel, pay, and training functionality necessary to manage the Active, Guard, and Reserve Enlisted populations including conversion of the member's current and historical personnel and pay data.	TBD	TBD
Release 5	This release will upgrade all COTS products to the latest versions in preparation for lifecycle sustainment of the AF-IPPS solution.	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 financial feeder system to DEAMS that will produce SFIS-compliant data. AF-IPPS will replace two major legacy systems, DJMS and MilPDS, along with 20 other personnel and pay legacy systems. All legacy systems related to personnel and pay will be audited under the SBR audit. Lessons learned from the

audit of legacy systems will be incorporated into the development of AF-IPPS requirements. AF-IPPS is an Air Force Total Force application and is connected to the overall Air Force FIAR Plan and strategy to address current financial management challenges by 2017.

## FIAR Plan Status Report

### AF-IPPS Status of Financial Reporting Objectives by Assessable Unit (✓ = Completed)

FIAR Assessable Units	# of Financial Reporting Objectives for Assessable Units	# of Financial Reporting Objectives Planned for ERP	Tested	Corrected
<b>Statement of Budgetary Resources</b>				
Contract Pay	0	0		
Supplies (MILSTRIP)	0	0		
Vendor Pay	0	0		
Reimbursable Work Order – Grantor	0	0		
Fund Balance with Treasury	0	0		
Appropriations Received	0	0		
Military Pay	13	6	TBD	TBD
Civilian Pay	0	0		
Reimbursable Work Order – Acceptor	0	0		
Other Budgetary Activity	0	0		
Financial Reporting	0	0		
<b>Mission Critical Assets Existence and Completeness</b>				
Military Equipment	0	0		
Real Property	0	0		
Inventory	0	0		
OM&S	0	0		
General Equipment	0	0		

Note: Testing dates will be determined as the AF-IPPS schedule matures.

## OTHER DEFENSE ORGANIZATIONS

The Defense Agencies Initiative (DAI) is modernizing the business environment at many of the Defense Agencies and other Defense organizations. The DAI objective is to achieve and sustain an auditable 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
- Time and Labor
- Grants Financial Management (Full Deployment Capability)
- GRC (Full Deployment Capability)
- Treasury Disbursing (Full Deployment Capability)

- Budget Formulation (Full Deployment Capability)
- Re-sales Accounting (Full Deployment Capability)
- Working Capital Fund (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 attendance. DAI is expected to be upgraded to Oracle Version R12.0 during FY 2015, and internal controls in the new version are under evaluation.

Detailed status charts are provided on the following pages.

## Defense Agency Initiative (DAI)

### Overview

- DAI is conducting an end-to-end FFMIA assessment to include external auditor assessment of results. ECD: 9/30/2013 Current analysis: 94 percent pass rate for requirements identified as applicable.
- By Full Deployment in 10/2017, DAI’s Enterprise Global Model also will include: Grants Financial Management, GRC and Treasury Disbursing, Budget Formulation, Resale Accounting and Working Capital Fund.
- DAI has addressed the Defense Agencies’ challenges related to data collection by creating a QDD Business Intelligence Tool providing the Reporting Organizations significant visibility and access to data supporting Assessable Unit reporting requirements.
- The DAI PMO has completed a FISCAM assessment, and the final report was issued 04/2013. DAI is on schedule for the DLA OIG to complete an SSAE No. 16 examination from 01/2014 – 05/2014 with the final report being issued in 08/2014.

### Impact on Legacy Systems

Legacy Systems Environment	# of Systems
Legacy Systems Sunset to Date	
Legacy Systems Scheduled for Sunset	
Legacy Systems Interfaced to Date	21
Legacy Systems to Be Interfaced	TBD

Note: DAI is intended to replace ODO legacy systems. Because the sunset or partial sunset of a system is a decision by the owning organization, the number of systems to be sunset is not available.

### Program Cost

Program Cost by Appropriation	To Date (\$M)	Completion
RDT&E	\$232.3*	\$346.7*
Procurement	\$1.5	\$1.5
Operations and Maintenance	\$1.4	\$182.2*
<b>Total</b>	<b>\$235.2*</b>	<b>\$530.4*</b>

\* Revised since the May 2013 FIAR Plan Status Report.

Note: DAI has not been baselined. To Date costs include actual costs through August 30, 2013, plus budgeted amounts for FY 2013. At Completion amounts are based on the President’s Budget Request 2015 for FY 2014 through FY 2018.

### Information Technology Controls (✓ = Completed)

Controls	Tested	Corrected
Security Management	✓	✓*
Access	✓	✓*
Configuration Management	✓	✓*
Segregation of Duties	✓	✓*
Contingency Planning	✓	✓*
Completeness	✓	✓*
Accuracy	✓	✓*
Validity	✓	✓*
Confidentiality	✓	✓*
Availability	✓	✓*

\* Revised since the May 2013 FIAR Plan Status Report.

## FIAR Plan Status Report

### DAI Implementation Milestones and Audit Readiness Information

Milestones	Functions	Completion	Percent of Total Budget Authority
Milestone A ACAT III		01/2007	
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	
Deployment	Deployed to Defense Technology Information Center (DTIC) as a pilot with a maturation of these capabilities	10/2009	
Milestone B ACAT III		10/2010	
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	
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	
Deployment	Deploy to four Agencies with maturation of IOC capabilities and Agency requirements	10/2011	
Deployment	Deploy to four Agencies with additional maturation of IOC capabilities and Agency requirements	10/2012	
Milestone C		TBD	
Full Deployment Decision (FDD)		TBD	
Technology Upgrade	Upgrade Oracle Release 11.5.10 to Release 12	01/2015*	
Deployment*	Audit SCRs in Oracle Release 11.5.10 and maturation of IOC capabilities Grants Financial Management*	10/2014*	
Deployment*	Deploy to four Agencies with additional maturation of IOC capabilities, completion of GRC and Treasury Disbursing*	01/2015*	
Deployment	Deploy to four Agencies with some maturation of IOC capabilities, completion of Budget Formulation capabilities and Agency requirements	10/2015*	
Deployment	Deploy to four Agencies with some maturation of IOC capabilities, completion of Resale accounting and Working Capital Fund capabilities and Agency requirements	10/2016*	

## FIAR Plan Status Report

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Milestones	Functions	Completion	Percent of Total Budget Authority
Deployment	Deploy to remaining Agencies with Agency requirements*	10/2017*	

\* Revised since the May 2013 FIAR Plan Status Report.

Note: DAI has not been baselined. The remainder of the deployment and milestone schedule is unknown. Additionally, the total budget dollars to be managed within DAI is unknown given the uncertainty of the universe of Defense Agencies scheduled to deploy DAI, consequently, the percent of total dollars cannot be calculated.

## FIAR Plan Status Report

### DAI Status of Financial Reporting Objectives by Assessable Unit (✓ = Completed)

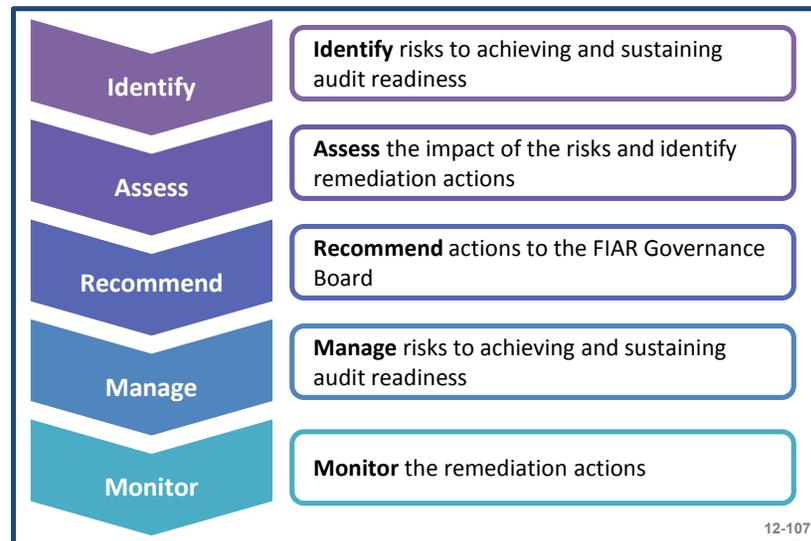
FIAR Assessable Units	# of Financial Reporting Objectives for Assessable Units	# of Financial Reporting Objectives Planned for ERP	Tested	Corrected
<b>Statement of Budgetary Resources</b>				
Contract Pay	29	29	TBD	TBD
Supplies (MILSTRIP)	29	1	N/A	N/A
Vendor Pay	29	29	TBD	TBD
Reimbursable Work Order – Grantor	29	29	TBD	TBD
Fund Balance with Treasury	14	14	TBD	TBD
Appropriations Received	5	5	TBD	TBD
Military Pay	13	02	N/A	N/A
Civilian Pay	13	13	TBD	TBD
Reimbursable Work Order – Acceptor	12	12	TBD	TBD
Other Budgetary Activity	8	8	TBD	TBD
Financial Reporting	10	83	TBD	TBD
<b>Mission Critical Assets Existence and Completeness</b>				
Military Equipment	10	6	TBD	TBD
Real Property	10	6	TBD	TBD
Inventory	10	0		
OM&S	10	0		
General Equipment	10	6	TBD	TBD

## 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 depicts the DoD FIAR risk management process. The process of identifying risks, assessing their impact, recommending solutions, and managing and monitoring them is an ongoing and integral element of the actions and activity 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



Using 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.

Risk management is addressed at monthly FIAR Committee and Subcommittee meetings, as needed, and at FIAR Governance Board meetings, where it is a standard agenda item.

### RISKS TO ACHIEVING FIAR GOALS

Eight risks to achieving the FIAR goals are being monitored by the OUSD(C) and reported to the FIAR Governance Board. 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 taking action to evaluate and document processes, improve controls and supporting documentation, and modernize systems.

Clearly, the Secretary's continued involvement 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 DoD Strategic Management Plan (SMP), which is closely monitored by senior officials within the Department and reported to 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 direction, as needed. This process 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 performance plans of senior executives and flag officers with FIAR responsibilities 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 employing different strategies and methodologies. Today, the scope and requirements to achieve audit readiness are well defined, consistent, documented, and communicated in the FIAR Guidance. The FIAR Guidance has been issued across the Department and included in FIAR training courses.

To fully mitigate the risk of inadequate scope or requirements, the FIAR Guidance is updated, as needed, and reissued DoD-wide. Updated guidance was issued in November 2013 to address Wave 4, Full Financial Statement Audit. The FIAR Guidance document can be found and downloaded from the Department's FIAR website at <http://comptroller.defense.gov/FIAR/guidance.html>.

### 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 preparing for or conducting a financial statement audit.

To mitigate this problem and significant risk, the Department is taking the following actions:

- Hiring experienced individuals who are Certified Public Accountants.
- Implementing a DoD-wide Financial Management Certification Program for the Department's financial management workforce. (Discussed in the Accomplishments section of this report.)
- 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 to perform General Fund SBA audits in FY 2015 and full financial statement audits in FY 2018.

When these audits are planned to begin, 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.

Independence issues further complicate the availability of IPAs. Most of the large IPA firms and many of the smaller, local firms have been assisting the Components with audit readiness preparation, including the design and implementation of audit ready controls and processes. Any IPA firm that assisted a Component with audit readiness is precluded from auditing that Component, because it can no longer meet the independence requirement.

The Office of the USD(C)/CFO (OUSDC(C)) and the DoD OIG jointly issued a Request for Information (RFI) in September 2013. The RFI identified the Department's audit and examination requirements and potential issues, proposed a concept of operation, and solicited suggestions and recommendations.

### Risk 5. Insufficient Funding

Achieving audit readiness in an entity with the size and complexity of the Department is very costly. 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.

## FIAR Plan Status Report

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As 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 ERP section.

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 7. Service Providers**

The Department identified a significant risk to the DoD Components' audit readiness pertaining to the service providers. Service providers perform many functions and services for the DoD Components, including Accounting and Finance, Civilian Personnel Management System Support, Military and Civilian Pay, Contract Management, Real Property Construction, Asset Acquisition and Information Technology System Operations and Hosting Support. Each service provider function and service is integrated in their customers' business and financial processes. As a result, service provider audit readiness is tied to the auditability of their customers' financial statements and presents a risk to the success in their customers, the Components, meeting FIAR goals.

To address this risk, the Department:

- Modified the FIAR Guidance, requiring the service providers to follow a step-by-step process that ensures audit readiness support for their customers.
- Established a Service Provider Working Group chaired by the OUSD(C) and attended by both service providers and their customer Components. The working group meets regularly to address audit readiness issues and discuss solutions.

Although this risk is not being monitored and reported by one of the risk management metrics identified in Figure IX-2, it is closely monitored by the OUSD(C) and through the FIAR governance process. Service provider audit readiness plans and status is provided in section VII of this report.

## FIAR Plan Status Report

### Risk 8. Auditor Identified Findings Not Corrected

As the Department approaches its audit readiness goals, many examinations are being conducted by the DoD OIG and IPAs to validate audit readiness. At the conclusion of the examinations, the auditors issue reports identifying, through Notices of Recommendations and Findings (NFRs), deficiencies, control weaknesses, and other findings that the Component must remediate. As required by the Validation phase of the FIAR Methodology in the FIAR Guidance, the audit reports containing the NFRs must be submitted to the OUSD(C), along with the Components' supporting documentation demonstrating successful remediation of the auditors' identified deficiencies.

The OUSD(C) is in the process of formalizing this process and establishing a tracking system to closely monitor the NFRs and their

remediation. By eliminating potential audit deficiencies and strengthening the Components' control environment, managing this risk will result in more successful examinations and audits.

Additional information will be provided in the May 2014 FIAR Plan Status Report on how the Department is monitoring and managing this risk.

### RISK MANAGEMENT METRICS

The risk management metrics reported to the FIAR Governance Board and FIAR committees are provided in Figure IX-2. A brief explanation of each metric follows the figure.

Figure IX-2. 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	8 of 22	12 of 28	9 of 23	41 of 136
Total Attendance at FIAR Training Classes	3, 4	365	742	1,601	6,166
Unqualified Audit Readiness Examinations	3	1 of 4	5 of 5	3 of 5	1 of 3
Number of IT Systems Tested	6	6 of 60	0 of 91	9 of 68	TBD

\* 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 unfunded FIAR resource requests as of the latest FIAR Governance Board Meeting.

## FIAR Plan Status Report

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**FIAR Assertion Milestones Accomplished** monitors the number of audit readiness assertion milestones completed as compared to the number to be completed.

**Unqualified Audit Readiness Examinations** tracks the number of unqualified audit readiness examinations as compared to the total examinations performed.

**Total Attendance at FIAR Training Classes** measures the total number of FIAR training class attendees.

**Number of IT Systems Tested** monitors the number of information technology (IT) systems that have been tested for compliance with Federal Information System Controls Audit Manual requirements and the number of IT systems remaining to be tested. The IT systems included in the metric are those included in Component System Inventory Lists, as required by the FIAR Guidance. See Appendix 4 for a complete listing of systems material to audit readiness and the planned completion dates for control testing and correction.

## Appendix 1. FIAR Governance

The Department engages stakeholder through a defined governance process and structure. Figure A1-1 shows the FIAR governance structure, the participants, and their roles.

The Under Secretary of Defense (Comptroller)/Chief Financial Officer (USD(C)/CFO) establishes 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.

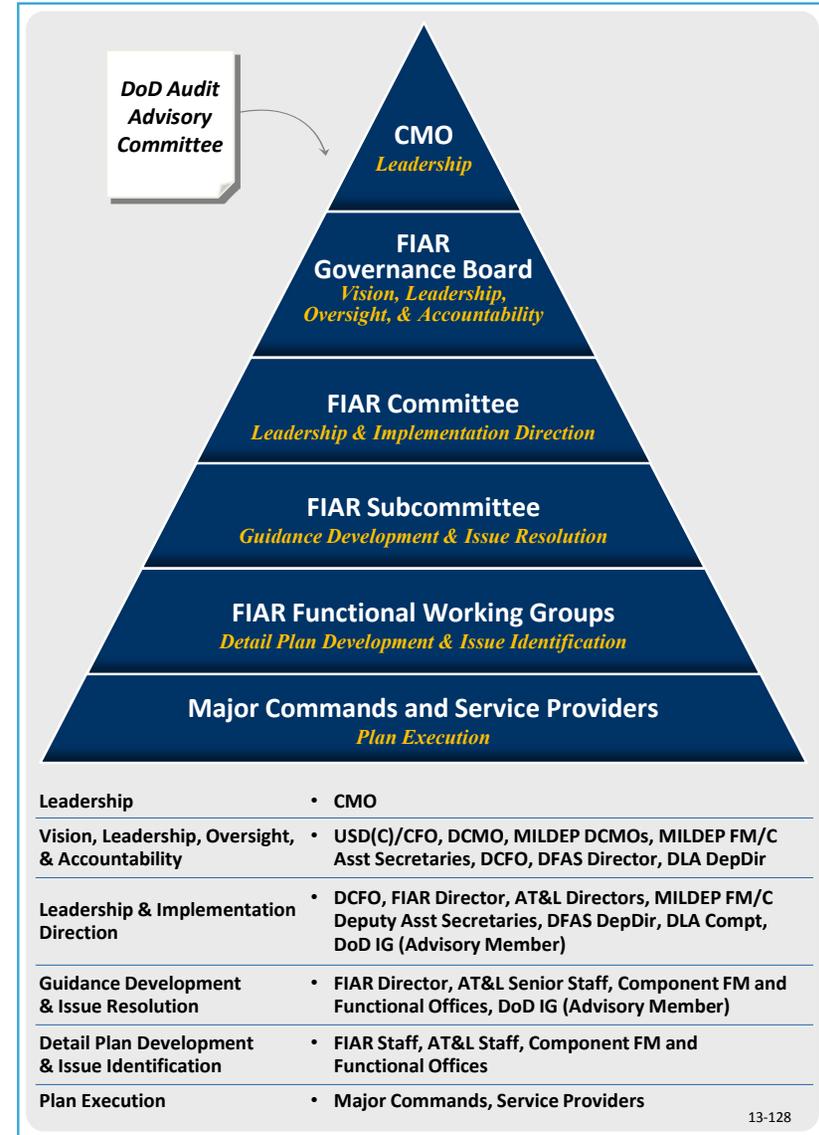
### DEPUTY’S MANAGEMENT ACTION GROUP

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 A1-1. FIAR Governance Structure



### FIAR GOVERNANCE BOARD

Co-chaired by the USD(C)/CFO and DoD Deputy CMO (DCMO), the FIAR Governance Board engages the Department's most senior leaders from the functional and financial communities. The Board comprises 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 comprises 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.
- Embeds teams of experienced financial, accounting, and auditing personnel to develop, improve, and execute FIPs and provide training to the Components.
- Publishes the semi-annual FIAR Plan Status Report.
- Maintains the FIAR Planning Tool, which is used by the Components to manage their FIPs.
- Performs detailed monthly 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**

Component FIPs are executed at the Components' major commands and service providers, such as the Army Materiel Command and DFAS. 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, including financial reporting processes, internal controls, audit processes, and processes for monitoring compliance with relevant laws and regulations. The Committee comprises five distinguished members of the audit, accounting, and financial communities. The members are not DoD employees.

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## Appendix 2. Status of Audit Readiness Assertions

Figure A2-1. Status of Statement of Budgetary Resources Audit Readiness Assertions

DoD Component	Audit Readiness Assertion	Assertion Date	Status
<b>Statement of Budgetary Resources</b>			
Army	Appropriations Received	Q4 FY 2010	IPA Examination Complete – Unqualified Opinion
Army	GFEBs Wave 1 Entities (5 Business Processes at 3 Installations)	Q2 FY 2011	IPA Examination Complete – Qualified Opinion
Army	GFEBs Waves 1 & 2 Sites (9 Business Processes at 10 Installations and DFAS)	Q3 FY 2012	IPA Examination Complete – Additional Corrective Actions Needed
Army	All General Fund Activities at All GFEBs Locations	Q3 FY 2013	IPA Examination Underway
Navy	Appropriations Received	Q1 FY 2010	IPA Examination Complete – Unqualified Opinion
Navy	Civilian Pay	Q2 FY 2010	IPA Examination Complete – Unqualified Opinion
Navy	Transportation of People	Q4 FY 2010	IPA Examination Complete – Unqualified Opinion
Navy	E-2D Hawkeye Acquisition Program	Q4 FY 2011	IPA Examination Complete – Unqualified Opinion
Navy	Military Pay	Q2 FY 2013	IPA Examination Underway
Navy	Reimbursable Work Orders – Acceptor	Q2 FY 2013	IPA Examination Underway
Navy	Reimbursable Work Orders – Grantor	Q2 FY 2013	IPA Examination Underway
Navy	Fund Balance with Treasury	Q3 FY 2013	DoD OIG Examination Underway
U.S. Marine Corps	Schedule of Budgetary Activity	Q4 FY 2008	DoD OIG Audit Underway

## FIAR Plan Status Report

DoD Component	Audit Readiness Assertion	Assertion Date	Status
Air Force	Appropriations Received	Q4 FY 2010	IPA Examination Complete – Unqualified Opinion
Air Force	Non-expenditure Transfers	Q4 FY 2010	In Sustainment
Air Force	Rescissions	Q4 FY 2010	In Sustainment
Air Force	Fund Balance with Treasury Reconciliation	Q1 FY 2011	IPA Examination Complete – Unqualified Opinion
Air Force	Fund Receipt and Distribution	Q4 FY 2012	IPA Examination Underway
Air Force	Funds Distribution to Base	Q4 FY 2012	IPA Examination Pending
Air Force	SBIRS Acquisition Program	Q4 FY 2012	IPA Examination Complete – Additional Corrective Actions Needed
Air Force	Civilian Pay	Q2 FY 2013	IPA Examination Underway
Chemical Biological Defense Program	Appropriations Received	Q4 FY 2011	OUSD(C) Mock Audit Complete – Audit Ready
Chemical Biological Defense Program	Financial Reporting	Q3 FY 2013	OUSD(C) Mock Audit Complete – Additional Corrective Actions Needed
Chemical Biological Defense Program	Civilian Pay	N/A <sup>1</sup>	OUSD(C) Mock Audit Complete – Additional Corrective Actions Needed
Chemical Biological Defense Program	Contract Pay	Q3 FY 2013	OUSD(C) Review Underway
Chemical Biological Defense Program	Fund Balance with Treasury	Q3 FY 2013	OUSD(C) Review Underway
Chemical Biological Defense Program	Other Budgetary Activity	Q3 FY 2013	OUSD(C) Review Underway
Chemical Biological Defense Program	Reimbursable Work Orders – Acceptor	Q3 FY 2013	OUSD(C) Review Underway
Chemical Biological Defense Program	Reimbursable Work Orders – Grantor	Q3 FY 2013	OUSD(C) Review Underway

## FIAR Plan Status Report

DoD Component	Audit Readiness Assertion	Assertion Date	Status
Defense Advanced Research Projects Agency	Appropriations Received	Q4 FY 2011	OUSD(C) Mock Audit Complete – Audit Ready
Defense Advanced Research Projects Agency	Civilian Pay	Q2 FY 2012	Additional Corrective Actions Needed
Defense Advanced Research Projects Agency	Reimbursable Work Orders	Q2 FY 2012	Additional Corrective Actions Needed
Defense Advanced Research Projects Agency	Travel Pay	Q3 FY 2012	Additional Corrective Actions Needed
Defense Advanced Research Projects Agency	Other Budgetary Resources	Q4 FY 2012	Additional Corrective Actions Needed
Defense Advanced Research Projects Agency	Civilian Pay	N/A <sup>1</sup>	OUSD(C) Mock Audit Complete – Additional Corrective Actions Needed
Defense Advanced Research Projects Agency	Financial Reporting	N/A <sup>1</sup>	OUSD(C) Mock Audit Complete – Additional Corrective Actions Needed
Defense Civilian Personnel Advisory Service – Service Provider	Civilian Pay (DCPDS)	Q2 FY 2013	IPA SSAE No. 16 Examination Complete – Unqualified Opinion
Defense Contract Management Agency	Appropriations Received	Q2 FY 2012	OUSD(C) Mock Audit Complete – Audit Ready
Defense Contract Management Agency	Civilian Pay	Q4 FY 2013	OUSD(C) Mock Audit Complete – Additional Corrective Actions Needed
Defense Contract Management Agency	Contract/Vendor Pay	Q4 FY 2013	OUSD(C) Review Underway
Defense Contract Management Agency	Financial Reporting	Q4 FY 2013	OUSD(C) Mock Audit Complete – Additional Corrective Actions Needed
Defense Contract Management Agency	Fund Balance with Treasury	Q4 FY 2013	OUSD(C) Review Underway
Defense Contract Management Agency	Reimbursable Work Orders – Acceptor	Q4 FY 2013	OUSD(C) Review Underway
Defense Contract Management Agency	Reimbursable Work Orders – Grantor	Q4 FY 2013	OUSD(C) Review Underway

## FIAR Plan Status Report

DoD Component	Audit Readiness Assertion	Assertion Date	Status
Defense Contract Management Agency – Service Provider	Contract Pay (MOCAS, MDO)	Q1 FY 2014	IPA SSAE No. 16 Examination Pending
Defense Finance and Accounting Service	Financial Reporting	Q1 FY 2014	IPA SSAE No. 16 Examination Pending
Defense Finance and Accounting Service - Service Provider	Civilian Pay (DCPS, ADS)	Q3 FY 2012	IPA SSAE No. 16 Examination Complete – Unqualified Opinion
Defense Finance and Accounting Service - Service Provider	Military Pay (DJMS, DMO)	Q1 FY 2013	IPA SSAE No. 16 Examination Complete – Qualified Opinion
Defense Finance and Accounting Service - Service Provider	Standard Disbursing Service Phase 1 (ADS, IPAC Central Site Wizard)	Q1 FY 2013	IPA SSAE No. 16 Examination Complete – Unqualified Opinion
Defense Finance and Accounting Service - Service Provider	Contract Pay (MOCAS, PPVM, APVM, EAS, SCRT, BAM)	Q1 FY 2014	IPA SSAE No. 16 Examination Underway
Defense Finance and Accounting Service - Service Provider	Standard Disbursing Service Phase 2 (IPAC Central Site Wizard)	Q1 FY 2014	IPA SSAE No. 16 Examination Pending
Defense Information Systems Agency	Civilian Pay	N/A <sup>1</sup>	OUSD(C) Mock Audit Complete – Additional Corrective Actions Needed
Defense Information Systems Agency	Financial Reporting	N/A <sup>1</sup>	OUSD(C) Mock Audit Complete – Additional Corrective Actions Needed
Defense Information Systems Agency – Service Provider	All Assessable Units (Enterprise Computing Services)	N/A	IPA SSAE No. 16 Examination Complete – Unqualified Opinion
Defense Logistics Agency	Appropriations Received	Q4 FY 2010	OUSD(C) Mock Audit Complete – Audit Ready
Defense Logistics Agency	Financial Reporting	N/A <sup>1</sup>	OUSD(C) Mock Audit Complete – Additional Corrective Actions Needed
Defense Logistics Agency	Civilian Pay	Q4 FY 2013	IPA Examination Pending
Defense Logistics Agency – Service Provider	All Assessable Units (DAAS)	Q3 FY 2013	IPA SSAE No. 16 Examination Underway

## FIAR Plan Status Report

DoD Component	Audit Readiness Assertion	Assertion Date	Status
Defense Logistics Agency – Service Provider	Contract Pay (WAWF)	Q1 FY 2014	IPA SSAE No. 16 Examination Pending
Defense Logistics Agency – Service Provider	All Assessable Units (DAI)	Q1 FY 2014	IPA SSAE No. 16 Examination Pending
Defense Security Cooperation Agency	Appropriations Received	Q3 FY 2012	OUSD(C) Mock Audit Complete – Audit Ready
Defense Security Cooperation Agency	Financial Reporting	N/A <sup>1</sup>	OUSD(C) Mock Audit Complete – Additional Corrective Actions Needed
Defense Security Cooperation Agency	Civilian Pay	N/A <sup>1</sup>	OUSD(C) Mock Audit Complete – Additional Corrective Actions Needed
Defense Technical Information Center	Appropriations Received	Q1 FY 2012	OUSD(C) Mock Audit Complete – Audit Ready
Defense Technical Information Center	Civilian Pay	N/A <sup>1</sup>	OUSD(C) Mock Audit Complete – Additional Corrective Actions Needed
Defense Technical Information Center	Financial Reporting	N/A <sup>1</sup>	OUSD(C) Mock Audit Complete – Additional Corrective Actions Needed
Defense Threat Reduction Agency	Appropriations Received	Q3 FY 2012	OUSD(C) Mock Audit Complete – Audit Ready
Defense Threat Reduction Agency	Civilian Pay	N/A <sup>1</sup>	OUSD(C) Mock Audit Complete – Additional Corrective Actions Needed
Defense Threat Reduction Agency	Financial Reporting	N/A <sup>1</sup>	OUSD(C) Mock Audit Complete – Additional Corrective Actions Needed
Department of Defense Education Activity	Appropriations Received	Q3 FY 2012	OUSD(C) Mock Audit Complete – Audit Ready
Department of Defense Education Activity	Civilian Pay	N/A <sup>1</sup>	OUSD(C) Mock Audit Complete - Additional Corrective Actions Needed
Department of Defense Education Activity	Financial Reporting	N/A <sup>1</sup>	OUSD(C) Mock Audit Complete – Additional Corrective Actions Needed
Missile Defense Agency	Appropriations Received	Q3 FY 2012	OUSD(C) Mock Audit Complete – Audit Ready

## FIAR Plan Status Report

DoD Component	Audit Readiness Assertion	Assertion Date	Status
Missile Defense Agency	Civilian Pay	N/A <sup>1</sup>	OUSD(C) Mock Audit Complete – Additional Corrective Actions Needed
Missile Defense Agency	Financial Reporting	N/A <sup>1</sup>	OUSD(C) Mock Audit Complete – Additional Corrective Actions Needed
Service Medical Activity (Army, Navy, Air Force)	Appropriations Received	Q4 FY 2011	OUSD(C) Mock Audit Complete – Audit Ready
Service Medical Activity (Army, Navy, Air Force)	Civilian Pay	N/A <sup>1</sup>	OUSD(C) Mock Audit Complete – Additional Corrective Actions Needed
Service Medical Activity (Army, Navy, Air Force)	Financial Reporting	N/A <sup>1</sup>	OUSD(C) Mock Audit Complete – Additional Corrective Actions Needed
Service Medical Activity (Navy)	Consumables	Q3 FY 2013	OUSD(C) Review Underway
Defense Health Agency – FOD	Appropriations Received	Q4 FY 2011	OUSD(C) Mock Audit Complete – Audit Ready
Defense Health Agency	Civilian Pay	N/A <sup>1</sup>	OUSD(C) Mock Audit Complete – Additional Corrective Actions Needed
Defense Health Agency – FOD - FOD	Financial Reporting	N/A <sup>1</sup>	OUSD(C) Mock Audit Complete – Additional Corrective Actions Needed
U.S. Special Operations Command	Appropriations Received	Q2 FY 2012	OUSD(C) Mock Audit Complete – Audit Ready with Findings
U.S. Special Operations Command	Civilian Pay	N/A <sup>1</sup>	OUSD(C) Mock Audit Complete – Additional Corrective Actions Needed
U.S. Special Operations Command	Financial Reporting	N/A <sup>1</sup>	OUSD(C) Mock Audit Complete – Additional Corrective Actions Needed
Washington Headquarters Service	Appropriations Received	Q3 FY 2012	OUSD(C) Mock Audit Complete – Audit Ready

## FIAR Plan Status Report

DoD Component	Audit Readiness Assertion	Assertion Date	Status
Washington Headquarters Service	Civilian Pay	N/A <sup>1</sup>	OUSD(C) Mock Audit Complete – Additional Corrective Actions Needed
Washington Headquarters Service	Financial Reporting	N/A <sup>1</sup>	OUSD(C) Mock Audit Complete – Additional Corrective Actions Needed

<sup>1</sup> The mock audit was performed prior to asserting

OUSD(C) Review Underway – FIAR is reviewing the assertion documentation to confirm that the Component is ready for examination.

Additional Corrective Actions Needed – Based on OUSD(C) review of the assertion documentation, the Components require certain corrective actions prior to being ready for examination; Components will reassert.

Examination/Audit Pending – OUSD(C) review is complete and no additional corrective actions are needed. The Component is ready to go under examination.

Examination/Audit Underway – The examination or audit is in progress.

In Sustainment – Assertion may not go to examination due to materiality of the assessable unit; Component sustaining audit readiness.

## FIAR Plan Status Report

Figure A2-2. Status of Mission Critical Assets Existence and Completeness Audit Readiness Assertions

DoD Component	Audit Readiness Assertion	Assertion Date	Status
<b>Mission Critical Assets Existence and Completeness</b>			
Army	General Equipment – Fire & Rescue	Q2 FY 2011	Additional Corrective Actions Needed
Army	Military Equipment – 8 Asset Types	Q2 FY 2011	Additional Corrective Actions Needed
Army	OM&S – Javelin, Hellfire, and TOW Missiles	Q3 FY 2012	DoD OIG Examination Complete – Qualified Opinion
Army	Real Property (23 Sites)	Q1 FY 2013	DoD OIG Examination Pending
Navy	Military Equipment – Aircraft	Q4 FY 2010	DoD OIG Examination Complete – Unqualified Opinion
Navy	Military Equipment – Trident Missiles, Satellites, and Ships and Submarines	Q4 FY 2010	DoD OIG Examination Complete – Unqualified Opinion
Navy	OM&S – Ordnance	Q4 FY 2010	DoD OIG Examination Underway
Navy	Military Equipment – Small Boats	Q4 FY 2012	Additional Corrective Actions Needed
Navy	OM&S – Uninstalled Aircraft Engines	Q4 FY 2012	Additional Corrective Actions Needed
Navy	Military Equipment – Small Boats	Q4 FY 2013	OUSD(C) Review Underway
Navy	OM&S – Uninstalled Aircraft Engines	Q1 FY 2014	OUSD(C) Review Underway
Air Force	Military Equipment – Aircraft, Intercontinental Ballistic Missiles, Satellites	Q1 FY 2011	DoD OIG Examination Complete – Unqualified Opinion
Air Force	OM&S – Aerial Targets/Drones	Q3 FY 2011	DoD OIG Examination Complete – Unqualified Opinion
Air Force	OM&S – Cruise Missiles	Q3 FY 2011	DoD OIG Examination Complete – Unqualified Opinion

## FIAR Plan Status Report

DoD Component	Audit Readiness Assertions	Assertion Date	Status
Air Force	OM&S – Missile Motors	Q2 FY 2012	DoD OIG Examination Complete – Unqualified Opinion
Air Force	OM&S – Spare Engines	Q2 FY 2012	DoD OIG Examination Complete – Qualified Opinion
Air Force	Medical Equipment	Q4 FY 2012	Additional Corrective Actions Needed
Defense Logistics Agency	Real Property – DLA Hosted Sites	Q4 FY 2013	OUSD(C) Review Underway
Defense Logistics Agency	General Equipment – Capitalized Assets	Q4 FY 2013	OUSD(C) Review Underway
Missile Defense Agency	Military Equipment – Sensors	Q3 FY 2012	In Sustainment
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

OUSD(C) Review Underway – FIAR is reviewing the assertion documentation to confirm that the Component is ready for examination.

Additional Corrective Actions Needed – Based on OUSD(C) review of the assertion documentation, the Components require certain corrective actions prior to being ready for examination; Components will reassert.

Examination/Audit Pending – OUSD(C) review is complete and no additional corrective actions are needed. The Component is ready to go under examination.

Examination/Audit Underway – The examination or audit is in progress.

In Sustainment – Assertion may not go to examination due to materiality of the assessable unit; Component sustaining audit readiness.

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## Appendix 3. FIAR Resources

The FIAR activities funded by the amounts in the below figures 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., Defense Finance and Accounting Service) 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 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 the ERPs is provided in Section VIII.

Figure A3-1 provides a summary of DoD-wide FIAR resources, and Figures A3-2 – A3-5 provide the FIAR resources of the Military Departments and other Defense organizations. Note that numbers may not add due to rounding.

**Figure A3-1. DoD Audit Readiness Resources (Dollars in Millions)**

DoD Component	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Audit Readiness	456.0	496.1	384.8	316.0	297.2	291.4
<i>Review and Remediation</i>	381.9	424.0	298.7	231.8	217.0	219.2
<i>DFAS Support</i>	57.0	54.0	68.0	66.0	62.0	55.0
<i>Internal Audit Cost</i>	17.0	18.1	18.2	18.2	18.2	17.2
Validations and Audits	58.0	63.2	118.2	118.3	118.4	128.5
Financial Systems	106.6	89.9	77.0	78.1	66.3	30.4
<b>Total Resources</b>	<b>620.6</b>	<b>649.2</b>	<b>580.0</b>	<b>512.4</b>	<b>481.8</b>	<b>450.3</b>

## FIAR Plan Status Report

**Figure A3-2. Department of the Army Audit Readiness Resources (Dollars in Millions)**

DoD Component	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Audit Readiness	82	84	52	52	41	42
<i>Review and Remediation</i>	70	71	39	39	29	30
<i>DFAS Support</i>	10	10	10	10	9	9
<i>Internal Audit Cost</i>	2	3	3	3	3	3
Validations and Audits	23	15	25	25	25	25
Financial Systems	2	4	0	5	0	0
<b>Total Resources</b>	<b>107</b>	<b>103</b>	<b>77</b>	<b>82</b>	<b>66</b>	<b>67</b>

**Figure A3-3. Department of the Navy Audit Readiness Resources (Dollars in Millions)**

DoD Component	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Audit Readiness	78	90	86	71	66	63
<i>Review and Remediation</i>	50	64	54	40	35	37
<i>DFAS Support</i>	24	22	28	27	27	22
<i>Internal Audit Cost</i>	4	4	4	4	4	4
Validations and Audits	14	24	40	40	40	40
Financial Systems	16	16	10	8	8	8
<b>Total Resources</b>	<b>108</b>	<b>130</b>	<b>136</b>	<b>119</b>	<b>114</b>	<b>111</b>

## FIAR Plan Status Report

**Figure A3-4. Department of the Air Force Audit Readiness Resources (Dollars in Millions)**

DoD Component	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Audit Readiness	90	136	74	68	74	75
<i>Review and Remediation</i>	68	116	53	48	54	55
<i>DFAS Support</i>	13	11	12	11	11	11
<i>Internal Audit Cost</i>	9	9	9	9	9	9
Validations and Audits	2	2	31	31	31	31
Financial Systems	82	63	60	58	51	15
<b>Total Resources</b>	<b>174</b>	<b>201</b>	<b>165</b>	<b>157</b>	<b>156</b>	<b>121</b>

**Figure A3-4. Department of the Air Force Audit Readiness Resources (Dollars in Millions)**

DoD Component	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Audit Readiness	206	186	173	125	116	111
<i>Review and Remediation</i>	194	173	153	105	99	97
<i>DFAS Support</i>	10	11	18	18	15	13
<i>Internal Audit Cost</i>	2	2	2	2	2	1
Validations and Audits	19	22	22	22	22	33
Financial Systems	7	7	7	7	7	7
<b>Total Resources</b>	<b>232</b>	<b>215</b>	<b>202</b>	<b>154</b>	<b>146</b>	<b>151</b>

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## Appendix 4. Systems Material to Audit Readiness

The Department's systems environment includes numerous legacy systems, core systems, and nine Enterprise Resource Planning (ERP) systems in various stages of deployment.

Most of the business legacy systems were designed for business purposes such as human resource management, property management, and logistics management and not for auditable financial statement reporting. Similarly, most of the financial legacy systems were designed for budgetary accounting and not proprietary accounting. To address these impediments to audit readiness, many of the legacy systems are being replaced by the ERPs. However, many of the legacy systems scheduled to be replaced will not be replaced by the audit readiness goals of FY 2014 or FY 2017.

Core systems are systems that are core to a particular business or financial process. For example, the Mechanization of Contract Administrative system (MOCAS) is an integrated entitlement and disbursing system supporting post-award contract administration and is a core system to the Contract Pay assessable unit. Core systems are of varying age and technology and are not planned to be replaced.

Achieving an audit ready systems environment requires extensive, challenging discovery and corrective activities including developing systems documentation, testing controls and transaction supporting documentation, and remediating deficiencies and weaknesses. For many legacy and core systems, audit readiness also often requires modifications to the systems. This is a costly and time consuming undertaking for the DoD Components.

The FIAR Guidance requires Components to identify systems material to their Statement of Budgetary Resources and existence and completeness of mission critical assets, and to test and strengthen internal controls. Control testing is based on the Government Accountability Office (GAO) Federal Information

System Controls Audit Manual (FISCAM) requirements. The GAO FISCAM comprises three sections for internal controls relevant to financial information systems:

- Entity-Level Information Technology General Controls (ITGCs)
- Application-Level ITGCs
- Automated Application Controls

The ITGCs consist of Security Management, Access Controls, Configuration Management, Segregation of Duties, and Contingency Planning. Application-Level ITGCs cover the same basic controls but focus solely on the business or financial system and any feeder systems. Automated Application Controls use a different set of control categories (Application Security, Business Process Controls, Interface and Conversion Controls, and Data Management System Controls) and focus on a specific application (e.g., GFEBS, Navy ERP, DCPDS, and MOCAS).

In instances where the DoD Components have identified, documented the design, and tested the operating effectiveness of internal controls during DoD Information Assurance Certification and Accreditation Process (DIACAP) or other certification and accreditation efforts (Federal Financial Management Improvement Act), the work may be used to complete the FISCAM steps relevant for financial reporting. The extent to which the results of the prior work can be leveraged is determined by the degree to which it meets FIAR controls documentation and testing requirements.

The OUSD(C) identified the FISCAM control activities and techniques needed to address controls over financial reporting risk areas most likely to be present based on the Department's experience. A summary analysis of those FISCAM control activities and techniques that have the highest relevance to addressing risk areas for financial reporting and other FISCAM control activities and techniques that should be considered by DoD Components in their audit readiness efforts can be found in the FIAR Guidance at <http://comptroller.defense.gov/fiar/index.html>.

## FIAR Plan Status Report

Figures A4-1, A4-2, and A4-3 show the Departments of the Army, Navy, and Air Force, respectively, business and financial information systems material to their General Fund Statements of Budgetary Resources and existence and completeness of mission critical assets audit readiness.

Each figure also shows the status of IT General and Application Controls testing and corrective actions. The date when corrective actions are shown as completed or to be completed is the date when

the controls have been deemed effective by the system owner, system host, or Military Department. Where the figure indicates N/A, testing is not applicable. When the figure indicates TBD, a completion date was not available at the time of this report. Completion dates for those marked TBD will be provided in future reports.

**Figure A4-1. Systems Material to Army Audit Readiness (✓ = Completed)**

System	Assessable Unit(s)	System Owner	Hosting Organization	Information Technology General and Application Controls					
				System Owner		Hosting Organization		Army	
				Tested	Corrected	Tested	Corrected	Tested	Corrected
<b>Statement of Budgetary Resources – Army Systems</b>									
ATAAPS	Civilian Pay	DISA <sup>1</sup>	DISA	TBD	TBD	✓	✓	TBD	TBD
		Army <sup>1</sup>	Army	N/A	N/A	TBD	TBD	TBD	TBD
CEFMS	USACE Civil Works / Army Military Construction	Army	Army	N/A	N/A	✓	✓	✓	✓
GCSS-A	Contractual Services & Acquisition of Assets: Supplies	Army	Army	N/A	N/A	✓	✓	✓	✓
GFEBs	All	Army	Army	N/A	N/A	✓	✓	✓	✓
LMP	Contractual Services & Acquisition of Assets	Army	Army	N/A	N/A	06/2014	12/2015	06/2014	12/2015
SARSS <sup>2</sup>	Contractual Services & Acquisition of Assets	Army	Army	N/A	N/A	TBD	TBD	TBD	TBD
FCM <sup>2</sup>	Contractual Services & Acquisition of Assets	Army	Army	N/A	N/A	TBD	TBD	TBD	TBD
eMILPO	Military Pay	Army	Army	N/A	N/A	TBD	TBD	TBD	TBD
ITAPDB	Military Pay	Army	Army	N/A	N/A	TBD	TBD	TBD	TBD

## FIAR Plan Status Report

System	Assessable Unit(s)	System Owner	Hosting Organization	Information Technology General and Application Controls					
				System Owner		Hosting Organization		Army	
				Tested	Corrected	Tested	Corrected	Tested	Corrected
SIDPERS	Military Pay	Army	Army	N/A	N/A	TBD	TBD	TBD	TBD
RLAS	Military Pay	Army	Army	N/A	N/A	TBD	TBD	TBD	TBD
<b>Mission Critical Assets Existence and Completeness – Army Systems</b>									
GFEB5	Real Property	Army	Army	N/A	N/A	✓	✓	✓	✓
LMP	Operating Materials & Supplies	Army	Army	N/A	N/A	06/2014	12/2015	06/2014	12/2015
PBUSE <sup>2</sup>	Military Equipment/ General Equipment	Army	Army	N/A	N/A	TBD	TBD	TBD	TBD
PRIDE <sup>2</sup>	Real Property	Army	Army	N/A	N/A	TBD	TBD	TBD	TBD
APPMS	USAC Civil Works – Personal Property	Army	Army	N/A	N/A	✓	✓	✓	✓
REMIS	Real Property – Land	Army	Army	N/A	N/A	✓	✓	✓	✓
WARS-NT <sup>2</sup>	Operating Materials & Supplies	Army	Army	N/A	N/A	TBD	TBD	TBD	TBD
<b>Statement of Budgetary Resources – Service Provider Systems (SSAE No. 16 Examinations)</b>									
ADS	Civilian Pay	DFAS	DISA	✓	✓	✓	✓	TBD	TBD
	Disbursing	DFAS	DISA	✓	✓	✓	✓	TBD	TBD
IPAC Wizard	Disbursing	DFAS	DFAS	✓	✓	✓	✓	TBD	TBD
APVM (EUD)	Contractual Services & Acquisition of Assets	DFAS	DISA	✓	✓	✓	✓	TBD	TBD
BAM (Insourcing)	Contractual Services & Acquisition of Assets	DFAS	DFAS	✓	✓	✓	✓	TBD	TBD
DAAS	Contractual Services & Acquisition of Assets, Military Pay	DLA	DLA	✓	✓	✓	✓	TBD	TBD

## FIAR Plan Status Report

System	Assessable Unit(s)	System Owner	Hosting Organization	Information Technology General and Application Controls					
				System Owner		Hosting Organization		Army	
				Tested	Corrected	Tested	Corrected	Tested	Corrected
DCPDS	Civilian Pay	DCPAS	Army	✓	✓	TBD	TBD	TBD	TBD
DCPS	Civilian Pay	DFAS	DISA	✓	✓	✓	✓	TBD	TBD
BEIS:DDRS-AFS	Financial Reporting	DFAS	DISA	✓	12/2013	✓	✓	TBD	TBD
BEIS: DDRS-B	Financial Reporting, Military Pay	DFAS	DISA	✓	12/2013	✓	✓	TBD	TBD
BEIS: DDRS-DCM	Financial Reporting	DFAS	DISA	✓	12/2013	✓	✓	TBD	TBD
DJMS-AC/ RC	Military Pay	DFAS	DISA	✓	✓	✓	✓	TBD	TBD
DMO <sup>7</sup>	Military Pay	DFAS	DISA	✓	✓	✓	✓	TBD	TBD
			Army	TBD	TBD	TBD	TBD	TBD	TBD
DTS	Contractual Services & Acquisition of Assets, Transportation of People	DLA	Carpathia Data Center	✓	✓	✓	✓	TBD	TBD
EAS	Contractual Services & Acquisition of Assets	DFAS	DISA	✓	✓	✓	✓	TBD	TBD
eTOOLS	Contractual Services & Acquisition of Assets	DCMA	DCMA	✓	12/2013	✓	12/2013	TBD	TBD
GEX	Contractual Services & Acquisition of Assets, Military Pay	DLA	DLA	✓	✓	✓	✓	TBD	TBD
MOCAS	Contractual Services & Acquisition of Assets	DCMA	DISA	✓	12/2013	✓	✓	TBD	TBD
		DFAS	DISA	✓	✓	✓	✓	TBD	TBD
PPVM (EUD)	Contractual Services & Acquisition of Assets	DFAS	DISA	✓	✓	✓	✓	TBD	TBD
SCRT	Contractual Services & Acquisition of Assets	DFAS	DISA	✓	✓	✓	✓	TBD	TBD
Powertrack / Syncada <sup>3</sup>	Contractual Services & Acquisition of Assets	U.S. Bank	U.S. Bank	TBD	TBD	TBD	TBD	TBD	TBD

## FIAR Plan Status Report

System	Assessable Unit(s)	System Owner	Hosting Organization	Information Technology General and Application Controls					
				System Owner		Hosting Organization		Army	
				Tested	Corrected	Tested	Corrected	Tested	Corrected
WAWF	Contractual Services & Acquisition of Assets	DLA	DISA	✓	✓	✓	✓	TBD	TBD
<b>Statement of Budgetary Resources – Service Provider Systems (Non-SSAE No. 16 Examinations)</b>									
AXOL	Contractual Services & Acquisition of Assets: Disbursing	U.S Bank	Army	TBD	TBD	TBD	TBD	TBD	TBD
BSM-E / FAS <sup>6</sup>	Contractual Services & Acquisition of Assets	DLA	DISA	N/A	N/A	✓	✓	TBD	TBD
BEIS: DCAS	Contractual Services & Acquisition of Assets, Civilian Pay, Reimbursable Inbound	DFAS / DLA	DISA	05/2014	06/2014	✓	✓	TBD	TBD
DDS	Contractual Services & Acquisition of Assets Disbursing, Military Pay	DFAS	Army	05/2014	06/2014	TBD	TBD	TBD	TBD
		DFAS	DFAS	05/2014	06/2014	✓	✓	TBD	TBD
GAFS - (DTS)	Transportation of People	DFAS	DISA	04/2014	06/2014	✓	✓	TBD	TBD
EFD	Funds Receipt and Distribution Management	DLA	DoD CDC	✓	11/2013	✓	11/2013	TBD	TBD
HQARS	Financial Reporting	DFAS	DISA	03/2014	06/2014	✓	✓	TBD	TBD
IATS	Contractual Services & Acquisition of Assets	DFAS	Army	03/2014	06/2014	TBD	TBD	TBD	TBD
		DFAS	DFAS	03/2014	06/2014	✓	✓	TBD	TBD
ODS	Contractual Services & Acquisition of Assets, Civilian Pay, Financial Reporting, Fund Balance with Treasury, Reimbursable Inbound	DFAS	DISA	✓	06/2014	✓	✓	TBD	TBD
SPS <sup>2</sup> /PD2	Contractual Services & Acquisition of Assets	Army	Army	TBD	TBD	TBD	TBD	TBD	TBD

## FIAR Plan Status Report

System	Assessable Unit(s)	System Owner	Hosting Organization	Information Technology General and Application Controls					
				System Owner		Hosting Organization		Army	
				Tested	Corrected	Tested	Corrected	Tested	Corrected
SRD1 <sup>5</sup>	Contractual Services & Acquisition of Assets, Military Pay	DFAS	DISA	✓	06/2014	✓	✓	TBD	TBD
STANFINS <sup>4</sup>	Military Pay	DFAS	DISA	03/2014	06/2014	✓	✓	TBD	TBD
SOMARDS <sup>4</sup>	Financial Reporting / Multiple	DFAS	DISA	03/2014	06/2014	✓	✓	TBD	TBD
<b>Mission Critical Assets Existence and Completeness - Service Provider Systems (SSAE No. 16 Examinations)</b>									
DSS	Inventory, Operating Materials and Supplies – Spares	DLA	DISA	✓	✓	✓	✓	TBD	TBD
DPAS	Existence and Completeness – Military / Other Equipment	AT&L	DISA	✓	✓	✓	✓	TBD	TBD

<sup>1</sup> DFAS retains custody of the enterprise copy of the software and completes the associated certification and accreditation.

<sup>2</sup> To be subsumed by GCSS-A (SARSS – FY 2015, PBUSE, FCM – FY 2017).

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

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

<sup>5</sup> To be subsumed by ADS in FY 2014.

<sup>6</sup> To be subsumed by Enterprise Business System (EBS) Energy Convergence (EC).

<sup>7</sup> Scheduled to convert to centralized DISA hosted DMO solution from self-hosted instances in 2014.

FIAR Plan Status Report

Figure A4-2. Systems Material to Department of the Navy Audit Readiness (✓ = Completed)

System	Assessable Units	System Owner	Hosting Organization	Information Technology General and Application Controls					
				System Owner		Hosting Organization		Department of the Navy	
				Tested	Corrected	Tested	Corrected	Tested	Corrected
<b>Statement of Budgetary Resources – Department of the Navy Systems</b>									
ASKIT	Military Standard Requisition Issue Procedure	Navy	Navy	N/A	N/A	06/2014	09/2014	08/2014	09/2014
CFMS-CNIC	Contract Vendor Pay, Funds Receipt and Disbursement, Military Standard Requisition Issue Procedure, Reimbursable Work Orders, Transportation of People	Navy	Navy	N/A	N/A	06/2014	09/2014	08/2014	09/2014
CFMS-FFC	Funds Receipt and Disbursement, Military Standard Requisition Issue Procedure, Reimbursable Work Orders, Transportation of People	Navy	Navy	N/A	N/A	06/2014	09/2014	11/2013	05/2014
CFMS-PACFLT	Funds Receipt and Disbursement, Military Standard Requisition Issue Procedure, Reimbursable Work Orders, Transportation of People	Navy	Navy	N/A	N/A	06/2014	09/2014	08/2014	09/2014
CIRCUITS	Contract Vendor Pay	Navy	Navy	N/A	N/A	06/2014	09/2014	07/2014	09/2014
CMLS	Military Standard Requisition Issue Procedure	Navy	Navy	N/A	N/A	06/2014	09/2014	08/2014	09/2014
EXMIS	Military Standard Requisition Issue Procedure	Navy	Navy	N/A	N/A	06/2014	09/2014	08/2014	09/2014

## FIAR Plan Status Report

System	Assessable Units	System Owner	Hosting Organization	Information Technology General and Application Controls					
				System Owner		Hosting Organization		Department of the Navy	
				Tested	Corrected	Tested	Corrected	Tested	Corrected
FMS-NG	Civilian Pay, Contract Vendor Pay, Fund Balance with Treasury, Funds Receipt and Disbursement, Financial Statement Compilation and Reporting, Military Standard Requisition Issue Procedure, Reimbursable Work Orders	Navy	Navy	N/A	N/A	06/2014	09/2014	03/2014	05/2014
FASTDATA	Contract Vendor Pay, Funds Receipt and Disbursement, Military Standard Requisition Issue Procedure, Reimbursable Work Orders, Transportation of People	Navy	Navy	N/A	N/A	06/2014	09/2014	03/2014	05/2014
FIS 2.0	Contract Vendor Pay, Funds Receipt and Disbursement, Reimbursable Work Orders	Navy	Navy	N/A	N/A	06/2014	09/2014	08/2014	09/2014
IMPS	Civilian Pay, Contract Vendor Pay, Fund Balance with Treasury, Financial Statement Compilation and Reporting, Funds Receipt and Disbursement, Military Standard Requisition Issue Procedure, Reimbursable Work Orders, Transportation of People	Navy	Navy	N/A	N/A	06/2014	09/2014	08/2014	09/2014
ITIMP	Contract Vendor Pay	Navy	Navy	N/A	N/A	06/2014	09/2014	07/2014	09/2014
MAJIC	Military Pay	Navy	Navy	N/A	N/A	06/2014	09/2014	02/2014	09/2014

## FIAR Plan Status Report

System	Assessable Units	System Owner	Hosting Organization	Information Technology General and Application Controls					
				System Owner		Hosting Organization		Department of the Navy	
				Tested	Corrected	Tested	Corrected	Tested	Corrected
MATMF	Military Standard Requisition Issue Procedure	Navy	Navy	N/A	N/A	06/2014	09/2014	08/2014	09/2014
NAVRIS	Contract Vendor Pay, Funds Receipt and Disbursement, Reimbursable Work Orders	Navy	Navy	N/A	N/A	06/2014	09/2014	08/2014	09/2014
NAVY ERP	Civilian Pay, Contract Vendor Pay, Fund Balance with Treasury, Financial Statement Compilation and Reporting, Funds Receipt and Disbursement, Military Standard Requisition Issue Procedure, Reimbursable Work Orders, Transportation of Things, Transportation of People	Navy	Navy	N/A	N/A	06/2014	09/2014	03/2014	09/2014
NES	Military Pay	Navy	Navy	N/A	N/A	06/2014	09/2014	08/2014	09/2014
NROWS	Transportation of People	Navy	Navy	N/A	N/A	06/2014	09/2014	08/2014	09/2014
NSIPS	Military Pay	Navy	Navy	N/A	N/A	06/2014	09/2014	01/2014	05/2014
OPINS	Military Pay	Navy	Navy	N/A	N/A	06/2014	09/2014	08/2014	09/2014
PBIS	Fund Balance with Treasury, Funds Receipt and Disbursement, Financial Statement Compilation and Reporting	Navy	Navy	N/A	N/A	06/2014	09/2014	09/2013	05/2014
PRISM	Contract Vendor Pay	Navy	Navy	N/A	N/A	06/2014	09/2014	07/2014	09/2014
RHS	Military Pay, Transportation of People	Navy	Navy	N/A	N/A	06/2014	09/2014	02/2014	09/2014

## FIAR Plan Status Report

System	Assessable Units	System Owner	Hosting Organization	Information Technology General and Application Controls					
				System Owner		Hosting Organization		Department of the Navy	
				Tested	Corrected	Tested	Corrected	Tested	Corrected
RIMS-FM	Funds Receipt and Disbursement, Military Pay, Reimbursable Work Orders, Transportation of People	Navy	Navy	N/A	N/A	06/2014	09/2014	02/2014	09/2014
RSUPPLY	Military Standard Requisition Issue Procedure	Navy	Navy	N/A	N/A	06/2014	09/2014	08/2014	09/2014
SEAPORT	Contract Vendor Pay	Navy	Navy	N/A	N/A	06/2014	09/2014	07/2014	09/2014
SLDCADA	Civilian Pay	Navy	Navy	N/A	N/A	06/2014	09/2014	✓	05/2014
SPS <sup>1</sup>	Contract Vendor Pay	Navy	Navy	N/A	N/A	06/2014	09/2014	07/2014	09/2014
SYMIS-COST	Civilian Pay, Contract Vendor Pay, Reimbursable Work Orders	Navy	Navy	N/A	N/A	06/2014	09/2014	08/2014	09/2014
<b>Mission Critical Assets Existence and Completeness – Department of Navy Systems</b>									
CIMS	Operating Materials & Supplies	Navy	Navy	N/A	N/A	06/2014	09/2014	08/2014	09/2014
CMLS	General Equipment, Operating Materials & Supplies	Navy	Navy	N/A	N/A	06/2014	09/2014	08/2014	09/2014
DECKPLATE	Military Equipment, Operating Materials & Supplies	Navy	Navy	N/A	N/A	06/2014	09/2014	08/2014	09/2014
ETIMS	Operating Materials & Supplies	Navy	Navy	N/A	N/A	06/2014	09/2014	08/2014	09/2014
EXMIS	Military Equipment	Navy	Navy	N/A	N/A	06/2014	09/2014	08/2014	09/2014
FIS 2.0	Real Property/Construction in Progress	Navy	DISA	N/A	N/A	✓	✓	08/2014	09/2014
ILSMIS	Operating Materials & Supplies	Navy	Navy	N/A	N/A	06/2014	09/2014	08/2014	09/2014
IMPS	General Equipment	Navy	Navy	N/A	N/A	06/2014	09/2014	08/2014	09/2014
INFADS	Real Property, Construction in Progress	Navy	Navy	N/A	N/A	06/2014	09/2014	08/2014	09/2014

## FIAR Plan Status Report

System	Assessable Units	System Owner	Hosting Organization	Information Technology General and Application Controls					
				System Owner		Hosting Organization		Department of the Navy	
				Tested	Corrected	Tested	Corrected	Tested	Corrected
ITAM	General Equipment	Navy	Navy	N/A	N/A	06/2014	09/2014	08/2014	09/2014
JLITE	General Equipment	Navy	Navy	N/A	N/A	06/2014	09/2014	08/2014	09/2014
KPT-IPADS	Military Equipment	Navy	Navy	N/A	N/A	06/2014	09/2014	08/2014	09/2014
MATMF	Operating Materials & Supplies	Navy	Navy	N/A	N/A	06/2014	09/2014	08/2014	09/2014
MAXIMO	General Equipment	Navy	Navy	N/A	N/A	06/2014	09/2014	08/2014	09/2014
NAVY ERP	General Equipment, Inventory, Military Equipment	Navy	Navy	N/A	N/A	06/2014	09/2014	03/2014	09/2014
OIS	Operating Materials & Supplies	Navy	Navy	N/A	N/A	06/2014	09/2014	08/2014	09/2014
REMEDY	General Equipment	Navy	Navy	N/A	N/A	06/2014	09/2014	08/2014	09/2014
RSUPPLY	Inventory	Navy	Navy	N/A	N/A	06/2014	09/2014	08/2014	09/2014
SWALIS	General Equipment, Inventory, Military Equipment	Navy	Navy	N/A	N/A	06/2014	09/2014	08/2014	09/2014
SABAR	Operating Materials & Supplies	Navy	Navy	N/A	N/A	06/2014	09/2014	08/2014	09/2014
SEMS-SERMIS	General Equipment	Navy	Navy	N/A	N/A	06/2014	09/2014	08/2014	09/2014
WASP	Military Equipment	Navy	Navy	N/A	N/A	06/2014	09/2014	08/2014	09/2014
<b>Statement of Budgetary Resources – Service Provider Systems (Non-SSAE No. 16 Examinations)</b>									
BAM	Fund Balance with Treasury, Reimbursable Work Orders	DFAS	DFAS	✓	✓	02/2014	06/2014	TBD	TBD

## FIAR Plan Status Report

System	Assessable Units	System Owner	Hosting Organization	Information Technology General and Application Controls					
				System Owner		Hosting Organization		Department of the Navy	
				Tested	Corrected	Tested	Corrected	Tested	Corrected
BEIS: DCAS	Civilian Pay, Contract Vendor Pay, Fund Balance with Treasury, Financial Statement Compilation and Reporting, Military Pay, Military Standard Requisition Issue Procedure, Permanent Change of Station, Reimbursable Work Orders, Transportation of People, Transportation of Things	DFAS / DLA	DISA	05/2014	06/2014	✓	✓	TBD	TBD
BEIS: DDRS-ICE <sup>2</sup>	Financial Statement Compilation and Reporting	DFAS / DLA	DISA	✓	12/2013	✓	✓	TBD	TBD
DOD EMALL	Military Standard Requisition Issue Procedure	DLA	DISA	✓	✓	✓	✓	TBD	TBD
EFD	Fund Balance with Treasury, Funds Receipt and Disbursement, Financial Statement Compilation and Reporting	DLA	OSD	✓	✓	✓	✓	TBD	TBD
EBS	Military Standard Requisition Issue Procedure	DLA	DISA	✓	✓	✓	✓	TBD	TBD
EDA	Contract Vendor Pay	DLA	DISA	✓	✓	✓	✓	TBD	TBD
FMD	Military Standard Requisition Issue Procedure	DLA	DISA	11/2013	12/2013	✓	✓	TBD	TBD
GAFS	Transportation of People	DFAS	DISA	04/2014	06/2014	✓	✓	TBD	TBD

## FIAR Plan Status Report

System	Assessable Units	System Owner	Hosting Organization	Information Technology General and Application Controls					
				System Owner		Hosting Organization		Department of the Navy	
				Tested	Corrected	Tested	Corrected	Tested	Corrected
ONE PAY	Military Standard Requisition Issue Procedure, Permanent Change of Station, Transportation of People, Transportation of Things	DFAS	DISA	03/2014	06/2014	✓	✓	TBD	TBD
STORES	Military Standard Requisition Issue Procedure	DLA	DISA	✓	✓	✓	✓	TBD	TBD
STARS-FL	Civilian Pay, Contract Vendor Pay, Fund Balance with Treasury, Funds Receipt and Disbursement, Financial Statement Compilation and Reporting, Military Standard Requisition Issue Procedure, Military Pay, Permanent Change of Station, Reimbursable Work Orders, Transportation of People, Transportation of Things	DFAS	DISA	03/2014	06/2014	✓	✓	TBD	TBD
STARS-HCM	Civilian Pay, Contract Vendor Pay, Fund Balance with Treasury, Funds Receipt and Disbursement, Financial Statement Compilation and Reporting, MILSTIP, Reimbursable Work Orders, Transportation of People	DFAS	DISA	03/2014	06/2014	✓	✓	TBD	TBD
VISTA	Military Standard Requisition Issue Procedure	DFAS	DISA	02/2014	06/2014	✓	✓	TBD	TBD

## FIAR Plan Status Report

System	Assessable Units	System Owner	Hosting Organization	Information Technology General and Application Controls					
				System Owner		Hosting Organization		Department of the Navy	
				Tested	Corrected	Tested	Corrected	Tested	Corrected
<b>Statement of Budgetary Resources – Service Provider Systems (SSAE No. 16 Examinations)</b>									
ADS	Civilian Pay, Contract Vendor Pay, Military Standard Requisition Issue Procedure, Permanent Change of Station, Reimbursable Work Orders, Transportation of People, Transportation of Things	DFAS	DISA	✓	✓	✓	✓	TBD	TBD
BAM (Insourcing)	Contract Vendor Pay	DFAS	DFAS	✓	✓	✓	✓	TBD	TBD
DAAS	Contract Vendor Pay, Military Standard Requisition Issue Procedure	DLA	DLA	✓	✓	✓	✓	TBD	TBD
DCPDS	Civilian Pay	DCPAS	Navy	✓	✓	06/2014	09/2014	08/2014	09/2014
DCPS	Civilian Pay, Financial Statement Compilation and Reporting	DFAS	DISA	✓	✓	✓	✓	TBD	TBD
BEIS: DDRS-AFS <sup>2</sup>	Fund Balance with Treasury, Financial Statement Compilation and Reporting	DFAS / DLA	DISA	✓	12/2013	✓	✓	TBD	TBD
BEIS: DDRS-B <sup>2</sup>	Fund Balance with Treasury, Funds Receipt and Disbursement, Financial Statement Compilation and Reporting	DFAS / DLA	DISA	✓	12/2013	✓	✓	TBD	TBD
BEIS: DDRS-DCM <sup>2</sup>	Financial Statement Compilation and Reporting	DFAS / DLA	DISA	✓	12/2013	✓	✓	TBD	TBD
DJMS-AC	Military Pay	DFAS	DISA	✓	✓	✓	✓	TBD	TBD
DJMS-RC	Military Pay	DFAS	DISA	✓	✓	✓	✓	TBD	TBD

## FIAR Plan Status Report

System	Assessable Units	System Owner	Hosting Organization	Information Technology General and Application Controls					
				System Owner		Hosting Organization		Department of the Navy	
				Tested	Corrected	Tested	Corrected	Tested	Corrected
DMO	Military Pay	DFAS	DISA	✓	✓	✓	✓	TBD	TBD
DSS	Transportation of Things	DLA	DISA	✓	✓	✓	✓	TBD	TBD
DTS	Transportation of People	DLA	Northrop Grumman	✓	✓	✓	✓	TBD	TBD
EAS	Contract Vendor Pay	DFAS	DISA	✓	✓	✓	✓	TBD	TBD
EUD-APVM	Contract Vendor Pay	DFAS	DISA	✓	✓	✓	✓	TBD	TBD
EUD-PPVM	Contract Vendor Pay	DFAS	DISA	✓	✓	✓	✓	TBD	TBD
GEX	Contract Vendor Pay, Transportation of People	DLA	DLA	✓	✓	✓	✓	TBD	TBD
eTOOLS	Contractual Services & Acquisition of Assets:	DCMA	DCMA	✓	12/2013	✓	12/2013	TBD	TBD
MOCAS	Contractual Services & Acquisition of Assets	DCMA	DISA	✓	12/2013	✓	✓	TBD	TBD
		DFAS	DISA	✓	✓	✓	✓	TBD	TBD
SCRT	Contractual Services & Acquisition of Assets	DFAS	DISA	✓	✓	✓	✓	TBD	TBD
WAWF	Civilian Pay, Contract Vendor Pay, Transportation of Things	DLA	DISA	✓	✓	✓	✓	TBD	TBD
<b>Mission Critical Assets Existence and Completeness – Service Provider Systems (SSAE No. 16 Examinations)</b>									
DAAS	General Equipment, Inventory, Operating Materials & Supplies	DLA	DLA	✓	✓	✓	✓	TBD	TBD
DSS	Inventory, Operating Materials & Supplies	DLA	DISA	✓	✓	✓	✓	02/2014	TBD
DPAS	Military Equipment, General Equipment	AT&L	DISA	✓	✓	✓	✓	TBD	TBD

## FIAR Plan Status Report

System	Assessable Units	System Owner	Hosting Organization	Information Technology General and Application Controls					
				System Owner		Hosting Organization		Department of the Navy	
				Tested	Corrected	Tested	Corrected	Tested	Corrected
<b>Mission Critical Assets Existence and Completeness – Service Provider Systems (Non-SSAE No. 16 Examinations)</b>									
LMP	Operating Materials and Supplies	Army	Army	06/2014	12/2015	06/2014	12/2015	TBD	TBD

<sup>1</sup> SPS will not be tested by System Owner

<sup>2</sup> DDRS System owned by DLA, Audit Readiness owned by DFAS

## FIAR Plan Status Report

Figure A4-3. Systems Material to Air Force Audit Readiness (✓ = Completed)

System	Assessable Unit(s)	System Owner	Hosting Organization	Information Technology General and Application Controls					
				System Owner		Hosting Organization		Air Force	
				Tested	Corrected	Tested	Corrected	Tested	Corrected
<b>Statement of Budgetary Resources – Air Force Systems</b>									
ABSS	Vendor Pay, Large Contracts, Reimbursement Budget Authority and Execution	Air Force	Air Force	N/A	N/A	03/2014	TBD	03/2014	TBD
ACPS	Contracts (Major)	Air Force	Air Force	N/A	N/A	03/2014	TBD	03/2014	TBD
AFM	Reimbursement Budget Authority and Execution, Financial Reporting, Funds Distribution to Base	Air Force	Air Force	N/A	N/A	03/2014	TBD	12/2013	TBD
AROWS	Military Pay, Travel TDY	Air Force	Air Force	N/A	N/A	12/2013	TBD	12/2013	TBD
AROWS-R	Military Pay, Travel TDY	Air Force	Air Force	N/A	N/A	12/2013	TBD	12/2013	TBD
CMOS	Vendor Pay	Air Force	DISA	N/A	N/A	✓	✓	03/2014	TBD
ConWrite	Contracts (Major)	Air Force	Air Force	N/A	N/A	03/2014	TBD	03/2014	TBD
CRIS	Major Defense Acquisition Program	Air Force	DISA	N/A	N/A	✓	✓	03/2014	TBD
DEAMS	Net Outlays, Financial Reporting	Air Force	Air Force	N/A	N/A	12/2013	TBD	12/2013	TBD
ILS-S	Reimbursement Budget Authority and Execution	Air Force	DISA	N/A	N/A	✓	✓	03/2014	TBD
JOCAS II	Reimbursement Budget Authority and Execution, Civilian Pay	Air Force	Air Force	N/A	N/A	03/2014	TBD	03/2014	TBD
MILPDS	Military Pay	Air Force	DISA	N/A	N/A	✓	✓	02/2014	TBD
PMRT	Contracts (Major)	Air Force	Air Force	N/A	N/A	03/2014	TBD	03/2014	TBD
RTS	Travel	Air Force	Air Force	N/A	N/A	12/2013	TBD	12/2013	TBD

## FIAR Plan Status Report

System	Assessable Unit(s)	System Owner	Hosting Organization	Information Technology General and Application Controls					
				System Owner		Hosting Organization		Air Force	
				Tested	Corrected	Tested	Corrected	Tested	Corrected
SAMIS	Reimbursement Budget Authority and Execution	Air Force	DISA	N/A	N/A	✓	✓	03/2014	TBD
SCS	Vendor Pay	Air Force	DISA	N/A	N/A	✓	✓	03/2014	TBD
SPS	Vendor Pay, Contracts (Major)	Air Force	Air Force	N/A	N/A	03/2014	TBD	03/2014	TBD
<b>Mission Critical Assets Existence and Completeness – Air Force Systems</b>									
ABSS	Real Property	Air Force	Air Force	N/A	N/A	03/2014	TBD	03/2014	TBD
ACES	Real Property	Air Force	DISA	N/A	N/A	✓	✓	06/2015	TBD
AFEMS	General Equipment, GFE	Air Force	Air Force	N/A	N/A	05/2015	TBD	05/2015	TBD
CAS	Munitions	Air Force	Air Force	N/A	N/A	04/2014	TBD	04/2014	TBD
CEMS (D042)	Spare Engines	Air Force	DISA	N/A	N/A	✓	✓	✓	✓
CRIS	Real Property	Air Force	DISA	N/A	N/A	✓	✓	03/2014	TBD
ILS-S	Inventory and Operating Materials and Supplies (Base Possessed)	Air Force	DISA	N/A	N/A	✓	✓	03/2014	TBD
IMDB	Uninstalled Missile Motors	Air Force	Air Force	N/A	N/A	✓	✓	✓	✓
IMDS	Spare Engines	Air Force	DISA	N/A	N/A	✓	✓	✓	✓
IWIMS	Real Property	Air Force	DISA	N/A	N/A	✓	✓	06/2015	TBD
NexGen IT	Real Property	Air Force	DISA	N/A	N/A	✓	✓	06/2015	TBD
RAMPOD	Military Equipment	Air Force	Air Force	N/A	N/A	✓	✓	✓	✓
REMIS	Military Equipment	Air Force	Air Force	N/A	N/A	03/2014	TBD	03/2014	TBD
SCS	Inventory and Operating Materials and Supplies (Base Possessed)	Air Force	DISA	N/A	N/A	✓	✓	03/2014	TBD

## FIAR Plan Status Report

System	Assessable Unit(s)	System Owner	Hosting Organization	Information Technology General and Application Controls					
				System Owner		Hosting Organization		Air Force	
				Tested	Corrected	Tested	Corrected	Tested	Corrected
<b>Statement of Budgetary Resources – Service Provider Systems (SSAE No. 16 Examinations)</b>									
BAM (Insourcing)	Contracts (Major)	DFAS	DFAS	✓	✓	✓	✓	TBD	TBD
BEIS:DDRS-AFS	Financial Reporting	DFAS / DLA	DISA	✓	12/2013	✓	✓	TBD	TBD
BEIS: DDRS-B	Financial Reporting	DFAS / DLA	DISA	✓	12/2013	✓	✓	TBD	TBD
BEIS: DDRS-DCM	Financial Reporting	DFAS / DLA	DISA	✓	12/2013	✓	✓	TBD	TBD
DJMS-AC	Military Pay	DFAS	DISA	✓	✓	✓	✓	✓	TBD
DJMS-RC	Military Pay	DFAS	DISA	✓	✓	✓	✓	✓	TBD
DMO	Military Pay	DFAS	DISA	✓	✓	✓	✓	✓	TBD
			Air Force	✓	✓	✓	TBD	✓	TBD
DCPDS	Civilian Pay	DCPAS	DCPAS	✓	✓	02/2014	TBD	02/2014	TBD
DCPS	Civilian Pay, Disbursing	DFAS	DISA	✓	✓	✓	✓	02/2014	TBD
ADS	Civilian Pay	DFAS	DISA	✓	✓	✓	✓	02/2014	TBD
EAS	Contracts (Major)	DFAS	DISA	✓	✓	✓	✓	TBD	TBD
eTools	Contracts (Major)	DCMA	DCMA	✓	12/2013	✓	12/2013	TBD	TBD
MOCAS	Contracts (Major)	DCMA	DISA	✓	12/2013	✓	✓	TBD	TBD
		DFAS	DISA	✓	✓	✓	✓	TBD	TBD
DTS	Travel	DLA	Northrop Grumman	✓	✓	✓	✓	TBD	TBD
DAAS	Vendor Pay, Supply Requisition (MILSTRIP)	DLA	DLA	✓	✓	✓	✓	TBD	TBD
GEX	Vendor Pay, Contracts (Major)	DLA	DLA	✓	✓	✓	✓	TBD	TBD

## FIAR Plan Status Report

System	Assessable Unit(s)	System Owner	Hosting Organization	Information Technology General and Application Controls					
				System Owner		Hosting Organization		Air Force	
				Tested	Corrected	Tested	Corrected	Tested	Corrected
WAWF	Vendor Pay, Contracts (Major)	DLA	DISA	✓	✓	✓	✓	TBD	TBD
EUD (APVM)	Contracts (Major)	DFAS	DISA	✓	✓	✓	✓	TBD	TBD
EUD (PPVM)	Contracts (Major)	DFAS	DISA	✓	✓	✓	✓	TBD	TBD
SCRT	Contracts (Major)	DFAS	DISA	✓	✓	✓	✓	TBD	TBD
<b>Statement of Budgetary Resources – Service Provider Systems (Non-SSAE No. 16 Examinations)</b>									
ATAAPS	Civilian Pay	DISA	DISA	02/2014	TBD	✓	✓	02/2014	TBD
GAFS-R: All Modules	Financial Reporting	DFAS	DISA	04/2014	06/2014	✓	✓	TBD	TBD
IAPS	Vendor Pay	DFAS	DISA	01/2014	06/2014	✓	✓	TBD	TBD
CDS: ADS-3801	Net Outlays	DFAS	DISA	03/2014	06/2014	✓	✓	TBD	TBD
BEIS: DCAS	Net Outlays, Fund Balance with Treasury	DFAS / DLA	DISA	05/2014	06/2014	✓	✓	TBD	TBD
DCMS	Financial Reporting	DFAS	DISA	03/2014	05/2014	✓	✓	TBD	TBD
DIFS	Vendor Pay	DFAS	DISA	04/2014	06/2014	✓	✓	TBD	TBD
DoD EMALL	MILSTRIP	DLA	DISA	✓	✓	✓	✓	TBD	TBD
DPS	Vendor Pay	USTC	TBD	TBD	TBD	TBD	TBD	TBD	TBD
STORES	MILSTRIP	DLA	DISA	✓	✓	✓	✓	TBD	TBD
EDA	Vendor Pay, Contracts (Major)	DLA	DISA	✓	✓	✓	✓	TBD	TBD

## FIAR Plan Status Report

System	Assessable Unit(s)	System Owner	Hosting Organization	Information Technology General and Application Controls					
				System Owner		Hosting Organization		Air Force	
				Tested	Corrected	Tested	Corrected	Tested	Corrected
<b>Mission Critical Assets Existence and Completeness – Service Provider Systems (SSAE No. 16 Examinations)</b>									
DSS	Inventory, Operating Materials and Supplies – Spares	DLA	DISA	✓	✓	✓	✓	TBD	TBD
<b>Mission Critical Assets Existence and Completeness – Service Provider Systems (Non-SSAE No. 16 Examinations)</b>									
FIS 2.0	Military Construction	Navy	Navy	08/2014	09/2014	06/2014	09/2014	TBD	TBD
LMP	Operating Materials and Supplies – Munitions	Army	Army	06/2014	12/2015	06/2014	12/2015	TBD	TBD
CEFMS	Real Property	Army	Army	✓	✓	✓	✓	N/A	N/A

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## Appendix 5. FIAR Milestones Defined

The FIAR Methodology and FIAR Guidance prescribe a step-by-step, phased approach (FIAR Phases) to ensure DoD Component audit readiness efforts are effective, efficient, and complete. Standard milestones in the Components’ Financial Improvement Plans (FIPs) represent the FIAR Phases and facilitate reviewing and coordinating FIAR activities across the Department. In addition, standard milestones enable the Department to better monitor and report progress.

To assist the reader of this report, this appendix defines the standard milestones used in the Military Department, Other Defense Organization, and Service Provider sections. Although the standard milestones within each section are consistent, each section has a different set of standard milestones. The following three subsections define the standard milestones for each section of this report.

### MILITARY DEPARTMENT MILESTONES

The milestones defined in this section are used in the Department of the Army, Department of the Navy, and Department of the Air Force sections of this report. Figure A5-1 is an example of a Military Department milestone table, containing seven milestones. Three milestones coincide with the FIAR phases:

- Discovery
- Complete Corrective Actions/Assert
- Audit Readiness Validated

The Discovery phase consists of four essential steps/milestones:

- Process Documentation
- Test Plans
- Conduct Control Testing
- Conduct Balance Testing

Figure A5-1. Example of a Military Department Milestone Table

FIAR Phases	Completion
Discovery	12/2013
Process Documentation	✓
Test Plans	✓
Conduct Control Testing	12/2013
Conduct Balance Testing	12/2013
Complete Corrective Actions/Assert	03/2014
<b>Audit Readiness Validated</b>	<b>09/2014</b>

The FIAR activity performed in each of the FIAR phases and Discovery steps (milestones) is provided below. During the Discovery phase for existence and completeness of mission critical assets, the “Conduct Balance Testing” milestone is not included, as explained in the definition of that milestone.

**Discovery.** Components document business processes and financial environment; define and prioritize processes into assessable units, and assess risks; define financial reporting objectives and control activities; test the design and operational effectiveness of control activities; evaluate the sufficiency and accuracy of key supporting documents (KSDs); identify any weaknesses or deficiencies; and submit annual Internal Controls over Financial Reporting (ICOFR) Statement of Assurance.

**Process Documentation.** An element of the Discovery phase, the Component identifies and documents processes, risks, controls, and systems, and defines financial reporting objectives and control activities that impact financial reporting.

**Test Plans.** Also an element of the Discovery phase, the Component develops and prioritizes test plans for conducting control testing and balance testing.

**Conduct Control Testing.** As an element of Discovery, the Component tests the design and operational effectiveness of control

## FIAR Plan Status Report

activities, evaluates the sufficiency and accuracy of KSDs, and identifies weaknesses or deficiencies. This milestone is different for existence and completeness of mission critical asset assessable units, where it is titled Conduct Control and Key Supporting Documentation Testing, because during control testing, the Components are also reviewing and ensuring the availability of key supporting documents.

**Conduct Balance Testing.** During Discovery, the Component also tests balances to the individual transactions within the balances reported at various levels in the financial reporting process to include those reported on financial statements. This step/milestone is not performed during existence and completeness FIAR activity, because asset balances in dollars reflected in the financial statements have not been corrected and validated as audit ready.

**Complete Corrective Actions/Assert.** The Component defines and designs audit readiness environment, to include requirements for remediating deficiencies in internal controls and supporting documentation; develops corrective action plans (CAPs) to resolve each deficiency identified during the Discovery phase; develops budget estimates of required resources (i.e., funding and staffing) to execute CAPs; executes CAPs and performs procedures to verify that CAPs have successfully remediated the deficiencies; and notifies the OUSD(C) that it is ready for an examination of its assessable unit.

The FIAR Directorate evaluates the Component’s documentation to determine the state of audit readiness; provides feedback to the Component on its status of audit readiness; and engages an auditor to perform an examination of the Component’s audit readiness assertion. The auditor identifies deficiencies, if any exist; and the Component evaluates the nature and extent of deficiencies noted and implements corrective actions to remediate deficiencies. The Component performs procedures to verify that corrective actions successfully remediated the auditor identified deficiencies.

**Audit Readiness Validated.** The Component submits the auditor’s examination report and additional documentation demonstrating successful remediation of auditor identified deficiencies to the OUSD(C)/FIAR Directorate and DoD OIG. The FIAR Directorate

reviews the examination report and additional documentation supporting successful remediation of deficiencies, and determines the Component’s audit readiness state.

## OTHER DEFENSE ORGANIZATION MILESTONES

The Other Defense Organizations (ODOs) follow the same FIAR guidance as the Military Departments and execute the same FIAR phases. However, the milestones in the ODO section of this report differ to simplify the reporting process. Each ODO identifies the assessable units applicable to its operations and provides milestone dates for “Tested,” “Corrected,” and “SBR Assertion.” Each milestone is defined below Figure A5-2, which is an example ODO milestone table.

**Figure A5-2. Example of an ODO Milestone Table**

Assessable Units	Tested	Corrected
Appropriations Received	✓	
Fund Balance with Treasury	✓	✓
Financial Reporting	12/2013	06/2014
Other Budgetary Activity	01/2014	07/2014
<b>SBR Assertion</b>	<b>01/2014</b>	<b>07/2014</b>

**Tested.** The date the ODO plans to complete the Discovery phase.

**Corrected.** The date the ODO plans to complete corrective actions to resolve the deficiencies identified in the Discovery phase.

**SBR Assertion.** The date ODO management believes it will have corrected all deficiencies, conducted any needed retesting, achieved audit readiness, and submitted an assertion to the OUSD(C).

If the SBR Assertion milestone is changed or missed, the ODO provides additional information that is included in the report explaining why the milestone was changed or missed.

## SERVICE PROVIDER MILESTONES

The Department’s service providers are organizations that provide services to the DoD Components that impact their financial reporting (e.g., Defense Finance and Accounting Service). Service providers report milestones for supporting their customer Components and for FIAR activities that culminate in achieving successful SSAE No. 16 examinations. Each of the milestones is defined after Figure A5-3, which is an example service provider milestone table.

**Figure A5-3. Example of a Service Provider Milestone Table**

Milestones	Completion
Scope and Timeline Defined and Communicated	✓
Controls Documented	✓
Controls Tested	✓
Corrective Actions Completed	✓
Component Assertion Support	12/2013
Assertion	12/2013
<b>Audit Readiness Validated</b>	<b>06/2014</b>

**Scope and Timeline Defined and Communicated.** Service providers determine the scope of the processes they perform that impact Component financial reporting and develop and communicate/

coordinate an audit readiness timeline and plans for conducting an SSAE No. 16 examination.

**Controls Documented.** Service providers identify and document controls.

**Controls Tested.** Service providers test the design and operational effectiveness of control activities, evaluate the sufficiency and accuracy of KSDs, and identify weaknesses or deficiencies.

**Corrective Actions Completed.** Service providers define, design, and implement an audit readiness environment; document and implement solutions to resolve each deficiency identified during control testing; execute corrective action plans to remediate identified deficiencies; and perform procedures to verify that corrective actions were successfully implemented.

**Assertion.** Service provider management asserts that corrective actions have been completed and that they believe the process is audit ready.

**Audit Readiness Validated.** The DoD OIG or an IPA performs an SSAE No. 16 examination, validating management’s assertion.

If the “Audit Readiness Asserted” milestone is changed or missed, the service provider furnishes additional information that is included in the report explaining why the milestone was changed or missed.

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## Appendix 6. HASC Panel on Defense Financial Management and Auditability Reform Recommendations

The House Armed Services Committee (HASC) Panel on Defense Financial Management and Auditability Reform (Panel) concluded its review of the DoD financial management and audit readiness activity on January 24, 2012. The review was initiated to oversee the Department's capacity for providing timely, reliable, and useful information for decision-making and reporting. The six-month HASC Panel review included holding eight hearings that covered a broad range of DoD financial management issues, with representatives from the Defense Department, Government Accountability Office (GAO), and the private sector.

Upon the conclusion of the review, the HASC Panel issued a report summarizing its findings and providing recommendations to the Department. The report and recommendations were divided into four categories:

- Financial Management and Audit Readiness Strategy and Methodology
- Challenges to Achieving Financial Management Reform and Auditability
- Financial Management Workforce
- Enterprise Resource Planning (ERP) System Implementation Efforts

In the May 2012 FIAR Plan Status Report, the Department provided the status and plans for implementing each HASC Panel recommendation. In June 2013, the GAO initiated a review of the Department's status and has been meeting with various elements of the Office of the Secretary of Defense and the DoD Components responsible for the areas addressed in the recommendations. At this time, the GAO review is ongoing, and the Department is not aware of the GAO's findings. Nevertheless, the Department updated the information that was provided in the May 2012 report and the information provided to the GAO in June 2013. Figure A6-1 lists the HASC Panel recommendations and the status of DoD actions and plans for each recommendation.

## FIAR Plan Status Report

Figure A6-1. DoD Actions on HASC Panel on Defense Financial Management and Reform Recommendations

HASC Panel Recommendations		Status	DoD Actions Taken and Planned
<b>FIAR STRATEGY AND METHODOLOGY</b>			
1.1	The Department's FIAR strategy for Wave 4 (Full Audit Except for Legacy Asset Valuation) should include a complete analysis of interdependencies among Waves 1 – 3 and Wave 4.	Ongoing	The interdependencies between Wave 4 and Waves 1 – 3 were addressed in the December 2011 update to the FIAR Guidance. The Department updated the FIAR Guidance detailing the specific steps and FIAR activity for completing Wave 4 and identified other interdependencies. The revised FIAR Guidance was issued November 6, 2013, and will continue to be updated, as needed, as the Department progresses to full audit readiness.
1.2	The Department should establish a DoD Financial Reporting element, or wave, that includes a process for consolidating the components' financial information into the DoD's agency-wide financial statements. The Department should report this element's audit readiness progress in the FIAR Plan Status Report.	Complete	The Department established a Financial Reporting assessable unit within Wave 2 that is contained in each of the Components' financial improvement plans. In addition, DFAS, as the financial reporting service provider, has completed FIAR activity, and an SSAE No. 16 examination will be conducted during FY 2014 of their financial reporting processes and system, DDRS. The SSAE No. 16 examination validating financial reporting audit readiness is planned to be completed by September 2014.

## FIAR Plan Status Report

HASC Panel Recommendations		Status	DoD Actions Taken and Planned
1.3	The DoD should re-evaluate its position on accepting historical asset costs when the Department nears auditability on its financial statements in light of certain allowances in federal accounting standards. The findings of a re-evaluation may support the development of an audit readiness strategy for valuing legacy asset balances.	Complete	On September 20, 2013, the OUSD(AT&L) and OUSD(C) jointly issued a DoD-wide policy memorandum requiring the valuation of assets for financial statement reporting purposes, along with the appropriate implementation guidance. Additional guidance was included in the revised FIAR Guidance issued to the Components on November 6, 2013.
1.4	The Department should: (1) analyze the causes of FIAR Plan implementation difficulties; (2) develop and implement corrective action plans to address identified weaknesses or deficiencies; and (3) develop a communications plan to circulate any resulting lessons-learned throughout the Department.	Ongoing	<p>The OUSD(C) FIAR Directorate routinely analyzes Component progress in meeting milestones and compliance with FIAR Guidance. The FIAR Directorate also is taking a more hands-on approach and helping Components overcome implementation difficulties, weaknesses, and deficiencies by reviewing and evaluating FIAR work products (e.g., test plans), conducting mock audits, and identifying dealbreakers that prevent audit readiness and ensuring they are adequately addressed.</p> <p>In addition to communicating lessons learned at FIAR Governance Board, FIAR Committee, and FIAR Subcommittee meetings, the FIAR Directorate and the Components are using various methods and forums to communicate and share lessons learned and best practices (e.g., online portals, newsletters, In-Process Reviews, conferences, and town hall meetings).</p>

## FIAR Plan Status Report

HASC Panel Recommendations		Status	DoD Actions Taken and Planned
1.5	The Under Secretary of Defense (Comptroller) (USD(C)), in consultation with the Deputy Chief Management Officer (DCMO) of the Department of Defense, the secretaries of the military departments, and the heads of the defense agencies and field activities, should incorporate risk mitigation plans to support the meeting of future interim milestones in the FIAR Plan.	Ongoing	<p>Risk mitigation is an ongoing activity within the Department's FIAR activities. Risks are immediately communicated and addressed, precluding the requirement for formal risk mitigation plans. Section IX of this report identifies the Department's major challenges to achieving audit readiness and actions to mitigate those risks.</p> <p>Furthermore, the FIAR initiative and its governance structure, strategy, policies, and reporting were designed with embedded risk management processes that identify, remediate, and monitor areas of risk to success. Common risk management activities are occurring and are effectively identifying and managing risks.</p> <p>The Department's approach highlights eight broad risk categories and identifies general mitigation measures that the Components further define and tailor to support their individual execution plans.</p>
1.6	The FIAR Governance Board should attest to whether the DoD is on track to achieve audit readiness in 2017 in each FIAR Plan Status Report.	Ongoing	<p>The FIAR Plan Status Report is coordinated with the FIAR Governance Board members prior to issuance, providing each member with the opportunity to formally attest to the accuracy and completeness of content and determine if their Component is on track to achieve audit readiness in 2017.</p> <p>In addition, the FIAR Report includes Military Department Chief Management Officer (signed) messages highlighting progress and challenges, and indicating whether their Department is on track to achieve audit readiness by September 30, 2017.</p>

## FIAR Plan Status Report

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HASC Panel Recommendations		Status	DoD Actions Taken and Planned
1.7	The House Armed Services Committee (or appropriate subcommittees) should conduct regular hearings and staff briefings to further monitor the progress of the DoD's FIAR efforts.	No Action Required	The Department agrees with this recommendation. The hearings and staff briefings have helped to maintain the emphasis on and momentum to achieve audit readiness.

## FIAR Plan Status Report

HASC Panel Recommendation	Status	DoD Actions Taken and Planned
<b>CHALLENGES TO ACHIEVING FINANCIAL MANAGEMENT REFORM AND AUDITABILITY</b>		
2.1	<p>The Department should include objective and measurable criteria regarding FIAR-related goals in its senior personnel performance plans and evaluations. Performance evaluated on the basis of such criteria should be appropriately rewarded or held accountable. Evaluated performances should be documented and tracked to measure progress over time.</p>	<p>Ongoing</p> <p>On April 9, 2013, the Deputy Secretary of Defense issued a memorandum stating, “most, if not all, DoD executives play a role in the Department achieving audit readiness” and requiring all SES Performance Plans to be updated by April 30, 2013, to include one of two specific performance requirements, depending on the SES member’s management responsibilities and impact on audit readiness.</p> <p>The memorandum also included a waiver from this requirement if an SES member does not manage resources or business processes and does not have a role in achieving audit readiness. Waivers require endorsement by the SES member’s rating official and approval by persons designated by Service Under Secretaries or the Office of the Secretary of Defense Director of Administration and Management.</p>
2.2	<p>To improve oversight of the FIAR effort, the Department should require each DoD component senior executive committee to review its corresponding component’s audit readiness assertion packages for compliance with the FIAR Guidance prior to submission of those packages to the OUSD(C) for validation.</p>	<p>No Action Required</p> <p>The FIAR Guidance requires audit readiness management assertions be signed by the person, individual, or representative of the organization responsible for the subject matter. This level of review and approval is appropriate.</p>

## FIAR Plan Status Report

HASC Panel Recommendation		Status	DoD Actions Taken and Planned
2.3	The Department should develop comprehensive corrective action plans to address existing material weaknesses and those identified during the FIAR effort.	Ongoing	All known material weaknesses and those identified during FIAR discovery work are addressed in Component financial improvement plans, which include corrective actions in accordance with the FIAR Guidance.
2.4	To reduce improper payments, the Department should re-evaluate its methodology for identifying and reporting improper payments.	Complete	<p>The Department implemented changes in the identification and reporting of improper payments. Specifically, improper payment estimates for commercial pay will now include statistical sampling results, combined with the actual verified improper payments reported from other than statistical random samples, similar to the process used in Military Pay and Civilian Pay.</p> <p>For FY 2014, sampling will include stratification by invoice dollar amount. This will meet the required confidence interval around the dollar amount of errors reported in addition to the percentage of errors reported. The Department's progress toward audit readiness will further reinforce public confidence in the Improper Payments program and in our stewardship of taxpayer dollars.</p>

## FIAR Plan Status Report

HASC Panel Recommendation		Status	DoD Actions Taken and Planned
2.5	<p>To reduce Anti-Deficiency Act violations, the Department should:</p> <ul style="list-style-type: none"> <li>• Perform an analysis of the causes for its ADA violations and then develop and implement procedures to address identified causes.</li> <li>• Ensure that key funds control personnel are adequately trained to prevent, detect, and report ADA violations.</li> </ul>	Complete	<p>The USD(C)/CFO and Deputy CFO meet with the Military Department Financial Management and Comptrollers on a regular basis to discuss ADA investigations. Analysis of and corrective actions for ADA violations are performed at the Component-level, while the DoD Financial Management Regulations (DoD FMR) provide the overarching Department-level policy governing administrative control of funds and ADA violations.</p> <p>The Department made changes to the DoD FMR that now require key fund control personnel and ADA investigators to take appropriation law refresher courses every three years vice five years, so they can better fulfill their responsibilities to prevent, identify, and report potential ADA violations. Such training requirements will ensure funds control personnel and investigators are properly trained in the areas that assist them in establishing, reviewing, and maintaining effective administrative controls over appropriations and funds.</p>
2.6	<p>To reduce problem disbursements, the Department should address the underlying causes of problem disbursements in its efforts to develop and implement ERPs.</p>	Ongoing	<p>In an effort to reduce problem disbursements in the ERP environment, processes are routinely reviewed to identify and eliminate future occurrences. DFAS and its customers have collaborated using Lean 6 methodologies and working groups to map processes, identify business process issues and system challenges, and share user knowledge.</p> <p>Based on detailed analysis and collaboration, business processes are being redesigned and system change requests are being submitted as required in order to address the root causes, thereby reducing future occurrences of the problems. Since all</p>

## FIAR Plan Status Report

HASC Panel Recommendation		Status	DoD Actions Taken and Planned
			system challenges identified are not within the scope of the ERPs alone, the Department is working across the breadth of the DoD enterprise to effect system changes.
2.7	The Department should identify and institutionalize best practices, as applicable, throughout the DoD to reinforce the full engagement of those functional communities outside of the financial management community in audit readiness efforts.	Ongoing	The FIAR Governance Board, FIAR Committee, and FIAR Subcommittee meetings are attended by representatives of the functional communities. Best practices that should be institutionalized are discussed at these meetings. If additional action is required to institutionalize such best practices, the ODCMO or Offices of the Principal Staff Assistants, such as the Office of the Under Secretary of Defense (Acquisition, Technology and Logistics), take responsibility for such action.
2.8	The Department should develop a forum in which the military commands can share lessons learned from their respective audit readiness efforts.	Ongoing	Lessons learned are routinely shared at FIAR Committee and Subcommittee meetings, and Component representatives share those lessons within their commands. In addition, each Military Department conducts regularly scheduled meetings and other forums (e.g., Army Quarterly In-Process Reviews, annual Navy FIP Conference, and Air Force Audit Readiness Summit) that are attended by command representatives and where lessons learned are presented and shared.

## FIAR Plan Status Report

HASC Panel Recommendation		Status	DoD Actions Taken and Planned
2.9	The DoD Comptroller should include milestones along with the status of DoD financial service provider efforts to achieve effective controls over the major processes that affect DoD customers in the FIAR Plan Status Reports. These milestones should be consistent with the customer organizations' audit readiness milestones.	Ongoing	The OUSD(C) and FIAR Guidance require service providers to execute standard, consistent steps and milestones in support of their customers' efforts to achieve audit readiness. Service provider FIAR status and milestones, first included in the May 2012 FIAR Plan Status Report, have been reported in each Report since May 2012 and will be included until audit readiness is achieved. (See Section VII of this report.)

## FIAR Plan Status Report

HASC Panel Recommendation	Status	DoD Actions Taken and Planned
<b>FINANCIAL MANAGEMENT WORKFORCE</b>		
<p>3.1 The Department should assess its financial management workforce and that of all other functional areas performing financial management-related functions regarding:</p> <p>(1) critical skills and competencies of the existing civilian employee workforce; (2) critical skills and competencies that may be needed over the next decade; (3) gaps between current requirements and existing workforce competencies; and (4) gaps between projected requirements and existing workforce competencies. The assessment should include federal civilian, military, and contracted personnel performing financial management-related functions.</p>	Ongoing	<p>The OUSD(P&amp;R) is deploying an enterprise-level competency assessment tool in Quarter 1 of FY 2014. The Defense Competency Assessment Tool (DCAT) will be used by the Financial Management (FM) workforce to assess competency gaps. A stratified random sample of FM civilian employees will be invited to participate in a competency assessment survey during the period of December 2-20, 2013. The following mission critical series will be assessed: 0501 Financial Administration and Program; 0510 Accounting; 0511 Auditing; and 0560 Budget Analysis.</p> <p>DCAT will provide a consistent methodology across the Department. The FM Community expects DCAT to furnish leadership with workforce data that will assist in identifying competency gaps for the current and future FM workforce. The competency gap assessment will also be used to prepare employee development plans, however, this will not be possible for all FM employees, as the survey is a stratified random sample and only selected employees will have assessment results for their Individual Development Plans (IDPs).</p> <p>The OUSD(P&amp;R) expects the following outcomes through DCAT: (1) Validate enterprise civilian occupational competency models, (2) Conduct employee and supervisor assessments of current and target proficiency levels, (3) Identify DoD-wide employee competency gaps, (4) Provide baseline results of Mission Critical Occupations (MCO) assessments, and (5) Inform strategies to</p>

## FIAR Plan Status Report

HASC Panel Recommendation		Status	DoD Actions Taken and Planned
			<p>close competency gaps for the Strategic Workforce Plan (SWP) that is provided to Congress. The tool will also address criticality, frequency, difficulty, and differentiation of FM MCO competencies.</p> <p>The initial version of DCAT interfaces only with DCPDS and therefore will not include a competency assessment of non-MCOs, military, and contractor personnel competencies. The OUSD(P&amp;R) anticipates the next version of DCAT will address the assessment of non-MCOs and military personnel.</p> <p>Phased implementation of the FM Program, which began in the summer of 2013, is scheduled to be at full implementation by late FY 2014. The FM Program will contribute to closing competency gaps in FM and will identify leadership training requirements.</p>
3.2	The Department should utilize the expertise of CPAs with financial statement audit experience in its audit readiness efforts as conducted by the federal civilian workforce or contracted personnel, as appropriate.	Ongoing	The Department will continue to hire CPAs to fill appropriate government positions and has had significant independent public accountant (IPA) firm contract support throughout the Components, as well as in the OUSD(C). Contracts with the IPAs to support FIAR efforts are planned to continue until the FIAR goals are achieved.
3.3	The Department should develop and implement effective financial training programs for personnel serving in functional communities outside of the financial management community.	Ongoing	Phased implementation of the DoD Financial Management Certificate Program began in July 2013. The policy for the DoD Financial Management Certification Program, Directive-Type-Memorandum, (DTM-13-004 "Operation of the DoD Financial Management Certification Program") was signed on March 22, 2013, and the DoD Instruction is in final coordination. On

## FIAR Plan Status Report

HASC Panel Recommendation	Status	DoD Actions Taken and Planned
		<p>September 23, 2013, the OUSD(C) will provide the 10 National Level Union representatives an FM Certification Overview that will include the new policy changes. Coordination will continue with the national and local level unions. Provided there are no major issues, completion of union coordination is expected by the end of November 2013.</p> <p>The policy of the FM Certification Program is specifically inclusive of DoD personnel who may not be coded in FM occupational series or specialties. The policy for the program provides the DoD Components with the authority to include non-financial management personnel in the DoD Financial Management Certification Program.</p> <p>The Financial Management Certification Program concluded a successful pilot in March 2013 and began phased implementation in May 2013. As of September 20, 2013, approximately 1,000 FM personnel have been inducted in the program. Full implementation will occur no later than July 2014.</p> <p>On or before December 31, 2013, all web-based courses developed by the OUSD(C) in support of the FM Certification Program will be made accessible via FM Online to personnel outside the FM workforce (e.g., human resources, logistics, acquisition, and IT career fields). Additionally, the OUSD(C)FIAR and OUSD(C)FWM collaborated on the development of two, two hour web-based courses for the Manager's Internal Control Program, available now via the FM Learning Management System.</p>

## FIAR Plan Status Report

HASC Panel Recommendation	Status	DoD Actions Taken and Planned
<p>3.4 The Department should develop and implement effective ERP training programs for personnel within and outside of the financial management community who utilize, or will be expected to utilize, an ERP system in their day-to-day operations. In developing these training programs, the Department should implement lessons learned from previous training provided to ERP users.</p>	<p>Ongoing</p>	<p>The USD(C)/CFO agrees that a Department-wide framework is needed to prioritize training at various points throughout one's financial management career. Toward that end, a three-tiered Financial Management Certification Program has been implemented emphasizing audit readiness and analytical competencies.</p> <p>While the certification program establishes foundational competencies for the financial management workforce, the ERP end-to-end processes are not performed solely by that community. To ensure all personnel who may influence or perform these processes are competent and comprehend their roles in auditability, each ERP program has implemented extensive training that leverages lessons learned, as well as new training methods and tools that include simulation, collaboration, social media, and learning portals. Web-based and instructor led training provide hands-on and interactive exercises that are geared toward learning the fundamentals and reengineered business processes. The ERP program offices monitor the effectiveness of the training, through feedback mechanisms such as course surveys, and are continually implementing improvements. In addition, the Components are institutionalizing ERP system use within specialized skill and technical training programs at their schools.</p>

## FIAR Plan Status Report

HASC Panel Recommendation	Status	DoD Actions Taken and Planned
<p>3.5 The Department should develop its proposal for an exchange program between the DOD and the private sector. In doing so, the Department should develop specific criteria, regarding the personnel to be exchanged and the organizations that would participate. The Department should then submit its proposal to the congressional committees of jurisdiction for consideration.</p>	Ongoing	The Department developed proposed legislation to establish a Pilot Financial Management Personnel Exchange Program between the Department of Defense and Private Industry. The proposal has been submitted to the Office of Management and Budget to be included in the proposed FY 2014 National Defense Authorization Act.

## FIAR Plan Status Report

HASC Panel Recommendation	Status	DoD Actions Taken and Planned
<b>ERP SYSTEM IMPLEMENTATION EFFORTS</b>		
4.1	<p>The Department should include additional details on ERP programs in the FIAR Plan Status Reports, including full deployment dates, when known, and key milestone dates. These status reports should describe the risks and potential consequences of: (1) failing to satisfy outstanding ERP functionality requirements; or (2) incurring future ERP milestone delays. The status reports should describe the mitigation measures taken by the Department to reduce these risks. The status reports should also explain any actual schedule slippages or cost increases and the actions taken by the DOD to remedy any such development.</p>	<p>Ongoing</p> <p>The Deputy Chief Financial Officer (DCFO) and DoD Deputy Chief Management Officer (DCMO) agreed that FIAR Plan Status Reports should include more detail on the ERP programs to assist in the evaluation of progress toward auditability and timely implementation of corrective measures, and to increase confidence in the management of these investments. Accordingly, beginning with the November 2012 FIAR Plan Status Report, an ERP section was included. Section VIII of this report provides updated information on the ERPs.</p> <p>The Department is taking a data-driven approach to manage Defense business systems as portfolios of investments. It is the Department's goal to leverage and aggregate data from authoritative data sources and tools used by the Planning, Programming, Budgeting, and Execution (PPBE), acquisition, and funds certification processes to track and manage the overall performance of portfolios to include ERPs.</p>
4.2	<p>The ERP program offices should integrate FIAR milestones into their program schedules. ERP program managers should be evaluated on their ability to maintain FIAR milestones as well as program acquisition-related milestones.</p>	<p>Ongoing</p> <p>The OUSD(C) developed a methodology for incorporating audit readiness requirements in Investment Decision Memorandums (IDM) and Acquisition Decision Memorandums (ADM) processes for financial systems.</p> <p>During the IDM process, if systems impact financial reporting, the Office of the DCFO (ODCFO) provides input on each IDM approval. The approval decision for each IDM is contingent on the Component demonstrating that audit readiness and related</p>

## FIAR Plan Status Report

HASC Panel Recommendation	Status	DoD Actions Taken and Planned
		<p>compliance considerations have been incorporated into the work products for each relevant system and associated capability.</p> <p>ADMs represent important checkpoints in the lifecycle of DoD systems and are critical to ensuring the expected outcomes are realized. For those systems that impact financial reporting, the ODCFO provides input for each ADM approval at each Business Capability Lifecycle milestone, as shown below:</p> <ul style="list-style-type: none"> <li>• Prior to Milestone A – The Component must demonstrate the proposed solution capability will deliver a sustainable audit-ready environment.</li> <li>• Prior to Milestone B – The Component must demonstrate the solution design addresses the requirements for delivering a sustainable audit-ready environment.</li> <li>• Prior to Milestone C – The Component must demonstrate the configured solution addresses the requirements for delivering a sustainable audit-ready environment.</li> <li>• Prior to the Full Deployment Decision (FDD) – The Component must demonstrate the partially fielded solution addresses the requirements for delivering a sustainable audit-ready environment through an IPA or independent assessment and evaluation of the capability against the criteria established prior to Milestone A.</li> </ul>

## FIAR Plan Status Report

HASC Panel Recommendation		Status	DoD Actions Taken and Planned
4.3	The Department should develop ERP-related schedule and cost estimates based on best practices for future ERP deployments.	Ongoing	<p>The Department agrees that better methods are needed for estimating ERP implementation cost estimates and schedules. However, experience with these programs over the past 10 years, coupled with industry best practices, have helped shape the strategies that are now being used in the management and oversight of ERP Implementations, including:</p> <ul style="list-style-type: none"> <li>• Increasing discipline in requirements management</li> <li>• Reengineering business processes before focusing on material solutions</li> <li>• Mandating affordability as a requirement and developing “should-cost” targets using sound estimating techniques based on bottom-up assessments of what programs should cost if reasonable efficiency and productivity enhancement efforts are undertaken</li> <li>• Reducing customizations to commercial software</li> <li>• Sustaining leadership involvement throughout the lifecycle</li> <li>• Emphasizing organizational change management to ensure end users understand the impact to their jobs</li> <li>• Shifting the Business Enterprise Architecture’s framework to end-to-end processes to better guide and constrain ERP development and interoperability</li> <li>• Expanding government’s role for systems integration</li> <li>• Leveraging flexible contract approaches to best meet the needs of the project phase based on risk</li> </ul>

## FIAR Plan Status Report

HASC Panel Recommendation		Status	DoD Actions Taken and Planned
			<ul style="list-style-type: none"> <li>• Measuring business performance consistently to assess ERP impacts</li> <li>• Driving improvement through acquisition decisions</li> <li>• Incorporating portfolio management methods to make the right investment decisions</li> </ul>
4.4	The Department should evaluate changes to ERP requirements as those systems are developed, implemented, and utilized.	Ongoing	<p>The Department agrees that ERP requirements must be managed throughout the development lifecycle, both within the program and through oversight. (See Recommendation 4.3 on leveraging best practices for requirements management.)</p> <p>Each ERP program and “owning” Component has experienced project scope creep and user-specific requirements that have driven cost and schedule challenges. The lesson learned has been to strengthen management discipline through change control boards and engaged knowledgeable senior-leader steering groups. In addition, the Milestone Decision Authority (MDA), as part of the major automated information system acquisition and investment review processes, monitors the programs at a macro level for cost, schedule, and performance and takes action, as needed.</p>
4.5	The Department should evaluate its requirement process for ERP systems. The Department should assess the decision-making process, regarding ERP requirements, at every level of authority. The Department should then determine what, if any, changes may be needed.	Ongoing	The Department has evaluated and adjusted its requirement processes for Defense Business Systems (DBSs) over the last seven years. In 2010, the Department mandated the implementation of the Business Capability Lifecycle (BCL), which streamlines acquisition of DBSs and requires disciplined delivery of well-scoped capabilities to end users in 18 months. The BCL operates within the established governance framework

## FIAR Plan Status Report

HASC Panel Recommendation		Status	DoD Actions Taken and Planned
			<p>comprised of the Investment Review Boards and Defense Business Systems Management Committee, which in turn advise the Milestone Decision Authority for the ERP programs.</p> <p>The ODCMO, in concert with the Military Department CMOs, will continue to assess current practices for governing requirements and implement changes as necessary.</p>
4.6	<p>The Department should establish risk mitigation plans to address actual and potential weaknesses or deficiencies associated with the development, implementation, or utilization of its ERP systems that could affect the achievement of FIAR goals. At a minimum, each risk mitigation plan should: (1) identify measures for resolving any such weaknesses or deficiencies; (2) assign responsibilities within the Department to implement such measures; (3) specify implementation steps for such measures; (4) provide timeframes for implementing such measures; and (5) identify any alternative arrangements outside of the ERP environment that may be necessary for meeting FIAR objectives.</p>	Ongoing	<p>The Department agrees that thoughtful and thorough risk management (including identification, analysis, and mitigation) is a requirement of effective information technology acquisition. The Department provides ample resources through the Defense Acquisition Guidebook (DAG), Program Manager Took Kit, and the Defense Acquisition University that can guide and educate program personnel in effectively managing risks and future uncertainties. The DAG's Best Practices Clearinghouse also offers practices, evidence, and stories, including a robust section on risk management. The ERP programs, which follow the Defense Acquisition System for Major Automated Information Systems, are required to use these resources and manage risks appropriately.</p> <p>Currently, the FIAR Guidance requires the identification of financial programs and associated feeder systems, including ERP systems. All major financial programs incorporate Risk Management Plans and track key risks and their associated mitigation plans. Each Service reports on their respective programs at the regularly scheduled FIAR review sessions.</p> <p>In addition, FIAR requirements included in the IDM and ADM processes provide a means for ODCFO to monitor ERP progress</p>

## FIAR Plan Status Report

HASC Panel Recommendation	Status	DoD Actions Taken and Planned
		in meeting the FIAR requirements and an ability to address and correct any short comings.
<p>4.7 The Department should evaluate lessons learned from previous data conversion efforts, and it should incorporate these lessons into its ERP data conversion plans. The Department should update its ERP data conversion plans periodically. Updates should include assessments of: the progress made in converting data into the ERP environment; whether that progress supports the satisfaction of existing requirements; and whether additional data conversion requirements would facilitate the achievement of FIAR objectives. The Department should also assess the merits of designating a senior official (such as the CMO or the DCMO) to be responsible for the coordination and managerial oversight of data conversion.</p>	Ongoing	<p>In accordance with section 903 of the FY 2013 NDAA, the Department is appointing a senior official with primary responsibility for the coordination and management of data conversion in ERP systems.</p> <p>The DCMO is working with the Principal Staff Assistants (PSAs) to develop and promote data standards as well as promote sharing of data for organization-to-organization reconciliation.</p>
<p>4.8 The Department should: (1) evaluate the causes of system interface problems; (2) determine whether the number of interfaces can be reduced (e.g., by incorporating activities performed by legacy systems into the ERPs); and (3) determine what improvements can be made to support more effective interfaces between systems.</p>	Ongoing	<p>As required by the FY 2012 NDAA and 10 U.S.C. 2222, the Department updated the Business Process Reengineering (BPR) Assessment Guidance on September 28, 2012.</p> <p>Following the BPR Assessment Guidance, 35 Defense business systems (DBSs) were selected for an assessment validation in FY 2013. Of these, 19 DBSs were Development or Modernization submissions, which are required to address the reduction or elimination of reports, interfaces, conversions, and extensions (RICE) objects (particularly interfaces) as part of their</p>

## FIAR Plan Status Report

HASC Panel Recommendation	Status	DoD Actions Taken and Planned
		<p>BPR assessment submission.</p> <p>Beginning in FY 2014, the BPR assessment process will be integrated in Organizational Execution Plan (OEP) reviews to support investment decisions and to validate the need to tailor commercial-off-the-shelf systems for unique requirements and interfaces, ensuring such requirements have been eliminated or reduced to the maximum extent practicable.</p> <p>The Department is increasingly approaching investment decisions with a portfolio view to reduce or eliminate unique requirements and interfaces.</p>
<p>4.9 The DoD DCMO, in coordination with the Director for Operation, Test and Evaluation (DOT&amp;E) and Deputy Assistant Secretary of Defense for Development, Test and Evaluation (DASD(DT&amp;E)), should assess information system control testing needs for all ERPs being developed by the DOD and determine whether appropriate workforce levels and corresponding skill sets exist within the Department's developmental and operational test communities. The Department should take actions to address any identified shortfalls.</p>	<p>Ongoing</p>	<p>The DOT&amp;E and DASD(DT&amp;E), in consultation with the DoD DCMO and Components, are assessing their role in evaluating information system controls for all ERPs being deployed by the Department, and examining necessary skill sets to accomplish such testing to determine if additional training is required within the developmental and operational test communities.</p>

## Appendix 7. Acronyms

Acronym	Definition
AAA	Army Audit Agency
ABSS	Automated Business Services System
ACAT	Acquisition Categories
ACES	Automated Civil Engineers System
ACES-RP	Automated Civil Engineers System – Real Property
ACP	Army Cost Position
ACPS	Automated Contract Preparation System
ADA	Anti-Deficiency Act
ADIS	Acquisition Due-In System
ADM	Acquisition Decision Milestone
ADNI	Assistant Director of National Intelligence
ADS	Automated Disbursing System
AF	Air Force
AFAA	Air Force Audit Agency
AF/A4I	Air Force/Directorate of Transformation
AF/A4IS	Air Force/Logistics, Installations, and Mission Support

Acronym	Definition
AF/A4LX	Air Force/Logistics Operations, Plans, and Programs Division
AF/A4L	Air Force/Directorate of Logistics
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
AF-IPPS	Air Force Integrated Personnel Pay System
AFM	Automated Funds Management
AFMC	Air Force Materiel Command
AFMC/A4	Air Force Material Command / Logistics
AFMOA	Air Force Medical Operations Agency
AFS	Audited Financial Statements
AKO	Army Knowledge Online
ALC	Agency Location Code

## FIAR Plan Status Report

Acronym	Definition
ALMS	Army Learning Management System
AMC	Air Mobility Command
AMCOM	Aviation and Missile Command
APSR	Accountable Property System of Record
APVM	Accounting Pre-Validation Module
ARC	Audit Response Center
ARMS	Automated Records Management System
ARNG	Army National Guard
AROWS	Air Force Reserve Order Writing System
ASC	Army Sustainment Command
ASKIT	Aviation Store Keeper Information Tracking System
ASN(FM&C)	Assistant Secretary of the Navy (Financial Management and Comptroller)
ATAAPS	Automated Time Attendance and Production System
AT&L	Acquisition Technology and Logistics
ATB	Adjusted Trial Balance
AWCF	Army Working Capital Fund
AWCF-CIP	Army Working Capital Fund – Capital Investment Program

Acronym	Definition
AWCF-OPS	Army Working Capital Fund – Operations
BAM	Business Activity Monitoring
BCL	Business Capability Lifecycle
BEA	Business Enterprise Architecture
BEIS	Business Enterprise Information Services
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
CBRN	Chemical, Biological, Radiological, and Nuclear
CCSS	Commodity Command Standard System
CCSS NAMI	Commodity Command Standard System Non-Army Managed Items
CDD	Capability Development Document

## FIAR Plan Status Report

Acronym	Definition
CDS	Centralized Disbursing System
CECOM	Communications Electronics Command
CEFMS	Corps of Engineers Financial Management System
CEMS	Comprehensive Engine Management System
CENTCOM	United States Central Command
CFMS-CNIC	Command Financial Management System-Navy Installation Command
CFMS-FFC	Command Financial Management System – Fleet Forces Command
CFMS-PACFLT	Command Financial Management System – Pacific fleet
CFO	Chief Financial Officer
CHRA	Civilian Human Resource Agency
CIG	Consolidated Intelligence Guidance
CIMS	Consolidated Integrated Management System
CIO	Chief Information Officer
CIP	Construction in Progress
CIRCUITS	Centralized and Integrated Reporting for the Comprehensive Utility Information Tracking System
CM	Cost Management

Acronym	Definition
CMLS	Corrective Maintenance and Logistics System
CMO	Chief Management Officer
CMOS	Cargo Movement Operations System
CNIC	Commander Navy Installations Command
COCOMS	Combatant Commands
CONOPS	Concept of Operations
ConWrite	Contract Writing System
COOP	Continuity of Operations
COTS	Commercial Off-the-Shelf
CRIS	Command Resource Integration System
DAAS	Defense Automatic Addressing System
DAI	Defense Agencies Initiative
DAG	Defense Acquisition Guidebook
DARPA	Defense Advanced Research Projects Agency
DASD	Deputy Assistant Secretary of Defense
DASN-FO	Deputy Assistant Secretary of the Navy – Financial Operations
DAU	Defense Acquisition University

## FIAR Plan Status Report

Acronym	Definition
DBC	Defense Business Council
DBSMC	Defense Business Systems Management Committee
DCAA	Defense Contract Audit Agency
DCAS	Defense Cash Accountability System
DCAT	Defense Competency Assessment Tool
DCFO	Deputy Chief Financial Officer
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
DDRS	Defense Departmental Reporting System
DDRS-AFS	Defense Departmental Reporting System – Audited Financial Statements
DDRS-B	Defense Departmental Reporting System – Budgetary
DDRS-DCM	Defense Departmental Reporting System-Data Collection Module

Acronym	Definition
DDRS-ICE	Defense Departmental Reporting System – ICE
DDS	Deployable Disbursing System
DEAMS	Defense Enterprise Accounting and Management System
DECA	Defense Commissary Agency
DECKPLATE	Decision Knowledge Programming for Logistics Analysis and Technical Evaluation
DFAS	Defense Finance and Accounting Service
DHA	Defense Health Agency
DIA	Defense Intelligence Agency
DIFS	Defense Integrated Financial Statement
DISA	Defense Information Systems Agency
DJMS	Defense Joint Military Pay System
DJMS-AC	Defense Joint Military Pay System – Active Component
DJMS-RC	Defense Joint Military Pay System – Reserve Component
DLA	Defense Logistics Agency
DMA	Defense Medical Activity
DMAG	Deputy’s Management Action Group

## FIAR Plan Status Report

Acronym	Definition
DMAP-TAAS	Data Management and Analysis Plan – Textile Aircraft Arresting Systems
DMLSS	Defense Medical Logistics Standard Support
DMLSS-W	Defense Medical Logistics Standard Support - Wholesale
DMO	Defense Military Pay Office
DNI	Director for National Intelligence
DoD	Department of Defense
DOD EMALL	Department of Defense Electronic Mail
DoD OIG	Department of Defense, Office of the Inspector General
DON	Department of the Navy
DONCADS	Department of the Navy Civilian Authoritative Data Source
DOT&E	Director for Operation Test and Evaluation
DPAS	Defense Property Accountability System
DPS	Defense Personal Property System
DRRT	Development of the Defense Reconciliation and Reporting Tool
DSCA	Defense Security Cooperation Agency
DSBMC	Defense Business Systems Management Committee

Acronym	Definition
DSS	Distribution Standard System
DSSN	Disbursing Station Symbol Number
DTIC	Defense Technical Information Center
DTM	Directive Type Memorandum
DTRA	Defense Threat Reduction Agency
DTS	Defense Travel System
DTSA	Defense Technology Security Administration
EAS	Entitlement Automation System
EBAS	Enterprise Business Accountability System
EBS	Enterprise Business System
ECC	Enterprise Central Component
ECD	Estimated Completion Date
EC/EDI	Electronic Commerce/Electronic Data Interface
EDA	Electronic Document Access
EDM	Electronic Document Management
EFD	Enterprise Fund Distribution
ERP	Enterprise Resource Planning System

## FIAR Plan Status Report

Acronym	Definition
ES	Executive Summary
ETIMS	Electronic Tooling Information Management System
EUD	Elimination of Unmatched Disbursements
EUD-APVM	Elimination of Unmatched Disbursements Accounting Pre-validation Module
EUD-APVM	Elimination of Unmatched Disbursements Accounting Pre-validation Module
EUD-PPVM	Elimination of Unmatched Disbursements Pay
EXMIS	Expeditionary Management Information System
FAM	Financial Audit Manual
FASTDATA	Fund Administration and Standardized Document Automation
FBWT	Fund Balance with Treasury
FBWTM	Fund Balance with Treasury Management
FCM	Functional Community Managers
FD	Full Deployment
FDD	Full Deployment Decision
FFMIA	Federal Financial Management Improvement Act of 1996
FIAR	Financial Improvement and Audit Readiness

Acronym	Definition
FIP	Financial Improvement Plan
FIS	Facilities Information System
FISCAM	Federal Information System Controls Audit Manual
FLC	Fleet Logistics Center
FM	Financial Management
FMB	Office of Budget
FMD	Fleet Maintenance System
FMO	Office of Financial Operations
FMS-NG	Financial Management Systems – Next Generation
FMS-NSMA	Financial Management System – Navy Systems Management Activity
FOD	Field Operations Division
FORSCOM	U.S. Army Forces Command
FOT&E	Follow-On Test and Evaluation
FPPS	Future Pay and Personnel System
FSCR	Financial Statement Compilation and Reporting
FY	Fiscal Year
FYDP	Future Years Defense Program

## FIAR Plan Status Report

Acronym	Definition
GAFS	General Accounting and Finance System
GAFS-R	General Accounting and Finance System – Reengineered
GAO	Government Accountability Office
GCSS-A	Global Combat Support System-Army
GCSS-MC	Global Combat Support System-Marine Corps
GE-IT	General Equipment – Information Technology
GEO-F	GEOINT-Financials
GEX	Global Exchange
GF	General Fund
GFE	Government Furnished Equipment
GFEBs	General Fund Enterprise Business System
GFP	Government Furnished Property
GL	General Ledger
GLM	General Ledger Module
GRC	Governance, Risk, and Compliance
GTAS	Government-wide Treasury Account Symbol
HAF-A1	Headquarters Air Force, Office of the Deputy Chief of Staff, Manpower, Personnel and Services

Acronym	Definition
HAF/A7C	Headquarters Air Force – Civil Engineer of the Air Force
HASC	House Armed Services Committee
HQMC	Headquarters Marine Corps
IAPS	Integrated Accounts Payable System
IC	Intelligence Community
ICOFR	Internal Control Over Financial Reporting
IDM	Investment Decision Memorandum
ILSMIS	Industrial Logistics Support Management Information System
ILS-S	Integrated Logistics System – Supply
IMCOM	Installation Management Command
IMDB	Integrated Missile Data Base
IMDS	Integrated Maintenance Data System
IMPS	Integrated Management Processing System
INFADS	Internet Naval Facilities Assets Data Store
IOC	Initial Operating Capability
IPA	Independent Public Accountant (or Accounting Firm)
IPAC	Intra-Governmental Payment and Collection

## FIAR Plan Status Report

Acronym	Definition
IPP	Invoice Processing Payment
IPPS-A	Integrated Personnel Pay System – Army
IPT	Integrated Process Team
IT	Information Technology
ITAM	MSC IT Asset Management Database
ITAsset Management	MSC IT Asset Management Database
ITIMP	Integrated Technical Item Management & Procurement
IUID	Item Unique Identification
IWIMS	Interim Work Information Management System
JLITE	JDISS Logistics Inventory Tasking Environment
JM&L	Joint Munitions and Lethality Life Cycle Management Command
JOCAS II	Job Order Cost Accounting System
KPT-IPADS	Keyport Integrated Production and Application Development System
KPT-IPADS	Keyport Integrated Production and Application Development System
LFD	Limited Fielding Decision
LMP	Logistics Modernization Program

Acronym	Definition
MAGTF	Marine Air Ground Task Forces
MAJCOM	Major Command
MAJIC	MPN Appropriation Justification Book Input and Compilation
MARCORSYSCOM	Marine Corps System Command
MATMF	Material Access Technology - Mission Funded
MAXIMO	MAXIMO ENTERPRISE
MCAP	Multi-Year Corrective Action Plan
MCO	Mission Critical Operations
MDA	Missile Defense Agency
MDAP	Major Defense Acquisition Program
MDD	Material Development Decision
MDO	Modifications Delivery Orders
ME	Military Equipment
MEPCOM	United States Entrance Processing Command
MICP	Manager’s Internal Control Program
MILCON	Military Construction
MILPDS	Military Personnel Data System

## FIAR Plan Status Report

Acronym	Definition
MILSTRIP	Military Standard Requisitioning and Issue Procedures
MOA	Memorandum of Agreement
MOCAS	Mechanization of Contract Administration Services
MOU	Memorandum of Understanding
NALCOMIS	Naval Aviation Logistics Command Management Information System
NAVAIR	Naval Air Systems Command
NAVFAC	Naval Facilities Engineering Command
NAVRIS	Naval Research Information System
NAVSEA	Naval Sea Systems Command
NAVSUP	Naval Supply Systems Command
NDAA	National Defense Authorization Act
NDU	National Defense University
NES	Navy Enlisted System
NexGen	Next Generation
NFR	Notice of Findings and Recommendations
NGA	National Geospatial Intelligence Agency
NROWS	Navy Reserve Order Writing System

Acronym	Definition
NSA	National Security Agency
NSIPS	Navy Standard Integrated Personnel System
NSMA	Navy Systems Management Activity
NWCF	Navy Working Capital Fund
OACSIM	Office of the Assistant Chief of Staff for Installation Management
OASA(FM&C)	Office of the Assistant Secretary of the Army (Financial Management and Comptroller)
OASIS/EASIS	Officer Assignment Information System
ODCMO	Office of the Deputy Chief Management Officer
ODNI	Office of the Director for National Intelligence
ODO	Other Defense Organization
OEF	Operation Enduring Freedom
OEP	Organization Executive Plan
OIF	Operation Iraqi Freedom
OIG	Office of the Inspector General
OIS	Ordnance Information System
OLRV	Online Report Viewing
OMA	Operations and Maintenance Army

## FIAR Plan Status Report

Acronym	Definition
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)
PACFLT	Pacific Fleet
PADDS	Procurement Automated Data and Document System
PAYM	Pay Management
PBAS	Program Budget Allocation System
PBIS	Program Budget Information System
PBUSE	Property Book Unit Supply Enhanced
PEO-EIS	Program Executive Office Enterprise Information Systems

Acronym	Definition
PFPA	The Pentagon Force Protection Agency
PMO	Program Management Office
PMRT	Performance Measurement and Reporting Taskforce
PoAM	Plan of Action and Milestones
POEMS	Permanent Change of Station Obligation and Expenditure Management System
PP&E	Property, Plant, and Equipment
PPBE	Property Programming Budgeting Execution
PPVM	Payment Pre-Validation Module
PRISM	PRISM
PROPM	Property Management
PSA	Principal Staff Assistant
QDD	Quantitative Drill Down
RAMPOD	Reliability, Availability, Maintainability for Pods and Integrated Systems
RDECOM	Research, Development, and Engineering Command
RDT&E	Research, Development, Test, and Evaluation
REC-M	Receivables Management
REMEDY	NSWC Philadelphia Remedy

## FIAR Plan Status Report

Acronym	Definition
REMIS	Reliability and Maintainability Information System
RESFOR	Naval Reserve Force
RFI	Request for Information
RFP	Request for Proposal
RHS	Reserve Headquarters Support
RICE	Reports Interface Conversions Extensions
RIMS-FM	Reserve Integrated Management System Financial Management
ROTC	Reserve Officers' Training Corps
RP	Real Property
RSUPPLY	Relational Supply
RTS	Reserve Travel System
RWO	Reimbursable Work Orders
SABAR	System Asset Based Accountability & Reliability
SABRS	Standard Accounting, Budgeting and Reporting System
SAF/AQC	Air Force Contracting
SAF/FMPS	Deputy Assistant Secretary for Financial Operations
SALTS	Streamlined Automated Logistics Transmission

Acronym	Definition
	System
SAMIS	Security Assistance Management Information System
SAMS	Standard Army Maintenance System
SARSS	Standard Army Retail Supply System
SAS	Statement of Auditing Standard
SBA	Schedule of Budgetary Activity
SBIRS	Space Based Infrared Radar System
SBR	Statement of Budgetary Resources
SCS	Stock Control System
SCRT	Standard Contract Reconciliation Tool
SDI	Standard Disbursing Initiative
SDS	Standard Depot System
SECAF	Secretary of the Air Force
SEMS-SERMIS	Support Equipment Management Systems - Support Equipment Resource Management Information
SES	Senior Executive Service
SFIS	Standard Financial Information Structure
SG	Surgeon General

## FIAR Plan Status Report

Acronym	Definition
SILC	Stockpile Inventory List Comparator
SLDCADA	Standard Labor Data Collection and Distribution Application
SMA	Service Medical Activity
SMCA	Single Manager for Conventional Ammunition
SMP	Strategic Management Plan
SPAWAR	Space and Naval Warfare Systems Command
SPS	Standard Procurement System
SRD	Standard Finance System-Redesign
SSA	Supply Support Activities
SSAE	Statement on Standards for Attestation Engagements
SSP	Shared Service Provider
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

Acronym	Definition
SWALIS	Special Warfare Automated Logistics Information System
SUPDESK	Supervisor’s Desk
SYMIS-COST	Shipyards Management Information Systems – Cost Application
SYSCOMS	Systems Commands
TACOM	Tank-Automotive and Armaments Command
TAFS	Treasury Account Fund Symbol
TBD	To Be Determined
TDY	Temporary Duty
TI	Treasury Index
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
USACE	United States Army Corps of Engineers
USAF	United States Air Force
USARC	United States Army Reserve Command

## FIAR Plan Status Report

Acronym	Definition
USD	Under Secretary of Defense
USD(AT&L)	Under Secretary of Defense (Acquisition, Technology, and Logistics)
USD(C)	Under Secretary of Defense (Comptroller)
USD(P&R)	Under Secretary of Defense (Personnel and Readiness)
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
UTB	Unadjusted Trial Balance

Acronym	Definition
VCNO	Vice Chief of Naval Operations
VISTA	Visual Interfund System Transaction Accountability
WAAS	Washington Headquarters Services Allotment Accounting Services
WARCOM	Navy Special Warfare Command
WASP	Weapons and Stores Planning Components
WAWF	Wide Area Workflow
WBS	Work Breakdown Structure
WCF	Working Capital Fund
WHCA	White House Communication Agency
WHS	Washington Headquarters Services

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FINANCIAL IMPROVEMENT AND AUDIT READINESS

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