



**U.S. ARMY**

# 3rd Quarter FY 2014 Army Audit Committee



May 14, 2014

Office of the Assistant Secretary of the Army  
(Financial Management & Comptroller) (OASA(FM&C))

*Accountability & Audit Readiness:  
Sustaining Army's Strength*



# Agenda

- Audit Readiness Update and Highlights
  
- Exam 3 Results
  
- Command Statement of Budgetary Resources (SBR) Testing VTC w/VCOSA-21 May
  
- Way ahead for 2015 Schedule of Budgetary Activity (SBA)
  
- Most Significant Challenges for Leadership Discussion
  - Army-wide and Service Provider Action
  - Command Action



# Audit Readiness Update/Highlights

- Validation of SBR Exam 3 Assertion 30 April
  - Developing and implementing corrective actions to address findings in preparation for the Schedule of Budgetary Activity (SBA) audit, scheduled to begin October 1, 2014.
- Review of Fund Balance with Treasury Reconciliation with DoDIG
- Conducted Audit Readiness Workshop on 30 April
- In-Process Review at Joint Base Myer-Henderson Hall (JBMHH) on 1 May.
- Kick-off of General Equipment Examination by DoDIG 2 May
- Testimony 13 May before Senate Committee on Homeland Security and Government Affairs



# GF SBA Exam 3 Results

## Scope

Comprehensive exam of all GF activity in GFEBs and CEFMS, plus Milpay, as well as FISCAM of GFEBs, GCSS-Army, CEFMS, and LMP-GFEBs interfaces.

What does this mean for our FY15 SBA Assertion???

## Results

The design and operating effectiveness of the control activities and the sufficiency and availability of key documentation are not in conformity with the DoD FIAR audit readiness criteria.

### Material Weakness

- Data Population Challenges
- Supporting Documentation
- Internal Control Gaps / Design Deficiencies
- Financial Reporting
- GFEBs
- Army Feeder Systems

### Significant Deficiency

- GFEBs

### Deficiency

- GFEBs
- GCSS-A
- LMP



# Examination History

	Wave 1 (2011)	Waves 1 and 2 (2012)	Wave 3 (2013)
Assertion	Business processes and manual internal controls	Business processes and manual and IT internal controls	Significant SBA line items and manual and IT internal controls
Scope Period	3 months	3 months	12 months
Processes	6	10	8
Systems	0	1	16
Locations	3 (6 commands)	16 (19 commands)	All
Site Visits	3	16	22
PBC Requests	24	360	1,037
Samples	360	1,496	4,001

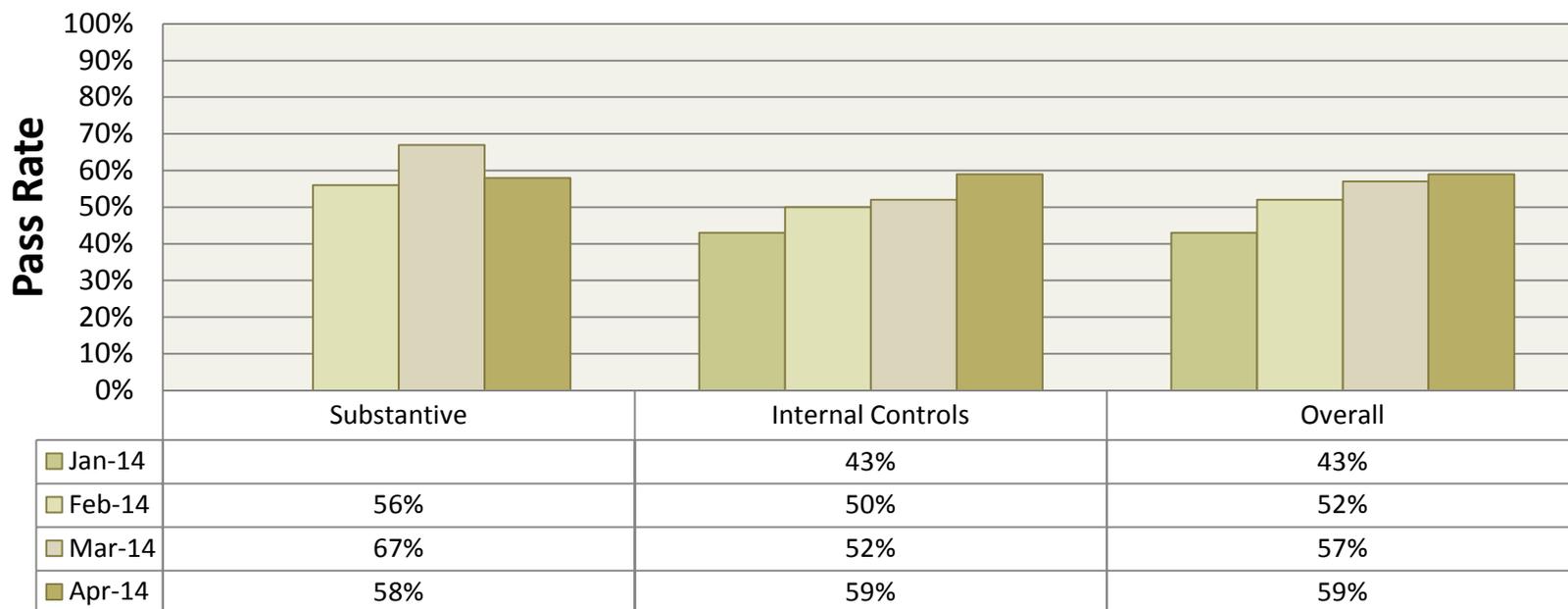


# General Fund SBR Test Results: Army-wide (JAN-APR 2014)

## Transactions Tested

	Sampled Transactions Tested		
	Substantive	Internal Controls	Total
	Jan-14	0	271
Feb-14	157	238	395
Mar-14	207	413	620
Apr-14	267	374	641

## Pass Rates





- At VCSA Direction
- In Response to:
  - Army-Wide Internal SBR test results to date
  - Examination 3 results
- Focus on Remediation of Test Failures
  - Army enterprise-wide systemic Issues (briefed by ASA(FM&C))
  - Implementation of/compliance with controls (briefed by individual Commanders)
- April SBR data focus of Analysis
- Also Emphasis on Lessons Learned/Success Stories



# SBA Way Ahead

- 30 June: Assertion that we are ready for Audit
  
- Remainder of FY: Ongoing Remediation Efforts from Examination 3
  - Address internal control gaps
  - Review supporting documentation requirements
  - Continue Monthly Testing
  - Intensify response in remediating test results.....and share lessons learned
  
- 1 October: SBA 2015 auditable period begins
  - Scope will be all FY 2015 data
  - Auditors will test SBA balances quarterly throughout the FY up to September 2015
  - SBA audit will be conducted every year evolving to a full SBR Audit



## Where we Must Focus our Attention

- Universe of transactions and completeness of populations
- Detail reconciliations to the general ledger
- ERP Corrective Action Controls
- Service provider support and coordination
  - DFAS and DLA involvement in monthly testing
  - Documentation to support transactions
- **Gap between audit readiness requirements and existing policy**
  - **Policy review and updates**
- **Internal controls for SBR and Existence and Completeness of Assets (E&C)**



# Summary of Issues Requiring DFAS/ERP Attention

Material Weakness / Significant Deficiency	Corrective Action	Responsible Organization
Populations	Reconcile Military Payroll files to STANFINS Mil Pay Outlays and reconcile Military Payroll adjustments to the general ledger and detailed records to Mil Pay Obligations	DFAS
Financial Reporting	Develop, document, and implement policies and procedures over the Journal Voucher logs and review controls to include monitoring of control implementation, documenting reviews, retaining documentation	DFAS
Access and Configuration Management Controls, IT General Controls	Implement policies and procedures to strengthen GFEBs access and configuration management controls to comply with the DoD and Army general IT control system requirements and to ensure accuracy, integrity, and availability of GFEBs and its financial data	GFEBs-PMO



# Summary of Issues Requiring Army-wide Attention

Material Weakness / Significant Deficiency	Corrective Action	Responsible Organization
Internal Control Gaps / Design Deficiencies and Supporting Documentation	Document and implement policies and procedures to evidence review and approval of goods/services received for reimbursable outbound transactions, reimbursable billing and collections, including identifying all supporting documentation	DFAS, Commands, DASA-FO
Internal Control Gaps with Policy	Continue to identify control gaps between audit readiness requirements and existing policies. Coordinate with key stakeholders and implement policy updates.	HQDA Functional Components, Commands
Internal Control Gaps / Design Deficiencies	Implement prescribed end user controls and determine if a compensating control should be designed and implemented when the established control is not achievable.	DASA-FO, Commands



# Questions

# Concluding Remarks