4th Quarter FY 2014
Army Audit Committee

August 19, 2014

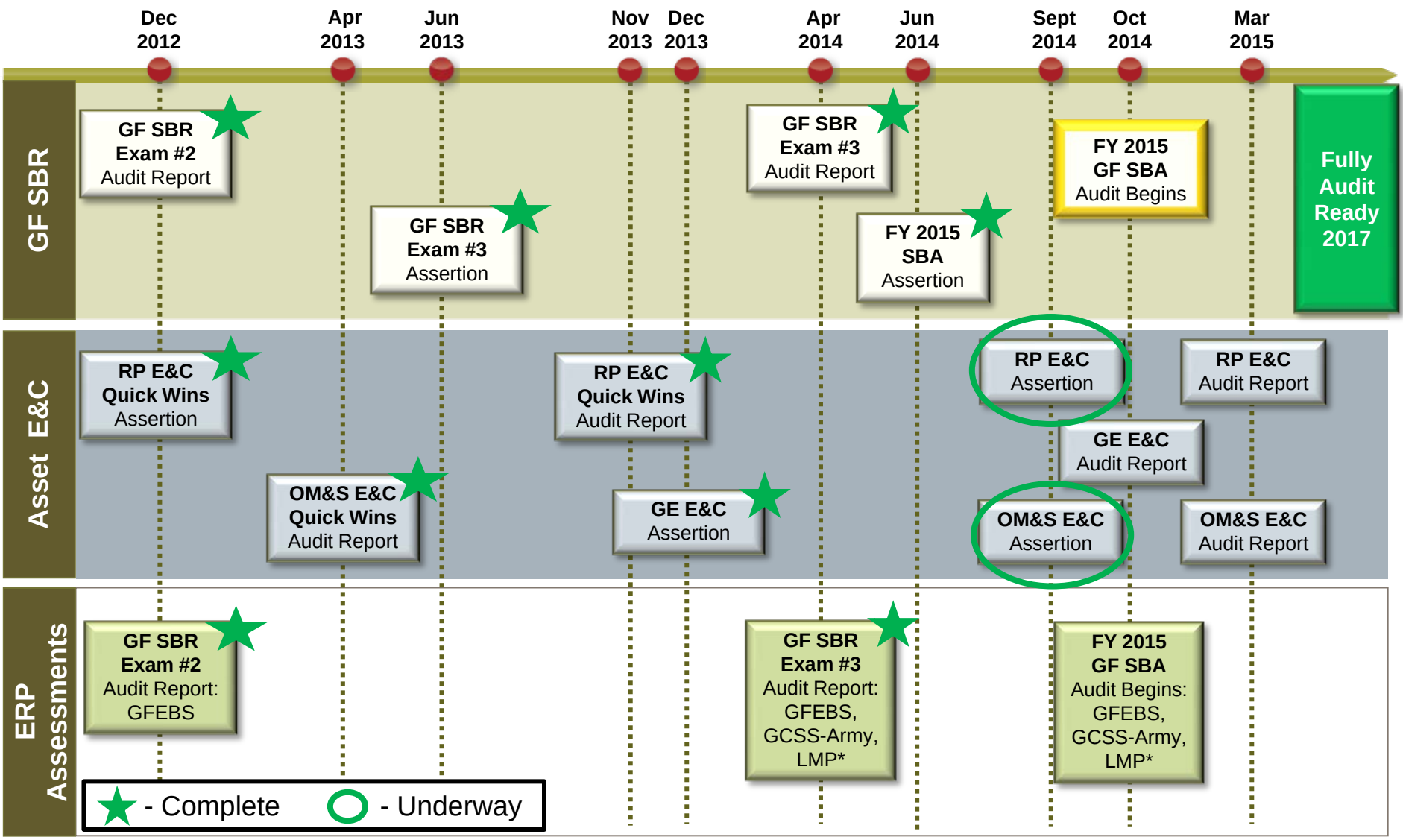
Office of the Assistant Secretary of the Army
(Financial Management & Comptroller) (OASA(FM&C))

Accountability & Audit Readiness:
Sustaining Army's Strength

Agenda

- Audit Readiness Status
- Schedule of Budgetary Activity (SBA) Update
  - Overall, Military Payroll and Fund Balance with Treasury (FBWT)
  - Corrective Actions Matrix
  - SBA Monthly Testing Results
  - Way Ahead
- Command Internal Testing – HQDA-OA22 (Mr. Mark Averill)
- General Fund (GF) Existence and Completeness (E&C) of Assets
- Army Working Capital Fund (AWCF) Update
- Significant Challenges / Actions for Leadership Discussion
- Open Discussion and Closing Remarks

Army Audit Readiness Timeline



GF SBR: General Fund Statement of Budgetary Resources **SBA:** Schedule of Budgetary Activity **E&C:** Existence & Completeness
ERP: Enterprise Resource Planning **OM&S:** Operating Materials & Supplies **RP:** Real Property **GE:** General Equipment
"Assertion" means Army is ready to be audited *Limited to LMP-PADDS-GFEBS interface controls only

New Resources on AKO

As a result of the Vice Chief of Staff Army (VCSA) Video Teleconference (VTC) (held on 6 June), the following resources are now available to Commands:

- SBR Interactive Reference Tool
  - Effective June 2014, the *SBR Interactive Contracts Business Process Testing Flow* is available on the AKO Army Audit Readiness Page (under Related Content).
  - Navigate through the Contract life cycle, from Commitment to Disbursement.
  - Sample documentation and key testing attributes highlighted throughout. View key supporting documentation through clickable links.
- Monthly Testing Metrics
  - View SBR and E&C monthly test results on the AKO Army Audit Readiness page.
  - View results online or download report PDFs.
- VCSA Lessons Learned/Best Practices
  - Lessons learned shared by Commands after the June 6, 2014 VCSA VTC on audit readiness are summarized into categories and available on the AKO Army Audit Readiness page. https://www.us.army.mil/suite/doc/42998162

Schedule of Budgetary Activity

Schedule of Budgetary Activity - Update

Overall / DASA-FO

- Developed Corrective Actions Matrix; most actions are in progress or complete
- Army service provider, Defense Finance and Accounting Services (DFAS), and the Audit Readiness Directorate held a corrective action matrix session 13-14 August
- Universe of Transactions is primary task to complete

Military Payroll

- Policy development for supporting documentation is primary task to complete
- Full drilldown conducted from the Defense reporting system to feeder systems
- Balances reconcile without exception

Fund Balance with Treasury

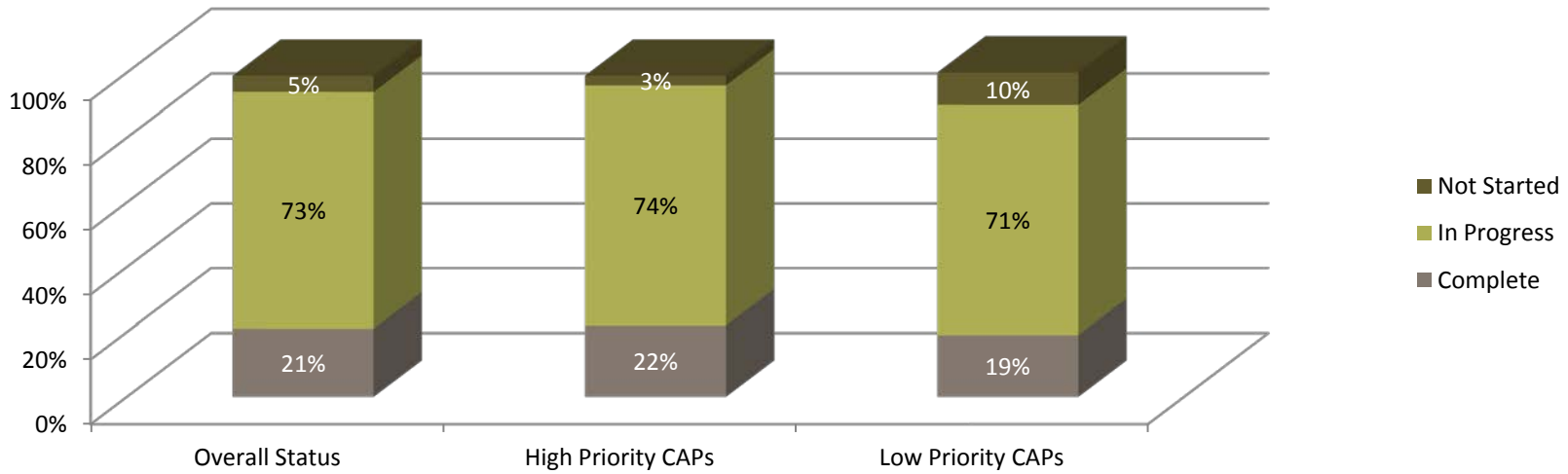
- Completed 5 of 7 high priority corrective actions
- Remaining high priority corrective actions include (1) establishing reconciliation clearance workflow procedures, and (2) adding an attribute field to the automated journal vouchers posted to the Defense reporting system for undistributed collections and disbursements

SBA Corrective Action Matrix

The SBA Corrective Action Matrix was developed by OASA(FM&C) to monitor implementation of corrective actions in preparation for FY 2015 SBA audit.

- Comprised of 173 remediation activities (i.e. corrective actions) to address material weaknesses, significant deficiencies and deficiencies as identified by OASA(FM&C) and highlighted during Exam 3
- Status of high and low priority actions as of 15 August 2014
  - High priority - 22% complete
  - Low priority - 19% complete
- **All high Priority CAPs to be completed by 30 September**

Correction Actions Status Summary

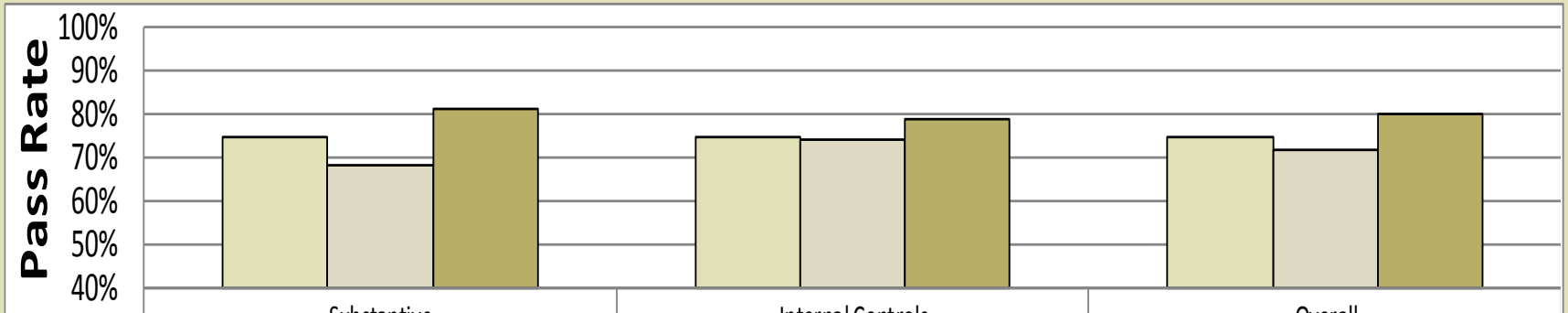


General Fund SBR Test Results: Army-wide (May-Jul 2014)

Transactions Tested

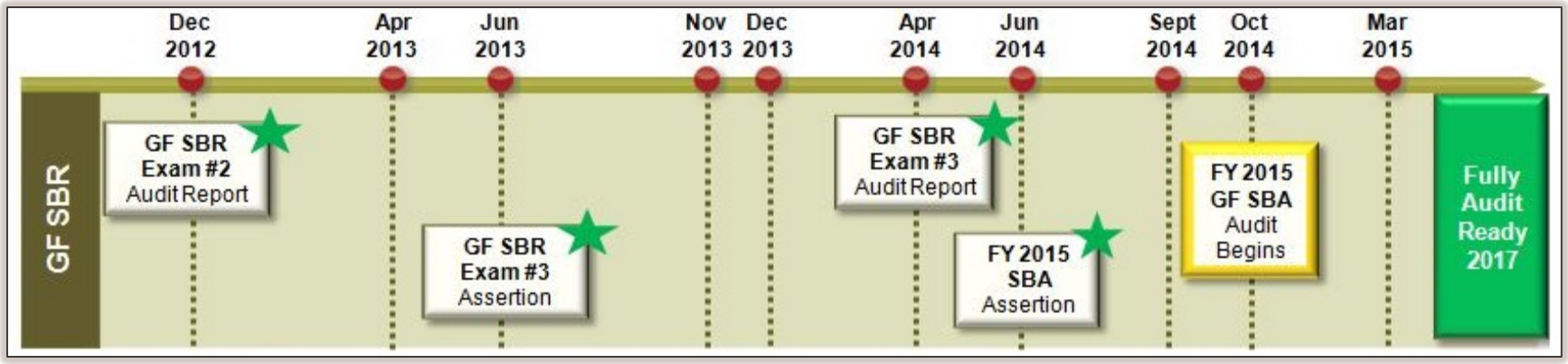
	Sampled Transactions Tested		
	Substantive	Internal Controls	Total
May-14	225	392	**617**
Jun-14	249	412	**661**
Jul-14	267	442	**709**

Pass Rates



	Substantive	Internal Controls	Overall
May-14	75%	75%	75%
Jun-14	68%	74%	72%
Jul-14	81%	79%	80%

SBA Way Ahead



★ - Completed

Remainder of FY 2014:

- Continue implementing corrective actions
- Review supporting documentation requirements
- Continue monthly testing efforts
- Continue sharing lessons learned and best practices

Beginning in FY 2015:

- SBA Auditable Period Begins (Oct 1)
- Scope: All FY 2015 data
- Auditors will test SBA balances quarterly throughout FY through September 2015
- SBA audit will be conducted every year evolving to a full SBR audit

HQDA – OA22

Mr. Mark Averill

SBR Exam 3 Test Results

OA22 Monthly Tests Pass Rates / Common Reasons for Failure

The Way Ahead

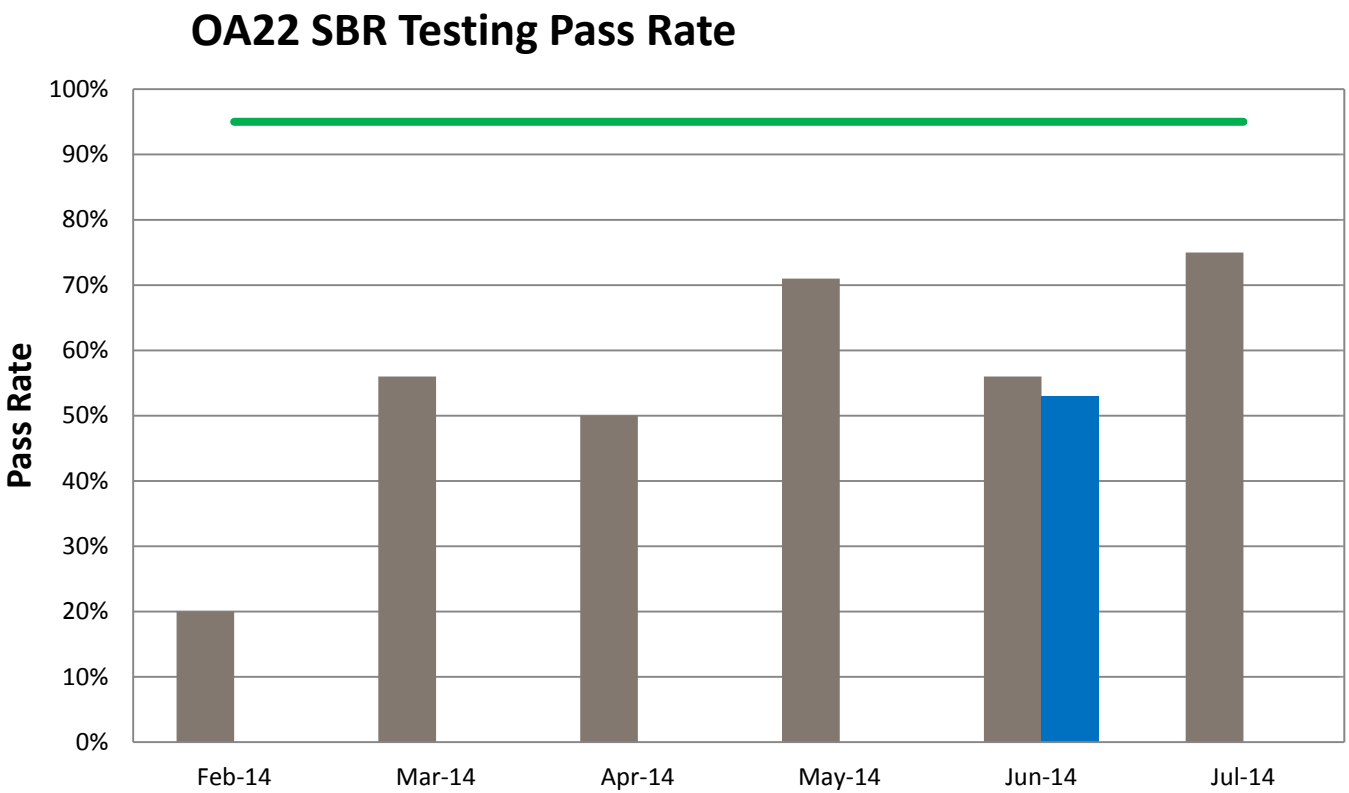
OA22 SBR Exam 3 Testing Results (Nov 2013 – Feb 2014)

FAMILY	KPMG Sample Requests	FM&C Sample Requests	Pass Rate (FM&C)
A22 (ABO Owned)	3	0	-
ACSIM	2	1	0%
AG	2	1	0%
ASA-ALT	3	0	-
ASA-CW	3	0	-
CIO/G-6	13	1	100%
FM&C/G-8	6	1	0%
G-2	1	0	-
G-3/5/7	10	6	17%
G-4	23	7	0%
HQDA MISC	1	0	-
IG	1	1	0%
JAG	3	1	0%
M&RA/G-1	9	2	0%
OAA	28	10	40%
OCSA	1	1	0%
OPMG	1	1	0%
SIGAR	17	5	40%
SIGIR	1	1	0%
TOTAL	**128**	**39**	**21%**

- KPMG provides pass rates at Army level only. Information by individual Command is not available due to the proprietary nature of the work papers.

- Pass rates are based on FM&C SBR team random sampling of smaller population of KPMG samples.

OA22 SBR Monthly Test Results



Goal = 95% Passing Score

FM&C SBR Testing Pass Rate

OA22 Self-Testing Pass Rate

Pass Rate Goal

- **Common reasons for Failure:**
  - Incomplete documentation
  - Lack of evidence of review (i.e. signature/date)
  - Inattention to details/instructions

Note: July SBR internal testing still has five samples that are pending final results.

OA22 SBR – Failure Mitigating Strategy/ The Way Ahead

- FM&C SBR Internal Control/Substantive testing will continue in preparation for official audit

- OA22 Internal Control/Substantive self-testing is underway
  - July testing results will be issued by 29 August 2014
    - Currently investigating options to reduce turnaround time for test results
  - August self-testing list will be issued 25 August, with a suspense of 29 August
  - No self-testing during September

- Training Seminars – OA22 in coordination with FM&C will provide additional training
  - Next training session is scheduled for 20 August 2014
    (Class is at full capacity with waiting list)
  - OA22 will coordinate with FM&C after the FYE to offer another class in the first quarter calendar year 2015 timeframe
  - OA22 RS-W SBR personnel are working individually with struggling fund centers
  - OA22 RS-W SBR personnel will schedule 2-4 hour training sessions within the NCR bi-monthly
  - FM&C DCOs and Crystal City on-site training is broadcasted

- SBA audit scheduled to begin in December 2014 and conclude in late FY 15

- Audit will review only FY15 transactions

Existence & Completeness of Assets

Existence & Completeness (E&C) Update

General Equipment (GE)

- Currently supporting DOD IG evaluation of GE assertion package delivered 30 Dec 2013. **Report expected in Oct 2014.**
- OASA(FM&C) has supported and facilitated 19 DOD IG site visits as of 1 Aug 2014.
- Expanded data analysis efforts to review capital asset data elements.

Operating Materials & Supplies (OM&S)

- Facilitating execution of corrective actions, to include updates to Ammunition Supply Point SOPs and Army policy and guidance to align with audit readiness requirements.
- Continuing support of external department assertions for OM&S (Air Force, Navy and Marine Corps).
- Updating draft **OM&S assertion package scheduled for 30 Sep 2014** release.

Real Property (RP)

- Continuing facilitation and support of key corrective actions focusing on updates to GFEBS to reflect real property activity:
  - Monthly testing corrective actions
  - BRAC corrective actions
- Drafting **RP assertion package scheduled for 30 Sep 2014** release.

Army Working Capital Fund

AWCF Audit Readiness Timeline & Strategy

AWCF	FY 12		FY 13				FY 14				FY 15				FY 16				FY 17				FY 18			
FIAR Wave	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Wave 4: Full Financial Statement Audit	Discovery						Corrective Actions / Testing								Substantive-based Audit				Substantive-based Audit				Controls-Based Audit			
															Corrective Actions Continued								Audit Remediation			

Objective: Receive an unqualified audit opinion on the AWCF financial statements

Strategy:

- Test controls and key supporting documents for all assessable units:
  - Inventory, Property Plant & Equipment, Contract/Vendor Pay, Civilian Pay, MILSTRIP, Budget, Reimbursable Work Orders - Grantor & Acceptor
- Coordinate successfully with the Army General Fund audit readiness efforts across common assessable units and business processes
- Assert to all four AWCF financial statements at the end of FY15

AWCF Audit Readiness Way Forward

- **Future AWCF Audit Focus**
  - FY16 audit procedures will focus heavily on a substantive approach
  - FY17 financial statement audit, maintaining a substantive approach
  - Corrective actions will continue to transition the AWCF from a substantive based audit to a controls based audit

- **Future AWCF Audit and Audit Sustainment**
  - Received Army Budget Office and Army Working Capital Fund Requirements Review Group (ARRG) approval to fund future efforts out of the Army Working Capital Fund
  - As audit focus transitions towards a controls based audit, requirements and anticipated funding levels will decrease

Issues and Action Items

Summary of Issues Requiring DFAS/ERP Attention – Update

Material Weakness / Significant Deficiency	Corrective Action	Resp. Org.	Progress Update
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	• In an effort to produce populations that are complete, DASA-FO and DFAS have successfully completed a reconciliation of military payroll general ledger accounts between the applicable feeder and reporting systems. • DASA-FO and DFAS continue to document and review processes and procedures in an effort to produce monthly data populations which reconcile by general ledger account to the SBA.
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	DASA-FO	DASA-FO Financial Reporting continues to review the finding as noted and is working to identify the necessary policies and procedures needed to mitigate the associated risk(s).
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	GFEBS-PMO continues to implement the necessary policies and procedures, as identified in the FISCAM and Exam 3 findings to ensure the necessary controls are in place prior to FY15.

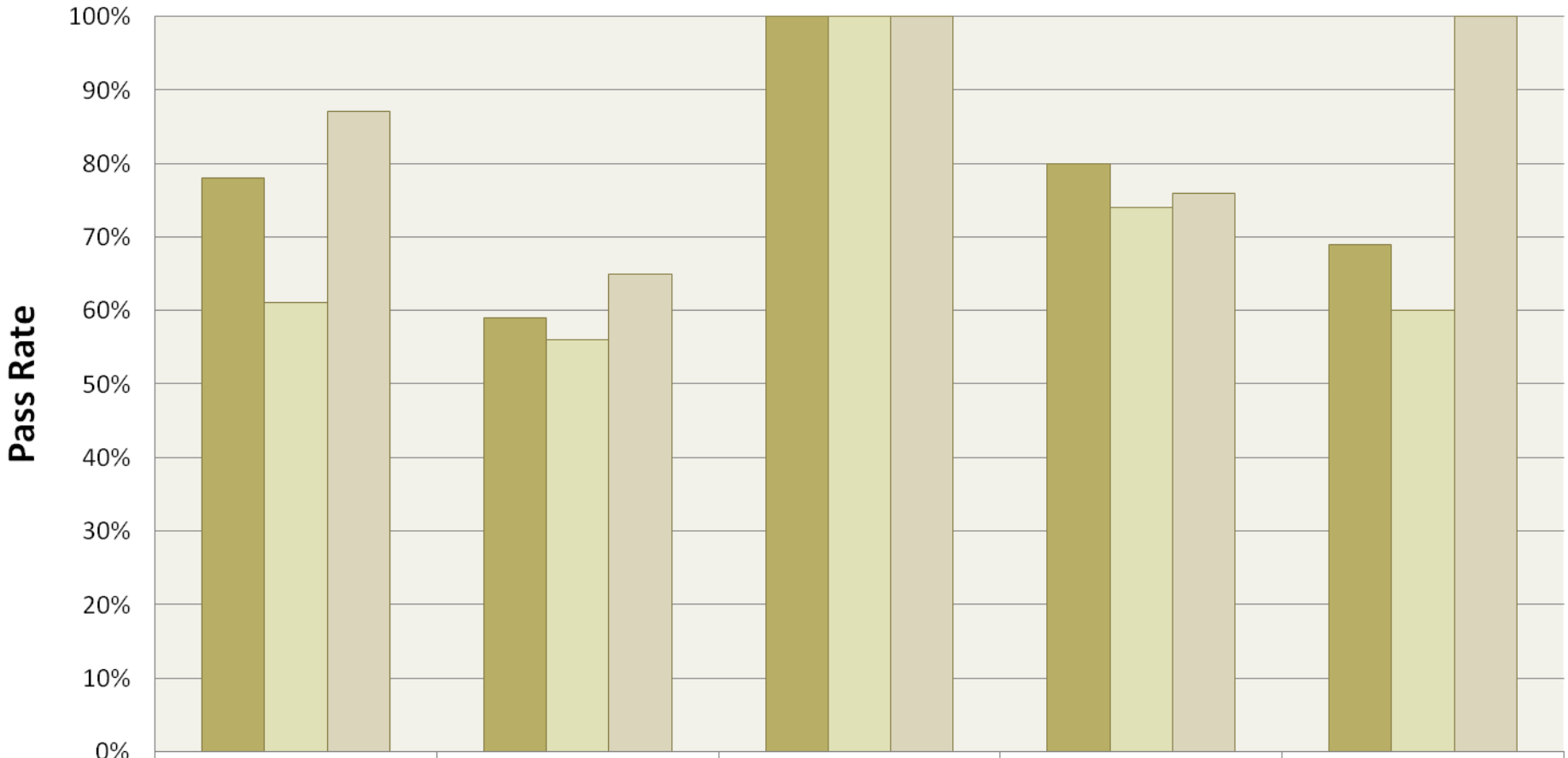
Summary of Issues Requiring Army-wide Attention – Update (cont.)

Material Weakness / Significant Deficiency	Corrective Action	Resp. Org.	Progress Update
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	Continuing work with the Commands and DFAS to determine the necessary policy for maintaining goods/services receipt for reimbursable outbound, billing and collections transactions.
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	Continuing to identify working groups at the Command level to ensure all Key Controls are identified.
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	Currently undergoing a review of the end user controls pertaining to previously identified Army owned feeder systems. Based on the findings of this review, along with an internal review by DASA-FO contractor support, any additional end user controls will be designed and implemented.

Open Discussion & Closing Remarks

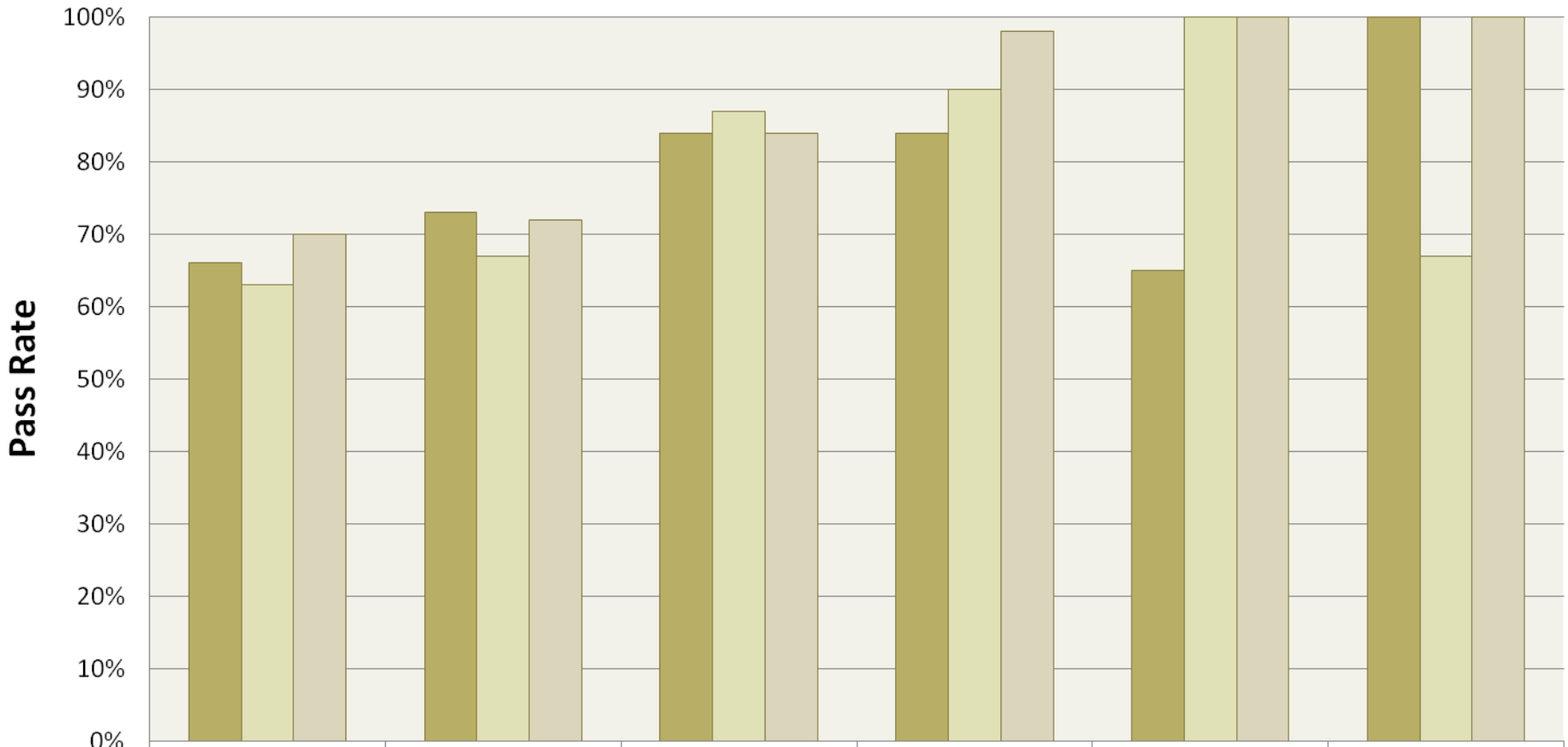
Back-up

July 2014 GF SBR Substantive Test Results: Army-wide



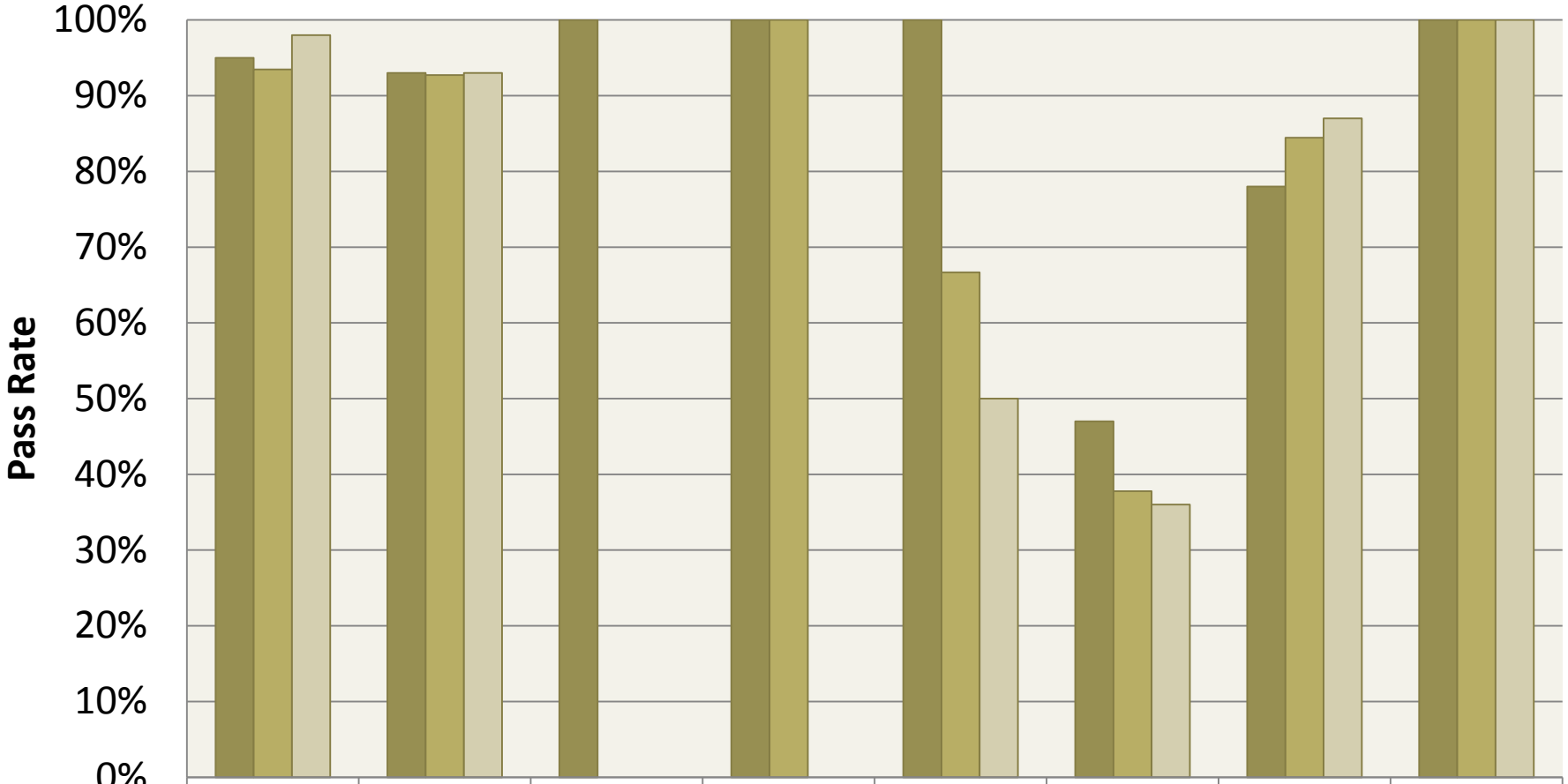
	General - Substantive	Contr. Services - Substantive	Civilian Payroll - Substantive	Reim. - Inbound - Substantive	Grants, Coop. Agrmnts., ... - Substantive
May-14	78%	59%	100%	80%	69%
Jun-14	61%	56%	100%	74%	60%
Jul-14	87%	65%	100%	76%	100%

July 2014 GF SBR Internal Controls Test Results: Army-wide



	General - Internal Controls	Contr. Services - Internal Controls	Civilian Payroll - Internal Controls	Reim.-Inbound - Internal Controls	Grants, Coop. Agrmnts., ... - Internal Controls	FRDM - Internal Controls
May-14	66%	73%	84%	84%	65%	100%
Jun-14	63%	67%	87%	90%	100%	67%
Jul-14	70%	72%	84%	98%	100%	100%

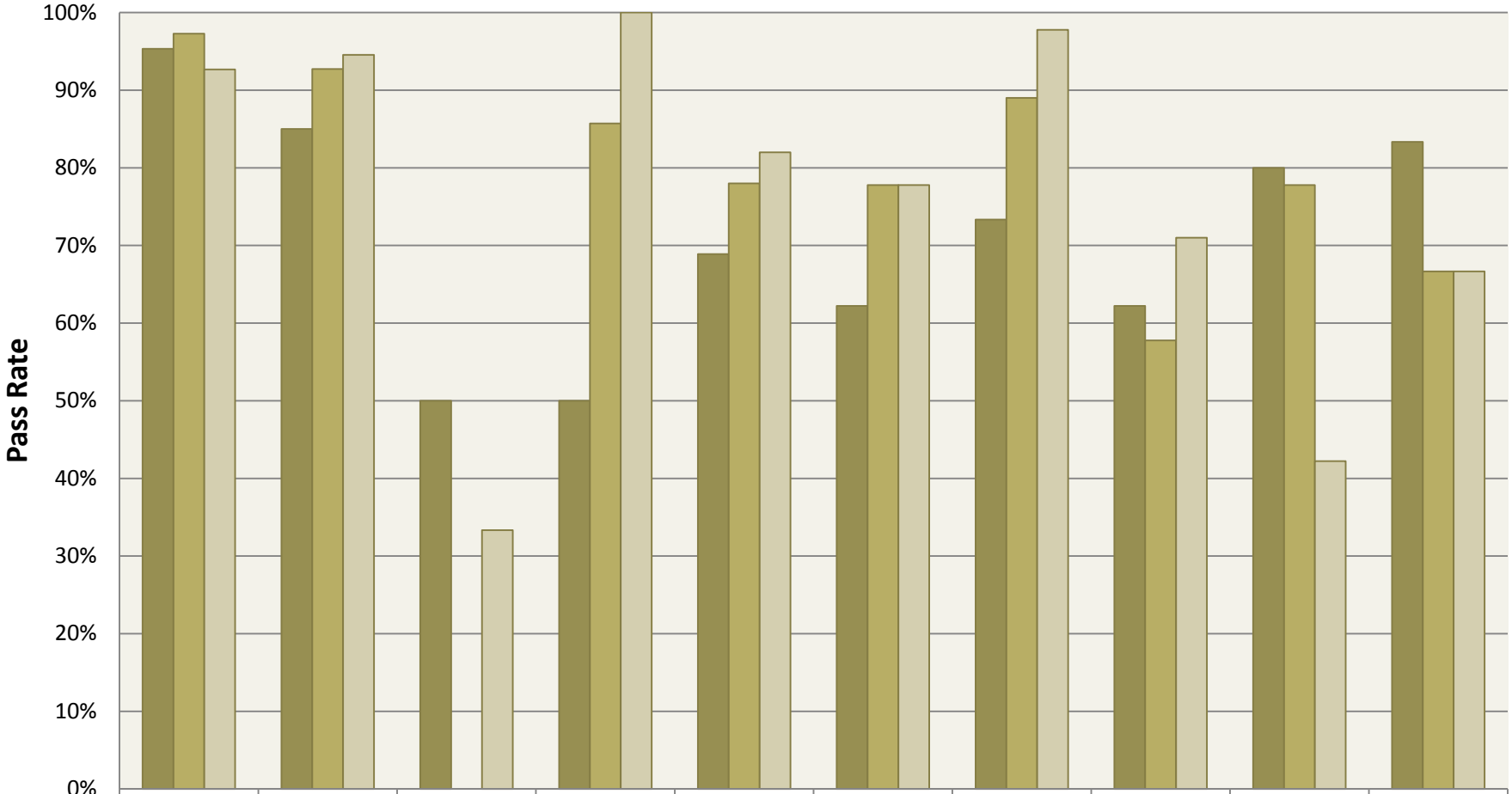
July 2014 GF General Equipment E&C Test Results: Army-Wide



	Existence	Completeness	SOP	Warehouse	Physical Inventory	Acceptance/ Transfer	Disposal	Quality Assurance
May-14	95%	93%	100%	100%	100%	47%	78%	100%
Jun-14	93%	93%	0%	100%	67%	38%	84%	100%
Jul-14	98%	93%	0%	N/A*	50%	36%	87%	100%

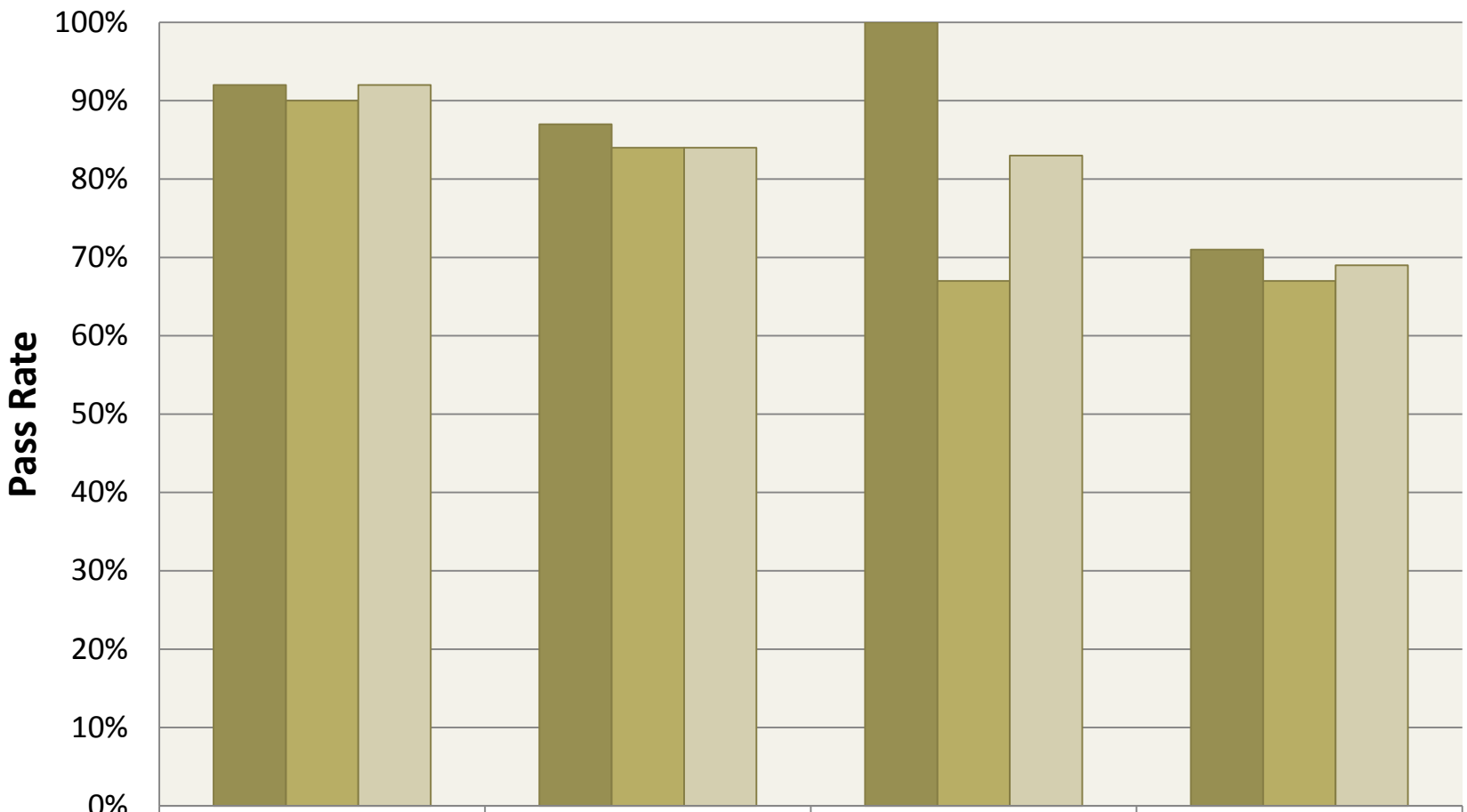
* Starting July 2014, Warehouse Security is being tested as part of SOP.

July 2014 GF Operating Materials & Supplies Test Results: Army-wide



	Existence	Complete-ness	SOP	System Access	Account Code Change Approval	Surveillance Inspection	Munitions Handler Review	APSR Posting	Inventory Adj Approval	Physical Inventory
May-14	95%	85%	50%	50%	69%	62%	73%	62%	80%	83%
Jun-14	97%	93%	0%	86%	78%	78%	89%	58%	78%	67%
Jul-14	93%	95%	33%	100%	82%	78%	98%	71%	42%	67%

July 2014 GF Real Property Test Results: Army Wide



	Existence	Completeness	Physical Inventory	Acceptance, Transfer and Disposal
May-14	92%	87%	100%	71%
Jun-14	90%	84%	67%	67%
Jul-14	92%	84%	83%	69%