



The FIP Report

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

September 2012



Message from the New Deputy Assistant Secretary

As the new Deputy Assistant Secretary for Financial Operations, I am writing my last message for this newsletter as the Director of Audit Readiness. The December message will come from the new Acting Director of Accountability and Audit Readiness Cindy Garcia.

Cindy comes to us from DFAS with 31 years of experience in DoD finance and accounting including work in systems and operations.

In writing this message, I have the privilege of announcing three major milestones that demonstrate our momentum toward audit readiness.

First, the Army fully deployed the General Fund Enterprise Business System (GFEBS) to more than 52,000 users across all Army locations. GFEBS is one of the largest enterprise resource planning systems in the world, replacing more than 100 Army legacy systems. It brings automated processes and controls to the Army's financial transactions, getting us closer to an audit-ready state.

Second, in June 2012, the Army asserted readiness for the second of three Statement of Budgetary Resources (SBR) examinations leading up to the actual audit of the SBR in 2014, as mandated by the Secretary of Defense. This second exam covers nine budget execution business processes at the GFEBS Wave 1 & 2 sites (see page 2 for details). An independent public accounting firm has begun the exam and we expect their opinion by the end of the year.

Finally, the Army asserted audit readiness for its Operating Materials & Supplies "Quick Wins." This includes three missile programs, Javelin, Hellfire, and Tube-launched, Optically tracked, Wire-guided (TOW) missiles that total approximately 16 percent of the Army's missile inventory. This represents one of the first major milestones in demonstrating progress toward audit readiness of mission critical assets. The DoD Inspector General will conduct an examination and issue a report by the end of the year.

A favorable opinion on these assertions will show we are on track to meet our 2014 and 2017 audit goals. Never before have I seen the Army transform its business environment like it has in the last few years. The pace of change is accelerating. We are moving towards audit readiness and there is no turning back. ■



In August James J. Watkins (above) became the Deputy Assistant Secretary (Financial Operations). Cindy Garcia (below) is the Acting Director, Accountability



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Accountability and Audit Readiness

The Accountability and Audit Readiness Directorate oversees the Financial Improvement Plan (FIP) that guides audit readiness efforts.

We are all accountable for managing the Army's dollars and resources. Accountability leads to a stronger Army and a clean audit opinion, which proves we are responsible stewards of taxpayer dollars and justifies funds we request from Congress.

Ultimately, accountability and audit readiness are inherent to Army's mission because they allow us to better support the warfighter through better management of Army resources.

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Visit Us on AKO

www.us.army.mil/suite/page/auditready

(Log into AKO first)



Centralized Internal Control Testing Has Begun

The Army General Fund (GF) Statement of Budgetary Resources (SBR) audit readiness team has begun monthly testing of internal control activities and supporting documentation for the SBR. These tests simulate a “mock audit,” much like what sites will experience during an actual financial statement audit.

When business transactions are randomly selected for testing, the organization that conducted the transaction will demonstrate that proper internal controls are in place. For example, they may need to demonstrate a review was done by providing documentation with a signature and date. During testing, the internal review (IR) community receives concurrent, hands-on training for future testing at their site. The Army Existence & Completeness (E&C) audit readiness team will begin monthly testing of internal control activities in October 2012.

The monthly testing is part of the Army’s audit readiness framework in alignment with the Department of Defense (DoD) Financial Improvement and Audit Readiness (FIAR) Guidance (December 2011).

GF SBR Testing

Monthly testing for SBR began in June 2012 and will expand in FY 2013 to cover, on a revolving basis, those GFEBS Fund Centers that have participated in the Army’s GF SBR manual control training events in the prior 90-120 day testing period. Army’s GF SBR audit readiness team is responsible for the initiation and kick-off of GF SBR monthly testing. The GF SBR audit readiness team selects and distributes samples, hosts IR testing sessions, distributes test results to GFEBS Fund Centers and headquarters (HQ) organizations, and reviews and responds to questions regarding test results.

SBR Exam 2 Scope

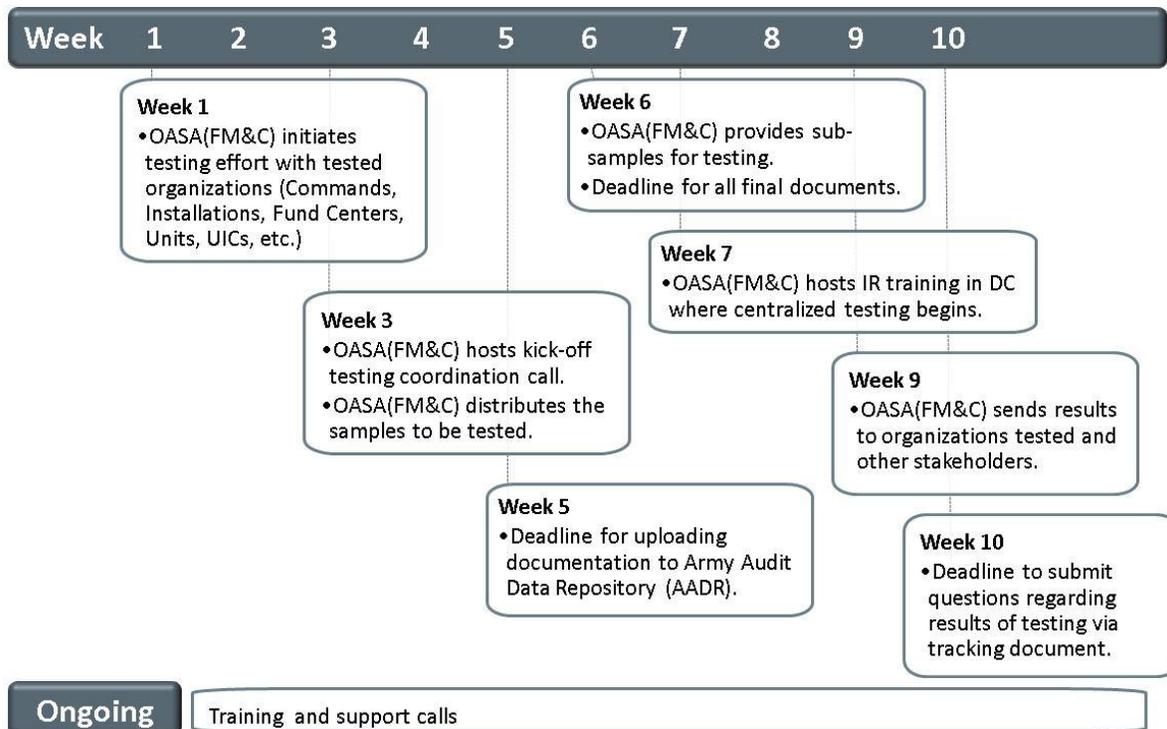
GFEBS Wave 1 & 2 Installations

- Ft. Benning IMCOM and TRADOC
- Ft. Jackson IMCOM and TRADOC
- Ft. Stewart IMCOM and FORSCOM
- Ft. Bragg IMCOM and FORSCOM
- Ft. Campbell IMCOM and FORSCOM
- Ft. Drum IMCOM and FORSCOM
- Ft. Gordon IMCOM and TRADOC
- Ft. Knox IMCOM
- Ft. Polk IMCOM and FORSCOM
- Ft. Rucker IMCOM and TRADOC

Covered Business Processes

- Funds Receipt, Distribution, and Monitoring
- Contracts
- TDY Travel in DTS
- Inbound/Outbound Reimbursable Transactions (MIPRs)
- Civilian Payroll
- Miscellaneous Payments
- Purchase Card Transactions
- Supply Requisition

Figure 1: SBR Testing Cycle



Monthly Kick-off Sessions: The GF SBR audit readiness team conducts conference calls to kick off each testing session. Testing sessions occur during the last and first week of each month. The objective of these conference calls is to communicate testing protocols, key dates, and requirements for Army Audit Document Repository (AADR) access and training.

Sample selection and distribution: Test samples are randomly selected across multiple Fund Centers. Therefore, the number of controls tested for each command will vary. The GF SBR audit readiness team provides the sample selection along with the initial Provided by Client (PBC) lists to the IR point of contact (POC) and HQ POC at each HQ organization where the transaction Fund Center resides. The IR POC is responsible for coordinating with all the appropriate functional POCs within each Fund Center’s organization to obtain supporting documentation for selected samples.

Test results: The GF SBR audit readiness team distributes results to commands and other key stakeholders. Detailed reasons for exceptions or failures are provided to IR staff and are organized by command, process, and sample number. The GF SBR audit readiness team has dedicated staff to answer specific internal controls testing questions.

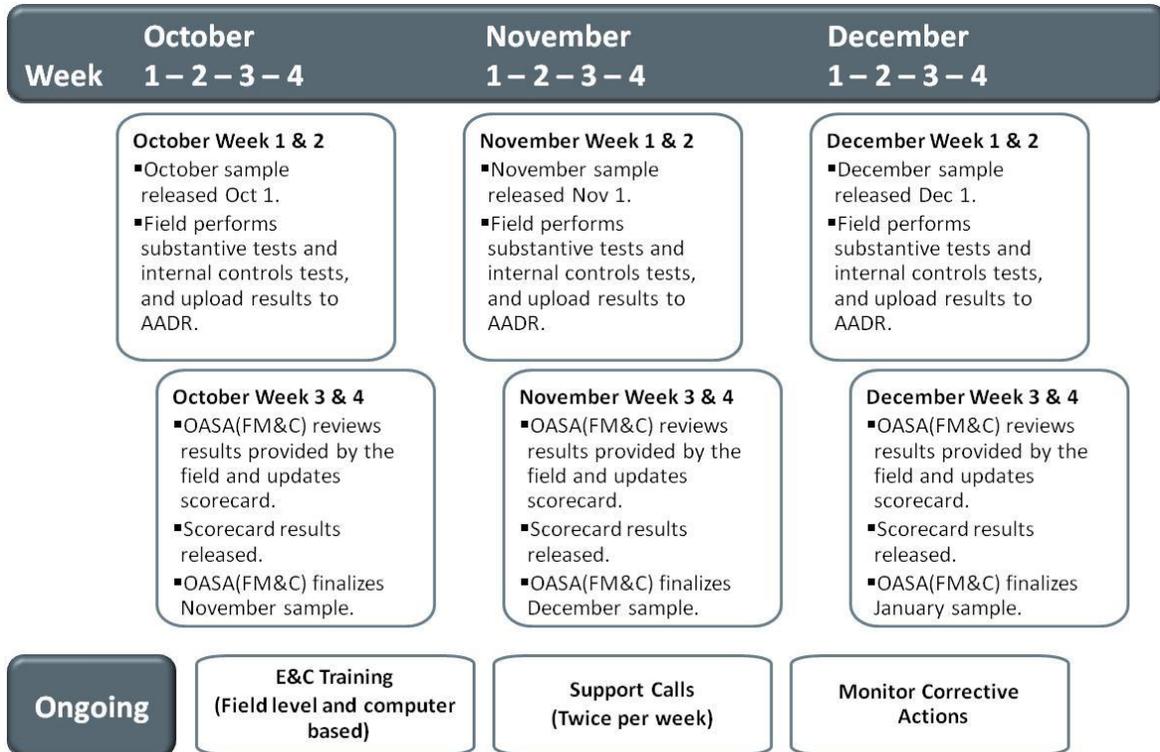
Existence & Completeness (E&C) Testing of Mission Critical Assets

Monthly internal controls and substantive testing for Military Equipment (ME) and General Equipment (GE) will begin in October 2012. The existence and completeness of assets are two of the five financial statement assertions that financial statement auditors test. DoD components must ensure that assets recorded in an accountable property system of record (APSR) exist (existence) and the reporting entities’ assets are recorded in an APSR (completeness).

Audit Readiness Top Headline on Army.mil
 On August 29, the top headline on Army.mil read “Army Mobilizes for First Financial Audit in its History.”
http://www.army.mil/article/86422/Army_mobilizes_for_first_financial_audit_in_its_history/



Figure 2: E&C Testing Cycle





The ME/GE audit readiness team will test samples randomly selected across commands. The number of controls and assets tested for each command will vary. The ME/GE audit readiness team will provide the IR offices with testing samples, templates, and instructions. Testing templates will include test procedures and examples of supporting documentation to substantiate test results. IR personnel will distribute the worksheets to pertinent functional personnel to perform the test work. IR is responsible for working with the appropriate POCs to ensure documentation uploaded to AADR is organized and complete.

The ME/GE audit readiness team will distribute test results to commands and other key stakeholders. The ME/GE audit readiness team will host a series of conference calls starting in September 2012 to answer specific testing questions.

IR Testing Sessions

Internal Review Offices at each installation play a critical role in audit readiness efforts. They:

1. Provide requested documentation per the PBC lists.
2. Perform internal controls testing with the GF SBR audit readiness team.
3. Coordinate the corrective actions needed when deviations for controls are found.

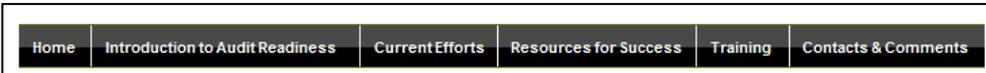
Installation Management Command (IMCOM) IR is responsible for working with the appropriate POCs within the various commands to ensure documentation uploaded to AADR is organized and complete. IMCOM IR serves as the Army's central POC for all site testing efforts. ■

New Pages on AKO

In August the FIP team launched a series of new webpages on AKO to make information easier to find. The new pages are:

- **Introduction to Audit Readiness**, which provide a general overview.
- **Current Efforts**, which explains SBR, E&C, and ERP activities.
- **The Resources for Success**, which lays out all of the tools available to assist in audit readiness preparations.
- **Training**, where you can find course descriptions and other details.
- **Contacts & Comments**, where you can get our main phone and email and leave feedback.

The new pages can be found through the navigation bar across the top of the homepage. ■



Audit Readiness "Office Hour" Calls



"Office Hour" calls are every Tuesday and Thursday from 1330 to 1530 EST to answer questions regarding internal control requirements, addressing corrective actions after a site visit, or testing.

Call-in: 1-888-426-6840, Passcode: 14450248#.

For more information, contact:

- Sharon Hale (sharon.g.hale2.civ@mail.mil)
- Viana Rickett for SBR (viana.m.rickett.ctr@mail.mil)
- Iman Aquil for E&C (iman.a.aquil.ctr@mail.mil)

Heard on the Hill

Assistant Secretary of the Army (Financial Management & Comptroller) Dr. Mary Sally Matiella testified September 14 at the House Armed Services Subcommittee on Oversight and Investigations hearing on "Department of Defense Auditability Challenges."



Interview: Audit Readiness at Fort Wainwright, Alaska

The FIP Report spoke to Ammo Supply Point Officer Mark Renner and Internal Review Auditors Mike Chembars and Kevin Stowell at Fort Wainwright to get their perspective on achieving audit readiness at Fort Wainwright.

Describe your Operating Materials & Supplies (Class V assets) audit readiness site visit.

Mark: The audit readiness team interviewed me to ascertain how we do business. This included every process we do—the receipt, shipping, issues, turn-ins, inspections, warehousing, and even demilitarization of ammo. We talked to them in detail of how all of those processes work and they detailed that in their report.

They conducted inventory and documentation reviews. They went into every building we had and inventoried a portion of every building. They went back to look at all of the paperwork associated with the samples they pulled. We had to pull 200 to 300 documents out of our files for them. They looked at every piece of documentation associated with an ammo item.

What impact have audit readiness efforts had on ammunition management?

Mark: Audit readiness has re-emphasized the importance of proper ammunition management. It is not enough to have 100 percent accountability of ammo. Every process associated with each ammo item, such as the paperwork from receipt or shipment, is equally important. Without the paper trail you have lost your audit readiness capability.

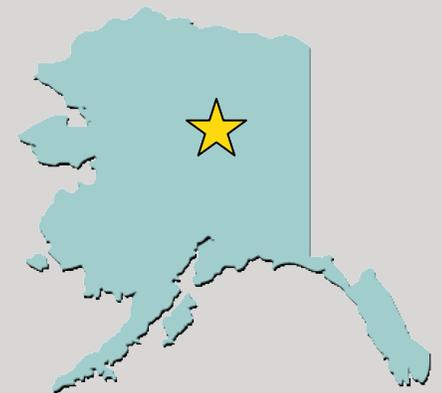
What advice would you give other installations?

Mark: We instituted “count sheets,” which were deemed a best practice by the USARPAC Ammo Review Team. We are proud that our inventory rate in the last six years has been 100 percent accurate on the first count. Every time we go into a building to turn in or issue an ammo item, we have a count sheet that shows the beginning inventory and what it should be after the transaction. Explosives operators first make sure the beginning count is correct. When they have completed their transaction, they recount and know exactly what the inventory quantity is supposed to be and should match our SAAS system. If they find an error, we have to investigate and correct it immediately. Fortunately, most of the time it is just a math error we can correct on the spot. We get errors corrected immediately. That is a phenomenal practice that keeps our inventories as accurate as they are.

Another piece of important advice is not to wait for a team to arrive to inspect your processes and review your paperwork. From an ammo perspective, you should periodically spot check your paperwork. Pick an ammo item and check it. Do you have the receipt documentation and the inventory documentation? Does the ammo inspector have the information notices and are they up to date? Are the magazine

Fort Wainwright

Fort Wainwright, covering more than a million acres in central Alaska, has 7,700 soldiers on post from various infantry brigades and divisions, one brigade combat team, and 16th Combat Aviation Brigade (a brigade-size aviation unit).



“Home of the Arctic Warriors”

When asked to provide a graphic that represents Ft. Wainwright, Mike Chembars sent in this photo of “Binky” to illustrate “the environmental hazards of working in Alaska.”





data cards available and correct? Are any issue and turn-in documents associated with that ammo item on hand and available? Take all the paperwork that can be associated with an item and check it. If you can do that, you are audit ready.

Mike: My advice is to get involved as soon as possible. This is not a one-time thing, it will not be delayed. We have to get our financial statements in order. We do not want to be that organization that does not pass when the Navy, Marines and Air Force do. Does that mean decreased funding for us? Why would the taxpayers want to give us more money if we cannot account for it?

Kevin: I would also like to tell people to go the AKO site. There are a lot of resources on there that are going to help people. You have to go out and be proactive. Do not wait for people to spoon feed this to you. Get ready. Outside of work you go out and find what you are looking for. You can't find a Starbucks, you get out your phone and figure it out. We need to transition to that mentality for our work—seek out the information to get it right.

How has audit readiness had an impact on Fort Wainwright overall?

Kevin: The biggest thing is increased awareness across the post and the importance of audit readiness to the Army, especially after we had SBR training. A lot of it people do not understand that a transaction they conduct on a purchase card has an impact on the financial statements.

Mike: It is improving awareness, though it is not where it needs to be. It has increased awareness not just of audit readiness, but made people aware of keeping their supporting documentation longer than what the regulations say (two years) versus what it takes to be auditable (six years and two months).

Kevin: Recently the SBR [audit readiness teams] sent out some SOPs to the major commands and those will benefit the Army in the long run. IMCOM has just released them to the garrisons. It gives a consistency to processes across the Army we did not have before. That is key in auditing instead of the old way of "We have always done it this way on our post."

What does audit readiness sustainment look like?

Mark: It looks like constant process review, which we do now. I have people who truly care about what they do and do it right the first time. When errors are found, they correct them immediately. We review the cause of the errors and everyone learns from it. That will not change.

Mike and Kevin: It will include continuous random testing by IR to keep us audit ready. This also requires a change in thought process. People think this is on IR and Resource Management as a one-time deal. But [audit readiness] is across the board and continuous. We cannot let our guard down and we have to stay ready. That is a change in cultural mindset. As resources get tighter, taxpayers want to know that we are responsible with our funds. This is an issue of building and maintaining their trust. ■

Upcoming Confirmed Site Visits

Team	Site	Date
Mil Pay	Germany (Various Sites)	9/17-9/28
SBR	Fort Sam Houston, TX	10/9-10/11
SBR	Adelphi, MD	10/9-10/11
SBR	ARNG DCO-Nevada	10/10-10/11
SBR	ARNG DCO-Refresher CA, TX, VA, NGB-2	10/10-10/11
OM&S	Miesau, Germany	10/1-10/12
OM&S	Milan AAP, TN	10/1-10/12
SBR	ARNG Pennsylvania	10/15-10-19
SBR	ARNG South Carolina	10/15-10-19
SBR	White Sands, NM	10/16-10-18
SBR	Fort Belvoir, VA	10/16-10-18
SBR	ARNG Wyoming	10/22-10/26
SBR	ARNG DCO Maine	10/23-10/24
SBR	ARNG DCO New Hampshire	10/23-10/24
SBR	ARNG DCO Vermont	10/23-10-24
SBR	Yuma Proving Ground, AZ	10/23-10/25
SBR	Dugway Proving Ground, UT	10/23-10/23
SBR	ARNG Mississippi	10/29-11/2
SBR	USAEUR, Germany	10/29-11/2
SBR	ARNG Tennessee	10/29-11/2

Go to our AKO site for schedule updates.

Terms

- **OM&S:** Operating Materials & Supplies
- **Mil Pay:** Military Pay
- **SBR:** Statement of Budgetary Resources



Training Offerings Continue to Expand

As of August 2012, OASA(FM&C) delivered audit readiness training to more than 9,200 personnel at 107 sites, which include multiple commands and organizations. Training is available throughout the organization, and includes Army senior leadership, business process owners, internal review, and functional offices. The latest version of the audit readiness teams' site visit schedules is maintained on the AKO audit readiness site.

Monthly DC Training Open to All

Although most training is delivered during site visits by audit readiness field teams, in July 2012, OASA(FM&C) began providing a monthly local training course in Arlington, VA. Training materials are updated regularly to reflect the evolution of the audit readiness effort and are accessible on AKO. Army personnel may contact the Audit Readiness Training Team, register for local training, or request training using links on the AKO Audit Readiness Homepage.

Online Audit Readiness Training

In June 2012, the Army began offering online training through ALMS to reach broader audiences and enable annual sustainment training. The training is designed to provide an understanding of SBR and E&C audit readiness activities, business process controls, testing, corrective actions, and Army FIP requirements. This web-based training mirrors the content covered in the classroom environment.

More than 200 Gather for July Workshop

More than 200 people gathered in Arlington, VA for the 2012 Financial Improvement Workshop. Download the briefings on AKO or the [ASA\(FM&C\) public website](#). ■

Speaker	Organization	Briefing
July 10		
The Hon. Dr. Mary Sally Matiella	OASA(FM&C)	Emerging Resources Challenges
LTG William Phillip	OASA(ALT)	Leadership Perspective on Transforming the Business Environment
Mr. Robert Speer	OASA(FM&C)	Six Challenges
Mr. Aaron Gillison	DFAS	DFAS Support for Army Audit Readiness
Ms. Sharon Hale	OASA(FM&C)	Army General Fund Audit Readiness
Ms. Kristen Jones	OASA(FM&C)	GFEBs Audit Readiness Post-Deployment
COL Pat Flanders	USAASC-AESIP	Audit Readiness Progress in GCSS-A & LMP
Ms. Kathleen Miller	ODCS G-4	E&C Perspective
July 11		
Mr. Mike Walsh	USACE	Sustaining Audit Readiness
SBR Team	OASA(FM&C)	SBR Corrective Actions
E&C Team	OASA(FM&C)	E&C Corrective Action Workshop
Ms. Sharon Hale	OASA(FM&C)	SBR: What to Expect and SBR Lessons Learned
Mr. Michael Cervone	ODCS G-4	E&C VCSA Priorities
E&C Team,	OASA(FM&C)	E&C Sustainment
Training Team	OASA(FM&C)	Training Overview

Audit Readiness Training

Overview Training

(All available online by Q1 FY13)

- Army Audit Readiness (online)
- Army Financial Improvement Plan (online)
- Internal Controls
- Testing
- Corrective Action
- Army Audit Data Repository

SBR Process Training

(Available online in Q2 FY13)

- Army-wide
- Contracts
- Reimbursables In/Out
- Temporary Duty Travel
- Civilian Pay
- Government Purchase Card
- Miscellaneous Pay
- Supply

E&C Process Training

(Available online in Q2 FY13)

- ME/GE
- OM&S

Stay tuned to AKO to find out when additional courses will be available online.

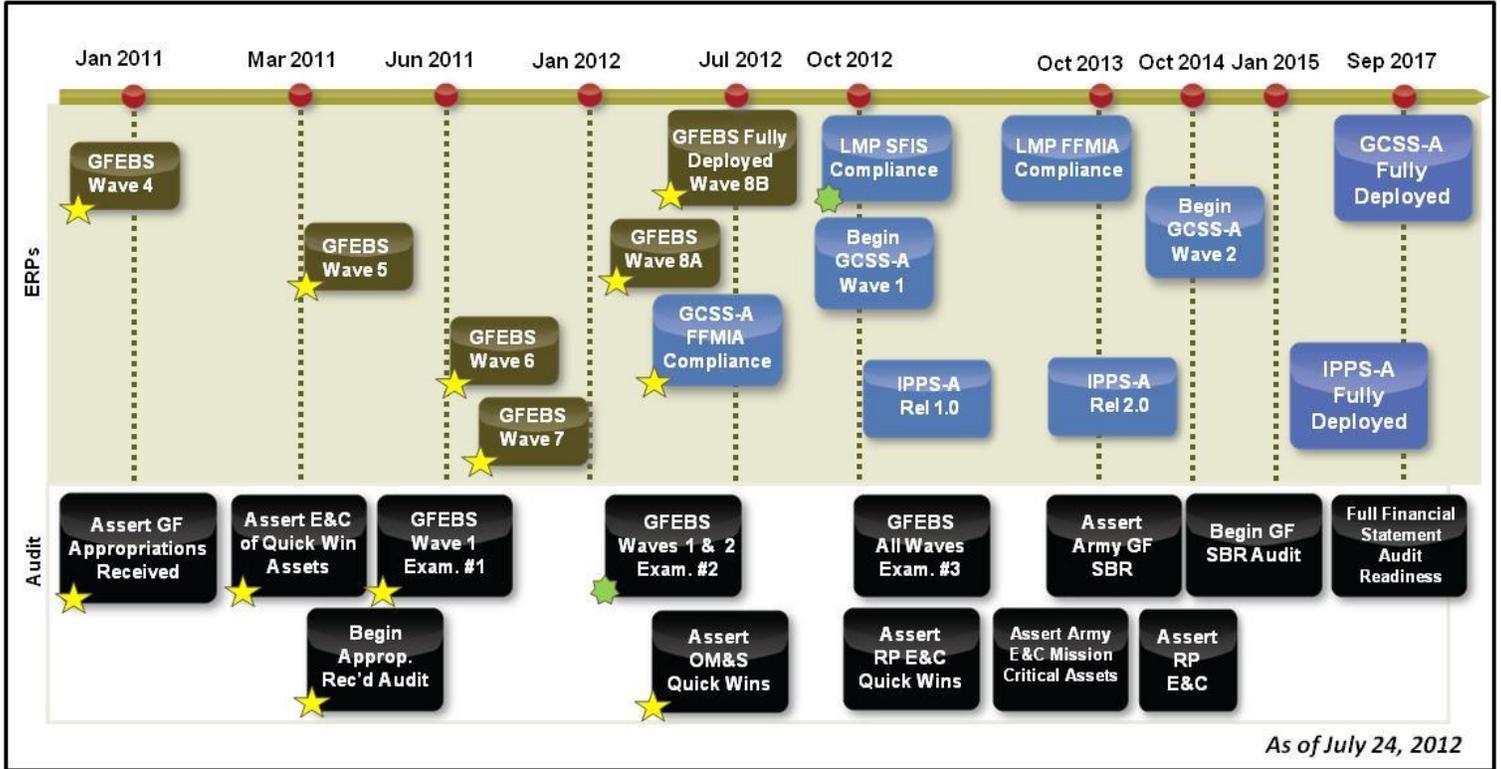
2012 DC-Area Training Dates

- September 24
- October 16
- November 15
- December 20

To register contact: david.r.ortiz3.ctr@us.army.mil



Audit Readiness Milestones



Complete In Process

Milestone	Start Date	Complete Date
Verify using Independent Audit Firm		
GF SBR Exam #1 - GFEBs Wave 1 Sites (5 processes)	✓	✓
GF SBR Exam #2 - GFEBs Waves 1 & 2 Sites (9 processes, GFEBs, DFAS)	✓	12/31/12
GF SBR Exam #3 - All Army GF Activity in GFEBs (11 processes, GCSS-A)	7/1/13	12/31/13
Verify using the Department of Defense Inspector General		
OM&S E&C – Javelin, Hellfire, TOW Missiles	✓	12/31/12
E&C of Real Property at 20 Installations	1/1/13	6/30/13
E&C of Military Equipment, General Equipment, & all OM&S	1/1/14	6/30/14
E&C of all Real Property	10/1/14	3/31/15