



The FIP Report

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

Spring 2014



3rd Quarter FY 2014 Army In-Process Review

The Army Financial Improvement Plan Working Group will hold its 3rd Quarter Fiscal Year 2014 Army Audit Readiness In-Process Review (IPR) in-person on 1 May 2014 at the Fort Myer Community Center on Joint Base Myer-Henderson Hall in Fort Myer, Virginia.

The Army Audit Readiness IPR meets on a quarterly basis with Army G-8 and G-4 leadership, resource managers, and the internal review community. These meetings serve as an important medium for communicating progress, status updates, and upcoming milestones in the Army's audit readiness strategy plans.



In recent quarters, IPRs were held by teleconference; however, with the Army's important audit readiness milestones for 2014 closely approaching, it was decided that the 3rd Quarter FY 2014 meeting would be an in-person event.



The meeting will have a robust agenda covering the 2014 milestones and the path forward, the General Fund (GF) Statement of Budgetary Resources (SBR) Exam 3 Results, ongoing GF SBR and GF Existence and Completeness testing efforts and updates, Command Updates, and training and communications updates. ■

Army Audit Committee Kicks off 2014

Dr. Mary Sally Matiella, Assistant Secretary of the Army, Financial Management and Comptroller (FM&C), chaired the Army Audit Committee for the last time on 18 February. Dr. Matiella reflected on the significant progress that has been made over her tenure, and assessing plans to meet near-term milestones in fiscal year 2014, challenging Army leaders to remain committed to achieving auditability.

The Army Audit Committee meets on a quarterly basis following the Army In-Process Review with audit readiness stakeholders. Committee members include both voting and non-voting members with the mission to provide senior leaders a discussion forum regarding challenges or issues related to successfully achieving and sustaining an audit-ready state for the Army:

- Monitor major milestones and accounting and reporting issues.
- Review areas of the financial statements ready for assertion and/or audit.
- Ensure a consistent, accepted interpretation and application of government accounting standards and policies as they relate to the Army.
- Review and resolve any significant disagreements between the Government Accountability Office, Department of Defense Office of the Inspector General auditors, independent public accountants and management.

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Accountability and Audit Readiness

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

We are all accountable for managing the Army's dollars and resources. Accountability leads to a stronger Army and a positive 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.



- Review audit results, implement accounting policy to support necessary corrective actions, and test Army compliance with the corrective action policy.

One goal of the committee is to ensure the Army provides more timely and accurate financial information to decision makers and stakeholders. A beneficial by-product of achieving this goal is that the Army will be better positioned to receive a favorable audit opinion on its financial statements.

Mr. Thomas Steffens, Director of Accountability and Audit Readiness, briefed the committee members on the Army's audit readiness progress. Among the updates Mr. Steffens briefed the Committee on the GF SBR Exam 3 status stating that the, "independent public accountant is conducting its exam of the Army GF SBR. Their testing is expected to continue through the 2nd quarter with a report delivered to us in April 2014... Giving us time to implement corrective actions prior to the June 30th GF SBA assertion date".

The meeting concluded with a discussion on progress and how audit readiness efforts are finally being integrated into way that the Army conducts business. ■

GCSS-Army Rolling Out to U.S. Army Europe

On 6 February, U.S. Army Europe (USAREUR) Public Affairs announced that USAREUR is undergoing a logistics upgrade to replace legacy Army logistics programs used to account for property, manage equipment maintenance and requisition supplies, with the Global Combat Support System- Army (GCSS-Army).

GCSS-Army will enhance USAREUR commanders' ability to execute operations by integrating property accountability, maintenance operations, and requisitioning processes into one common enterprise resource planning system. Its web-based capability is a major change from the legacy logistics program, improving readiness, accountability, and financial audit ability by integrating key capabilities.

GCSS-Army is being fielded in two distinct waves. USAREUR was the first overseas command to field the new system as a part of wave one, which includes only the supply warehouse Supply Support Activity capability.

The second wave will consist of supply room, property book, ground maintenance and human resources capabilities and take place between fiscal year 2015 and 2017.

To read the full article by By Sgt. Daniel Cole use the following link:
http://www.army.mil/article/119597/U_S_Army_Europe_to_undergo_logistic_system_upgrade/ ■

Army Audit Committee and In Process Review

Meeting minutes from both the 1st Quarter Army Audit Committee and 1st Quarter In-Process Review are available on the Army Audit Readiness website.

<https://www.us.army.mil/suite/doc/42445422>

Contact Us

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Visit Us on AKO

www.us.army.mil/suite/page/auditready
(Log into AKO first)

Army Audit Readiness on Federal News Radio

Federal News Radio recently published two articles discussing DoD and Army financial management audit readiness efforts. The article on 19 February highlighted how the FY 2015 “limited scope” financial audit will be a major stepping stone towards the full financial audit planned for DoD in early 2018 and the 20 March article further delved into the Army’s plans to assert a large chunk of its financial statements for audit; the result of incremental progress the Army has been making over the past several years.

In the 20 February article, Mr. James Watkins, Deputy Assistant Secretary of the Army, Financial Operations spoke about Army leadership’s decision to hold off on allowing auditors to scrutinize Army’s financial statements until the main enterprise resource planning (ERP) system, GFEBS, was up and running.

Mr. Watkins noted that since GFEBS was first implemented in 2012, the Army has undergone four localized outside audits giving his service valuable lessons and it’s now expanding the process across the Army. “What I’ve learned over the last few years is that deploying an ERP is very difficult in and of itself but that’s only the tip of the iceberg in terms of the work that has to be done,” he stated. In addition to the ERP implementation, the Army has improved internal controls to a sufficient level that it’s ready to submit its full current-year Statement of Budgetary Activity (SBA) to the scrutiny of outside auditors.

Kristyn Jones, the Deputy Assistant Secretary of the Army, Financial Information Management also spoke in the 20 March article about GFEBS and the close work between IT and Financial Management. “I think what’s helped us succeed is the tight connection between the functional community and the IT and acquisition communities,” Jones said.

While the Pentagon and legislative mandates for auditability were a key driver toward getting GFEBS up and running, but it was the squeezing of the defense budget and other systems coming on line that finally give the Army access to real-time accounting data to show operational value to Army leaders outside the financial management world.

The links below can be used to hear the audio or read the full transcripts:
<http://www.federalnewsradio.com/DoD-plans-dry-run-financial-audit-for-2015>
[http://www.federalnewsradio.com/Army-prepares-to-undergo-its-first-large-scale financial audit](http://www.federalnewsradio.com/Army-prepares-to-undergo-its-first-large-scale-financial-audit) ■

DoD Comptroller Bob Hale on Audit Readiness



DoD Undersecretary of Defense Comptroller, Mr. Bob Hale recently announced at the end of January 2014 that he is stepping down. Mr. Hale became the Comptroller in 2009 with the key mission of balancing the financial records at the Pentagon. After helping the military navigate some of the toughest budget battles in history, Mr. Hale is leaving the position he has held for almost five years—a longer tenure than any other DoD Comptroller since the 1950s.



Vice Chief of Staff of the Army
General John F. Campbell

VCSA Directive

Each month the VCSA is briefed by other Army leadership on the status and testing results of the Army Commands.

In support of the SBR/SBA audit readiness efforts, the VCSA issued a directive on 10 February to all Commands sampled for the January 2014 GF SBR testing period. Commands were directed to provide ASA(FM&C) acknowledgement of their test results, with specific timelines for implementing requisite corrective actions prior to 30 September 2014.

Command responses will be discussed at the April 2014 VCSA Strategic Readiness Update meeting.



Mr. Hale is devoting part of his final days at the Pentagon to promoting the Department’s progress toward fulfilling the congressional mandate to achieve full auditability of its financial statements by 2017.

In a recent interview with *Government Executive* on 18 February, Mr. Hale stated that despite the issues surrounding audit readiness, “we do know where our obligated funds are... Even if as few as 1 percent of our transactions were wrong, we’d be paying 1.5 million payments a year to the wrong people or vendors, and we would notice.”

Mr. Hale defended the progress made toward the Defense Secretary’s interim goal of achieving auditable budget statements by 2014, stating they were hampered “by incredible budget turmoil, particularly last year, which took a lot of our time and made accounting more difficult.” Mr. Hale further said he knows that, “The taxpayer will never be convinced if we can’t do what every public company does [achieve full auditability]”.

Mr. Hale said the push for greater discipline in detailing expenditures has the full support of Secretary Chuck Hagel and the Pentagon’s top brass. Recently the secretary has recorded a video on auditability and publicly recognized the Marine Corps when its statement came out clean. “When the CEO takes time out to do that, he’s fully committed,” Hale added.

To read the full *Government Executive* article, use the following link: <http://www.govexec.com/management/2014/02/departing-pentagon-comptroller-infuriated-press-reports-financial-management/79130/> ■

Command to Command Resources Coming to AKO!

Have you developed a valuable tool or worksheet that supports your internal control environment? Or are you in a need of such tool and don’t want to ‘re-create the will’? Well here’s the solution... Command to Command Resources!!!

In April 2014, the GF SBR Team will begin hosting a folder on AKO that facilitates sharing of audit readiness resources across Commands. Army personnel will be able to leverage useful tools and documents which have been prepared by their colleagues in support of their audit readiness efforts.

The documents will be available on the Audit Readiness homepage on AKO within the following folder structure.

SBR Documents-→ Command to Command Resources

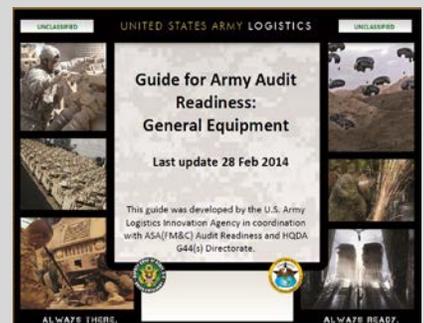
If you have content that you would like to be considered for inclusion in this folder, please submit requests to Allison Warner (allison.m.warner4.civ@mail.mil) and Sonya Green (sonya.y.green3.ctr@mail.mil).

Logistics Audit Readiness Featured on Army STAND-TO!

The Army Logistics Innovation Agency (LIA) audit readiness efforts were the focus of the February 18 edition of Army STAND-TO!, the “Official Focus of the U.S. Army” publication.

The LIA’s audit readiness effort ensures that the activities of the Army’s logistics systems support the Army’s logistics architectures and improves business process alignment between the Army and the DOD. When complete, the effort will enable the Army to assert that it has an audit-ready process as mandated by congressional law.

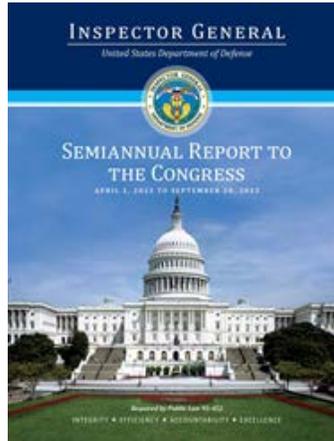
The full article can be found at http://www.army.mil/standto/archive_2014-02-18/.



DoD IG Semiannual Report to Congress – Army Findings

The [DoD Inspector General Semiannual Report to the Congress](#) was issued on 3 February 2014 for the reporting period of April 1 through September 30, 2013. The report summarizes the scope of DoD IG achievements, as well as the contributions of the audit and investigative agencies of military departments.

DoD IG oversight continues to focus on the Department’s audit readiness effort to include examinations of existence, completeness and rights of the critical assets and development and implementation of the enterprise resource planning systems. During this reporting period, DoD IG issued a report on the examination of Army’s assertion for existence and completeness of operating materials and supplies “quick win” assets. This report also highlighted the DoD IG audit of the General Fund Enterprise Business System (GFEBs) Acquire-to-Retire Process.



On July 1, 2012, the Army completed the GFEBs deployment with more than 53,000 users at 227 locations in 71 countries. DoD IG’s audit was to determine whether the Army had adequate controls over recording accounting transactions within the acquire-to-retain business process through GFEBs and whether the Army had verifiable audit trails to support these transactions.

DoD IG recommended Army officials create working groups to implement necessary functionality in GFEBs for Army real property management; develop standardized procedures and controls that leverage all GFEBs capabilities; provide job-specific training; review all real property data, including land, in GFEBs for accuracy; develop integrated processes for recording construction costs; and develop procedures for converting fixed assets. [Report No. DODIG-2013-130](#) ■

Top Resources on AKO

The AKO Audit Readiness site has a “Top Audit Readiness Resources” list in the upper right corner of the page to help visitors get to important documents quickly.



FAQs on AKO

The Army Audit Readiness site has a new page of Frequently Asked Questions (FAQs).

www.us.army.mil/suite/page/674831





Audit Readiness Training: Courses Available Online

Overview Training

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

Process Training

Existence & Completeness (E&C)

- General Equipment (GE)
- Real Property (RP)
- Operating Materials & Supplies (OM&S)

Statement of Budgetary Resources (SBR)

- General
- Contractual Services / Acquisition of Assets
- Civilian Payroll
- Reimbursable Inbound

“Office Hours”

Subject matter experts from the SBR and E&C teams are on hand every week to answer calls regarding internal control requirements and audit documentation.

When

Tuesdays, 1400 to 1500 EDT and
Thursdays, 0800 to 0900 EDT.

Where

Dial in: 1-888-426-6840,
Passcode: 14450248#

For more information, access the Army Audit Readiness Training page using the following link: www.us.army.mil/suite/page/674323 ■

External Examination Updates:

GF SBR Exam 3:

The Army began the GF SBR Exam 3 in July 2013 and testing of Exam 3 samples is expected to continue throughout the 2nd quarter of fiscal year 2014. Exam 3 covers all current fiscal year GF activity within GFEBs and Corps of Engineers Financial Management System (CEFMS), as well as Military Pay. It also includes FISCAM assessments of GFEBs, GCSS-Army, and the Logistics Modernization Program (LMP) general controls and interfaces with GFEBs and PAADS, as well as the Defense Finance and Accounting Service (DFAS) processes and controls.

The IPA has completed discovery walk through visits and visits to the GCSS-Army and GFEBs program offices. As of 28 March 2014, 117 Notice of Findings and Recommendations (NFR) have been issued by the independent auditor. As the auditor finalizes their review of site visit documentation and testing results, additional NFRs may be issued. It is anticipated that the auditors will issue their audit report in April 2014. ■

GF General Equipment E&C:

The Army successfully asserted to the existence and completeness (E&C) of GF General Equipment in December 2013. This marked a major milestone in the Departments E&C audit readiness efforts. OSD has substantially completed their review of the assertion package, with the official memo to proceed with the exam still pending. The DoD IG is expected to start their examination in the 3rd quarter of Fiscal Year 2014. ■

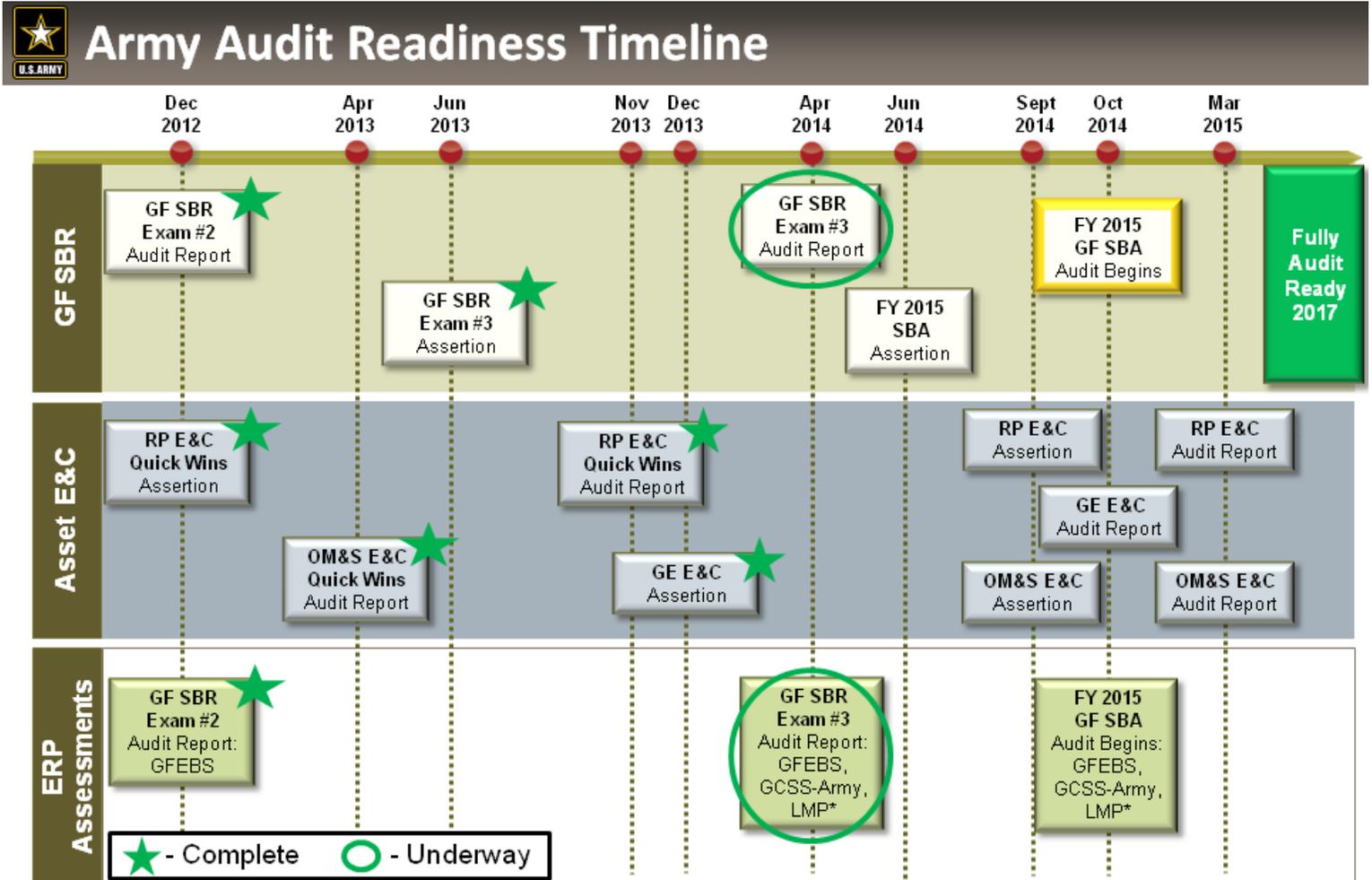
Updated Site Visit Schedule

The current site visit schedule can be found at:

www.us.army.mil/suite/doc/34457673



Audit Readiness Milestones



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

Accountability & Audit Readiness: Sustaining Army's Strength

Major Audit Readiness Milestones	Start Date	Complete Date
GF SBR Exam #1	✓	✓
GF SBR Exam #2	✓	✓
GF SBR Exam #3	✓	04/2014
Schedule of Budgetary Activity	06/2014	06/2015
OM&S E&C "Quick Wins"	✓	✓
Real Property E&C "Quick Wins" (23 Installations)	✓	✓
General Equipment E&C	✓	06/2014
OM&S * and Real Property E&C	09/2014	03/2015