



## Top Issues Emerge from Centralized Testing

The Army General Fund (GF) Statement of Budgetary Resources (SBR) and Existence and Completeness (E&C) Military Equipment/General Equipment (ME/GE) audit readiness teams have begun monthly testing of internal control activities. These tests simulate what sites will experience during an actual financial statement audit.

When business transactions are randomly selected for testing, the organization that conducted the transaction must 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. SBR testing began June 2012. E&C testing of ME/GE activities began in October 2012. 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. For more information on the testing strategy see the September *FIP Report*.

### Statement of Budgetary Resources (SBR) Top Issues:

#### 1. Evidence of Review & Approval

Key source documentation is missing signatures and dates as evidence of review or receipt (e.g., daily Status of Funds report, reconciliation worksheets, IDOC reports, DD forms).

**Action required:** Ensure that all owners understand which processes and controls require evidence of review, and the acceptable methods for evidencing review. For example:

- Digital signature of authorized personnel (preferred method—see page 6 on how to do this).
- Hard copy signature of authorized personnel.
- Email to file.
- Control checklist.



#### 2. Controls Not Implemented

Some Commands have not implemented the controls in accordance with training and audit readiness requirements.

**Action required:** Corrective actions must be implemented from the top down. Command leadership must ensure that business process and control owners are actively engaged in the implementation of internal controls.

#### 3. Quality of Command Corrective Action Efforts

The results of controls testing indicate significant improvement is needed in the internal control environment. Sites had approximately 120 days to implement internal controls after training. Based on the high percentage of

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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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failed samples, it does not appear that the current command corrective action efforts are effective.

**Action required:** Corrective actions must be implemented from the top down. Command leadership must ensure that business process and control owners are actively engaged in the implementation of internal controls. Business process owners must also take full advantage of the available audit readiness resources such as the internal control office hours calls and training.

**4. Sample Items Not Supported by Documents Provided**

A number of documents did not agree with the selected transaction amount.

**Action required:** Implement processes to ensure the transaction amounts or data and PBC samples recorded in the system of record match the referenced supporting documentation. This supporting documentation must be readily accessible.

**Existence & Completeness (E&C) Top Issues:**

**1. Documentation**

Those sampled could not provide requested documentation.

**Action required:** Stakeholders (to include IR, functionals, commanders, mission support elements, G-4, directorates of logistics, and property book officers) must understand the test procedures and how to maintain and retrieve required documentation. Document retention policies must be updated or implemented to ensure documents supporting asset records are maintained for minimum time requirements.

**2. Evidence of Review**

The testing found transaction documents not signed and dated to prove a review had taken place (e.g., hand receipt, transaction forms).

**Action required:** Stakeholders must ensure that all control owners understand which controls require evidence of review and ensure that supporting documentation is filled out accurately, completely, and signed by authorized personnel.



**3. Authorization Documents**

Authorization documents (e.g. appropriate assumption of command, appointment memorandum, or the corresponding DA Form 1687) were not provided to verify transaction signatures or did not include the six-character unique identification code (UIC).

**Action required:** Stakeholders must understand the test procedures and provide relevant documents to complete testing. Control owners must ensure that supporting documentation is complete and accurate. ■



The Army Audit Readiness AKO site wins a bronze medal in the “Best of AKO” contest for 2012.

**Testing Universe**

Centralized testing efforts affect the following:

- **SBR:** All GFEBs users and organizations
- **ME/GE:** PBUSE users and organizations
- **OM&S:** Accountable Property Systems of Record (APSR) users and organizations (e.g., LMP, SAAS-MOD) with Class V assets
- **Real Property:** GFEBs users / organizations.

**OM&S and RP Testing**

Testing for OM&S will begin in February 2013. Testing for RP will begin in March 2013.

**Real Property Assertion**

OASA(FM&C) asserted audit readiness for Real Property assets on 23 installations for January 1. An independent public auditing firm will assess the findings and issue a report in June 2013.



## Interview: Audit Readiness at OACSIM

The FIP Report interviewed OACSIM Asset Management Branch Chief David J. Leinberger and Program Analyst Michelle Fulton, who serves as a point of contact between OACSIM and GFEBS. Both are involved in audit readiness efforts to ensure the existence and completeness of real property records.

### How have you been involved with the Army's audit readiness efforts?

We own the real property piece including the guidance and resulting data. We need to make sure that data is timely and accurate. For audit readiness we want to ensure there is an audit trail and the underlying information in that audit trail is accurate.

We also need to ensure the installations know how get the data into the system accurately and timely. In turn the system needs to support the real property business process.

### What success have you seen since the audit readiness effort began?

The first is related to mapping out the scope of the challenge. Half of the battle is to figure out what the problem is. The second is related to indentifying what tools you need to get to your solution. With support of OASA(FM&C) working to assert audit readiness for the 23 "quick wins" properties, we have mapped out what the challenge is, what has been done, and what needs to be done. That is a success, though we still need to figure what needs to be done around some of the gaps.

In terms of the tools, the Army has made a decision to change the systems we use. We had IFS and are now using GFEBS. We had a few years using both IFS and GFEBS for reporting, which set back the audit readiness efforts. Now that we phased out IFS, it is easier to take part in the audit readiness process dealing with only one system.

### What challenges has the audit readiness effort presented to OACSIM?

The audit readiness effort itself does not present the overall challenge we face, but the organization is not properly resourced for all that we need to do. Of course we should have always been audit ready and have always had the resources in place to make it happen. It is not an excuse to hide behind, but it is a challenge.

The second challenge is the sheer size of the Army inventory. It has the largest inventory of anyone in the world. It's the way we do business. When you look at the square footage or miles of property we have, we have far more than the Navy or Air Force but are not resourced at a greater level than those services, so we have to do more with less.

Another challenge is when working with a large inventory, you have to have consistent guidance that works across the whole enterprise. We cover all of our installations Army-wide. We need policy that covers the Reserve, the Guard, and active Army. We are going line by line, policy by policy to ensure policies are up to date and eliminate confusion where we can.



### OACSIM Mission

The OACSIM provides policy formulation, strategy development, enterprise integration, program analysis and integration, requirements and resource determination, and best business practices for services, programs, and installation support to Soldiers, Families, and Civilians of an expeditionary Army in a time of persistent conflict.

*“Documentation, documentation, documentation!”*

—What people in the field need to know according to OACSIM



**What do you want people in the field to know to ensure they are getting audit ready?**

Documentation, documentation, documentation! Here is an example of a challenge in that regard. We have to have, from cradle to grave, all of the documentation from how we got a facility or asset, what we've done with that asset, and what we did to dispose of that asset. One would think that would be pretty simple. But this is a new lifestyle for the Army. It is only recently that we have aggressively pursued documentation of our facilities.

And some of those facilities are older than our country. We had to recently go back to Office of the Secretary of Defense (OSD) and say within your inventory you do not recognize facilities older than 1790. How could we have facilities older than that? The Army National Guard is older than the country and they do, in fact, have facilities older than the country. Imagine trying to find original source documentation for that and the capital improvements done to it! The Army was established, along with the Navy, immediately after the country and some of our facilities were established prior to 1790. The documentation on these facilities simply does not exist. These installations need to make sure they have the "Evidence of Source Documentation" memo on file, which we are in the process of finalizing the guidance for. It talks about how the asset came to be even if the original paperwork does not exist.

**Once you achieve audit readiness, what do you think sustainment looks like for your organization?**

The continuous sustainment and improving processes will be very difficult not just for the Army but for the Federal government as a whole. Back in the day, we used to keep manila folders that had original documentation for all of our facilities. That is how we did business. As the government modernized its business practices, we developed computer systems and automated many of our processes. Documentation can be automated. We are in the process of automating procedures to bring it up to a standard for today. In the future as new business practices are created or are given to us by our leaders or Congress, we will have a new standard we will need to rise to. But that future standard is unknown. We want to stay ahead of it instead of chasing it.

It is like highway upgrades. Those are programmed for current requirements, not future growth. One of the challenges is we will bring the Army up to standard that meets more than just a standard for the day it is finished.

We also need to be able to build our processes so we can sustain them. We need to be ready to improve when new requirements come. Our procedures and processes need to be repeatable and easy. This gets back to internal controls. SOPs are needed to sustain efforts on the ground so they do not have to recreate the wheel when an auditor comes in. ■

**Site Visits**

Team	Site	Date
SBR	Fort Knox	1/22-1-24
SBR	PEO Orlando	2/5-2/7
SBR	SOUTHCOM Miami	2/18-2/21
SBR	Fort Stewart	3/5-3/7
RP	ARNG Arkansas	1/7-1/18
RP	ARNG Pennsylvania	1/7-1/25
RP	ARNG Ohio	1/22-2/1
RP	ARNG Nebraska	1/22-2/8
RP	ARNG Arizona	2/11-3/1
RP	ARNG Texas	2/18-3/1
RP	ARNG Iowa	2/25-3/8
RP	ARNG Oklahoma	2/25-3/8
RP	99 <sup>th</sup> RSC	3/18-4/5
RP	Army Korea Sites: Camps Casey, Humphrey, Carrol, and Osan Airbase	3/25-4/5

**Terms:**

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

Go to our AKO site for schedule updates.





## Army Audit Committee Convenes ASAs and DCSs

On November 29 the Army Audit Committee meeting marked the first time that Assistant Secretary of the Army (Financial Management & Comptroller) (ASA(FM&C)) Dr. Mary Sally Matiella chaired the meeting. The Audit Committee charter has been modified so that members are at the Assistant Secretary of the Army (ASA) and Deputy Chief of Staff (DCS) level.

“We are committed to this. I go around the Army and I see a lot of commitment from folks working harder than ever before to get the Army auditable,” said Dr. Matiella in her opening remarks. “We have the opportunity to get auditable. Each of you is critical to this effort. “

Dr. Matiella talked about the challenges to getting to an auditable state. “We need governance and leadership to get to auditiablilty. This committee gets to that challenge,” she said.

Mr. James Watkins, the Deputy Assistant Secretary of the Army (Financial Operations) briefed the committee members on the following:

- An overview of the audit readiness strategy and milestones.
- New efforts to test internal controls throughout the Army and a summary of recent testing results.
- Governance, risk, and compliance (GRC) tools that will be used to automate internal controls.
- How the Vice Chief of Staff will be involved in monitoring these efforts.
- Next steps.

“This requires training and education at every level,” Dr. Matiella told committee members. “It is up to you to resource this requirement to the proper level.”

Prior to this past meeting, the Committee had been staffed since its inception in 2006 at the Deputy Assistant level. The committee meets quarterly. Plans are in the works to devote a portion of the quarterly Senior Leadership Steering Group meetings to audit readiness to ensure staff at the Deputy Assistant level stay engaged.

The briefing is available at <https://www.us.army.mil/suite/doc/38462961> (first log into AKO at <https://www.us.army.mil/>).

### 2013 Army Audit Committee Meeting Schedule:

- Thursday, February 14, 11:00 – 12:00.
- Thursday, May 09, 11:00 – 12:00.
- Thursday, August 08, 11:00 AM – 12:00.
- Thursday, November 14, 11:00 – 12:00. ■

## Audit Committee

### Voting Members:

- Assistant Secretary of the Army (Financial Management & Comptroller)
- Assistant Secretary of the Army (Manpower & Reserve Affairs)
- Assistant Secretary of the Army (Installations, Energy, & Environment)
- Assistant Secretary of the Army (Acquisitions, Logistics, & Technology)
- ASA (Civil Works)
- Chief Information Officer/G6
- Deputy Chief Management Officer
- Director, Army Office of Business Transformation
- Deputy Chief of Staff, G1
- Deputy Chief of Staff, G3/5/7
- Deputy Chief of Staff, G4
- Deputy Chief of Staff, G8
- Chief of Engineers
- Deputy Chief of Staff, G2
- Assistant Chief of Staff for Installation Management
- Director, Army National Guard
- Director, Army Reserve

### Non-voting Members:

- Commander, AMC
- Commander, FORSCOM
- Commander, TRADOC
- Commander, IMCOM
- Administrative Assistant to the Secretary of the Army
- Army Auditor General
- Inspector General (Army)
- Deputy Chief Financial Officer (Department of Defense)
- Director, Defense Finance and Accounting Services—Indianapolis
- Principal Deputy Inspector General (Department of Defense)
- Assistant Secretary of the Navy (Financial Management & Comptroller)
- Assistant Secretary of the Air Force (Financial Management & Comptroller)



## SBR Testing Strategy Updated

OASA(FM&C) continues to evaluate the SBR internal controls testing and how we can improve the process. The following changes will be effective January 2013:

**1) De-coupling IR Training with SBR Internal Controls Testing:** All monthly internal controls testing will be completed independently by OASA(FM&C). We will continue to work with local Internal Review (IR) as the primary liaison for obtaining supporting documentation and answering questions. However, there will no longer be a requirement for members of the IR community to attend monthly training in the metro-Washington area. All IR offices are encouraged to continue to evaluate the quality of corrective actions efforts and effectiveness of internal controls. OASA(FM&C) is in the process of designing a training program to support IR's testing efforts.

**2) Internal Control Testing Across All Army Organizations:** Under the current testing strategy, fund centers become eligible for testing 90-120 days after training has been delivered. All GFEBs fund centers will be eligible for internal controls testing each month beginning in January 2013. We will continue to select a random sample of 45, but will select additional judgmental samples to increase coverage across Commands, DRUs, states, etc. As such, all GFEBs users and fund centers should be prepared to respond to documentation requests regardless if they have received training or not.

Go to our AKO site for training briefings, the Audit Support Handbook, and details on our Office Hours support calls. Recorded videos of all SBR training modules will be available by mid-January, which will allow all Army personnel to access training modules at their discretion. We encourage all Command HQs to work cooperatively with their fund centers to ensure training materials are distributed and internal controls are appropriately implemented. ■

## Daily Status of Funds and How to Digitally Maintain

"Why do we need to review the status of funds daily?" is a question heard often regarding SBR Control A.01: Status of Funds Review. Because GFEBs is an "open system" users can execute funding for multiple fund centers. The internal control to mitigate this risk is a daily status of funds review demonstrating the fund owner is monitoring for inappropriate activity.

The next question asked is "Do we have to print all of these reviews out, sign them, and store them in a folder?" The answer is no. An auditor will require proof that the review has been performed in the form of a manual or digital signature. The SBR Audit Support Handbook shows the report and where to sign it. OASA(FM&C) is working to eventually automate this activity within GFEBs.

Options on [how to digitally capture and sign documents](#) (which can be done for any control requiring review evidenced by a signature and date) can be found in our new [Shared Resources Tool](#). ■

## New Army Reserve Chief Highlights Importance of Audit Readiness



In October *Politico* interviewed new Chief of the Army Reserve Lt. Gen. Jeffrey Talley:

*"Talley's priorities for the Army Reserve are telling of his background as a chief executive. 'Audit readiness' is part of his action plan.*

*"How do we make our auditing processes transparent so people can see what a great value we are for the money?" he mused during an interview with POLITICO. 'If we can't do that in the Army Reserve, there's no hope for the Army to be able to do it. So, I think we can lead that.'"*

Read more at: <http://www.politico.com/news/stories/1012/82777.html>



## New ME/GE and Other Modules Available on ALMS

New audit readiness modules for Military Equipment/General Equipment (ME/GE), Testing, and Corrective Action are now available online through the Army Learning Management System (ALMS).

The ME/GE module covers the assertion process, testing procedures conducted in support of audit readiness, ME/GE control activities, common deficiencies, and corrective actions.

Other modules available online include:

- Army Audit Readiness.
- Army Financial Improvement Plan/Current Efforts.
- Internal Controls.

For detailed instructions on how to access the training, please reference the Army Audit Readiness page on AKO.

Live trainings are offered every month for those local to the National Capital Region. The next trainings will be held on January 17 and February 21 from 0900 to 1600. To register contact [david.r.ortiz3.ctr@us.army.mil](mailto:david.r.ortiz3.ctr@us.army.mil). ■

## New Shared Resources Tool on AKO

The Audit Readiness site has launched a new tool to share resources across commands, installations, and units.



The tool lets users view a summary of the documents and filter by category:

File Name	Author	Command/Organization	Purpose of Document	Categories	Date Added/Updated
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Start using the tool and sharing your resources today!

<https://www.us.army.mil/suite/page/624621>

If you have any questions about the tool contact us at [usarmy.pentagon.hqda-asa-fm.mbx.audit-readiness@mail.mil](mailto:usarmy.pentagon.hqda-asa-fm.mbx.audit-readiness@mail.mil). ■

## Expanded "Office Hours" Calls



Subject matter experts from the SBR and E&C teams are on hand every week to answer questions regarding internal control requirements and audit documentation. New hours have been added for OCONUS sites.

### When

**CONUS:** Tuesdays and Thursdays, 1330 to 1530 EST.

**Korea/Japan:** Tuesdays and Thursdays, 1900 to 2030 EST.

**Europe:** Tuesdays and Thursdays, 0830 to 1000 EST.

### Where

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

For more information, contact:

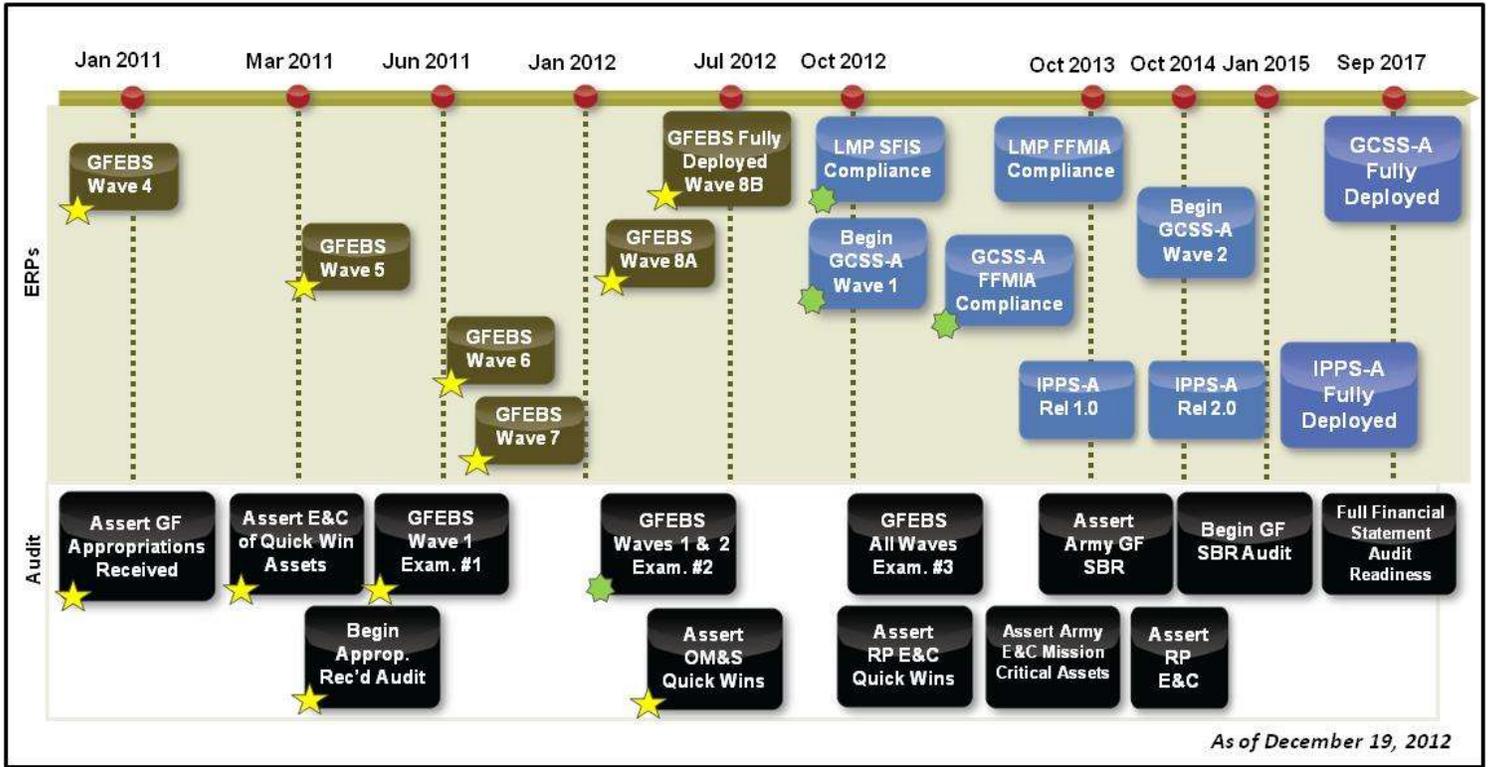
- Sharon Hale ([sharon.g.hale2.civ@mail.mil](mailto:sharon.g.hale2.civ@mail.mil))
- Viana Rickett for SBR ([viana.m.rickett.ctr@mail.mil](mailto:viana.m.rickett.ctr@mail.mil))
- Iman Aquil for E&C ([iman.a.aquil.ctr@mail.mil](mailto:iman.a.aquil.ctr@mail.mil))

## What's on Your Audit Readiness Wish List?

Our AKO site has a poll to find out what Audit Readiness resources you want others to share on the new Shared Resources tool.



### Audit Readiness Milestones



Complete      In Process

Milestone	Start Date	Complete Date
<b>Verify using Independent Audit Firm</b>		
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
<b>Verify using the Department of Defense Inspector General</b>		
OM&S E&C – Javelin, Hellfire, TOW Missiles	✓	12/31/12
E&C of Real Property at 23 Installations	✓	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