



# Army General Fund Audit Readiness Update



July 10, 2012

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

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



# Agenda

- Audit Readiness Program Overview, Accomplishments, and Milestones
- Updates:
  - Statement of Budgetary Resources (SBR)
  - Existence & Completeness (E&C)
  - Training
  - Communications
- Open Discussion and Questions



# Audit Readiness Program Overview

## Priorities

## Actions

## Goals

**Statement of Budgetary Resources (SBR)**

- Funds Receipt, Distribution, and Monitoring
- Contracts
- TDY Travel
- MOCAS
- Miscellaneous Payments
- Civilian Payroll
- Reimbursable Transactions (MIPRs)
- Military Payroll
- Purchase Card Transactions
- Supply Requisition

**Existence and Completeness (E&C)**

- Military Equipment (ME)
- General Equipment (GE)
- Operating Materials and Supplies (OM&S)
- Real Property (RP)
- Inventory

**Enterprise Resource Planning (ERP) Systems**

- General Fund Enterprise Business System (GFEBS)
- Global Combat Support System–Army (GCSS-A)
- Logistics Modernization Program (LMP)
- Integrated Personnel and Pay System–Army (IPPS-A)

- Assess documentation, processes, and internal controls
- Implement corrective actions
- Establish effective internal controls
- Assess financial statement data for accuracy

- Assess system controls
- Correct control deficiencies

**Army is Auditable**

- Standard processes
- Effective internal controls
- Proper documentation
- Accurate, timely, reliable and supportable financial data

Compliant Systems (FFMIA, FISCAM\*)

\*The Federal Financial Management Improvement Act and Federal Information System Controls Audit Manual



# Major Accomplishments

- Statement of Budgetary Resources (SBR)
  - Appropriation Received: Unqualified Opinion (August 2011).
  - SBR Exam 1: Qualified Opinion (November 2011).
  - SBR Exam 2 Assertion: June 2012.
  
- Existence & Completeness (E&C)
  - Operating Materials & Supplies (OM&S)  
“Quick Win” Assets Assertion: June 2012.



## SBR Exam 2 Assertion

- 10 Army Installations.
  - GFEBS Waves 1 and 2 locations.
  - DFAS processes.
  - GFEBS IT general and application controls.
- Nine business processes.
- OUSD(C )conducted final reviews of assertion package documentation.
- Examination to be conducted by an independent accounting firm.



## OM&S Assertion

- Javelin, Hellfire, and Tube-launched Optically-tracked Wire-guided (TOW) missiles.
- OUSD(C) conducted final reviews of assertion package documentation.
- DoD Inspector General (IG) reviewed assertion package to prepare for the examination.



# Army Audit Readiness SBR Milestones

Milestone	Tested	Corrected	Validated
<b>Statement of Budgetary Resources</b> Testing and correcting controls and documentation to meet FIAR Guidance criteria			
GF SBR Exam #2 - GFEBS Wave 1&2 Sites	✓	6/30/12	12/31/12
Automated FBWT Reconciliation Tool <b>**</b> (no assertion/audit for GF Recon process) <b>**</b>	1/31/13	N/A	N/A
GF SBR Exam #3 - All Army GF Activity at all GFEBS locations	12/31/12	6/30/13	12/31/13
GF SBR Assertion / Audit - All Army GF Activity	3/31/13	6/30/14	9/30/14
FBWT	2/15/13	6/30/14	9/30/14

**Exam 3** covers Exam 2 processes plus MOCAS, GCSS-Army.  
**The full 2014 SBR audit** covers Exam 3 processes plus MILPAY.



# Army Audit Readiness E&C Milestones

Milestone	Tested	Corrected	Validated
<b>Asset Existence and Completeness</b> Testing and correcting controls and records to meet FIAR Guidance criteria			
OM&S – Javelin, Hellfire, TOW missiles (16% of FY 2011 OM&S Value)	✓	6/30/12	12/31/12
Real Property – 20 Installations	7/30/12	12/31/12	6/30/13
Military Equipment, General Equipment, OM&S – All assets	6/30/12	12/31/13	6/30/14
Real Property – All installations	3/31/13	9/30/14	3/31/15
<b>Training and Change Management (Continuous)</b>			
	Began Army-wide in Q2 FY 2011		



# Army Audit Readiness IT Systems Milestones

Milestone	Tested	Corrected	Validated
<b>IT Systems</b> Testing and correcting systems to meet GAO audit manual criteria			
GFEBs (ERP) [general ledger – financial transaction detail]	✓	5/31/12	12/31/12
GCSS-Army (ERP) [general ledger /logistics– financial transaction detail]	6/30/12	12/31/12	12/31/13
LMP (ERP) [general ledger /logistics– financial transaction detail]	12/31/12	6/30/13	12/31/13

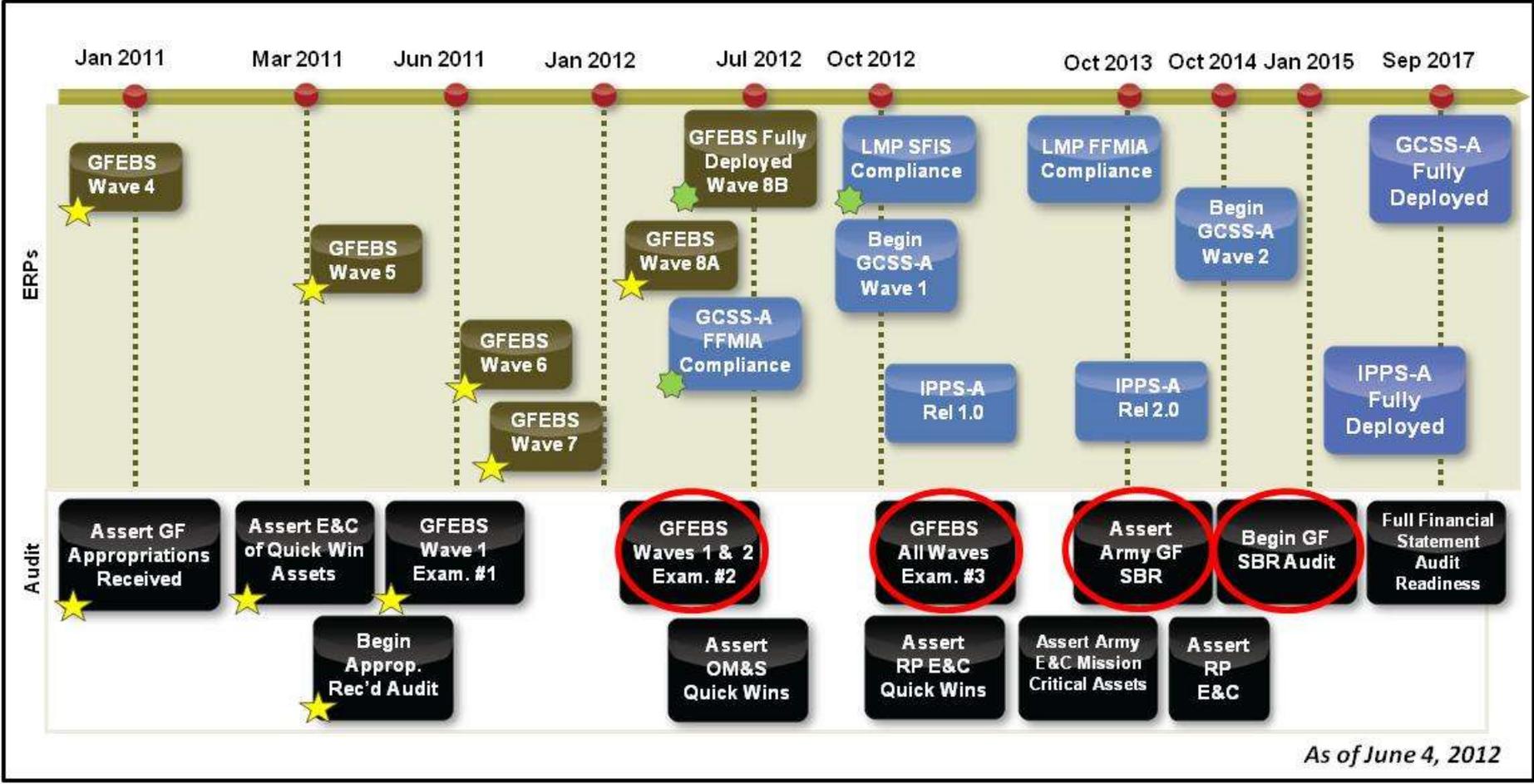


# Army Audit Readiness Milestone Summary

Milestone	Responsible Party	Start Date	Complete Date
<b>Verify using Independent Audit Firm</b>			
GF SBR Exam #1	FM&C	✓	✓
GF SBR Exam #2	FM&C	7/1/12	12/31/12
GF SBR Exam #3	FM&C	7/1/13	12/31/13
OM&S E&C “Quick Wins”	FM&C	7/1/12	12/31/12
E&C of Real Property at 20 Installations	FM&C	1/1/13	6/30/13
E&C of Military Equipment, General Equipment, and all OM&S	FM&C	1/1/14	6/30/14
E&C of all Real Property	FM&C	10/1/14	3/31/15
<b>Verify using Army Audit Agency</b>			
FFMIA Compliance of GFEBs	FM&C	✓	✓
FFMIA Compliance of GCSS-Army	FM&C	✓	6/30/12
FFMIA Compliance of LMP	FM&C	✓	9/30/13
<b>Verify using OUSD(C)</b>			
Audit goals in all SES performance plans	FM&C	✓	✓



# Army Audit Readiness Timeline



As of June 4, 2012

-  Complete
-  In Process
-  Affected by SECDEF 2014 directive

# SBR Update



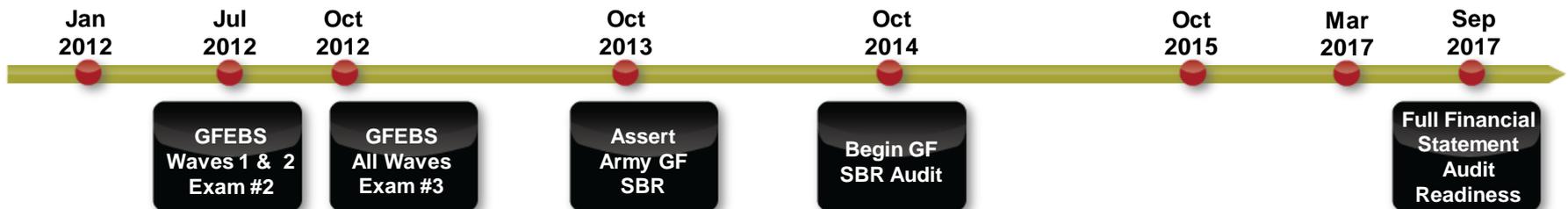
# SBR Overview

## SBR sections:

- Budgetary Resources Received
  - Obligations Incurred
  - Change in Obligated Balance
  - Outlays
- Exam 1 (includes Budgetary Resources Received and Obligations Incurred)
- Exam 2 (includes Change in Obligated Balance and Outlays)

## Processes:

- Civilian PCS
  - Funds Receipt, Distribution, and Monitoring
  - Contracts
  - TDY Travel in DTS
  - Reimbursable Transactions (MIPRs)
  - Civilian Payroll
  - Miscellaneous Payments
  - Purchase Card Transactions
  - Supply Requisition
- Exam 1 (includes Civilian PCS, Funds Receipt, Distribution, and Monitoring, and Contracts)
- Exam 2 (includes TDY Travel in DTS, Reimbursable Transactions (MIPRs), Civilian Payroll, Miscellaneous Payments, Purchase Card Transactions, and Supply Requisition)





# SBR Update: Completed

**The SBR provides information on how budgetary resources are made available and executed.**

## Completed:

- Received unqualified audit opinion on Appropriations Received in August 2011.
- Received qualified audit opinion on GFEBS Wave 1 installations in November 2011.
- Executed tests of effectiveness for internal controls at GFEBS Wave 1 & 2 sites.
- Facilitated training for all USARC fund centers.
- Asserted audit readiness for GFEBS Wave 1 & 2 fund centers on 30 June 2012.
- Facilitated centralized internal testing with IR for Command HQ.



## Underway:

- Updating training and testing materials for lessons learned from Wave 1 & 2 and centralized testing.
- Facilitating training for Wave 3 – 8b sites to include ARNG.
- Designing procedures and infrastructure for substantive testing.
- Performing additional discovery to document processes specific to Wave 8a-b, processes not previously documented and Military Pay.
- Analyzing GFEBs data to refine population identification, sample selection, and corrective action identification.
- Conducting centralized internal testing for USARC, ARNG, and Active Army organizations.



# SBR Centralized Internal Controls Testing

- Centralized testing for Waves 3 – 8b hosted by OASA (FM&C).
  - Monthly testing began in June 2012.
  - Testing will be suspended during year-end close.
  
- Testing environment for IR community provides hands-on training with the execution of test plans.
  
- Test plans will be available for review on AKO.
  
- OASA(FM&C) is leveraging lessons learned from GFEBS Wave 1 and 2 testing to refine approach.

# E&C Update



**E&C verifies existence (book to floor) and completeness (floor to book) of mission critical assets.**

- **Completed:**

- Initial site visits at 50+ locations (i.e., installations, arsenals, depots, ammunition plants, program management offices).

- **On-Track:**

- OM&S E&C asserted three missile programs (Javelin, Hellfire, and TOW) on 30 June.

**Current asset categories:**

- Military Equipment (ME)
- General Equipment (GE)
- Inventory
- Operating Materials and Supplies (OM&S)
- Real Property (RP)



## Underway:

- Identifying and correcting inconsistencies in document retention controls.
- Reviewing physical inventory controls.
- Enforcing and implementing effective quality control review programs such as the Command Supply Discipline Program (CSDP).
- Streamlining the financial reporting process to use accountable property systems of record (APSR) data on financial statements for ME.



- Document Business Processes.
- Perform testing of Cost-to-Complete (CTC) Estimates:
  - Tracing of values starting from the preparation of CTC estimates to values reported on financial statements.
  - Testing internal controls associated with key points in the processes.
  - Testing availability, accuracy, and completeness of supporting documentation.
- Perform corrective actions indicated by test results.
- Retest when corrective actions are complete.



- OM&S tasks:
  - Completing site visits and compiling discovery results.
  - Reviewing quality controls over data integrity.
  - Coordinating with stakeholders on corrective action implementation and retesting.
  - Confirming financial reporting process.
  
- ME/GE tasks:
  - Initiate controls testing with program managers .
  - Reviewing ME/GE data from various sources and systems (MEV, PBUSE, AWRDS, TS-MATS, and DPAS).
  - Coordinating with stakeholders on corrective action implementation and retesting.
  - Confirming financial reporting process.



- RP tasks:
  - Solidify population of RP capital assets.
  - Continue site visits and compile evaluation and discovery results.
  - Review internal controls over RP life-cycle processes.
  - Coordinate with stakeholders on corrective action implementation.
  - Update RP financial improvement plan to reflect progress.
  - Confirm financial reporting process.
  - Prepare assertion package.

# Training Update

## Foundation

“Overview of Army Audit Readiness”

**Army Audit Readiness Overview**



**Army Financial Improvement Plan**



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## Readiness

“Preparing for an Audit”

**Internal Controls, Testing, & Corrective Action**



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## SBR and E&C Audit Readiness

“Trends, Corrective Actions,  
and Sustainment”

**SBR Business Process Modules**



**E&C Audit Readiness**





# Web-Based Training

In June 2012, Army launched Audit Readiness Training courses on Army Learning Management System (ALMS)!



**A Priority at All Levels**

Congress, DoD, and Army leadership are looking for results.

A Major DoD Initiative

Monitored by Congress

Implemented within the Army

"Currently, the Department of Defense is incapable of [producing auditable financial statements]."  
— Sen. Tom Carper (D-Del.)

The Washington Post CNN

Audit readiness remains a priority for the Department of Defense, Congress, and Army leadership. The Department of Defense has made auditable financial statements a top priority. The Department of Defense has made auditable financial statements a top priority. The Department of Defense has made auditable financial statements a top priority.

**Quiz**

**Matching**

- A Chief Financial Officers Act of 1990
  - A) Specifies the budget and expenditures of the DoD; It sets deadlines for audit readiness.
- B National Financial Management Improvement Act of 1996
  - B) Requires major executive agencies to establish an Office of Federal Financial Management headed by a Controller, and designate a Chief Financial Officer.
- C Federal Financial Improvement Act of 1996
  - C) Requires agencies to implement and maintain financial management systems that comply with Federal financial management systems requirements, apply Federal accounting standards, and use the USSGL at the transaction level.

Question 1 of 5

Accountability & Audit Readiness: Sustaining Army's Strength

**Everyday Ties to Financial Statements**

E. General Equipment	S/L	5 or 10	3,640,888	(4,812,849)	5,137,039
F. Military Equipment	S/L	various	172,388,793	(95,129,843)	117,091,950

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# Communications Update



# Resources on AKO



## AKO ARMY KNOWLEDGE ONLINE

FOUO



- Email
- Files
- Discuss
- Groups
- IM
- Forms
- Video
- People
- Help
- Logout

- Home
- My Account
- Favorites
- Quick Links
- Self Service

Search... AKO Content Search



Army Audit Readiness (Related Content)

AKO Home > DoD Organizations > Army > Headquarters, Department of the Army (HQDA) > Secretary of the Army (SA) > ASA (Financial Management and Comptroller) > Resource Folders

### Welcome to Army Audit Readiness Options

#### The Army Audit Readiness Community

We are all accountable for managing the Army's dollars and resources. Improved financial management and accountability lead to a stronger Army and a clean audit opinion, which proves we are responsible stewards of taxpayer dollars.

You have an impact on the Army's financial statement if you are involved in resource management, logistics, acquisition, contracting, payroll, and other business functions. Know your role as the Army strengthens its financial operations and prepares for its first successful financial audit.

The Army Accountability and Audit Readiness Directorate offers support and training to help Commands and installations become auditable.

### Army Audit Readiness Announcements Options

- 29 Jun 2012 15:55 GMT**  
REGISTRATION FULL FOR THE 2012 ARMY FINANCIAL IMPROVEMENT WORKSHOP. The Workshop is July 10-11, 2012 at the Crowne Plaza National Airport Hotel in Arlington, Virginia. [» Contact Us with Questions](#)
- 26 Jun 2012 19:44 GMT**  
JUNE FIP REPORT AVAILABLE. Download this latest issue with information on upcoming major milestones, a case study on financial management, and more. [» June FIP Report](#)
- 22 Jun 2012 19:00 GMT**  
OVERVIEW COURSE NOW ONLINE. The "Army Audit Readiness Overview" course is available via the Army Learning Management System. More online courses coming soon. [» Registration Instructions](#)
- 19 Jun 2012 15:02 GMT**  
TRADOC COMMANDING GENERAL SUPPORTS AUDIT READINESS. "Achieving audit readiness is not optional and is the direct responsibility of every commander, leader, and program manager throughout TRADOC," says General Robert W. Cone in a June 5 memo. [» TRADOC Memo](#)
- 1 Jun 2012 19:54 GMT**  
OUSD(C) TOWN HALL NOW ONLINE. Deputy Secretary Ashton B. Carter and Under Secretary of Defense (Comptroller) Robert F. Hale hosted an executive Town Hall meeting on achieving audit readiness success. The video is available [» FIAR Website](#)

### Top Audit Readiness Resources Options

- [Army Internal Control Self Assessment Questionnaire](#)
- [Command and Installation Audit Readiness Guide](#)
- [Commander's Audit Readiness Checklist](#)
- [Control Catalogs](#)
- [FY 2012 Audit Readiness Strategy](#)
- [Site Visit Schedule](#)

### SBR Office Hours Options

The Statement of Budgetary Resources (SBR) team holds "Office Hour" calls every Tuesday and Thursday from 1330 to 1530 EST to answer questions regarding internal control requirements and documentation for sites filling out their pre-site questionnaire or addressing corrective actions after a site visit.

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

Updates on AKO at:

[www.us.army.mil/suite/page/auditready](http://www.us.army.mil/suite/page/auditready)

(or search Army Audit Readiness)



# New FIP Report (June Issue)



## The FIP Report

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



June 2012

### Message from the Director

In an era where every dollar counts, financial improvement is a priority at all levels of the Army. Look at key Army strategy documents and you will see what I am talking about.

**The Army Campaign Plan** highlights financial improvement as part of the efforts to “Optimize Business Operations.” Goals to strengthen financial management in the plan include:

- Achieve and sustain effective internal controls.
- Achieve and sustain audit readiness.
- Provide for operational efficiencies through more readily available and accurate cost and financial information.



*James J. Watkins  
Director,  
Accountability and  
Audit Readiness*

In the **Secretary of the Army’s 2012 Top 10 Priorities**, four of the 10 touch on accountability and financial improvement:

- #1. Ensure a highly capable force within evolving budgetary constraints.
- #2. Transform the institutional Army.
- #3. Build the Army of 2020 (POM 14~18).
- #8. Ensure accountability.

### Contents

CSA Sends Audit Readiness Message to General Officers ----- 2

Register for the 2012 Financial Improvement Workshop -- 3

Case Study: Financial Culture Change at Signal Corps --- 4

July Begins with Two Major Milestones ----- 5

The Role of MICP and ICOFR in Auditability----- 6

Online Training Now Available ----- 7

### 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

# **Open Discussion & Closing Remarks**