



**U.S. ARMY**

# Emerging Resource Challenges

Assistant Secretary of the Army

(Financial Management & Comptroller)



July 10, 2012

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

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



# The Challenge: Meet the Mission with Fiscal Constraints



**“The leaders of all our organizations need to ask themselves, ‘How can we contribute to this effort and become leaner, faster, and more adaptable?’”**

—Secretary of the Army John M. McHugh

## **Secretary of the Army 2012 Top Priorities**

Financial improvement touches on four of the  
SA’s 10 Top Priorities:

- 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.



**We need to make our dollars count.**

**We need to account for our dollars.**

- Audit readiness of Statement of Budgetary Resources by 2014.
- Audit readiness of all financial statements by 2017.



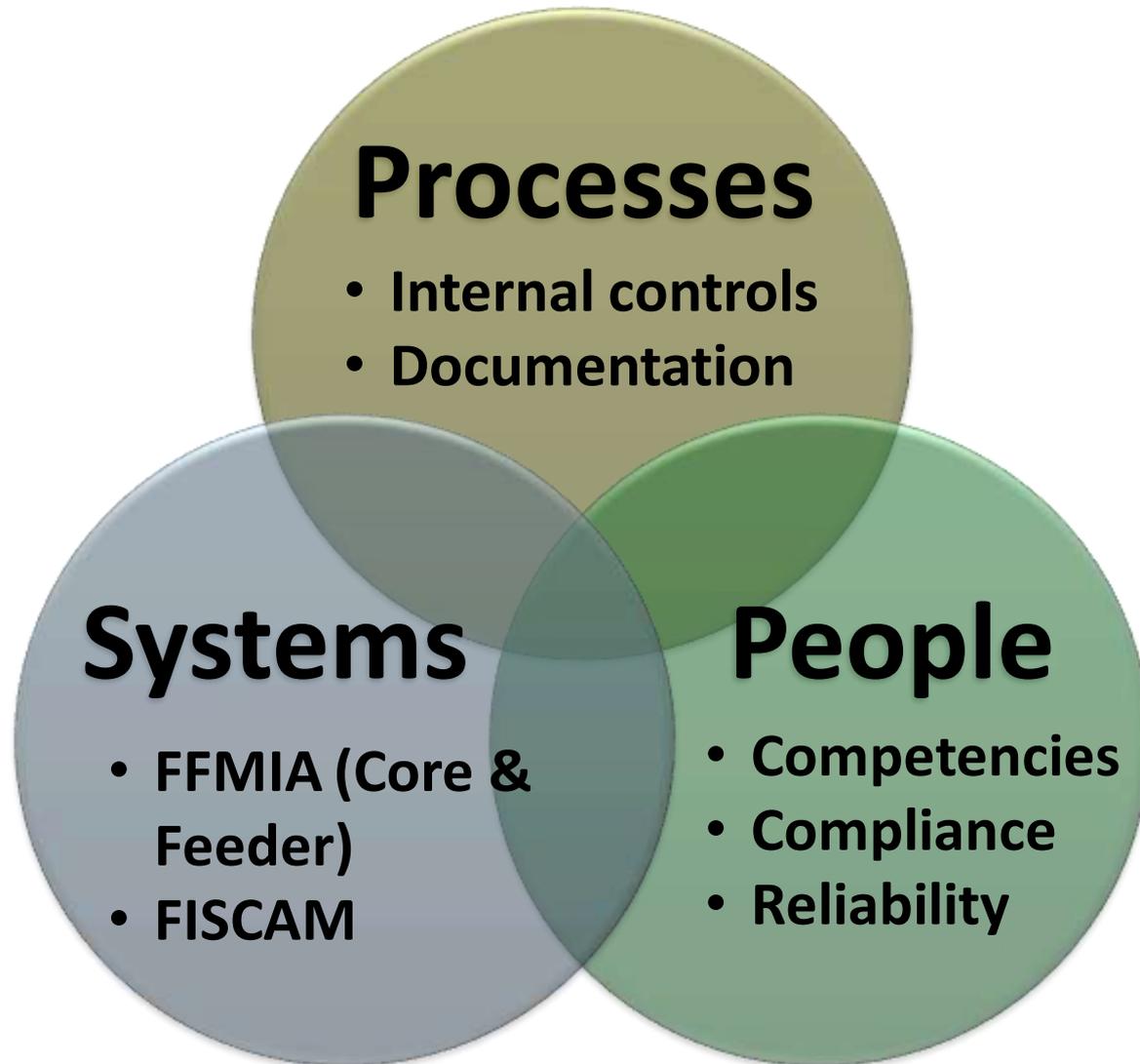
DoD and Army financial improvement is in the spotlight:

- Secretary of Defense October 2011 memo accelerating SBR audit readiness to 2014.
- Seven Congressional hearings this last year.
- Four GAO audits.





Financial improvement requires fundamental changes to:





# System Improvement Successes

- Full deployment of GFEBs this month (55,000+ users).
- Improved training for GFEBs users.
- Continued implementation of GCSS-A and IPPS-A, and assessment of LMP.

**GFEBs** ★





# Processes Improvement Successes

- Obtained a qualified audit opinion of GF SBR Exam 1 sites (five processes).
- Beginning GF SBR Exam 2 covering nine business processes at 10 installations and DFAS, and GFEBS.
- Began DoD IG exam of Existence and Completeness of three missile programs (Javelin, Hellfire and Tube-launched Optically-tracked Wire-guided (TOW)).
- Conducted initial Federal Information Systems Control Audit Manual (FISCAM) controls testing for GFEBS and began assessment of GCSS-Army.



**“Leaders at all levels are responsible for instilling proper levels of discipline and oversight into all business processes within their command.”**

—CSA General Officer Management Office message sent April 16

## **Certification programs:**

- Certified Public Accountant (CPA)
- Certified Government Financial Manager (CGFM)
- Certified Defense Financial Manager (CDFM)
- DoD Financial Management Certification Program



# Engaging the People: Training

## Foundation

Army Audit Readiness Overview



Army Financial Improvement Plan



## Readiness

Internal Controls, Testing, & Corrective Action



## SBR and E&C Audit Readiness

SBR Business Process Modules



E&C Audit Readiness Process Modules



More than 7,000 Army personnel trained in person on various modules at 58 sites.

Online courses will expand our training reach.



# 2011 General Fund Statement of Budgetary Resources

## Budgetary Resources:

Appropriations: \$236B

Spending Auth.: \$ 29B

## Status of Budgetary Resources:

Obligated: \$283B

Unobligated: \$ 42B

Unpaid obligations: \$114B

Net Outlays: \$233B

Department of Defense - Army General Fund

### COMBINED STATEMENT OF BUDGETARY RESOURCES

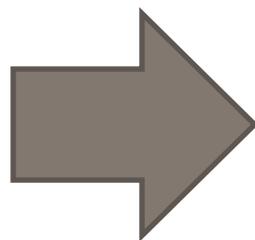
As of September 30, 2011 and 2010 (Amounts in thousands)	Budgetary Financing Accounts		Non-Budgetary Financing Accounts	
	2011 Combined	2010 Combined	2011 Combined	2010 Combined
<b>BUDGETARY FINANCING ACCOUNTS</b>				
<b>BUDGETARY RESOURCES</b>				
Unobligated Balance, brought forward, October 1	\$ 48,310,809	\$ 42,835,509	\$ 3,641	\$ 290
Recoveries of prior year unpaid obligations	24,828,910	22,661,187	0	0
Budget Authority				
Appropriation	236,175,946	231,902,473	0	0
Borrowing Authority	0	0	0	1
Contract Authority	0	0	0	0
Spending Authority from offsetting collections				
Earned				
Collected	26,102,381	26,540,103	155	4,547
Change in receivables from federal sources	854,321	(640,368)	120	0
Change in unfilled customer orders				
Advance received	150,877	46,537	0	0
Without advance from federal sources	1,566,481	2,612,167	0	0
Anticipated for rest of year, without advances	0	0	0	0
Previously unavailable	0	0	0	0
Expenditure transfers from trust funds	0	0	0	0
Subtotal	\$ 264,850,006	\$ 260,460,912	\$ 275	\$ 4,548
Nonexpenditure Transfers, Net, Anticipated and Actual	\$ 1,472,258	\$ 9,507,729	\$ 0	\$ 0
Temporarily Not Available Pursuant to Public Law	0	0	0	0
Permanently Not Available	(4,367,443)	(3,707,748)	0	(1,060)
<b>Total Budgetary Resources</b>	<b>\$ 335,094,540</b>	<b>\$ 331,757,589</b>	<b>\$ 3,916</b>	<b>\$ 3,778</b>
<b>Status of Budgetary Resources:</b>				
<b>Obligations Incurred:</b>				
Direct	\$ 254,440,450	\$ 253,349,257	\$ 5,107	\$ 137
Reimbursable	29,003,731	30,097,522	0	0
Subtotal	\$ 283,444,181	\$ 283,446,779	\$ 5,107	\$ 137
<b>Unobligated Balance:</b>				
Apportioned	\$ 41,866,513	\$ 42,153,378	\$ 51	\$ 3,510
Exempt from apportionment	4,959	54,633	0	0
Subtotal	\$ 41,871,472	\$ 42,208,011	\$ 51	\$ 3,510
Unobligated balance not available	9,778,887	6,102,799	(1,242)	131
<b>Total Status of Budgetary Resources</b>	<b>\$ 335,094,540</b>	<b>\$ 331,757,589</b>	<b>\$ 3,916</b>	<b>\$ 3,778</b>
<b>Change in Obligated Balance:</b>				
<b>Obligated Balance, Net</b>				
Unpaid obligations, brought forward, October 1	\$ 143,921,216	\$ 143,712,640	\$ 0	\$ 0
Less: Uncollected customer payments from federal sources, brought forward, October 1	(25,572,774)	(23,600,975)	0	0
Total unpaid obligated balance	\$ 118,348,442	\$ 120,111,665	\$ 0	\$ 0
Obligations Incurred Net (+/-)	283,444,181	283,446,779	5,108	137
Less: Gross Outlays	(260,080,898)	(260,577,017)	(3,444)	(137)
Obligated Balance Transferred, Net				
Actual transfers, unpaid obligations (+/-)	0	0	0	0
Actual transfers, uncollected customer	0	0	0	0
Total unpaid obligated balance transferred, net	0	0	0	0
Less: Recoveries of prior year unpaid obligations, actual	(24,828,910)	(22,661,187)	0	0
Change in uncollected customer payments from federal sources (+/-)	(2,420,803)	(1,971,798)	(120)	0
Obligated Balance, Net, End of Period				
Unpaid obligations	\$ 142,455,589	\$ 143,921,215	\$ 1,664	\$ 0
Less: Uncollected customer payments from federal sources (-)	(27,993,577)	(25,572,773)	(120)	0
<b>Total, Unpaid Obligated Balance, Net, End of Period</b>	<b>\$ 114,462,012</b>	<b>\$ 118,348,442</b>	<b>\$ 1,544</b>	<b>\$ 0</b>
<b>Net Outlays:</b>				
Gross Outlays	\$ 260,080,898	\$ 260,577,017	\$ 3,444	\$ 137
Less: Offsetting collections	(26,253,257)	(26,586,641)	(155)	(4,547)
Less: Distributed offsetting receipts	(856,292)	(142,173)	0	0
<b>Net Outlays</b>	<b>\$ 232,971,349</b>	<b>\$ 233,848,203</b>	<b>\$ 3,289</b>	<b>\$ (4,410)</b>

The accompanying notes are an integral part of these financial statements. Amounts may not sum due to rounding.

**Old Approach:**

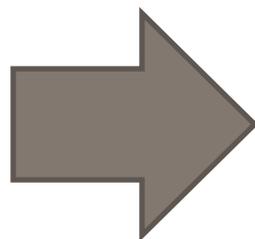
**New Approach:**

**Budget Culture**



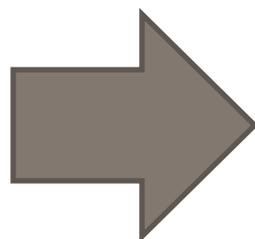
**Cost Culture**

**Financial  
Improvement =  
Comptroller  
Function**



**Financial  
Improvement=  
Everyone's  
Function**

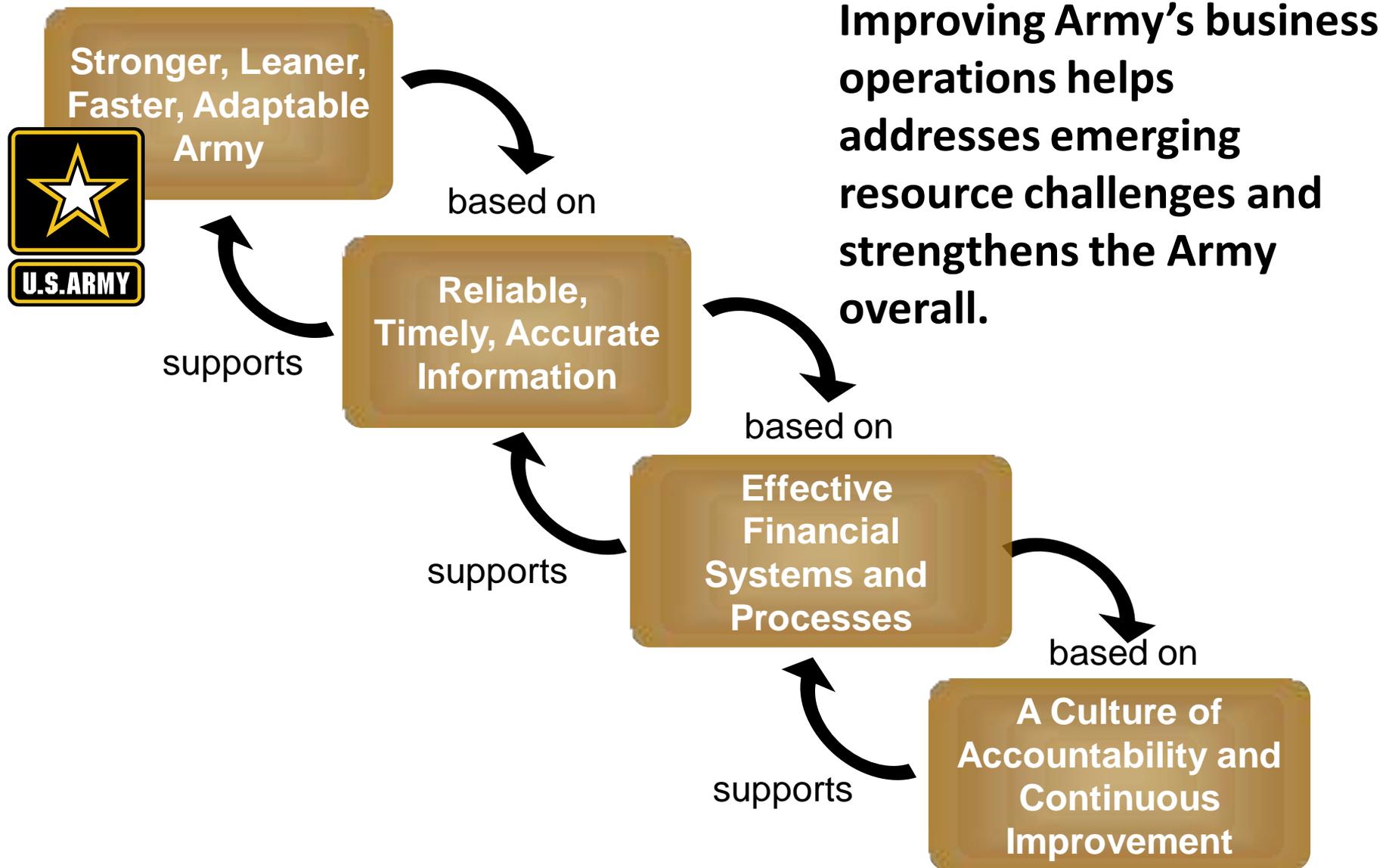
**Non-standard  
Practices**



**Disciplined,  
Standard Practices**



# Financial Improvement Efforts Are Delivering Results





**We are on our way to reaching our 2014 and 2017 audit readiness goals.**

GFEBs Deployment	
Culture of Accountability	
Internal Control Evaluations	
Self-examinations	

***We need your continued support in building an effective internal control environment.***