



U.S. ARMY

Existence & Completeness

Military Equipment/General Equipment

Audit Readiness



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

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



E&C Audit Readiness Training

Existence & Completeness Status Update



Military Equipment/General Equipment Audit Readiness



Operating Materials & Supplies Audit Readiness



Real Property Audit Readiness





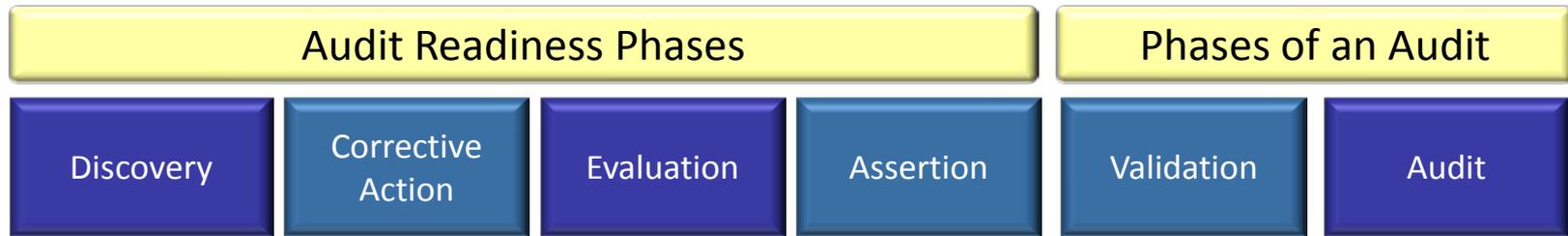
Agenda

- ME/GE E&C Assertion Review
- ME/GE E&C Testing Execution
- ME/GE E&C Control Activities, Common Deficiencies, and Corrective Actions
- ME/GE E&C Audit Readiness
- Questions and Wrap-Up





The FIAR Guidance divides audit readiness activities into six distinct phases.



Once the Army is audit ready, the audit cycle phases occur annually.

#	FIAR Guidance Phase	Description
1	Discovery	Define and prioritize processes, assess risks, test controls, identify weaknesses.
2	Corrective Action	Develop and execute corrective actions in the FIP.
3	Evaluation	Evaluate corrective action implementation effectiveness through testing.
4	Assertion	Compile proof of audit readiness for OUSD(C) and DoD OIG review.
5	Validation	OUSD(C) and DoD OIG review assertion package.
6	Audit	Independent public accounting firm performs audit supported by reporting entity.

The Office of the Under Secretary of Defense (Comptroller) (OUSD(C)), Department of Defense Office of Inspector General (DoD OIG)



What does the Army FIP team mean by an “assertion”?

Assertions represent audit readiness milestones in the FIP whereby the Army states it is prepared for an audit.



ME/GE E&C Assertion Review

 Existence/Occurrence	All reported transactions actually occurred during the reporting period and all assets and liabilities exist as of the reporting date.
 Completeness	All assets, liabilities, and transactions that should be reported have been included and no unauthorized transactions or balances are included.
Valuation	All assets and liabilities have been properly valued, and where applicable, all costs have been properly allocated.
 Rights and Obligations	All assets are legally owned or controlled by the entity and all liabilities are legal obligations of the entity at a given date.
Presentation and Disclosure	The financial report is presented in the proper form and any required disclosures are present.

Assertion

Audit Readiness Activities

Existence



→
"Book to Floor"



Inventory Re-Performance
Independent auditor performs physical inventory to verify existence of asset and accuracy of asset record for randomly selected assets

Completeness



→
"Floor to Book"



Reverse Testing
Independent auditor traces an asset from the field back to the accountable system of record to verify completeness of asset records

Rights & Obligations

Supporting Documentation Analysis
Independent auditor verifies asset chain of custody, accuracy, and authorization to conduct transactions



ME/GE E&C Testing Execution

OASA(FM&C), Army G-4, Army G-8, and OASA(ALT) have determined E&C ME/GE Mission Critical Assets criteria to include:

- Asset unit price of \$100,000 or greater
- Class VII or other functionally complete end items (does not require inventory of BII or SKO components)
- Expected useful life of two or more years

E&C ME/GE Mission Critical Assets typically:

- Maintained in line with AR 710-2 and AR 735-5
- Have property records within the accountable property system of record, PBUSE
- May reside on MTOE, TDA, TASC, NEC, JTA property books





Internal Controls Testing Approach

The Army's internal controls assessment focuses on control activities that exist throughout the an asset life cycle:

Test of Design

Inquiry

Discuss with staff how the internal control activity is performed.

Observation

Observe staff performing the specific control activity.

Walkthrough

Trace a sample of control documentation through its life cycle beginning at initiation.

Test of Operating Effectiveness

Inspection

Inspecting documents to ensure evidence of proper execution of the control.

Re-performance

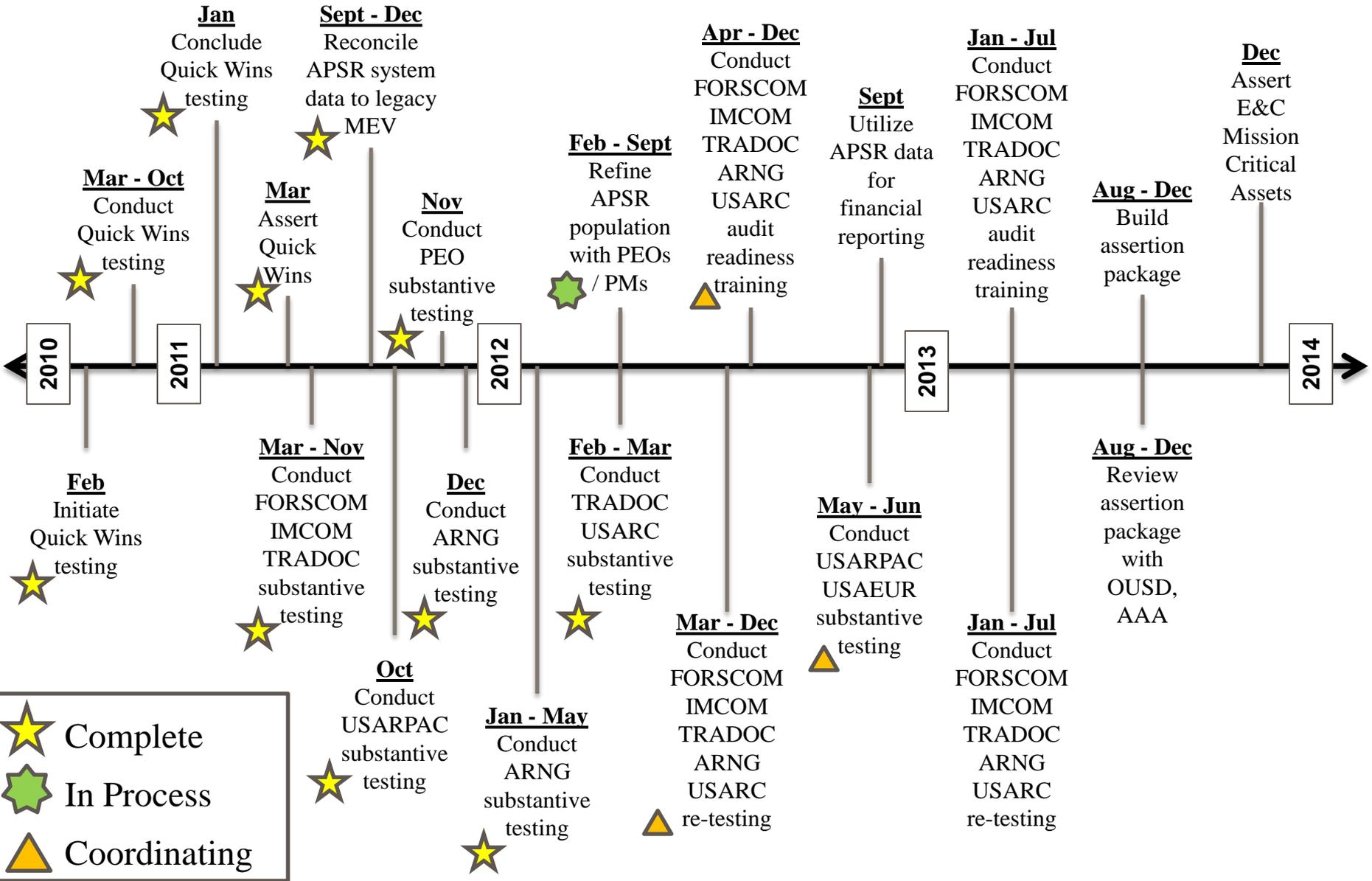
Recalculating key numbers that are calculated as part of the internal control.

Tracing or Vouching

Following a transaction from origination through the entity's information systems until it is reflected in the entity's financial statements.



ME/GE E&C Testing Execution





ME/GE E&C Control Activities, Common Deficiencies, Corrective Actions

Physical Inventory	<input type="checkbox"/>	System Access/System Access Review	<input type="checkbox"/>
Acceptance/Transfer/Disposal of Equipment	<input type="checkbox"/>	Warehouse Security	<input type="checkbox"/>
Organization SOP	<input type="checkbox"/>	Financial Reporting/JV approval	NA
Quality Assurance Reviews	<input type="checkbox"/>	Other Known Deficiencies	<input type="checkbox"/>



Physical Inventory

Audit Readiness Goal:

Physical inventory of accountable assets are conducted in accordance with regulation. Past inventories are supported by documents which are complete and provide an accurate history and audit trail.

Control # 1.05, 2.05

Criteria/Testing Parameter:

Physical inventory of assets must be accurate and must be supported by documentation. At a minimum, retain a copy of the last signed inventory log, DA Form 2062, a copy of the current assumption of command and DA Form 1687 when delegated authority is required.

Independent auditors may re-perform physical inventory of assets to test accuracy.





Physical Inventory

Expected Control Environment:

Property accountability controls including the physical inventory of accountable assets are conducted in accordance with AR 710-2. PBUSE transactions are supported by documents which are complete and provide an accurate history and audit trail in accordance with AR 710-2 and AR 735-5.



Date Last Invented: 01/21/2011 Date Prepared: 07/28/2011

UNCLASSIFIED: For Official Use Only
HAND RECEIPT

TDA PROPERTY
PCNUIC/DESC: PBL/L3/WUSPB/GDWS.GFE

LN	SERLN	IME	ERC	GENERIC NOMENCLATURE	AUTH DOC	REQ	AUTH	DI
SN	LT	LP	FP	SN NOMENCLATURE	LC	EC	SRIC	UI Manged
SYSD	SRREGLOT NO LOT QTY	SYSD	SRREGLOT NO LOT QTY	SYSD	SRREGLOT NO LOT QTY	SYSD	SRREGLOT NO LOT QTY	SRREGLOT NO LOT QTY
4418				4887			4332	5389
5406				5414			5420	5426
5486				5478			5940	5941
5546				5524			5502	5509
6290				6293			6294	6295
6297				6298			6298	6327
6349				6621			6623	6600
6802				6803			6804	6811
6812				6817			7623	8110
8123				8170				

SECURE TERMINAL EQUIPMENT/STACTICAL DEBFILE STE									
29690	B	TAG DESK	TETC090	7	7	7	7	7	7
SR004456408	EA	1725-08	STE TAG DEBFILE	D					
STE A000197345			STE A000188323			STE A000199475		STE A000199487	
STE A000213845			STE A000213846			STE A000228527		STE A000228534	
STE A000228547			STE A000228548			STE A000230771		STE A000230773	
STE A000230774									

SIGNATURE: *Chapman* GRADE: _____ DATE: 7/29/11

Page 10 of 10
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Physical Inventory

Common Deficiencies

Assets Not Found on Installation (NFOI)

Assets Found on Installation (FOI)

Serial number discrepancies between physical asset and PBUSE

Lack of organization or unit physical inventory

Use of DA Form 4949 for asset disposal

Use of FLIPL for update of serial numbers





Physical Inventory

Deficiency Example: Serial number discrepancies between physical asset and PBUSE

ORGANIZATION PROPERTY (DEPLOYABLE)
PCNA/IC/DESC: PHR-1,2,8/WBBXAA/0362EN

000000

LN	(SUBLIN)	SRI	ERC	GENERIC NOMENCLATURE	AUTH DOC	REQ	AUTH	DI			
NSN	UI	UP	NSN NOMENCLATURE	LCC	ECS	SRBC	UI Managed	CIC	DLA	PUB DATA	OH
SYNSO	SER/REG/LOT	NO LOT	QTY	SYNSO	SER/REG/LOT	NO LOT	QTY	SYNSO	SER/REG/LOT	NO LOT	QTY
395004988343	EA		72.20	REELING MACH CA RL-39-(RL-39)	R	N	U	0206			11
F64544	A			FORWARD REPAIR SYSTEM (FRS)				06473RFCFC			1
4940014637940	SE		270561.00	FORWARD REP SYS (FRS)	B	S	U	7268			1
			0624								
F79334	A			FLOODLIGHT SET TRAILER MOUNTED: 3 FLOODLIGHTS 1000 WATT				CTA 50-900			
6230010565238	SE		4489.00	FLOODLIGHT ST TLR MTD	A	S	U	8279			1
			005-04-00740								
F91490	A			DEMOLITION SET EXPLOSIVE: INITIATING ELECTRIC AND SEMI ELECTRIC				06473RFCFC			2
1375000473750	KT		901.00	DEMO SET EXPLO ELEC	A	N	M	8028	SC 1375-95-A03		2
FA051Q	A			ADAPTER TONE SIGNAL							1
5805010406653	EA		146.00	ADAPTER TONE SIGNAL	S	N	U	0164			1
			0470A								
FA2012	A			RECEIVER/TRANSMITTER RADIO				CTA 50-900			
582001C064258	EA		2500.00	RECEIVER/TRANSMITTER RADIO: ANPRC-150(C) HARRIS CORP	R	S	U	9287			1
			029641								
FJ2101	A			NOT ON CATALOG				CTA 50-900			
702101C064852	EA		0.00	NOT ON CATALOG		N		0320			3
			5H82QD1	8GR2QD1				CG82QD1			FG82QD1
FJ2582	A			HP 1320 MONOCHROME LASERJET PRINTER				CTA 50-900			
702501C113683	EA		935.00	HP 1320 MONOCHROME LASERJET PRINTER: C2000A HP	R	S	U	0041			2
			CNHCS9N26	CNHCS74NJ							
G11968	A			GEN SET: DED SKID MTD 3KW 60HZ				06473RFCFC			2
6115012747387	EA		12797.70	GEN ST DSL MEP-802A	A	S	Y	U	8151		1
			R2B-01324								
G18358	A			GEN SET: DED SKID MTD 3KW 60HZ				06473RFCFC			2
6115012853012	EA		9922.25	GEN SET DED MEP 831	T	S	Y	U	8137		1
			FZA03276								
034837	A			GENERATOR SET DIESEL: 60HZ AC				06473RFCFC			1
ZA9569	A			RACK STORAGE SMALL ARMS				CTA 50 900			22
1085004070674	EA		669.25	RACK STOR SA M12	R	N	U	0199			18



SIGNATURE: *Ricardo X. Rivera* GRADED 7 DATE 25 Feb 04
 RICARDO X. RIVERA
 CPT, EN
 Commanding

Signed DA FORM 2062 SN 0624
 Actual SN 64220





Physical Inventory

Impact:

Accurate physical inventory of assets and complete transaction documentation ensure that asset records accurately depict a unit's property, and the Army has assurance of their asset universe.

Corrective Action:

Ensure a three-way match is achieved during physical inventory of assets, including verifying accuracy and consistency of asset serial numbers and data elements as reported within PBUSE, asset supporting documentation, and the asset itself. Where appropriate, a DA Form 4949 should be submitted and PBUSE updated with the correct data elements. Supporting documentation be updated to reflect any DA Form 4949 changes.

Assets deemed FOI and NFOI should be processed through the appropriate procedures to reflect an accurate property book. This may entail closing pending transactions in PBUSE, processing a receipt form for an asset, or completing a Financial Liability Investigations of Property Loss (FLIPL).



ME/GE Control Activities

Physical Inventory	<input checked="" type="checkbox"/>	System Access/System Access Review	<input type="checkbox"/>
Acceptance/Transfer/Disposal of Equipment	<input type="checkbox"/>	Warehouse Security	<input type="checkbox"/>
Organization SOP	<input type="checkbox"/>	Financial Reporting/JV approval	NA
Quality Assurance Reviews	<input type="checkbox"/>	Other Known Deficiencies	<input type="checkbox"/>



Acceptance/Transfer/Disposal of Equipment

Audit Readiness Goal:

PBUSE transactions are supported by transaction documents which are readily available, complete, accurate, and conducted by authorized personnel in a timely fashion.

Control # 1.06, 2.06

Control # 1.07, 2.07

Criteria/Testing Parameter:

Organization property book transactions must be supported by documentation and identify the personnel who authorized the transaction, how long the transaction took to complete, and if transaction documentation was retained.

Independent auditors may randomly sample an organization's PBUSE activity register, and test for transaction accuracy, authorization, completion, and retention.





Acceptance/Transfer/Disposal of Equipment

Expected Control Environment:

Transactions are authorized by an individual appointed on an Assumption of Command (AoC) memorandum, appointment memorandum, or delegated property responsibility on a DA Form 1687, Notice of Delegation of Authority, valid for the UIC and transaction date.

Transactions are accurate and complete. Transactions are posted to PBUSE within the required time. AR 710-2 1-21.c outlines the objective of posting stock records within three calendar days from the receipt of asset.

Transaction documentation is retained per minimum requirements by regulation.

DEPARTMENT OF THE ARMY
BRAVO COMPANY, 1ST BATTALION, 36TH INFANTRY REGIMENT
1ST BRIGADE, 1ST AVIATION DIVISION
BUILDING 2011 HASKINS BLVD
FORT BLISS, TX 79916

AFAD-ISR-B 1 October 2010

MEMORANDUM FOR RECORD

SUBJECT: Assumption of Command

- The undersigned assumes command of B Company 1st Infantry Battalion, 36th Infantry Regiment, Fort Bliss, TX 79916 UIC: WAE3BO, Effective date: 27 February 2010.
- Authority: AR 600-20 Para 2-5c.
- Period: Until officially relieved from duties
- Special Instructions: None

DAVID J. FERRY
CPT, IN
Commanding




NOTICE OF DELEGATION OF AUTHORITY - RECEIPT FOR SUPPLIES
For use of this form see DA PAM 710-2-1 The proponent agency is DCS, G-4

DATE: 04 FEB 11

AUTHORIZED REPRESENTATIVE

ORGANIZATION RECEIVING SUPPLIES	LOCATION	AUTHORITY		SIGNATURE AND INITIALS
B CO 1-36 IN BN 1/1 AD	FT. BLISS, TX 79912	REQ	REC	
LAST NAME-FIRST NAME-MIDDLE INITIAL		SSG	YES	<i>[Signature]</i> ASC
CRUZ, ANTHONY J.		PFC	YES	<i>[Signature]</i> AJ
TSOGBE, APEDO				
NOT USED				
NOT USED				

AUTHORIZATION BY RESPONSIBLE SUPPLY OFFICER OR ACCOUNTABLE OFFICER

THE UNDERSIGNED HEREBY DELEGATES TO WITHDRAWS FROM THE PERSON(S) LISTED ABOVE.

THE AUTHORITY TO: Request, receive, & turn-in. CI, II and VII equipment and documents to Property Book Office.

REMARKS
THIS CARD SUPERCEDES ALL OTHERS.

I ASSUME FULL RESPONSIBILITY

UNIT IDENTIFICATION CODE: WAE3BO DODAAC/ACCOUNT NUMBER: W902K

LAST NAME-FIRST NAME-MIDDLE INITIAL	GRADE	TELEPHONE NUMBER	EXPIRATION DATE	SIGNATURE
FERRY, DAVID J.	O-3	744-3936	03 FEB 12	<i>[Signature]</i>

DA FORM 1687, MAY 2009 PREVIOUS EDITIONS ARE OBSOLETE APD PE v1 00ES

REQUEST FOR ISSUE OR TURN-IN
(DA FORM 710-2-1)

1. SEND TO:	2. REQUEST FROM:	3. ISSUE:	4. DATE MATERIAL REQUIRED:	5. DODAAC:	6. PRIORITY:	7. REQUEST NO.:	8. VOUCHER NO.:
B CO 1-36 WAE3BO	SBCT-DW6P032	Initial				W902K1160045	1122-0051

9. END ITEM IDENT:	10. PUBLICATION:	11. JOB ORDER NO.:
LATERAL TRANSFER		

12. ITEM NO.:	13. STOCK NO.:	14. ITEM DESCRIPTION:	15. UNIT OF MEASURE:	16. QUANTITY:	17. CODE:	18. SUPPLY ACTION:	19. UNIT PRICE:	20. TOTAL COST:	21. DATE:	22. POSTED BY:
1	84844582004519249	RADIO SET AN/VRC-91F	EA	1.00	I	I	11,817.00	11,817.00	20110426	
2	W3287371011387355	WT HT METR/AT (MWRIS)	EA	1.00	I	I	1,408.00	1,408.00	20110426	

REMARKS:

DA FORM 3161, DEC 2009 PREVIOUS EDITION MAY BE USED.





Acceptance/Transfer/Disposal of Equipment



DEPARTMENT OF THE ARMY
BRAVO COMPANY, 1ST BATTALION, 36TH INFANTRY REGIMENT
1ST BRIGADE, 1ST ARMORED DIVISION
BUILDING 20133 KASSERINE WAY
FORT BLISS, TX 79916

AFAD-INR-B

1 October 2010

MEMORANDUM FOR RECORD

SUBJECT: Assumption of Command

1. The undersigned assumes command of B Company 1st Infantry Battalion, 36th Infantry Regiment, Fort Bliss, TX 79916 UIC: WAE3B0, Effective date: 27 February 2010.
2. **Authority:** AR 600-20 Para 2-5c.
3. **Period:** Until officially relieved from duties
4. **Special Instructions:** None

DAVID J. FERRY
CPT, IN
Commanding



Assumption of Command Memorandum:

- AoC to be completed in accordance with AR 600-20 – Army Command Policy
- Include pertinent data elements including six character UIC, Effective Date, and Signature of Commander





Acceptance/Transfer/Disposal of Equipment

DA Form 1687 – Notice of Delegation of Authority:

- DA Form 1687 to be completed in accordance with DA PAM 710-2-1
- Include pertinent data elements including six character UIC, Effective Date, Expiration Date, Signature of Commander, Signature of Delegated Personnel, Transaction Type Authority (Request, Receive, Turn In)

NOTICE OF DELEGATION OF AUTHORITY - RECEIPT FOR SUPPLIES					DATE	
<i>For use of this form, see DA PAM 710-2-1. The proponent agency is DCS, G-4.</i>					04 FEB 11	
AUTHORIZED REPRESENTATIVE(S)						
ORGANIZATION RECEIVING SUPPLIES				LOCATION		
B CO 1-36 IN BN 1/1 AD				FT. BLISS, TX 79912		
LAST NAME-FIRST NAME-MIDDLE INITIAL	GRADE	AUTHORITY		SIGNATURE AND INITIALS		
		REQ	REC			
CRUZ, ANTHONY J.	SSG	YES	YES	[Signature] AJC		
TSOGBE, APEDO	PFC	YES	YES	[Signature] AT		
NOT USED						
NOT USED						
AUTHORIZATION BY RESPONSIBLE SUPPLY OFFICER OR ACCOUNTABLE OFFICER						
THE UNDERSIGNED HEREBY <input checked="" type="checkbox"/> DELEGATES TO <input type="checkbox"/> WITHDRAWS FROM THE PERSON(S) LISTED ABOVE.						
THE AUTHORITY TO: Request, receive, & turn-in, CL II and VII equipment and documents to Property Book Office.						
REMARKS						
THIS CARD SUPERCEDES ALL OTHERS.						
I ASSUME FULL RESPONSIBILITY						
UNIT IDENTIFICATION CODE				DODAAC/ACCOUNT NUMBER		
WAE3BO				W990ZK		
LAST NAME-FIRST NAME-MIDDLE INITIAL	GRADE	TELEPHONE NUMBER	EXPIRATION DATE	SIGNATURE		
FERRY, DAVID J.	O-3	744-3936	03 FEB 12	[Signature]		
DA FORM 1687, MAY 2009			PREVIOUS EDITIONS ARE OBSOLETE			APD PE v1 00ES





Acceptance/Transfer/Disposal of Equipment

Transaction

Documentation:

- Completed in accordance with form instruction indicated
- Contain pertinent data elements including appropriate Segregation of Duties, Request / Receive / Issue Dates, Voucher or Document Number, six character UIC, Signature of Commander or Delegated Personnel

REQUEST FOR ISSUE OR TURN-IN (DA PAM 710-2-1)					ISSUE TURN-IN	SHEET NO. 2	NO. SHEETS 2	1. REQUEST NO. W6PG0211160045		2. VOUCHER NO. WAE3B0 1132 0051							
3. SEND TO: B CO 1-36/WAE3B0					4. DATE MATERIAL REQUIRED (YYYYMMDD)			5. DODAAC		6. PRIORITY		7. ACCOUNTING/FUNDING DATA					
8. REQUEST FROM: SBCT-D/W6PG02					9. END ITEM IDENT LATERAL TRANSFER			9a. NAME/MANUFACTURER		9b. MODEL		9c. SERIAL NO.					
* CODE ISSUE: I-Initial, R-Replacement TURN-IN: FW7-Fair Wear And Tear, RS-Report of Survey EX-Excess, SC-Strk of Charges L7-Lateral Transfer					10. PUBLICATION					11. JOB ORDER NO.							
12. ITEM NO. a	STOCK NO. b	ITEM DESCRIPTION c	UNIT OF ISSUE d	QUANTITY e	CODE* f	SUPPLY ACTION g	UNIT PRICE h	TOTAL COST i	j. POSTED DATE (YYYYMMDD)		BY						
7	R68146/5820014518249	RADIO SET AN/VRC-91F	EA	1.00	I	1	11,817.00	11,817.00	20110426								
8	W52987/7310013871305	WT HT MTD/RAT (MWRH)	EA	1.00	I	1	1,408.00	1,408.00	20110426								
REMARKS:																	
SHEET TOTAL										13,225.00		GRAND TOTAL		2,401,433.36			
13. ISSUE/TURN-IN "QUANTITY" COLUMN IS REQUESTED		DATE (YYYYMMDD) 20110510		BY Wendy Lee [Signature]		14. ISSUE QTY IN "SUPPLY ACTION" COLUMN		DATE (YYYYMMDD) 20110510		BY [Signature] Kevin Duster		15. REC QTY IN "SUPPLY ACTION" COLUMN		DATE (YYYYMMDD) 20110510		BY [Signature] Cruz Anthony	





Acceptance/Transfer/Disposal of Equipment

Common Deficiencies

Unit's inability to produce requested documents

Transaction closed in PBUSE greater than three days following receipt of asset

Destruction of supporting documentation

Lack of signature on assumption of command or appointment memo

Inaccurate forms (Not signed, dated, lack of segregation of duties)

Transaction completed by unauthorized personnel

Using organization designator instead of UIC

Use of parent UIC in place of derivative UIC

Inconsistent use of manual and digital signatures





Acceptance/Transfer/Disposal of Equipment

Deficiency Example: Using organization designator instead of UIC



DEPARTMENTS OF THE ARMY AND THE AIR FORCE
JOINT FORCE HEADQUARTERS
TENNESSEE NATIONAL GUARD
45TH CIVIL SUPPORT TEAM (WMD)
BLDG 551 VOLUNTEER TRAINING SITE
SMYRNA, TENNESSEE 37167-2009

JFHQ-TN-COS (CST)

28 May 2010

MEMORANDUM FOR RECORD

SUBJECT: Assumption of Command

1. The undersigned assumes command of the 45TH Civil Support Team (WMD) effective 28 May 2010.
2. Authority : Chapter 3, AR 600-20
3. Period: Until officially relieved or released from appointment or assignment.


JEFFREY L. BROWN
LTC, AR, TNARNG
Commanding





Acceptance/Transfer/Disposal of Equipment

Impact: Accurate, complete, and authorized transactions ensure that recorded transactions represent events that actually occurred and reduce the risk of the Army being exposed to loss of assets and potential misstatements.

Corrective Action: PBO and Asset Property Managers should engage hand receipt holders in increased training and process discipline to ensure that all supporting documentation is filled out accurately, completely, and signed by authorized personnel.

The PBO should ensure appointment orders are undersigned by Commanders and Primary HRH or accountable officers, where authority is delegated. Appropriate segregation of duties should be established to mitigate potential asset misstatements. There should be consistency in use and type of signatures should be followed.

PBO should establish processes to reconcile transactions which are due-in and those which are deemed as pending within PBUSE. Where transactions have been received and accepted by a unit or organization, the PBO should process and close the transaction within PBUSE, per timeframes listed in AR 710-2.

PBO and Property Control Custodian should evidence when a transaction document is received with a stamp that includes the date and initials of who received the document.

PBO should update document retention policies to retain capital asset initial purchase documents permanently and documents supporting accounting records for a minimum of six years as outlined in AR 710-2 2.5.r.s. Any missing documentation must be substituted with a statement including all information recorded in the document register for the lost document and signed by the property book officer.



ME/GE Control Activities

Physical Inventory	<input checked="" type="checkbox"/>	System Access/System Access Review	<input type="checkbox"/>
Acceptance/Transfer/Disposal of Equipment	<input checked="" type="checkbox"/>	Warehouse Security	<input type="checkbox"/>
Organization SOP	<input type="checkbox"/>	Financial Reporting/JV approval	NA
Quality Assurance Reviews	<input type="checkbox"/>	Other Known Deficiencies	<input type="checkbox"/>



Organization SOP

Audit Readiness Goal:

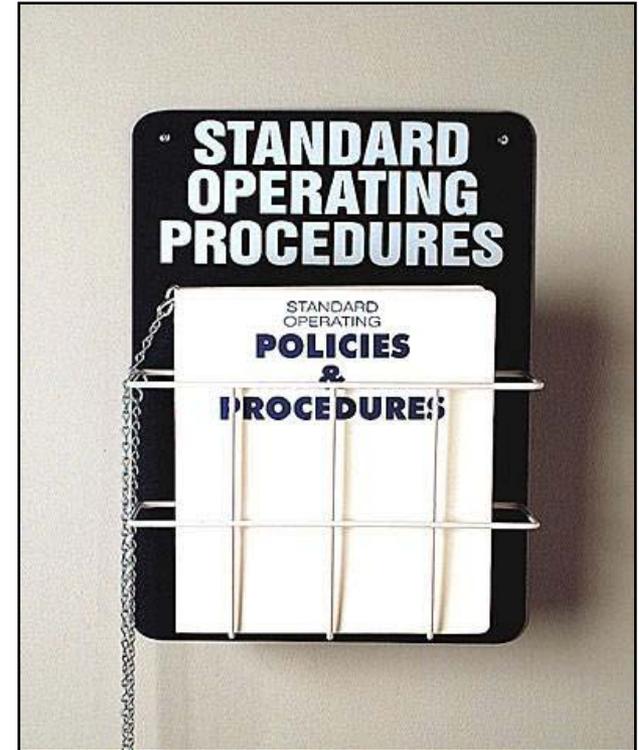
The organization documents property accountability policies and procedures in a SOP and conducts regular reviews to maintain up to date guidance.

Control # 1.01, 2.01

Criteria/Testing Parameter:

The organization documents property accountability policies and procedures in a SOP, and can produce the document upon request.

Independent auditors may request and review an organization's SOP, to review for compliance with Army Regulations.





Expected Control Environment:

A unit supply SOP should outline responsibilities of unit supply personnel; types of records, reports, and forms required; detailed procedures for requesting, receiving, storing, inventorying, issuing, and turning in supplies and equipment; and procedures for initiating adjustment actions for lost, damaged, or destroyed items. Organization SOP should be in accordance with Army Regulation.





Organization SOP

Common Deficiencies

Unit's lack of SOP

SOP outdated or not updated on a regular basis

SOP not in compliance with Army Regulation





Organization SOP

Impact:

Documenting policies and procedures of the organization in a SOP ensures that accounts and all transactions or assets they accumulate are properly classified and accounting principles are consistently applied from period to period.

Corrective Action:

PBO should complete an SOP and conduct at least an annual review which is evidenced by signing and dating the SOP or coversheet. In accordance with AR 710-2 Table B-1 E.2, SOPs should be current and complete addressing the proper use, care, custody, and safekeeping of government property.



ME/GE Control Activities

Physical Inventory	<input checked="" type="checkbox"/>	System Access/System Access Review	<input type="checkbox"/>
Acceptance/Transfer/Disposal of Equipment	<input checked="" type="checkbox"/>	Warehouse Security	<input type="checkbox"/>
Organization SOP	<input checked="" type="checkbox"/>	Financial Reporting/JV approval	NA
Quality Assurance Reviews	<input type="checkbox"/>	Other Known Deficiencies	<input type="checkbox"/>

Audit Readiness Goal:

The Army has processes in place to ensure that property accountability is established, asset records are accurate, and transactions are supported by adequate documentation.

Control # 1.08, 2.08

Criteria/Testing Parameter:

CSDP is implemented, results of evaluations are documented, and findings are resolved in order to standardize supply discipline throughout the Army in accordance with AR 710-2, Appendix B.

Independent auditors may request and review an organization's CSDP, to review for compliance with Army Regulation.

Appendix B Command Supply Discipline Program

Section I Introduction

B-1. Overview

a. This appendix implements the Command Supply Discipline Program (CSDP) and list Army management controls (tables B-1 thru B-6). The CSDP addresses supervisory/managerial responsibilities (see para 1-10) within the supply system from the user to the Army Command (ACOM)/Army Service Component Command (ASCC)/Direct Reporting Units (DRUs) levels.

b. The CSDP is a compilation of existing regulatory requirements. Therefore commanders, supervisors, and managers are required to implement the provisions of this appendix in order to standardize supply discipline throughout the Army. As a mandatory program, CSDP is meant to simplify command, supervisory, and managerial responsibilities. Simplification is accomplished by—

- (1) Compiling the various requirements so responsible personnel are easily informed.
- (2) Standardizing evaluation requirements.
- (3) Formalizing following procedures.

c. The CSDP is a commander's program. Commanders will implement the CSDP by using their existing resources. Examples of existing resources are—Command Logistics Review Program (AR 11-1), Command Inspection Program, Internal Review Office, staff personnel, and so on. Whichever activity the commander designates to assist with implementing the CSDP, that designated activity will then incorporate CSDP policy in its evaluation plans and procedures. Also, all existing supply evaluation programs will absorb the CSDP. Additionally, local IGs can be used at the commander's discretion to conduct special inspections using the systematic methodology for determining root causes for problems identified through the CSDP. Therefore, commanders should not establish new evaluation teams because of the CSDP.

B-2. Purpose

- a. The purpose of the program is to—
- (1) Establish supply discipline as regulatory guidance.
 - (2) Standardize supply discipline requirements.
 - (3) Provide responsible personnel with a single listing of supply policy requirements.
 - (4) Make the U.S. Army more efficient with respect to time spent monitoring subordinates' actions.
 - (5) Eliminate repeat findings of noncompliance with policy.
 - (6) Serve as a checklist for internal management controls as listed in chapter 1 of this regulation.
- b. To achieve the stated purposes, implementation of the CSDP will—
- (1) Ensure compliance with DA supply policy and procedures.
 - (2) Determine the adequacy of established DA supply policy and procedures.
 - (3) Identify supply problems to permit timely corrective action within the chain of command.

B-3. Applicability

This regulatory guidance applies to all personnel within the retail supply arenas from hand receipt/unit to ACOM/ASCC/DRU levels.

B-4. Explanation of terms

The following terms are defined for use as they apply to this appendix:

- a. *Supervisory personnel.* All individuals in a position of responsibility whose job involves supply operations within or for the U.S. Army. This applies to officers, warrant officers, NCOs, and civilians. Examples are company commanders, TDA directors of a detachment, and TDA division chiefs.
- b. *Supply economy.* The conservation of material by every individual dealing with Army supplies to ensure that only the proper item in the necessary amount is used to accomplish a task. The term stewardship of resources is synonymous with supply economy.
- c. *Supply discipline.* The compliance with established DA regulations to effectively administer supply economy. Supply discipline applies to all functions and levels of supply (from unit/contractor through national users) and to the effective use of supply funds.
- d. *CSDP.* A four-fold program addressing the following:
 - (1) Responsibilities of commanders and supervisory personnel to install supply discipline in their operations.
 - (2) Guidance for evaluating supply discipline.



Quality Assurance Reviews

Expected Control Environment:

Quality control programs are in place to gain assurance over the accuracy of property records during periods of time between inventories.



Common Deficiencies

CSDP is not followed in accordance with AR 710-2, Appendix B.

Unit did not participate in CSDP

CSDP outdated or not updated on a regular basis



Deficiency Example: CSDP outdated or not updated on a regular basis

ASC/LBE CSDP Checklist Dtd: 1 Jan 2010

LBE SITE: Ft Bliss
 LBE SITE PBO: Mr. Bill P.Hman
 LBE SITE TEAM CHIEF: Mr. Henry Walker
 REVIEW CONDUCTED BY: RPBTC Robert L. Robinson

Desired responses to each item are indicated by an "X" in the YES, NO or NA column. Any adverse findings will require corrective action and a reply in writing. If a reply is required the suspense for the reply will be provided by the individual conducting the review. Some questions indicated on this checklist are not requirements of regulatory or policy guidance; some questions are for clarification only and a negative response will not adversely affect the overall evaluation.

1. REGULATIONS/REQUIRED DOCUMENTS		YES	NO	N/A
A.	AR 710-2	X		
B.	AR 735-5	X		
C.	DA Pam 710-2-1	X		
D.	Statement of Work	X		
E.	PBO Appointment Order	Dated: <u>2 Sep 2009</u>	X	
F.	COTR Appointment Order	Dated: <u>23 Jan 2009</u>	X	
	COTR Training Certificate?	Dated:		
G.	PBTC Appointment Order	Dated:	X	
H.	External SOP	Dated:	X	
I.	Internal SOP	Dated: <u>1 Feb 2010</u>	X	
J.	Access to required TM's via LIW ETM Site	X		
K.	When regulatory guidance is not clear has the PBO requested clarification?	X		
Remarks: <u>ASC PBO refuses to sign appointment order for PBTC "states not required" Pm has appointed in writing</u>				

2. PBUSE Access Procedures		YES	NO	N/A
A.	Does the PBO verify need for PBUSE access prior to submitting access request?	X		
B.	Does the PBO request access removal for terminated employees?	X		
C.	Does the PBO validate the access list periodically to ensure proper access is maintained or changed when needed?	X		
Remarks: <u>Has roster</u>				



Impact:

Recorded transactions represent economic events that actually occurred and transactions are supported by adequate documentation.

Corrective Action:

Organization leadership and PBO implement CSDP evaluations, documenting results and resolving findings in line with AR 710-2, Appendix B.

The frequency of CSDP evaluations should be in compliance with AR 710-2, Appendix B, Table B-7.



ME/GE Control Activities

Physical Inventory	<input checked="" type="checkbox"/>	System Access/System Access Review	<input type="checkbox"/>
Acceptance/Transfer/Disposal of Equipment	<input checked="" type="checkbox"/>	Warehouse Security	<input type="checkbox"/>
Organization SOP	<input checked="" type="checkbox"/>	Financial Reporting/JV approval	NA
Quality Assurance Reviews	<input checked="" type="checkbox"/>	Other Known Deficiencies	<input type="checkbox"/>



System Access/System Access Review

Audit Readiness Goal:

PBUSE transactions were initiated and completed by individuals authorized to access the system and checks are performed annually.

Control # 1.02, 2.02
1.03, 2.03

Criteria/Testing Parameter:

Inquire of organization or unit system access policies for PBUSE.
Review system access list.

Independent auditors may request and review an organization's policies and procedures regarding information system access and authorization.





System Access/System Access Review

Expected Control Environment:

PBUSE user access is approved and monitored regularly. According to the GAO Federal Information System Controls Audit Manual (FISCAM), access controls limit or detect inappropriate access to computer resources (data, equipment, and facilities), thereby protecting them from unauthorized modification, loss, and disclosure.

System access to PBUSE is annually monitored by the installation/command to ensure that current users need access and the privileges are appropriate for the users current job responsibilities. This review is evidenced by the Information System Manager's or designee signature and date on the system access user report or equivalent.

Without adequate access controls, unauthorized individuals, including outside intruders and former employees, can surreptitiously read and copy sensitive data and make undetected changes or deletions for malicious purposes or personal gain. In addition, authorized users can intentionally or unintentionally read, add, delete, modify, or execute changes that are outside their span of authority. Due to the frequent change of property book staff, a best practice is to review user access on a quarterly basis.





System Access/System Access Review

Common Deficiencies

PBUSE system access review not conducted

PBUSE 'Date Last Inventoried' not being updated

Improper use of PBUSE transaction codes

Personnel using other's log in information to post transactions

Documentation evidencing review of PBUSE user access was not retained



Deficiency Example: PBUSE 'Date Last Inventoried' not being updated

Date Last Inventoried: 10/29/2010

UNCLASSIFIED: For Official Use Only
HAND RECEIPT

TDA PROPERTY
PCN/UIC/DESC: PHR-1,2,8 / WJ001 / 1ST BN (IN) 360TH REGT

LINE	(SUBLIN)	SRI	ERC	GENERIC NOMENCLATURE	ALTH DOC				
NSN		UI	UP	NSN NOMENCLATURE	LCC	ECS	SFRC	UI Managed	
SYSNO	SER/REG/LOT NO	LOT	QTY	SYSNO	SER/REG/LOT NO	LOT	QTY		
1240013611318		EA	335.00	BINOCULA MOD CN M22	A		N	Y	
C05002			B	COMPUTER SYS DIGITAL: AN/PYQ-10(C)		FZFCVII			
5810015173587		EA	1906.00	TRANSFER UNIT, CRYPT	A		C	Y	
	D78555								
5810013931973		EA	534.86	D T D ANCYZ-10 V3	A		C	Y	
	424368								429162
C27707			B	COMPUTER SYSTEM: DIGITAL AN/TYQ-109(V)1		FZFCVII			
7010014728107		EA	5000.00	COMPUTER SYSTEM, DIG	A		S		
	2ML2N81								
C27838			B	COMP ST DIG: SAMS-1E-V1		FZFCVII			
7010015385103		EA	3200.00	COM ST DIG AN/TYQ-139	A		S		
	WHSAMS								D08CVK1
C60294			B	COMPUTER SET BALLISTICS: MORTAR M23		FZFCVII			





System Access/System Access Review

Impact:

Recorded transactions represent events that actually occurred and reduce the risk of the Army being exposed to loss of assets and potential misstatements. Without adequate access controls, unauthorized individuals, including outside intruders and former employees, can surreptitiously read and copy sensitive data and make undetected changes or deletions for malicious purposes or personal gain. In addition, authorized users can intentionally or unintentionally read, add, delete, modify, or execute changes that are outside their span of authority.

Corrective Action:

Installation/command and PBO review PBUSE user access on annual basis and evidence this by signing and dating the user access list. When necessary, ensure all appropriate personnel have PBUSE user accounts.

Complete all data fields in PBUSE, including 'Date Last Inventoried' following physical inventories.

Utilize appropriate transaction codes when conducting PBUSE transactions.

Physical Inventory	<input checked="" type="checkbox"/>	System Access/System Access Review	<input checked="" type="checkbox"/>
Acceptance/Transfer/Disposal of Equipment	<input checked="" type="checkbox"/>	Warehouse Security	<input type="checkbox"/>
Organization SOP	<input checked="" type="checkbox"/>	Financial Reporting/JV approval	NA
Quality Assurance Reviews	<input checked="" type="checkbox"/>	Other Known Deficiencies	<input type="checkbox"/>

Audit Readiness Goal:

Assets in storage are properly safeguarded and security is adequate.

Control # 1.04, 2.04

Criteria/Testing Parameter:

Walkthrough of organization warehouse to observe whether assets were appropriately safeguarded and appropriate segregation of duties existed.

Independent auditors may perform a walkthrough of warehouse or Supply Support Activity (SSA) to test safeguards.





Warehouse Safeguarding

Expected Control Environment:

Assets in storage are properly safeguarded and security is adequate. Standard operating procedures are in place and used at warehouse locations.





Warehouse Safeguarding

Common Deficiencies

Unit's lack of SOP

Lack of key control log

**Lack of physical
safeguarding**



Impact:

Use of appropriate safeguarding ensures that there is controlled access to assets, critical forms, records, processing and storage areas. It also provides greater certainty that recorded assets exist on a given date.

Corrective Action:

Ensure the warehouse SOP contains procedures for segregating duties, securing property, and preventing fraud, waste and abuse.

Where appropriate, all non-assigned personnel should be required to sign in and be escorted if entry is permitted.

All gates and doors should be secured during non-business hours. Sensitive items should be kept in locked cages and lockers located within a locked fenced area. Pilferable equipment located in the outside of the warehouse should be secured, or kept in secured containers.

Keys for all lockers, cages, fences and entry doors are secured and maintained with a key control log.

Physical Inventory	✓	System Access/System Access Review	✓
Acceptance/Transfer/Disposal of Equipment	✓	Warehouse Security	✓
Organization SOP	✓	Financial Reporting/JV approval	NA
Quality Assurance Reviews	✓	Other Known Deficiencies	



Financial Reporting / JV Approval

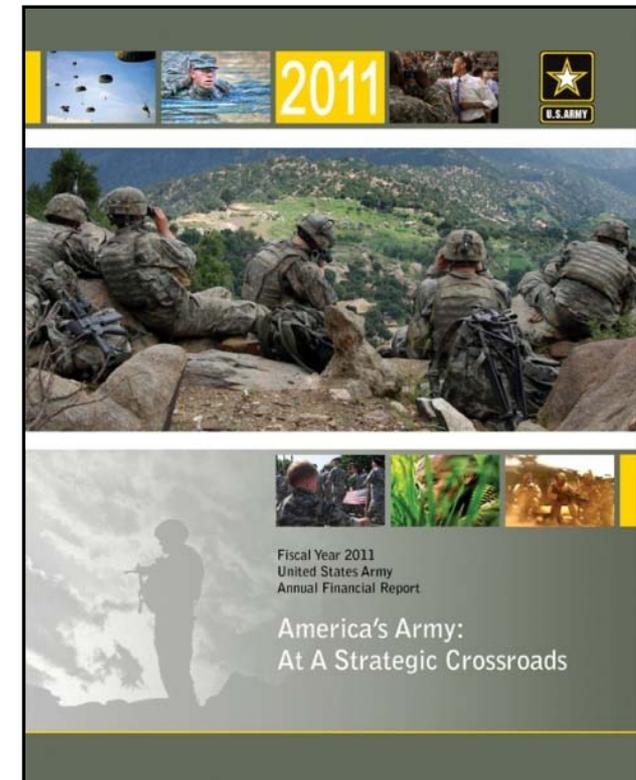
Audit Readiness Goal:

Army is fairly and accurately presenting information on its financial statements in accordance with regulation.

Control # 1.09, 2.09

Criteria/Testing Parameter:

Independent auditors may perform substantive tests to verify balances presented in the Army financial statements.





Expected Control Environment:

Journal vouchers that account for the assets held in PBUSE are conducted on a quarterly basis. This entry is reviewed and approved by OASA(FM&C) – FOR leadership prior to submitting to DFAS for posting. The approval is evidenced by e-mail.





ME/GE Control Activities

Physical Inventory



System Access/System Access Review



Acceptance/Transfer/Disposal of Equipment



Warehouse Security



Organization SOP



Financial Reporting/JV approval



Quality Assurance Reviews



Other Known Deficiencies





Other Known Deficiencies

- Non-APSR System use
- Government Furnished Equipment/Property
- Depot Maintenance
- Global Combat Support System-Army



ME/GE Control Activities

Physical Inventory



System Access/System Access Review



Acceptance/Transfer/Disposal of Equipment



Warehouse Security



Organization SOP



Financial Reporting/JV approval



Quality Assurance Reviews

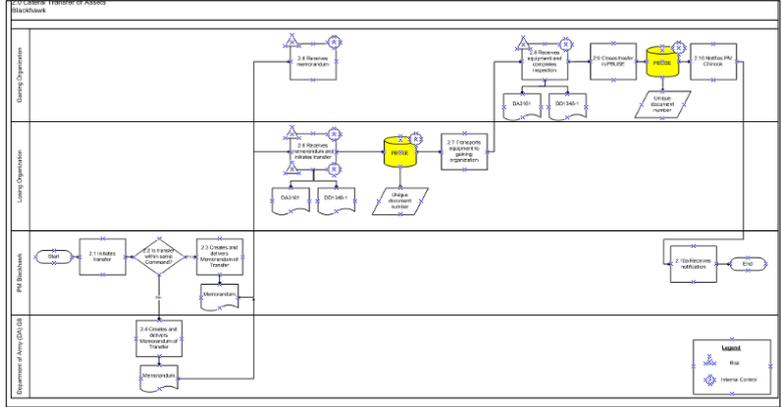


Other Known Deficiencies



For the Army to become audit ready, the following key capabilities must be achieved within the ME/GE property accountability environment:

- Physical inventory count procedures and documentation will withstand audit scrutiny.
- Controls over recording asset acquisitions, disposals, and transfers are effective.
- Financial and management data is reliable and accurate in PBUSE.
- Supporting documentation is retained and available.
- Corrective actions are designed and implemented to address weaknesses in processes, internal controls, and systems.



Questions and Wrap - Up