



# Existence and Completeness Status Update



July 2012

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

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



**Existence & Completeness Status Update**

**Military Equipment/General Equipment Audit Readiness**

**Operating Materials & Supplies Audit Readiness**

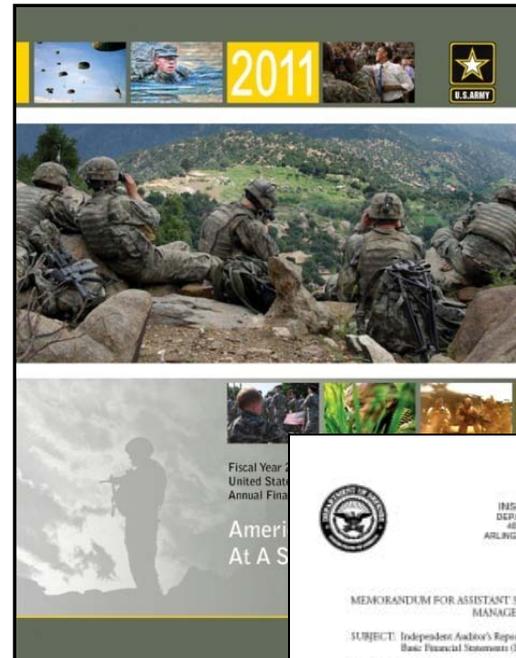
**Real Property Audit Readiness**



# DoDIG Army Financial Statement Audit

The Army General Fund currently has 14 auditor identified financial statement material weaknesses for FY 2011, including General Property, Plant, and Equipment

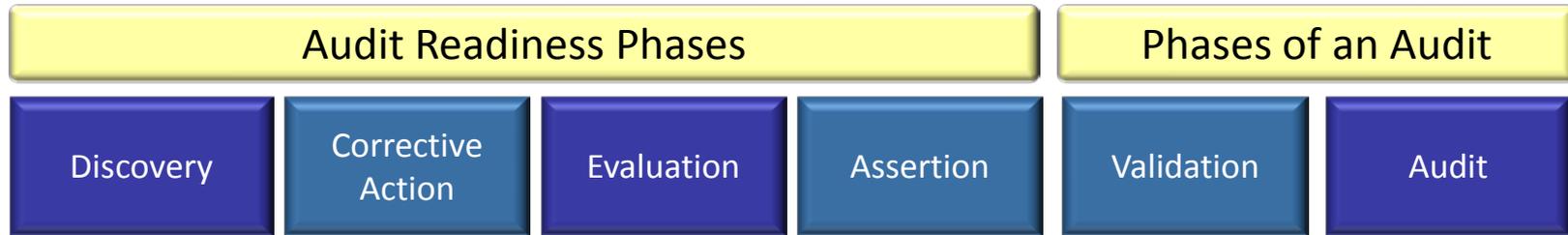
- Legacy inventory systems do not maintain the historical cost data and depreciation expense necessary to comply with accounting standards
- Army does not reconcile all differences between accounting records and logistical records
- The Army has acknowledged that military equipment were not recorded at acquisition or historical cost and did not include all the costs needed to bring these assets to a form and location suitable for their intended use





# Financial Improvement Audit Readiness (FIAR) Guidance

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, and identify weaknesses.
2	Corrective Action	Develop and execute corrective actions in the Financial Improvement Plan (FIP).
3	Evaluation	Evaluate effectiveness of implementing corrective action via 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.



# Summary of Management Assertions

## Assertion

## Audit Readiness Activities

Existence



→  
"Book to  
Floor"



**Inventory Re-Performance**  
Audit Readiness team performs physical inventory to verify existence of asset and accuracy of asset record for randomly selected assets

Completeness



→  
"Floor to  
Book"



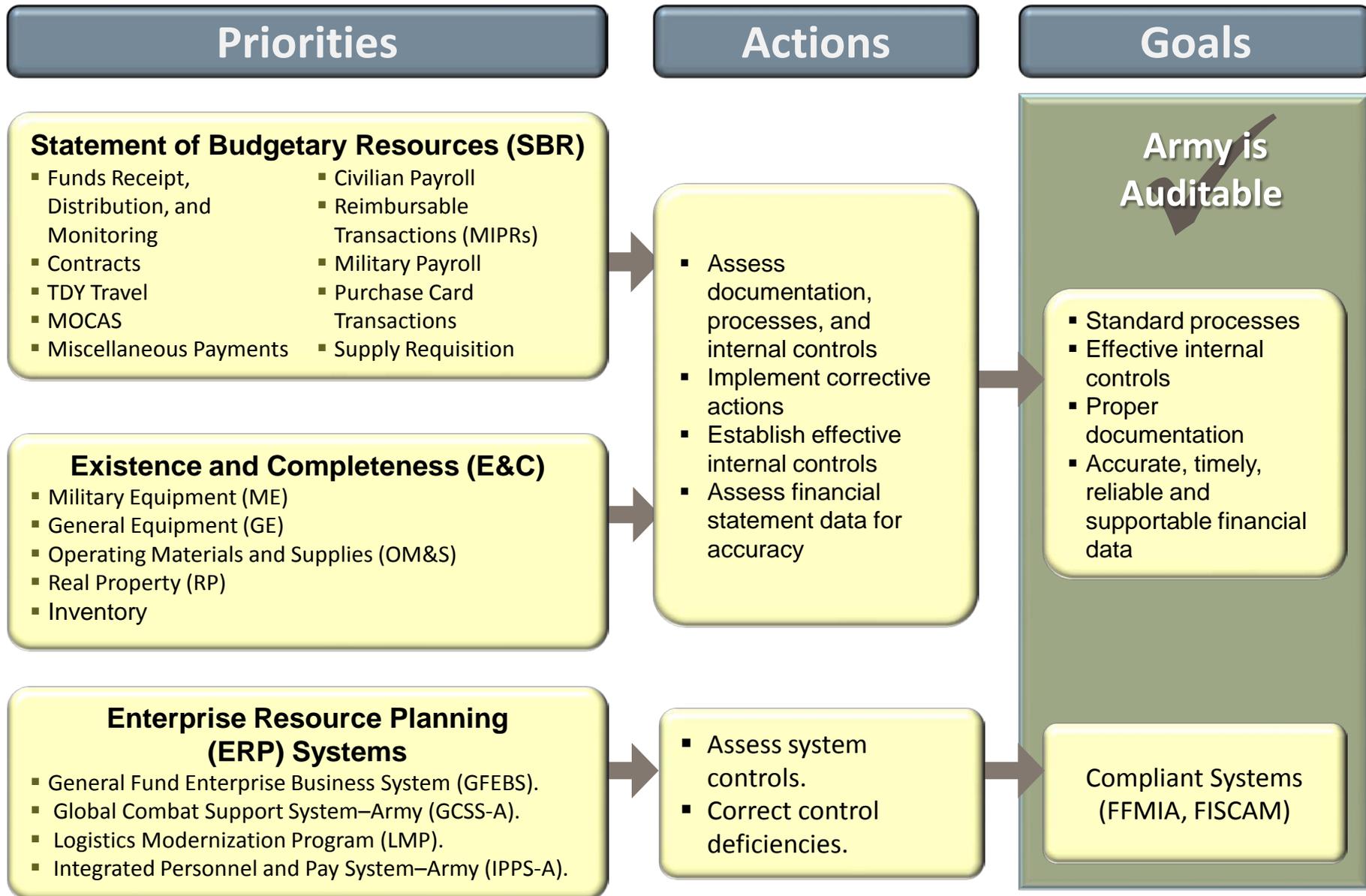
**Reverse Testing**  
Audit Readiness team traces an asset from the field back to the accountable system of record to verify completeness of asset records

Rights & Obligations

**Supporting Documentation Analysis**  
Audit Readiness team verifies asset chain of custody, accuracy, and authorization to conduct transactions



# Executing the Financial Improvement Plan (FIP)





# Existence & Completeness (E&C)

**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 assertion for three missile programs (Javelin, Hellfire, and TOW) on schedule for June 2012.

## **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.

## **Current asset categories:**

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

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
<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 (9 installations / 18 resource management offices and DFAS; 9 processes and GFEBs controls)	✓	6/30/12	12/31/12
Processes: Funds Receipt, Distribution, & Monitoring (ABO/HQs); Reimb. In-bound & out-bound; TDY-DTS; Contracts-SPS; Civilian Pay; Misc. Payments; Government Purchase Cards; Supply Requisitions; Financial Reporting	✓	6/30/12	12/31/12
Automated FBWT Reconciliation Tool **(no assertion/audit for GF Recon process)**	1/31/13	N/A	N/A
GF SBR Exam #3 - All Army GF Activity at all GFEBs locations (Exam 2 processes plus MOCAS, GCSS-Army)	12/31/12	6/30/13	12/31/13
GF SBR Assertion / Audit - All Army GF Activity (Exam 3 processes plus MILPAY)	3/31/13	6/30/14	9/30/14
FBWT	2/15/13	6/30/14	9/30/14
<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 – 23 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		



# Internal Controls Testing Approach

The Army's internal controls testing methodology includes:

## 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 Physical Inventory Results

Installation / Organization	Capital Assets	Assets Inventoried	Assets Not Found on Installation	Assets Found on Installation	Asset Data Changes
 Fort Stewart / HAAF, GA	4,855	2,739	0	0	193
 Joint Base Lewis McChord, WA	7,127	3,704	21	0	45
 Fort Benning, GA	3,066	1,624	0	0	144
 Fort Riley, KS	3,901	2,322	21	0	37
 Fort Carson, CO	5,421	3,249	1	1	144
 Fort Campbell, KY	6,089	2,447	0	0	94
 Fort Drum, NY	3,875	1,952	1	0	16
 Fort Bliss, TX	5,732	2,356	10	2	145
 Fort Hood, TX	6,819	1,446	0	1	79
 Schoefield Barracks / Fort Shafter, HI	4,041	2,100	0	3	75



# ME/GE E&C Physical Inventory Results

Installation / Organization	Capital Assets	Assets Inventoried	Assets Not Found on Installation	Assets Found on Installation	Asset Data Changes
 Fort Gordon, GA	1,033	296	0	1	13
 ARNG Georgia	1,689	1,048	0	5	56
 ARNG Florida	1,387	939	0	9	106
 ARNG Alabama	2,026	1,150	1	3	62
 ARNG California	2,868	1,374	3	9	264
 ARNG Texas	3,743	1,547	0	9	255
 ARNG Mississippi	1,929	1,136	0	7	287
 Fort Rucker, AL (TRADOC)	886	607	18	3	66
 Fort Jackson, SC (USARC)	265	247	1	2	10
 ARNG South Carolina	1,735	1,075	0	11	184



# ME/GE E&C Physical Inventory Results

Installation / Organization	Capital Assets	Assets Inventoried	Assets Not Found on Installation	Assets Found on Installation	Asset Data Changes
 ARNG Louisiana	1,926	1,124	0	7	168
 ARNG Arkansas	Results in Progress	Results in Progress	Results in Progress	Results in Progress	Results in Progress
 Fort Irwin, CA	Results in Progress	Results in Progress	Results in Progress	Results in Progress	Results in Progress
 ARNG Tennessee	Results in Progress	Results in Progress	Results in Progress	Results in Progress	Results in Progress
 Fort Bragg, NC	Results in Progress	Results in Progress	Results in Progress	Results in Progress	Results in Progress
 Eighth Army, KS	Results in Progress	Results in Progress	Results in Progress	Results in Progress	Results in Progress
 Fort Wainright, AK	Site Visit in Progress	Site Visit in Progress	Site Visit in Progress	Site Visit in Progress	Site Visit in Progress
 Fort Richardson, AK	Site Visit in Progress	Site Visit in Progress	Site Visit in Progress	Site Visit in Progress	Site Visit in Progress
 USAREUR	TBD	TBD	TBD	TBD	TBD



# Real Property Existence and Completeness Testing

## Existence Testing (Book to Floor) as of March 2012

Number of Sites	Book to Floor Sample	Validated by Physical Inventory	Validated by Supporting Documentation	Not Validated
12	7,416	6,881	179	356

## Completeness Testing (Floor to Book) as of March 2012

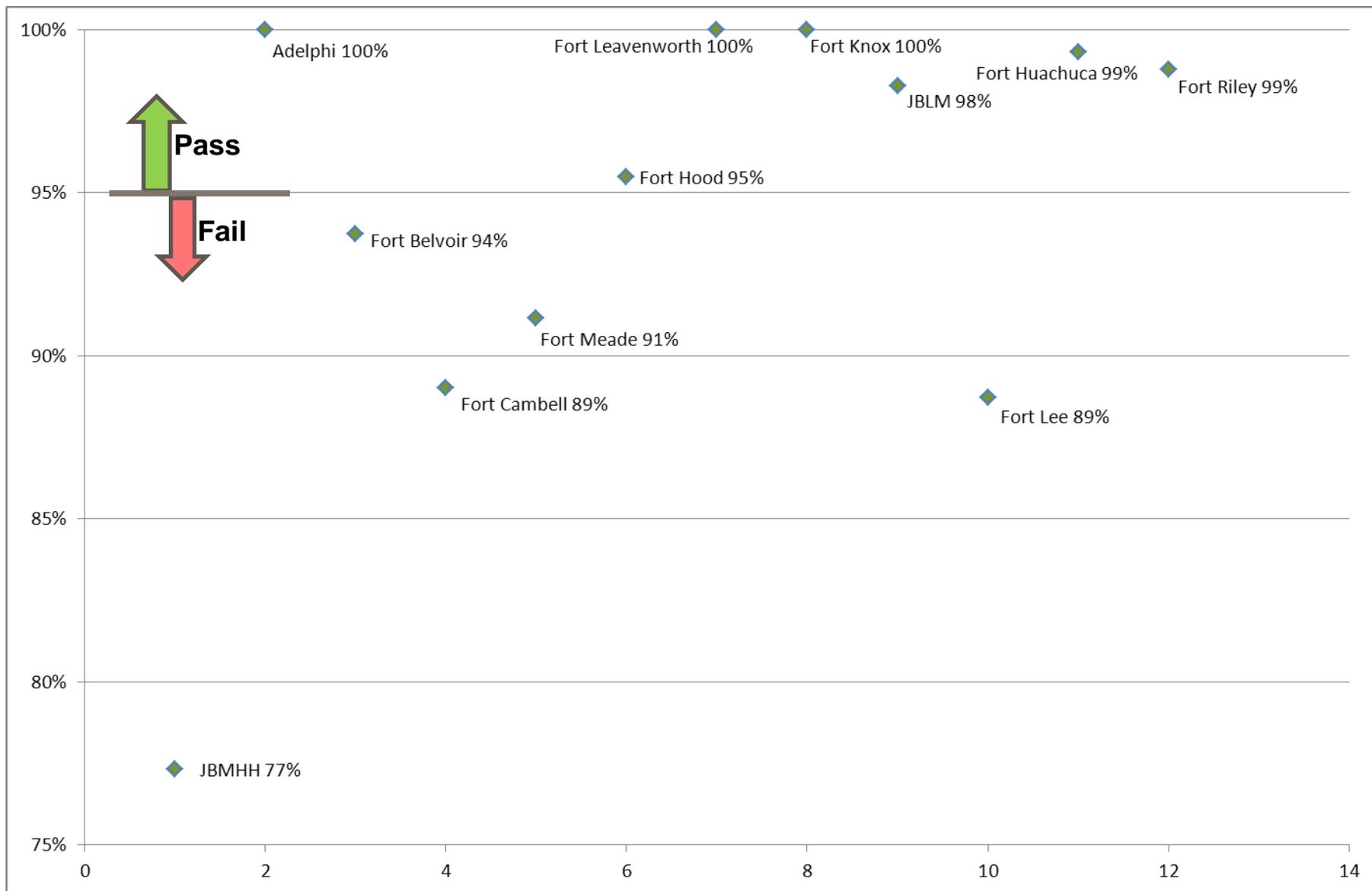
Number of Sites	Floor to Book Sample	Validated in APSR	Not Validated in APSR
12	661	578	83

### Deficiencies Identified:

- 43 Assets demolished (reported as “Active” in the APSR)
- Assets improperly reported under consolidated asset record (not allowed per DA PAM 415-28)
- Assets not identified based on information provided (i.e. installation map and/or physical location in APSR)

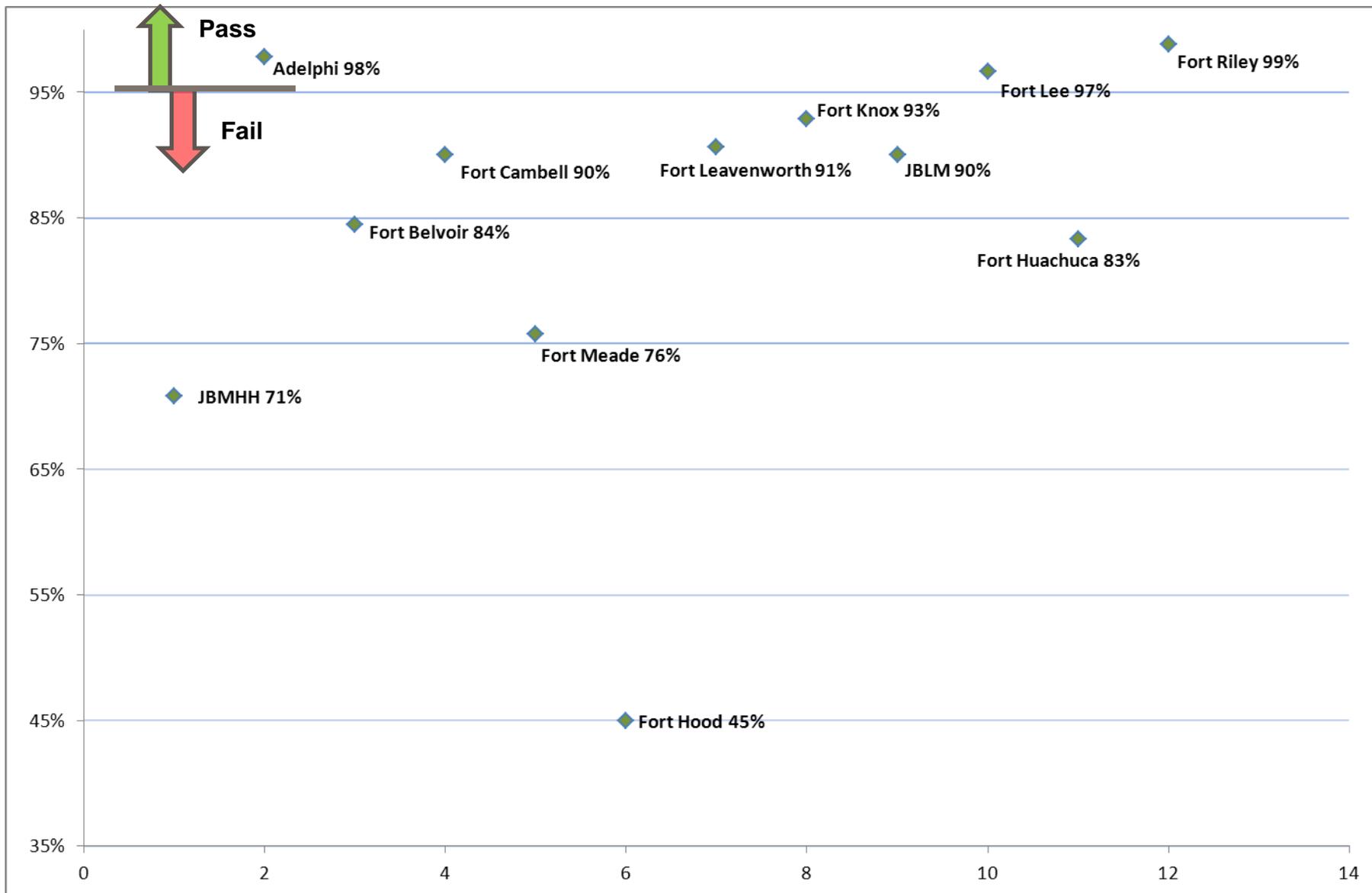


# Real Property Existence Results as of March 2012





# Real Property Completeness Results as of March 2012





# Real Property “Quick Wins” Site Visit Schedule

IMCOM Region	Site	Key Supporting Documentation Percentage*	Audit Readiness Phase (Discovery, Correct Action, Evaluation)
HQ IMCOM	Joint Base Myer-Henderson Hall	100%	Corrective Action
Atlantic	U.S. Adelphi Laboratory Center	100%	Corrective Action
Atlantic	Fort Campbell	100%	Corrective Action
HQ IMCOM	Fort Belvoir	100%	Corrective Action
HQ IMCOM	Fort Meade	100%	Corrective Action
Central	Fort Hood	100%	Corrective Action
HQ IMCOM	Fort Leavenworth	100%	Corrective Action
Atlantic	Fort Knox	100%	Corrective Action
Central	Joint Base Lewis-McChord	100%	Corrective Action
Atlantic	Fort Lee	100%	Corrective Action
Central	Fort Riley	90%	Corrective Action
Central	Fort Huachuca	100%	Corrective Action
Central	Fort Irwin - National Training Center	100%	Corrective Action
Pacific	Fort Greely	100%	Corrective Action
Pacific	Fort Wainwright	100%	Corrective Action
HQ IMCOM	Carlisle Barracks	100%	Corrective Action
Atlantic	Fort Rucker	98%	Corrective Action
HQ IMCOM	West Point Military Reservation	100%	Corrective Action
Central	Fort Carson	100%	Corrective Action
Central	Fort Sill	100%	Corrective Action
Pacific	Schofield Barracks/Shafter	100%	Discovery
Central	Fort Bliss	100%	Discovery
Atlantic	Fort Bragg	100%	Discovery
	Total Sites = 23		

**Note\*** = IMCOM Reported as of September 2011



# Environmental Liabilities

- 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.
- Perform corrective actions indicated by test results.
- Retest when corrective actions are complete.

## Note 14. Environmental Liabilities and Disposal Liabilities

As of September 30	2011	2010
<i>(Amounts in thousands)</i>		
<b>1. Environmental Liabilities - Nonfederal</b>		
A. Accrued Environmental Restoration Liabilities		
1. Active Installations—Installation Restoration Program (IRP) and Building Demolition and Debris Removal (BD/DR)	\$ 2,036,524	\$ 2,339,511
2. Active Installations—Military Munitions Response Program (MMRP)	1,869,956	1,930,687
3. Formerly Used Defense Sites—IRP and BD/DR	3,295,377	3,426,263
4. Formerly Used Defense Sites—MMRP	10,990,009	11,811,902
B. Other Accrued Environmental Liabilities—Non-BRAC		
1. Environmental Corrective Action	326,128	274,591
2. Environmental Closure Requirements	354,103	343,655
3. Environmental Response at Operational Ranges	74,732	107,287
4. Asbestos	246,744	240,559
5. Non-Military Equipment	0	0
6. Other	60,887	66,168
C. Base Realignment and Closure Installations		
1. Installation Restoration Program	673,582	871,671
2. Military Munitions Response Program	530,682	861,312
3. Environmental Corrective Action/Closure Requirements	206,853	289,094
4. Asbestos	0	0
5. Non-Military Equipment	0	0
6. Other	0	0
D. Environmental Disposal for Military Equipment/Weapons Programs		
1. Nuclear Powered Military Equipment/Spent Nuclear Fuel	0	0
2. Non-Nuclear Powered Military Equipment	0	0
3. Other Weapons Systems	0	0
E. Chemical Weapons Disposal Program		
1. Chemical Demilitarization - Chemical Materials Agency (CMA)	4,592,023	5,286,908
2. Chemical Demilitarization - Assembled Chemical Weapons Alternatives (ACWA)	6,510,391	5,503,123
3. Other	0	0
<b>2. Total Environmental Liabilities</b>	<b>\$ 31,767,991</b>	<b>\$ 33,352,731</b>



# E&C Corrective Actions Summary

E&C Area	Control Area	Corrective Actions
ME/GE OM&S	SOPs	<b>All:</b> <ul style="list-style-type: none"><li>• Documented policies and procedures within a SOP.</li><li>• SOPs approved by current commander.</li><li>• Regularly update the SOPs.</li></ul>
ME/GE OM&S	Quality Control Reviews	<b>ME/GE:</b> Review AR 710-2, Appendix B, and resource CSDP activities between inventories.  <b>OM&amp;S:</b> Supply support (retail) activities adopt quality assurance programs similar to wholesale activity reviews governed by AMC-R 740-27.
ME/GE OM&S	Document Retention	<b>All:</b> <ul style="list-style-type: none"><li>• Update document retention policies.</li><li>• Conduct regular training on guidance and procedures.</li><li>• Supervisors conducting periodic reviews to ensure compliance.</li></ul>
OM&S	Financial Reporting	<b>OM&amp;S:</b> Establish business rules for financial reporting to capture all Army-owned munitions designated all relevant purposes and to align with FMR condition code reporting requirements and capture all munitions purpose.



# E&C Corrective Actions Summary

E&C Area	Control Area	Corrective Actions
RP	Physical Inventory	<ul style="list-style-type: none"><li>• Implementation of control procedures to ensure that a physical inventory of real property is conducted at least once every five years.</li><li>• Real property records accurately reflect the results of said inventory.</li><li>• Related supporting documentation is retained.</li></ul>
RP	Acceptance of Real Property	<ul style="list-style-type: none"><li>• Implementation of control procedures that ensure a DD Form 1354 is received, signed and retained to validate the acceptance of real property.</li><li>• Implementation of control procedures that ensure delegation of authority letters are retained for RPAOs, even after they separate from the installation.</li><li>• Implementation of control procedures that ensure the APSR is timely updated based upon valid supporting documentation (e.g., DD Form 1354s), in accordance with applicable regulations.</li></ul>
RP	Transferred Real Property	<ul style="list-style-type: none"><li>• Implementation of control procedures that ensure the APSR is timely updated based upon valid supporting documentation (e.g., DD Form 1354s), in accordance with applicable regulations.</li></ul>
RP	Disposed Real Property	<ul style="list-style-type: none"><li>• Implementation of control procedures that ensure the APSR is timely updated based upon valid supporting documentation (e.g., DD Form 1354s), in accordance with applicable regulations.</li></ul>



## ■ 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.
- Planning assertion package preparation.

## ■ 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.

- **Army Audit Readiness Training**
  - At Installations (e.g., Audit Readiness, Financial Improvement Plan, Internal Controls, Testing, Corrective Action).
  - AKO Army Audit Readiness site → “Audit Readiness Training” folder.
  
- **Army Financial Improvement Workshop (Annual)**
  
- **Army Audit Readiness Publications**
  - Army Audit Readiness Strategy.
  - Army Audit Readiness Handbook.
  - Army FIP Report (Quarterly Newsletter).
  
- **AKO Army Audit Readiness Site**
  - Latest news.
  - Updated site visit schedule.
  - Guidance and policy.

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