

SUMMARY OF CHANGES 2013 ASOA

Material Weakness (MW) Reporting Format

MW reporting format is revised for 2013 ASOA. Template in TAB B displays the proper format for communicating both uncorrected material weaknesses and corrective actions in “summary” and “detailed” format for reporting MW. Weaknesses identified in the period should be labeled as “Material Weaknesses Identified During the Period” and weaknesses identified in prior periods should be labeled as “Material Weaknesses Identified in a Prior Period.” Each TAB, B through F, of the ASOA should follow the same format in reporting MW.

Special Notes for 2013:

Review of Statement of Budgetary Resources (SBR) Key Control Objectives (KCO)

As in 2012, senior responsible officials are required to submit certifications of reviewing the key control objectives in support of the statement of budgetary resources (SBR). All reporting entities shall assess and report the effectiveness of SBR key control objectives in the 2013 ASOA. Sample assessment format is at TAB A-4. Checklist for SBR KCOs is attached as TAB A-5.

Internal Controls over Financial Systems (ICOFS)

Department of Defense (DoD) established an additional requirement to report to the Secretary of Defense an explicit level of assurance over integrated financial management systems. DoD components will continue to assess, evaluate, and report the conformance of integrated financial management system compliance with Federal requirements. Army organizations operating information technology systems, producing data used in financial statement reporting, shall submit a separate statement asserting internal controls over financial systems as part of their annual statement of assurance submission.

The following organizations are affected by this requirement:

Assistant Secretary of the Army, Financial Management and Comptroller

--- General Fund Enterprise Business System (GFEBS); Funds Control Module (FCM)

Army Corps of Engineers --- Corps of Engineers Financial Management System (CEFMS)

Army Materiel Command --- Logistics Modernization Program (LMP)

Assistant Chief of Staff Installation Management --- Army Environmental Database – Compliance Cleanup (AEDB-CC); Army Environmental Database – Restoration (AEDB-R); Headquarters Installation Information System (HQIIS); Integrated Facilities System (IFS).

Army G-1 – Integrated Personnel and Pay System - Army (IPPS-A).

Army G-4 – Global Combat Support System - Army (GCSS-A).

National Guard Bureau – Planning Resource for Infrastructure Development and Evaluation (PRIDE)

These organizations will follow the additional instructions at TAB C.

Prompt Reporting

Reporting organizations are encouraged to report material weaknesses as soon as they are identified. New weaknesses identified during the year should be reported before the submission of the statement of assurance to ensure the complete staffing of a weakness with all functional proponents.

Review of Acquisition Functions

In May 2008, the Office of Federal Procurement Policy in Office of Management and Budget (OMB) published guidelines for Federal agencies in conducting internal control reviews of their acquisition functions. The DoD is required to integrate the internal control review of acquisition with the existing internal control assessment and annual Statement of Assurance reporting processes, beginning with the Fiscal Year 2009 cycle.

Office of the Under Secretary of Defense (Acquisition, Technology & Logistics) has developed a template that provides focus areas and related questions that should be addressed when reviewing the acquisition processes. The execution of this requirement has been included by Office of the Secretary of Defense (OSD) as a validation requirement. Assistant Secretary of the Army (Acquisition, Logistics & Technology) is the only reporting organization in the Army that will be affected by this requirement.

SCHEDULE

Below is the schedule for development and preparation of the Secretary of the Army's 2013 Statement of Assurance:

October 18	1st Quarter Senior Level Steering Group/Senior Assessment Team (SLSG/SAT) Meeting.
January 17	2nd Quarter SLSG/SAT meeting will review status of open material weaknesses, open Army Audit Agency (AAA) audit recommendations, and status of Internal Controls over Financial Reporting and Systems (ICOFR/ICOFS).
April 18	3rd Quarter SLSG/SAT will convene and review status of open material weaknesses, open AAA audit recommendations, and status of ICOFR/ICOFS.
May 16	ASOAs from Army Commands (ACOMs), Army Service Component Commands (ASCCs), and Direct Reporting Units (DRUs) due to OASA (FM&C).
May 30	ASOAs from HQDA Principals due to OASA (FM&C).
June 20	Draft Army ASOA delivered to HQDA staff agencies for coordination.
June 28	HQDA staff agency comments on draft Army ASOA due at OASA (FM&C).
July 18	4th Quarter SLSG/SAT will convene to review proposed Army statement and status of open material weaknesses, open AAA audit recommendations, and status of ICOFR/ICOFS.
July 20	Release final draft Army ASOA thru DASA (FO) to SecArmy for signature
August 16	Final signed Army ASOA delivered to the Secretary of Defense.

STRUCTURE OF THE STATEMENT

The ASOA submission to the ASA (FM&C) will consist of the following sections:

COVER MEMORANDUM

TAB A How the Assessment was Conducted

- TAB A-1 The Basis for Reasonable Assurance/How the Evaluation was Conducted
- TAB A-2 Additional Information (Leadership emphasis/Training/Execution)
- TAB A-3 Internal Control Program and Related Accomplishments
- TAB A-4 Assessment of SBR KCOs and Checklist

TAB B Internal Controls over Non-Financial Operations (ICONO) Material Weaknesses

- TAB B-1 List of Uncorrected and Corrected Material Weaknesses
- TAB B-2 Status of Uncorrected Material Weaknesses
- TAB B-3 Corrected Material Weaknesses

TAB C Internal Controls over Financial Systems (ICOFS) (For organizations listed in Enclosure1)

- TAB C-1 List of Uncorrected and Corrected Material Weaknesses
- TAB C-2 Status of Uncorrected Material Weaknesses
- TAB C-3 Corrected Material Weaknesses

TAB D Internal Controls over Financial Reporting (ICOFR) Material Weaknesses (General Fund)

- TAB D-1 List of Material Weaknesses
- TAB D-2 Status of Uncorrected Material Weaknesses
- TAB D-3 Corrected Material Weaknesses

TAB E ICOFR Material Weaknesses (AWCF)

- TAB E-1 List of Material Weaknesses
- TAB E-2 Status of Uncorrected Material Weaknesses
- TAB E-3 Corrected Material Weaknesses

TAB F ICOFR Material Weaknesses (Civil Works)

- TAB F-1 List of Material Weaknesses
- TAB F-2 Status of Uncorrected Material Weaknesses
- TAB F-3 Corrected Material Weaknesses

COVER MEMORANDUM

Required Statements. At a minimum, your cover memorandum will have **two** explicit statements:

- The Internal Controls over Nonfinancial Operations (ICONO) statement of assurance required by the Federal Managers' Financial Integrity Act (FMFIA);

- and -

- The Internal Controls over Financial Reporting (ICOFR) statement required pursuant to OMB Circular A-123, Appendix A.

ICOFR certification will be based on an objective evaluation of internal controls over financial management and reporting to include SBR checklist, prepared in accordance with TABs D through F of this guidance.

The assurance statements for ICONO and ICOFR must each take one of three forms:

- An **unqualified** statement of assurance.

"I am able to provide an unqualified statement of reasonable assurance that **(name of activity)** internal controls meet the objectives of *(Federal Managers' Financial Integrity Act (FMFIA) Internal Controls over Nonfinancial Operations programs, (ICONO) or OMB Circular A-123, Appendix A (ICOFR).*"

Each unqualified statement for both ICONO and ICOFR must have a firm basis for that position described clearly in Tab A.

- A **qualified** statement of assurance.

"I am able to provide a qualified statement of reasonable assurance that **(name of activity)** internal controls meet the objective of *(Federal Managers' Financial Integrity Act (FMFIA) Internal Controls over Nonfinancial Operations programs,*

(ICONO) or OMB Circular A-123, Appendix A (ICOFR) with the exception of **(number)** material weakness(es) described in (**Tab B/Tab D/Tab E/Tab F**). These material weaknesses were found in the internal controls over the effectiveness and efficiency of operations and compliance with applicable laws and regulations as of the date of this memorandum. Other than the material weaknesses noted in (**Tab B/Tab D/Tab E/Tab F**), the internal controls were operating effectively and no other material weaknesses were found in the design or operation of the internal controls."

- A statement of **no** assurance.

"I can provide no assurance that **(name of activity)** internal controls meet the objectives of *(Federal Managers' Financial Integrity Act (FMFIA) Internal Controls over Nonfinancial Operations programs, (ICONO) or OMB Circular A-123, Appendix A (ICOFR).*"

The material weaknesses in internal controls that preclude an unqualified statement for either ICONO or ICOFR should be cited in the cover memorandum.

Other factors or considerations that may affect the level of assurance for ICONO or ICOFR are recent testing of information systems, recent Antideficiency Act violations and open Army Audit Agency or DoDIG recommendations that point to weak or non-existent controls. Additionally, your organization should consider recent Army Criminal Investigation Division (CID) cases, particularly those that involve the loss of organizational equipment or property and any known fraudulent workers' compensation claims.

If any of the potential situations outlined above are applicable, a "qualified" level of assurance would most likely apply. In those cases, however, where material weaknesses and known deficiencies are pervasive to the organization and internal controls are deemed to be ineffective, a statement of "no assurance" would be most appropriate. Ultimately, the level of assurance provided by an organization is determined by its leadership based on a thorough assessment of the control environment and documented analysis and testing.

Signature. As the head of the reporting organization, you or your principal deputy must sign the cover memorandum. This memorandum provides your assessment as to whether you have reasonable assurance that the organization's controls over nonfinancial operations and controls over financial reporting are in place and operating effectively.

Appendix 1

SAMPLE COVER MEMORANDUM

MEMORANDUM FOR ASSISTANT SECRETARY OF THE ARMY (FINANCIAL MANAGEMENT AND COMPTROLLER)

SUBJECT: 2013 Annual Statement of Assurance on Internal Controls and Compliance with OMB Circular A-123, Appendix A

1. This memorandum provides two 2013 assessments on the reasonable assurance of internal controls for the internal controls over nonfinancial operations and for financial reporting.
2. Tab A provides information on how the (Activity name) conducted the assessment of internal controls for the Internal Controls over Nonfinancial Operations (ICONO) process, which was conducted according to Office of Management and Budget (OMB) Circular A-123, Management's Responsibility for Internal Controls. In addition, Tab A provides a summary of the significant accomplishments and actions taken to improve Activity internal controls during the past year.
3. I am able to provide a qualified statement of reasonable assurance that internal controls meet the objective of the Federal Managers' Financial Integrity Act ICONO program, with the exception of the two material weaknesses described in Tab B. These material weaknesses were found in the internal controls over the effectiveness and efficiency of operations and pertain to training for time and attendance certifiers and management of the Government Purchase Card. Other than the material weaknesses noted in Tab B, internal controls were operating effectively and no other material weaknesses were found in the design or operation of the internal controls.
4. I am able to provide a qualified statement of assurance that controls meet the requirements of OMB Circular A-123, Appendix A for Internal Controls over Financial Reporting (ICOFR), with the exception of the three material weaknesses that I am reporting. Two General Fund weaknesses pertaining to management of claims and accountability of General Equipment are noted in Tab D and one Army Working Capital Fund weakness related to recording of Environmental Liabilities at maintenance depots is reported in Tab E. Other than the material weakness noted in Tabs D and E, controls were operating effectively and no other material weaknesses were found in the design or operation for the above referenced financial statement segments.
5. The 2013 ASOA also provides the assessment of the Statement of Budgetary Resources (SBR) key control objectives (KCOs). The application of SBR KCOs and related checklist supports our assertion of reasonable assurance.
6. My point of contact is jane.doe@hqda.army.mil or (XXX) XXX-XXXX.

John Jones
Commander