DEPARTMENT OF THE ARMY
ASSISTANT SECRETARY OF THE ARMY
FINANCIAL MANAGEMENT AND COMPTROLLER

WASHINGTON DC 20310-0109

REPLY TO
ATTENTION OF

DEC 16 2010

MEMORANDUM FOR SEE DISTRIBUTION

SUBJECT: Guidance for Preparing Fiscal Year (FY) 2011 Annual Statement of Assurance (ASOA)

1. Principals of Headquarters Department of the Army staff elements, Army Commands (ACOM), Army Service Component Commands (ASCC) or Direct Reporting Units (DRU) are accountable for operating an internal control program designed to detect and correct instances of waste, fraud, abuse and/or mismanagement. To execute these responsibilities, organizations should continuously assess the effectiveness of internal controls and submit an Annual Statement of Assurance (ASOA) to the Secretary of the Army.

2. Enclosures 1-5 provide detailed guidance for the preparation of the FY 2011 ASOA as prescribed in the Federal Managers' Financial Integrity Act (FMFIA) and in compliance with OMB Circular A-123, Appendix A and DODI 5010.40.

- Enclosure 1
  - Summarizes changes and special notes for FY 2011, provides the schedule of key FY 2011 activities and instructions for the ASOA structure and cover memorandum.
- Enclosure 2
  - Provides instructions for Tab A of the ASOA on the effectiveness and efficiency of your operations and compliance with applicable laws and regulations for internal controls over both nonfinancial operations and financial reporting.
- Enclosure 3
  - Provides instructions for Tab B of the ASOA on new material weaknesses and updates to the status of prior year weaknesses.
- Enclosure 4
  - Provides instructions for TAB C of the ASOA on FMFIA Internal Controls over Financial Systems (ICOFS) process.
- Enclosure 5
  - Provides instructions for Tabs D, E, and F of the ASOA on reporting general fund, working capital fund and civil works financial statement report material weaknesses.

3. Statements are due to this office by May 16, 2011, for ACOMs, ASCCs and DRUs and by May 31, 2011, for principals of HQDA. All statements should be addressed to the Assistant Secretary of the Army (Financial Management and Comptroller) ATTN: SAFM-FOM, 109 Army Pentagon, Washington, DC 20310-0109 or delivered to Room 3A322 in the Pentagon. The preferred method of submission is a signed PDF cover memo and all attachments in both PDF and Word.

SUBJECT: Guidance for Preparing Fiscal Year (FY) 2011 Annual Statement of Assurance (ASOA)

4. You are highly encouraged to provide written guidance to your subordinate organizations, and ensure this guidance is maintained and available for review by this office and auditing organizations

5. My point of contact for this action (703) 693-2689

Mary Sally Matiella

Enclosures

Mary Sally Matiella, CPA

DISTRIBUTION:
Administrative Assistant to the Secretary of the Army
Assistant Secretary of the Army Acquisition Logistics and Technology
Assistant Secretary of the Army Manpower and Reserve Affairs
Assistant Secretary of the Army Installations Energy and Environment
Assistant Secretary of the Army Civil Works
The Inspector General
The Auditor General
Deputy Chief of Staff, G-1
Deputy Chief of Staff, G-2
Deputy Chief of Staff, G-3/5/7
Deputy Chief of Staff, G-4
Chief Information Officer/G-6
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The Judge Advocate General
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Chief, National Guard Bureau
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The Surgeon General/ U. S. Army Medical Command
U. S. Army North Atlantic Treaty Organization
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SUBJECT: Guidance for Preparing Fiscal Year (FY) 2011 Annual Statement of Assurance (ASOA)

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Superintendent, United States Military Academy

CF:
Commander, U. S. Army Special Operations Command
Deputy General Counsel (Ethics and Fiscal)
U.S. Army Audit Agency, ATTN: SAAG-FFG
Defense Finance and Accounting Service

SUMMARY OF CHANGE/OF NOTE FOR FY2011

CHANGES FOR FY2011

Internal Controls Over Financial Systems

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 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

Army Corps of Engineers- Corps of Engineers Financial Management System

Army Material Command- Logistics Modernization Program and Global Combat Support System Army

Office of the Assistant Chief of Staff Information 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 – Funds Control Module (FCM); Global Contract Support System (GCSS-Army)

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

These organizations will follow the additional instructions at enclosure 4.

OF NOTE FOR FY2011

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.

Enclosure 1

Review of Acquisition Functions

In May 2008, the Office of Federal Procurement Policy in OMB published guidelines for Federal agencies to use 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 Secretary of Defense Acquisition, Technology and Logistics – has developed a template that provides focus areas ("cornerstones") and related questions that should be addressed when reviewing the acquisition processes. The execution of this requirement has been included by OSD as a validation requirement during Fiscal Year 2011.

There is only one reporting organization in the army that will be affected by this requirement:

Assistant Secretary of the Army, Acquisition, Logistics and Technology

SCHEDULE

Below is the schedule for development and preparation of the Secretary of the Army's FY 2011 Statement of Assurance:

October 28	Senior Level Steering Group (SLSG)/ Senior Assessment Team (SAT) will convene.
January 13	SLSG/SAT will convene and review status of open material weaknesses, open Army Audit Agency (AAA) audit recommendations, and status Internal Controls over Financial Reporting deliverable requirements.
April 21	SLSG/SAT will convene and review status of open material weaknesses, open AAA audit recommendations, and status of Internal Controls over Financial Reporting.
May 16	Annual statements from Army Commands (ACOMs), Army Services Component Commands (ASCCs), and Direct Reporting Units (DRUs) due to OASA (FM&C).
May 31	Annual statements from HQDA Principals due to OASA (FM&C).
June 20	Draft Army statement delivered to HQDA staff agencies for coordination.
June 29	HQDA staff agency comments on draft Army statement due at OASA (FM&C).
July 14	SLSG/SAT will convene to review proposed Army statement and status of open material weaknesses, open AAA audit recommendations, and status of Internal Controls over Financial Reporting deliverable requirements.
August 19	Final signed Army statement delivered to the Secretary of Defense.

STRUCTURE OF THE STATEMENT

The Statement of Assurance will consist of the following sections:

Cover Memorandum (FMFIA ICONO and ICOFR statement, ICOFS statement if applicable)

TAB A How the Assessment was Conducted

- TAB A-1 The Basis for Reasonable Assurance
- TAB A-2 Other Information Required
- TAB A-3 Internal Control Program and Related Accomplishments

TAB B Material Weaknesses

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

TAB C ICOFS (only ASA (FM&C) and Corps of Engineers, otherwise not used)

TAB D ICOFR Material Weaknesses (General Fund)

- TAB D-1 List of Material Weaknesses
- TAB D-2 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 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 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 reporting and will be prepared in accordance with Enclosure 4 of this guidance. DOD has prioritized its financial management and audit readiness efforts to focus on the Statement of Budgetary Resources and the existence and completeness of critical assets. The highest priority is on improving budgetary information and processes. The secondary goal is to verify the existence and completeness of mission critical assets (that is, verifying that records accurately capture the number of each type of weapon system, real property, inventory and operating materials and supplies).

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.

SAMPLE COVER MEMORANDUM

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

SUBJECT: Fiscal Year (FY) 2011 Annual Statement of Assurance on Internal Controls and Compliance with OMB Circular A-123, Appendix A

1. This memorandum provides two FY 2011 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 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 (FMFIA) Internal Controls over Nonfinancial Operations programs (ICONO), 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 FECA claims and accountability of General Equipment are noted in Tab D and one AWCF 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. My point of contact is jane.doe@hqda.army.mil or (703) 693-XXXX.

John Jones
Commander

TAB A: HOW THE ASSESSMENT WAS CONDUCTED

Purpose. The purpose of the statement of assurance is to provide an **objective** assessment of internal controls and to report any material weaknesses in those internal controls. In Tab A, the organization must describe how its assessment of internal controls was conducted (i.e., how it reached a determination that its internal controls provided reasonable assurance) and provide support for that assessment.

Reasonable Assurance. Reasonable assurance refers to a satisfactory level of management confidence that internal controls are in place and operating as intended. Reasonable assurance is a management judgment that recognizes there are acceptable levels of risk that cannot be avoided because the cost of absolute control would exceed the benefits derived.

Content of Tab A. Tab A consists of the following three sections:

Tab A-1: The Basis for Reasonable Assurance. A reporting organization may base its determination of reasonable assurance on a wide variety of factors, to include:

- Establishment of sound policies and specific required actions in regulations and other directives.
- Prevention and detection measures, such as internal or external audits, inspections, investigations and quality control reviews.
- General knowledge of command operations derived from weekly staff meetings, status reports, periodic review and analysis sessions and other forms of command oversight.
- Various functional management reviews, such as: program evaluations (e.g., computer security reviews) and system reviews (e.g., financial system reviews).
- Actions taken to mitigate or eliminate risk as part of a command risk management program.
- Annual performance plans and reports.
- Internal control evaluations conducted in accordance with the organization's Internal Control Plan.

Tab A-2: Other Information Required. Tab A must also provide specific information on:

- Leadership Emphasis. This section summarizes leadership efforts in support of your internal control process, to include leadership correspondence on the importance of effective internal controls and senior leadership bodies (e.g., councils or committees) used to advise on internal control issues.

- Training. This section summarizes internal control training conducted. Indicate the type of training (e.g., provided by the Graduate School (formerly known as the U.S. Department of Agriculture Graduate School), HQDA internal control staff or in-house staff) and the total number by role receiving each type of training.

    - The format provided below must be used to report all training metrics. This format will be provided to all organizations as an Excel spreadsheet.

Enclosure 2

ORGANIZATION AND FY					
TYPE / METHOD OF TRAINING	**WHO WAS TRAINED AND NUMBER**				
LOCAL TRAINING PROVIDED BY ICA:	**SRO #**	**CDR/MGR #**	**ICA #**	**AUM #**	**Other #**
Classroom Presentation					
Desk-Side Briefing					
Telephonic Briefing					
Video-teleconference					
Local MCP Conference					
Training Videos					
Electronic Briefing Charts					
EXTERNAL TRAINING RECEIVED:					
ALMS Web-Based Training					
Army MICP Conference (ASA, FM&C)					
Army Managers Internal Control Administrator Course - Graduate School (Classroom)					
Army Managers Internal Control Administrator Course Graduate School (On Site)					
Managers Responsibility for Internal Controls (OMB Circular A-123) - Graduate School (Classroom)					
Other courses or schools with a session on MICP (Provide course names and training source)					
TOTAL BY ROLE	0	0	0	0	0
TOTAL FOR ORGANIZATION	0				

- Execution. This section summarizes the most significant internal control accomplishments within your organization, to include improvements both in administering the internal control program and in enhancing the effectiveness of internal controls in functional processes and programs. Be selective and ensure that these accomplishments are related directly to internal controls. Ensure to maintain training records that provide audit trail reflecting who, what, when, where and how specific to this training.

- Tab A-3: Managers' Internal Control Program and Related Accomplishments. This section highlights the most significant internal control program and related accomplishments achieved during FY 2011 by your organization. Use this section to identify other management improvements that are not specifically part of your internal control program but relate directly to the protection of government property, efficiency of your operations, conservation of resources, improvements in

responsiveness to external customer needs or enforcement of laws and regulation. Using the format below, ensure that each accomplishment contains both a Description of the Issue and Accomplishment section. Describe your accomplishments in simple and concise statements. Accomplishments may be extracted from information reported elsewhere in your statement of assurance report. Submit accomplishments in the following format:

Title of Accomplishment

Issue	*(briefly describe the problem or challenge involved)*
Accomplishment	*(indicate the control put in place)* *(**quantify benefits** derived from implementing the control.)*

SAMPLE OF ACCOMPLISHMENT

Description of Issue: Bill for Accounting Services.

Accomplishment: The Army coordinated with the Defense Finance and Accounting Service (DFAS) to identify several key electronic commerce savings in the areas of travel pay, commercial pay, and the government purchase card. In order to reduce cost required to process financial transactions, the Army required its activities to use the Defense Travel System, Wide Area Work Flow, and the government purchase card for purchases less than $3,000. As a result, the Army anticipates $29.5 million in savings on the FY 20XX DFAS bill.

TAB B: MATERIAL WEAKNESSES

Tab B is used to identify internal controls over nonfinancial operations weaknesses, identify new material weaknesses and provide a status update on prior year weaknesses, while Tabs D, E and F (enclosure 4) are used to identify weaknesses related to the soundness of internal controls over financial reporting. Each Tab will follow the same format.

Reporting Material Weaknesses. Material weaknesses should be reported to HQDA through command channels in a timely manner; however, the frequency of reporting is a command prerogative. Weaknesses may be reported at any time during the year. 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.

Material Weakness Criteria. Identifying and correcting deficiencies in management controls is an ongoing responsibility of commanders and managers at all levels. Whether a problem merits reporting as a material weakness is a management judgment. There are two essential criteria for a material weakness:

- It involves a deficiency in management controls (i.e., they are not in place; they are in place but are not being used; or they are in place and used but are inadequate).

- It warrants the attention of the next level of command, because that next level must take action or because it must be aware of the problem.

It is usually clear whether a problem involves a deficiency in management controls or whether the next level of command must take corrective action. Whether the next level of command should be made aware of a weakness is a more subjective judgment. The following factors should be considered in making this judgment:

- Actual or potential loss of resources (e.g., magnitude, sensitivity, frequency of loss).

- Current or probable congressional/media interest (adverse publicity).

- Unreliable information causing unsound management decisions.

- Diminished credibility or reputation of Army management.

- Violation of statutory or regulatory requirements.

- Impact on information security

- Impaired fulfillment of essential mission or provision of Government services.

Enclosure 3

Sources for Material Weaknesses. Many sources can be used to identify potential material weaknesses, to include: audit or inspection findings, criminal investigation results, management control evaluations, functional management review processes and management's general knowledge of operational problems. Audit and inspection reports often will recommend reporting specific problems as material weaknesses. These recommendations should be given careful consideration, but the determination to report a material weakness is ultimately a management judgment.

U.S. Army Audit Agency Identified Problems in Weakness Reporting. Some weaknesses lack clear, concise problem descriptions or lack a comprehensive milestone plan for correcting the weakness. Each HQDA reporting organization should consider material weaknesses from its ACOM, ASCC, and DRU feeder statements as input for the possible identification and inclusion in a broader Army-wide material weakness, as well as unimplemented USAAA audit recommendations, particularly those with a defined monetary benefit that are more than 18 months old.

Content of Material Weakness Tabs. Tab B will consist of the following three sections:

- TAB B-1, List of material weaknesses which provides separate listings for uncorrected and corrected material weaknesses. Each listing should indicate the title of the weakness and the fiscal year it was identified, beginning with the most recent weaknesses and working back.

- TAB B-2, Uncorrected material weaknesses includes separate descriptions of each uncorrected material weakness.

- TAB B-3, Corrected material weaknesses includes separate descriptions of each corrected material weakness.

Material weaknesses for FMFIA will be reported in accordance with the format and submission instructions on the following pages.

(TAB B-1)
LISTS OF ALL UNCORRECTED AND CORRECTED MATERIAL WEAKNESSES

Uncorrected Weaknesses Identified During the Period:

Title	Quarter (QTR) and Date (FY) Targeted Correction Date	Page #
Contingency Contracting	3rd Qtr, FY 2012	B-2-1

Uncorrected Weaknesses Identified During Prior Periods:

Title	Year First Reported	Correction QTR and FY Date Per Last Annual Statement	Correction QTR and FY Date Per This Annual Statement	Page #
Oversight of Service Contracts	FY 2006	4TH Qtr, FY 2012	4TH Qtr, FY 2012	B-2-9

Corrected Weaknesses Identified During All Periods:

Title	Year First Reported	Page #
N/A		

(TAB B-2)
UNCORRECTED WEAKNESS(ES) STATUS OF CORRECTIVE ACTIONS

Uncorrected Weakness(es) Identified During the Period

Local ID #: _____

Title and Description of Material Weakness:

Functional Category:

Senior Official in Charge:

Pace of Corrective Action:

Year Identified:

Original Target Date:

Target Date in Last Year's Report:

Current Target Date:

Reason for Change in Date(s):

Validation Process:

Results Indicators:

Source(s) Identifying Weakness:

Major Milestones in Corrective Action:

A. Completed Milestones:

Date: Milestone:

B. Planned Milestones (Fiscal Year 2011):

Date: Milestone:

C. Planned Milestones (Beyond Fiscal Year 2011):

Date: Milestone:

OSD or HQDA Action Required:

Point of Contact:

(TAB B-3)
MATERIAL WEAKNESS(ES)
CORRECTED THIS PERIOD

Identified During Prior Periods

Title and Description of Material Weakness:

Functional Category:

Component:

Senior Official in Charge:

Pace of Corrective Action:

Year Identified:

Original Target Date:

Target Date in Last Year's Report:

Current Target Date:

Reason for Change in Date(s):

Validation Process:

Results Indicators:

Source(s) Identifying Weakness:

MATERIAL WEAKNESS FORMAT INSTRUCTIONS

Each material weakness should not exceed three pages in length.

Local ID #: Indicate your local identification number for the material weakness.

Title and Description of Material Weakness. The title should be short and concise. The description should be written in non-technical terms that would permit a member of the public to understand the management control problem, its cause, and its adverse impact.

Functional Category. Cite one of the broad DoD functional categories below:

Research, Development, Test, and Evaluation
Manufacturing, Maintenance, and Repair
Communications / Intelligence / Security
Personnel and / or Organization Management
Comptroller and / or Resource Management
Property Management
Support Services
Other (Primarily Transportation)
Procurement
Major Systems Acquisition
Contract Administration
Force Readiness
Supply Operations
Information Technology
Security Assistance

Senior Official in Charge: Identify the name and title of the senior official in charge of ensuring this weakness is resolved according to targeted milestone projections.

Pace of Corrective Action:

Year Identified: The FY the weakness was first reported.

Original Target Date: The FY for correction when first reported.

Target Date in Last Year's Report: The FY for correction in last year's report. If this is a new weakness, enter "N / A."

Current Target Date: The current FY for correction. If this is a new weakness, enter "N / A."

Reason for Change in Date(s): Reason for change in quarter and fiscal year of "Current Target Date" from the "Target Correction Date" previously reported. If applicable, the reason for change should include a brief description of the impact (cost, operation) of any delay in correcting the weakness.

Validation Process: The effectiveness of corrective actions must be validated before a material weakness is closed (this is important especially when corrective actions focus on policy changes). Indicate the method that will be used to validate the material weakness and the date this will occur. For any Army-level material weakness, validation must be accomplished by the USAAA.

Results Indicator: Describe key results that have been or will be achieved in terms of performance measures. Performance measures are quantitative and/or qualitative measures that determine the benefits derived or that will be derived from the corrective

action and the overall impact of the correction on operations. If monetary benefits are determinable, state that information here.

Source(s) Identifying Weakness: List the primary source(s) that identified the material weakness (e.g., management control evaluations, external audit or inspection reports, local inspector general, or internal review findings). For audit/inspection reports, cite the report title, report number, and date.

1. Major Milestones to Include Progress to Date: Indicate major milestones – primary corrective actions – taken or planned to correct the material weakness. Separate milestones into three categories: (a) Completed Milestones, (b) Planned Milestones for Fiscal Year 2011, and (c) Planned Milestones Beyond Fiscal Year 2011. List only major milestones in chronological order by milestone completion date with the terminal milestone listed last. Provide the quarter and fiscal year that each major milestone is projected to be accomplished.

A. Completed Milestones:

Date: Milestone:

B. Planned Milestones (Fiscal Year 2011):

Date: Milestone:

C. Planned Milestones (Beyond Fiscal Year 2011):

Date: Milestone:

OSD or HQDA Action Required: For HQDA statements: If correction of this material weakness requires action by OSD or by another HQDA staff agency, indicate the office and the action you believe it should take; include a point of contact with phone number or email address, if possible. If you are reporting the material weakness for information only, indicate "N / A."

Point of Contact: The name, office symbol, and telephone number of the individual in your organization who can respond to inquiries about this material weakness.

TAB C: ICOFS

FMFIA Internal Controls Over Financial System (ICOFS) Process

FFMIA Compliance. Substantial compliance is achieved when an agency's financial management systems routinely provide reliable and timely financial information for managing day-to-day operations as well as to produce reliable financial statements, maintain effective internal control, and comply with legal and regulatory requirements. FFMIA substantial compliance will be determined annually at the department-wide or agency-wide level for the 24 major CFO Act agencies. Agencies can determine whether the requirements are being met by applying the FFMIA risk model (see OMB Circular A-127), which ranks risks from nominal to significant.

Federal Financial Management System Requirements- The Federal Financial management system requirements consist of three parts: (1) computer security requirements; (2) internal controls; and (3) Financial System Integration Office (FSIO) core financial system requirements.

Army organizations required to provide annual certifications of internal control over financial systems are to follow requirements stipulated in DODI number 8510.01, DODI 5010.40, DODI 5118.03, OMB Circular A-123, OMB Circular A-127, DOD 7000.14-R Volume 1, Chapter 3, Army IT investment certification/annual review process guide, and Army knowledge management and information technology AR 25-1.

The Reporting Entity should provide an overall introductory summary statement to accompany and explain the below table regarding its compliance with FFMIA. Instructions for completing the table are provided below.

Compliance with Federal Financial Management Improvement Act			
Substantial Compliance Requirements	**Reporting Entity**	**Auditor**	**Reason for Non-Compliance**
1. System Requirements			
2. Accounting Standards			
3. USSGL at Transaction Level			

Actions to Achieve FFMIA Compliance. The Reporting Entity should describe, as prescribed in the below instructions, its ongoing actions and/or plans to achieve FFMIA compliance. In addition, the Reporting Entity should provide the date when FFMIA compliance is expected to be achieved.

Enclosure 4

INSTRUCTIONS FOR TAB C FORMAT

This guidance provides direction for conducting the FMFIA ICOFS Process and reporting the results annually in Tab C of the Statement of Assurance (SOA). This guidance is consistent with the Federal Financial Management Improvement Act (FFMIA) of 1996 (Sec. 801 of title 31, USC); OMB Cir. A-127, "Financial Management Systems"; and DoD Financial Management Regulation (DoDFMR) Volume 1, Chapter 3, "Federal Financial Management Improvement Act of 1996 Compliance, Evaluation, and Reporting." Preparers of the annual SOA should be thoroughly familiar with the FFMIA, OMB Cir. A-127, and DoDFMR Volume 1, Chapter 3.

Applicability. Establishing a FMFIA ICOFS Process and annual SOA reporting is mandatory for DoD Reporting Entities listed in Volume 6B, Chapter 1, paragraphs 010601, 010602, and 010605 of the DoDFMR.

Reporting Requirement.

1. The Head of each Reporting Entity is responsible for reporting the compliance of the entity's Integrated Financial Management System (IFMS) with the FFMIA, OMB Cir. A-127, and Chapter 3 of Volume 1 of the DoDFMR. IFMS is defined in the last section of these instructions. The FFMIA requires the entity's IFMS to be substantially compliant with:

A. Federal system requirements,

B. Federal accounting standards, and

C. U.S. Standard General Ledger (USSGL) at the transaction level.

2. Compliance is to be reported in the table in the format section above. Specific guidance for completing the table is provided below.

A. Reporting Entity and Auditor Columns of the Table.

a. Enter either "Yes" or "No" for each compliance requirement. Use "Yes" to report substantial compliance, and use "No" to indicate non-compliance. The Reporting Entity column is used to report the entity's compliance determination. Determination is accomplished in accordance with the next section. The Auditor column is used to report the auditor of entity's financial statements determination of compliance. Financial statement audit reports are required to provide the auditor's determination of the entity's FFMIA compliance. If the entity's financial statements have not been audited, then "N/A" is to be reported.

B. Reason for Non-Compliance Column of the Table.

a. If the entity's IFMS is reported as not substantially compliant ("No") for any of the three compliance requirements, complete the

Reason for Non-Compliance column, as described in the next subsection, and accompany the table with a narrative explanation to explain why the IFMS is not substantially compliant and what is planned to achieve compliance, as well as the fiscal year that the IFMS is expected to achieve substantial compliance.

b. For each "No" indicating that the entity's IFMS is not substantially compliant, one of the following is to be used in the Reason for Non-Compliance column:

i. "IFMS has not been defined,"

ii. "IFMS has been defined, but has not been fully implemented," or

iii. "IFMS has been implemented, but has not been fully tested."

FFMIA Compliance Determination.

1. FFMIA compliance shall be determined through testing and evaluation by an independent internal or external resource (e.g., DoD Inspector General, Component Audit Agency, or Independent Public Accounting firm). Reporting Entity Heads shall ensure that the internal or external resource is objective and sufficiently qualified to perform the testing and evaluation.

2. Compliance testing shall be performed in accordance with the Government Accountability Office (GAO) Financial Audit Manual (FAM). The GAO FAM (section 300 of Volume 1 and section 700 of Volume 2) provides specific procedures auditors should perform when assessing FFMIA compliance.

3. FFMIA compliance test results/audit reports shall be retained for no less than 3 years and be made available to financial statement auditors.

IFMS Improvement Plans.

1. The Head of each Reporting Entity is responsible for preparing, maintaining, and executing an IFMS improvement plan when there is moderate risk of non-compliance. IFMS improvement plans shall be fully integrated with financial improvement plans and preparation plans for future financial statement audits.

a. Departments of the Army, Navy, and Air Force and the Defense Logistics Agency shall maintain their IFMS improvement plans within their Financial Improvement Plans (FIPs) or fully integrate such plans in their FIPs.

b. Reporting Entities, as defined above but not including the Reporting Entities in section a, above, shall develop and maintain their IFMS improvement plans internally to their organization utilizing a method (e.g., Microsoft Project) that supports coordination of the plans with the Defense Finance and Accounting Service, Business Transformation Agency, and other DoD organizations, as needed.

2. IFMS improvement plans also must:

a. Be integrated with the Reporting Entity's internal control program and implementation and execution of OMB Cir. A-123, Appendix A, and

b. Provide assurance to management through control testing that the IFMS is ready for conducting the FFMIA compliance determination, as described above.

Integrated Financial Management System (IFMS) Defined. The IFMS is a unified set of financial systems and the financial portions of mixed systems encompassing the software, hardware, personnel, processes (manual and automated), procedures, controls, and data necessary to carry out financial management functions, manage financial operations of the agency and report on the agency's financial status to central agencies, Congress and the public. Unified means that the systems are planned for and managed together, operated in an integrated fashion, and linked together electronically in an efficient and effective manner to provide agency-wide financial system support necessary to carry out the agency's mission and support the agency's financial management needs. The IFMS has the following characteristics:

1. Common Data Elements.
2. Common Transaction Processing.
3. Consistent Internal Controls.
4. Efficient Transaction Entry.

COVER MEMORANDUM

Required Statements. At a minimum, your cover memorandum will have ***three*** 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.

- The Internal Controls over Integrated Financial Systems statement required by DODI 5010.40.

  ICOFR certification will be based on an objective evaluation of internal controls over financial reporting and will be prepared in accordance with Enclosure 4 of this guidance. DOD has prioritized its financial management and audit readiness efforts to focus on the Statement of Budgetary Resources and the existence and completeness of critical assets. The highest priority is on improving budgetary information and processes. The secondary goal is to verify the existence and completeness of mission critical assets (that is, verifying that records accurately capture the number of each type of weapon system, real property, inventory and operating materials and supplies).

The assurance statements for ICONO, ICOFR and ICOFS 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)* ***or*** Internal Controls over Financial Systems (ICOFS) as defined by DODI 5010.40)

Each unqualified statement for both ICONO, ICOFR and ICOFS 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 objectives of (*Federal Managers' Financial Integrity Act (FMFIA) Internal Controls over Nonfinancial Operations programs, (ICONO)* ***or*** *OMB Circular A-123, Appendix A (ICOFR)* ***or*** Internal Controls over Financial Systems (ICOFS) as defined by DODI 5010.40) with the exception of ***(number)*** material weakness(es) described in (***Tab B/TAB C/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 C/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)* ***or*** Internal Controls over Financial Systems (ICOFS) as defined by DODI 5010.40).

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

Other factors or considerations that may affect the level of assurance for ICONO, ICOFR or ICOFS 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.

SAMPLE COVER MEMORANDUM

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

SUBJECT: Fiscal Year (FY) 2011 Annual Statement of Assurance on Internal Controls and Compliance with OMB Circular A-123, Appendix A

1. This memorandum provides three FY 2011 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 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 FMFIA 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 FECA claims and accountability of General Equipment are noted in Tab D and one AWCF 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. I am able to provide a qualified statement of assurance that internal controls over financial systems (ICOFS) meet the requirements of FFMIA, OMB Circular A-127 and Chapter 3 of Volume 1, DOD FMR, with the exception of the one material weaknesses that I am reporting. One weakness pertaining to financial management systems is noted in Tab C. Other than the material weakness noted in Tab C, controls were operating effectively and no other material weaknesses were found.

6. My point of contact is jane.doe@hqda.army.mil or (703) 693-XXXX.

John Jones
Commander

(TAB C)
LISTS OF ALL UNCORRECTED AND CORRECTED MATERIAL WEAKNESSES

Uncorrected Weaknesses Identified During the Period:

Title	Quarter (QTR) and Date (FY) Targeted Correction Date	Page #
XXXXXX	3rd Qtr, FY 2012	C-X

Uncorrected Weaknesses Identified During Prior Periods:

Title	Year First Reported	Correction QTR and FY Date Per Last Annual Statement	Per This Annual Statement	Page #
XXXXXXXXXXXXX	FY 2006	4TH Qtr, FY 2012	4TH Qtr, FY 2012	C-X

Corrected Weaknesses Identified During All Periods:

Title	Year First Reported	Page #
N/A		

(TAB C)
UNCORRECTED WEAKNESS(ES) STATUS OF CORRECTIVE ACTIONS

Uncorrected Weakness(es) Identified During the Period

Local ID #: _____

Title and Description of Material Weakness:

Functional Category:

Senior Official in Charge:

Pace of Corrective Action:

Year Identified:

Original Target Date:

Target Date in Last Year's Report:

Current Target Date:

Reason for Change in Date(s):

Validation Process:

Results Indicators:

Source(s) Identifying Weakness:

Major Milestones in Corrective Action:

A. Completed Milestones:

Date: Milestone:

B. Planned Milestones (Fiscal Year 2011):

Date: Milestone:

C. Planned Milestones (Beyond Fiscal Year 2011):

Date: Milestone:

OSD or HQDA Action Required:

Point of Contact:

(TAB C)
MATERIAL WEAKNESS(ES)
CORRECTED THIS PERIOD

Identified During Prior Periods

Title and Description of Material Weakness:

Functional Category:

Component:

Senior Official in Charge:

Pace of Corrective Action:

Year Identified:

Original Target Date:

Target Date in Last Year's Report:

Current Target Date:

Reason for Change in Date(s):

Validation Process:

Results Indicators:

Source(s) Identifying Weakness:

MATERIAL WEAKNESS FORMAT INSTRUCTIONS

Each material weakness should not exceed three pages in length.

Local ID #: Indicate your local identification number for the material weakness.

Title and Description of Material Weakness. The title should be short and concise. The description should be written in non-technical terms that would permit a member of the public to understand the management control problem, its cause, and its adverse impact.

Functional Category. Financial Management Systems

Senior Official in Charge: Identify the name and title of the senior official in charge of ensuring this weakness is resolved according to targeted milestone projections.

Pace of Corrective Action:

Year Identified: The FY the weakness was first reported.

Original Target Date: The FY for correction when first reported.

Target Date in Last Year's Report: The FY for correction in last year's report. If this is a new weakness, enter "N / A."

Current Target Date: The current FY for correction. If this is a new weakness, enter "N / A."

Reason for Change in Date(s): Reason for change in quarter and fiscal year of "Current Target Date" from the "Target Correction Date" previously reported. If applicable, the reason for change should include a brief description of the impact (cost, operation) of any delay in correcting the weakness.

Validation Process: The effectiveness of corrective actions must be validated before a material weakness is closed (this is important especially when corrective actions focus on policy changes). Indicate the method that will be used to validate the material weakness and the date this will occur. For any Army-level material weakness, validation must be accomplished by the USAAA.

Results Indicator: Describe key results that have been or will be achieved in terms of performance measures. Performance measures are quantitative and/or qualitative measures that determine the benefits derived or that will be derived from the corrective action and the overall impact of the correction on operations. If monetary benefits are determinable, state that information here.

Source(s) Identifying Weakness: List the primary source(s) that identified the material weakness (e.g., management control evaluations, external audit or inspection reports, local inspector general, or internal review findings). For audit/inspection reports, cite the report title, report number, and date.

1. Major Milestones to Include Progress to Date: Indicate major milestones – primary corrective actions – taken or planned to correct the material weakness. Separate milestones into three categories: (a) Completed Milestones, (b) Planned Milestones for Fiscal Year 2010, and (c) Planned Milestones Beyond Fiscal Year 2010. List only major milestones in chronological order by milestone completion date with the terminal milestone listed last. Provide the quarter and fiscal year that each major milestone is projected to be accomplished.

A. Completed Milestones:

Date: Milestone:

B. Planned Milestones (Fiscal Year 2011):

Date: Milestone:

C. Planned Milestones (Beyond Fiscal Year 2011):

Date: Milestone:

OSD or HQDA Action Required: For HQDA statements: If correction of this material weakness requires action by OSD or by another HQDA staff agency, indicate the office and the action you believe it should take; include a point of contact with phone number or email address, if possible. If you are reporting the material weakness for information only, indicate "N / A."

Point of Contact: The name, office symbol, and telephone number of the individual in your organization who can respond to inquiries about this material weakness.

TAB D (GENERAL FUND), TAB E (ARMY WORKING CAPITAL FUND) and TAB F (Civil Works): ICOFR MATERIAL WEAKNESSES

Assessable units are required to provide a statement of assurance in their cover memorandum based on results from their annual ICOFR assessment.

As part of our compliance with OMB A-123, Appendix A, staff proponents may also request that you validate specific process flows and internal controls for their operational areas and provide feedback through functional channels to support their ICOFR certification.

For assessable units providing a qualified statement of assurance or no assurance, material weaknesses must be reported on Tab D for General Fund, Tab E for Army Working Capital Fund and Tab F for the Civil Works Fund.

For purposes of reporting material weaknesses for ICOFR, assessable units should organize their statement according to the following format:

- Tab D-1/E-1/F-1 includes the titles of all corrected and uncorrected material weaknesses.
- Tab D-2/E-2/F-2 includes a narrative description of all uncorrected material weaknesses including the plans and schedules for corrective actions.
- Tab D-3/E-3/F-3 includes a narrative description of material weaknesses corrected in the current year, to include significant actions taken to correct the weaknesses.

The following is an example of how to format the ICOFR Tabs using Tab D (Army General Fund) as a template. Tab E (Army Working Capital Fund) and Tab F (Civil Works Fund) will follow the same format.

(TAB D-1)

LISTS OF ALL ARMY UNCORRECTED AND CORRECTED MATERIAL WEAKNESSES

Internal Controls Over Financial Reporting (ICOFR)

General Fund Uncorrected Weaknesses Identified During the Period:

Title	Quarter (QTR) and Date (FY) Targeted Correction Date	Page #
N/A		

Enclosure 5

General Fund Uncorrected Weaknesses Identified During Prior Periods:

Title	Year First Reported	Correction QTR and FY Date Per Last Annual Statement	Correction QTR and FY Date Per This Annual Statement	Page #
Financial Management Systems The lack of a single, standard transaction-driven general ledger will prevent the Army from preparing auditable financial statements.	FY 2008	2nd Qtr. FY 2014	2nd Qtr. FY 2014	D-2-2
Fund Balance with Treasury Army has had long-standing problems in reconciling transaction activity in their Fund Balance with Treasury accounts.	FY 2008	2nd Qtr. FY 2012	3rd Qtr. FY 2014	D-2-5
Inventory (Operating Materials and Supplies) The systems do not maintain historical cost data necessary to comply with Statement of Federal Financial Accounting Standards No. 3, "Accounting for Inventory and Related Property." The systems also are unable to produce financial transactions using the U.S. Government Standard General Ledger.	FY 2008	2nd Qtr. FY 2015	2nd Qtr. FY 2015	D-2-7
General Property, Plant, and Equipment The Army has acknowledged that Real Property and Military Equipment were not recorded at acquisition or historical cost and did not include all costs needed to bring these assets to a form and location suitable for their intended use.	FY 2008	1st Qtr. FY 2011	1st Qtr. FY 2013	D-2-10
Environmental Liabilities The Army has not properly estimated and reported its environmental liabilities.	FY 2008	1st Qtr. FY 2012	4th Qtr. FY 2012	D-2-17
Intragovernmental Eliminations DOD is unable to collect, exchange, and reconcile buyer and seller Intragovernmental transactions, resulting in adjustments that cannot be verified.	FY 2008	4th Qtr. FY 2011	1st Qtr. FY 2012	D-2-21
Intragovernmental Eliminations DOD is unable to collect, exchange, and reconcile buyer and seller Intragovernmental transactions, resulting in adjustments that cannot be verified.	FY 2008	4th Qtr. FY 2011	1st Qtr. FY 2012	D-2-21

General Fund Uncorrected Weaknesses Identified During Prior Periods:

Title	Year First Reported	Correction QTR and FY Date Per Last Annual Statement	Correction QTR and FY Date Per This Annual Statement	Page #
Accounting Adjustments Because of inadequate financial management systems and processes, journal voucher adjustments and data calls were used to prepare the Army General Fund financial statements.	FY 2008	4th Qtr. FY 2011	1st Qtr. FY 2012	D-2-24
Statement of Net Cost The financial information contained in the Statement of Net Cost is not presented by programs that align with major goals and outputs described in the DOD strategic and performance plans required by the Government Performance and Results Act.	FY 2008	4th Qtr. FY 2011	1st Qtr. FY 2012	D-2-26
Abnormal Account Balances The FY 2008 trial balance data for the Army General Fund included 143 general ledger accounts with $36 billion of unresolved abnormal balances for proprietary and budgetary accounts used by DFAS Indianapolis as part of the compilation of the Army General Fund financial statements. Abnormal balances not only distort the Army General Fund Financial statements, but also indicate internal control and operational deficiencies and may conceal instances of fraud.	FY 2008	1st Qtr. FY 2012	1st Qtr. FY 2012	D-2-29
Accounts Receivable Weaknesses include noncompliance with policies and procedures regarding referrals to the Debt Management Office of the Department of Treasury and for write-offs of 2-year-old debt; a lack of controls to ensure all entitlement system receivables (vendor pay, civilian pay, and interest) are recorded in the accounting systems; and a lack of controls to ensure that accounts receivable balances are supportable at the transaction level.	FY 2008	4th Qtr. FY 2011	2nd Qtr. FY 2013	D-2-31

General Fund Uncorrected Weaknesses Identified During Prior Periods:

Title	Year First Reported	Correction QTR and FY Date Per Last Annual Statement	Correction QTR and FY Date Per This Annual Statement	Page #
Accounts Payable The Army is unable to properly account for and report Accounts Payable.	FY 2008	2nd Qtr. FY 2012	3rd Qtr. FY 2013	D-2-33
Statement of Budgetary Resources The Army accounting systems do not provide or capture data needed for obligations incurred or prior year obligations recovered in accordance with OMB Circular No. A-11, "Preparation, Submission, and Execution of the Budget Requirements."	FY 2008	4th Qtr. FY 20111	st Qtr. FY 2012	D-2-36
Reconciliation of Net Cost of Operations to Budget In FY 2008, the Army General Fund was unable to accurately represent the relationship between budgetary obligations incurred and its Statement of Net Costs without preparing $1.2 billion in unsupported adjustments to the general ledger accounts to force costs to match obligation information.	FY 2008	4th Qtr. FY 2011	1st Qtr. FY 2012	D-2-38

General Fund Corrected Weaknesses Identified During All Periods:

Title	Year First Reported	Page #
Contingency Payment Audit Trails The maintenance of substantiating documents by certifying and entitlement activities creates significant challenges in tracing audit trails for support of financial statements.	3rd Qtr, FY 2009	D-3-1

TAB D-2

ARMY GENERAL FUND UNCORRECTED WEAKNESSES STATUS OF CORRECTIVE ACTIONS

General Fund Uncorrected Weakness(es) Identified During Period

N/A

General Fund Uncorrected Weakness(es) Identified During Prior Periods

Title and Description of Material of Weakness: Fund Balance with Treasury (FBWT). DOD and its Components, including the Army, have had long-standing problems in reconciling transaction activity in their FBWT accounts. Appropriation balances recorded in the accounting records do not agree with balances held at Treasury. Therefore, according to independent auditor's report dated 8 November 2009, DFAS Indianapolis made unsupported adjustments that had a net effect of $12.3 billion on the three FBWT line items.

Functional Category: Fund Balance with Treasury

Senior Official in Charge: Mr. John Argodale, Deputy Assistant Secretary of the Army, Financial Operations (DASA(FO)), OASA(FM&C)

Pace of Corrective Action:

Year Identified: FY 2008

Original Target Date: 2nd Qtr FY 2012

Target Date in Last Year's Report: 3rd Qtr FY 2014

Current Target Date: 2nd Qtr FY 2014

Reason for Change in Date(s): DFAS provided updated FBWT validation date of 2nd quarter FY 2014.

Validation Process: Internal validation will be conducted by USAAA.

Results Indicators: Success is defined as the segments passing audit readiness validation.

Source(s) Identifying Weakness: Independent Auditor's Report on the FY 2009 Army General Fund Financial Statements (8 November 2009); Army Financial Improvement Plan.

Major Milestones in Corrective Action:

A. **Completed Milestones:**

Date:	Milestone:
Completed	Identified Requirements to Accurately Report FBWT (Army FBWT Financial Improvement Plan WBS 3.4.1.1)

B. **Planned Milestones (Fiscal Year 2010):**

Date:	Milestone:

4th Qtr FY 2010	Finalize "to be" FBWT Reconciliation requirements document based on feedback received (Army FBWT Financial Improvement Plan WBS 1.5.1.3)
4th Qtr FY 2010	Provide audit readiness validation plan (FBWT) (Army FBWT Financial Improvement Plan WBS 3.4.1.8.9.1)
4th Qtr FY 2010	Determine existence and completeness of appropriations, rescissions and transfers (Army FBWT Financial Improvement Plan WBS 3.4.1.8.9.13.1)

C. **Planned Milestones (Beyond Fiscal Year 2010):**

Date:	**Milestone:**
2nd Qtr FY 2012	Full deployment of GFEBS (Army Operating Materials and Supplies (OM&S) Financial Improvement Plan WBS 3.1.16.6)
1st Qtr FY 2014	Implement sustainable process to report FBWT and accurately address the reconciliation between the Army's balance and the balance at the Department of the Treasury (Army FBWT Financial Improvement Plan, WBS 3.4.1.8)
1st Qtr FY 2014	Report FBWT in accordance with a sustainable business process (Army FBWT Financial Improvement Plan, WBS 3.4.1.9)
2nd Qtr FY 2014	Internal validation of FBWT (USAAA) (Army FBWT Financial Improvement Plan, WBS 7.1.1)

General Fund Uncorrected Weakness(es) Identified During Period

N/A

Acronyms

AMC	Army Materiel Command
ACOM	Army Command
ASCC	Army Service Component Command
AWCF	Army Working Capital Fund
CFO	Chief Financial Officer
CID	Criminal Investigation Division (Army)
CRW	Central Receiving Warehouse
DFAS	Defense Finance Accounting Service
DoD	Department of Defense
DPAS	Defense Property Accountability System
DRU	Direct Reporting Unit
FECA	Federal Employees Compensation Act
FIAR	Financial Improvement Audit Readiness
FISMA	Federal Information Security Management Act
FMFIA	Federal Managers Financial Integrity Act
FY	Fiscal Year
GE	General Equipment
ICOFR	Internal Controls over Financial Reporting
IT	Information Technology
MICP	Managers' Internal Control Program
MIPR	Military Interdepartmental Purchase Request
MTOE	Maintenance Table of Organization and Equipment
OM&S	Operating Materials and Supplies
OMB	Office of Management and Budget
OUSD(C)	Office of the Undersecretary of Defense (Comptroller)
PBO	Property Book Office
PBUSE	Property Book Unit Supply Enhanced
PHRH	Primary Hand Receipt Holder
SARSS	Standard Army Retail Supply System
SAT	Senior Assessment Team
SOA	Statement of Assurance
TBD	To Be Determined

References

OMB Circular A-123, Appendix A
http://www.whitehouse.gov/omb/circulars/index.html

Fiscal Year 2010 Guidance for Implementing Office of Management and Budget (OMB) Circular A-123, Appendix A: Internal Control Over Financial Reporting (ICOFR)

DODI 5010.40
http://www.dtic.mil/whs/directives/corres/pdf/501040p.pdf

Department of the Army, Office of the Assistant Secretary of the Army (Financial Management and Comptroller) FY 2010 Annual Statement of Assurance on Internal Controls and Compliance with OMB Circular A-123, Appendix A
http://fmnet/Documents/OfficeDocuments/FinancialOps/Guidances/ic//sa-as10.pdf

FY 2008 United States Army Annual Financial Statement
http://www.asafm.army.mil/fo/fod/cfo/afr/currentyr/fy08afr.pdf

Army Financial Improvement Plan
http://www.asafm.army.mil/fo/fod/cfo/afr/afr.asp