



SECRETARY OF THE ARMY
WASHINGTON

INFO MEMO

17-08-09 06:43 OUT

FOR: SECRETARY OF DEFENSE

FROM: Pete Geren, Secretary of the Army 

SUBJECT: Fiscal Year (FY) 2009 Statement of Assurance on Internal Controls as Required Under the Federal Managers' Financial Integrity Act of 1982

- As the Secretary of the Army, I recognize that Army management is responsible for establishing and maintaining effective internal controls to meet the objectives of the Federal Managers' Financial Integrity Act (FMFIA). I am providing a qualified statement of assurance that the Army's internal controls in effect for the fiscal year ending September 30, 2009, met FMFIA objectives except for the four material weaknesses noted in TAB B-1. These weaknesses are tied to internal controls for the effectiveness and efficiency of the operations identified, as of the date of this memorandum. Other than the material weaknesses noted, internal controls operated effectively and were used as designed.
- The Army conducted its assessment of internal controls for overall operations according to OMB Circular A-123, Management's Responsibility for Internal Control, which can be found at TAB A. In addition, TAB A provides a summary of the significant accomplishments and actions taken to improve Army internal controls during the past year.
- TAB B-1 contains a list of uncorrected and corrected material weaknesses. Individual narratives for each uncorrected material weakness and status of corrective actions can be found at TAB B-2. Narratives for those material weaknesses that have been corrected are at TAB B-3.
- The Army continued to make progress in improving internal controls for financial reporting for the General and Working Capital funds. I am, however, providing no assurance that, as of June 30, 2009, the Army's internal controls for financial reporting were operating effectively. This assessment is based on the auditor's inability to render an audit opinion; 1,177 uncorrected actions identified in our financial improvement plan; 13 weaknesses associated with the General Fund, which are identified at TAB D-1; and nine weaknesses associated with the Working Capital Fund, which are identified at TAB E-1.

SUBJECT: Fiscal Year (FY) 2009 Statement of Assurance on Internal Controls as Required Under the Federal Managers' Financial Integrity Act of 1982

- I am able to provide an unqualified statement of assurance for the Civil Works financial statements. My assurance is based on the qualified audits and opinions achieved in fiscal years 2006- 2008.

COORDINATION: NONE.

Attachments:
As stated

Prepared By: Jorge F. Roca, 703-693-2770

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ATTACHMENT



DEPARTMENT OF THE ARMY
U.S. ARMY AUDIT AGENCY
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SAAG-ZA

2 July 2009

MEMORANDUM FOR Secretary of the Army

SUBJECT: Independent Assessment of the Army's Compliance with the Federal Managers' Financial Integrity Act (Project A-2009-FFM-0062.000), Report: A-2009-0157-FFM

1. The U.S. Army Audit Agency performed an assessment of the Army's actions to comply with the requirements of the Federal Managers' Financial Integrity Act of 1982 and DOD Instruction 5010.40 (Managers' Internal Control Program Procedures).
2. From the results of our assessment, I concluded that the Army, as an entity, continued its efforts to make sure a system of controls exists in accordance with the Act and DOD Instruction 5010.40. During FY 09, the Army remained committed to making sure that the Army Managers' Internal Control Program was effective. For example:
 - The Army continued to emphasize leadership, training, and process execution in its day-to-day operations.
 - The Senior Level Steering Group met quarterly during the fiscal year to review ongoing program issues and work toward correcting previously reported Army-level material weaknesses.

In addition, other actions had a positive effect on the overall program. The Management Services Directorate in the Office of the Deputy Assistant Secretary of the Army (Financial Operations) oversaw actions to:

- Implement a process for commands to submit and evaluate reported internal control weaknesses for materiality throughout the year, in addition to submitting any weaknesses with their Annual Statement of Assurance Feeder Statement.
- Finalize the revision of AR 11-2 (Managers' Internal Control Program). The Army is changing its regulation to increase the involvement and accountability of Army commanders and managers. The revised regulation is expected to be finalized by the end of FY 09.

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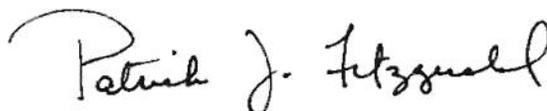
SUBJECT: Independent Assessment of the Army's Compliance with the Federal Managers' Financial Integrity Act (Project A-2009-FFM-0062.000), Report: A-2009-0157-FFM

3. Again this year, our review of the program paralleled the Army's emphasis on leadership, training, and execution of the program. To perform our assessment, we:

- Conducted audits that focused on training for the program and the adequacy of Army regulations in addressing internal controls. Although we found improvements were needed, the deficiencies we identified were not significant enough to change our overall conclusion on the effectiveness of the Army's internal control program.
- Evaluated key internal controls during our other audits and examination attestations. We published 228 reports that included evaluations of key internal controls. About 53 percent (905 of 1709 controls) of the controls tested were in place and operating. We normally expect a high number of controls that require attention because, in addition to performing audits in response to requests, we focus on suspected high-risk areas or where programs are new. Our evaluation of internal controls helps to provide assurance that the Army's internal controls are in place and operating or weaknesses are identified and corrected.
- Commented on Army regulations that were in the staffing process. We reviewed 33 regulations in the staffing process and found that 9 (about 27 percent) of the regulations didn't meet AR 11-2 requirements. To help increase compliance, we made a recommendation to require that regulation writers receive training on internal controls and AR 11-2 requirements.

Detailed results are in the enclosure.

4. Although our audits identified opportunities for improvement, they did not identify any undisclosed material problem areas that would affect your annual assurance statement for the Secretary of Defense on the status of managers' internal controls in the Army.



PATRICK J. FITZGERALD
The Auditor General

Encl

INDEPENDENT ASSESSMENT OF THE ARMY'S COMPLIANCE WITH THE FEDERAL MANAGERS' FINANCIAL INTEGRITY ACT

What We Assessed

We assessed the Army's actions to comply with the requirements of the Federal Managers' Financial Integrity Act of 1982 and DOD Instruction 5010.40 (Managers' Internal Control Program Procedures).

Our assessment covered the results of two specific audits of the Army Managers' Internal Control Program (MICP), our review of internal controls identified in Army regulations that were in the staffing process during the period 1 July 2008 to 30 June 2009, as well as results of tests of internal controls for our other audits with published reports.

Results of Assessment

The Army, as an entity, continued its efforts to make sure a system of controls exists in accordance with requirements of the Federal Managers' Financial Integrity Act of 1982 and DOD Instruction 5010.40 (Managers' Internal Control Program Procedures). During FY 09, the Army remained committed to making sure that the Army MICP was effective. For example:

- The Army continued to emphasize leadership, training, and process execution in its day-to-day operations.
- The Senior Level Steering Group met quarterly during the fiscal year to review ongoing program issues and work toward correcting previously reported Army-level material weaknesses.

In addition, several other actions had a positive effect on the overall program. The Management Services Directorate in the Office of the Deputy Assistant Secretary of the Army (Financial Operations) oversaw actions to:

- Implement a process for commands to submit and evaluate reported internal control weaknesses for materiality throughout the year, in addition to submitting any weaknesses with their Annual Statement of Assurance Feeder Statement.
- Finalize the revision of AR 11-2 (Managers' Internal Control Program). The Army is changing its regulation to increase the involvement and accountability of Army commanders and managers. The revised regulation is expected to be finalized by the end of FY 09.

Specific Army MICP Audits

For our audits of the Army MICP, we focused on training for the program and the adequacy of Army regulations in addressing internal controls. Although we found improvements were needed, the deficiencies we identified were not significant enough to change our overall conclusion on the effectiveness of the Army's internal control program.

Training for the Army MICP. We concluded that the training program for the Army MICP generally provided managers a good basis for implementing the internal control program. The program made training available Armywide through three different training mediums: classroom, on-line, and video teleconferencing. However, we found the Army could strengthen its training program by taking actions such as:

- Developing a comprehensive curriculum to make sure training program courses included key content necessary to comprehensively understand the MICP and managers' responsibilities.
- Requiring computer-based training courses to include a test or similar method to confirm managers' understanding of key internal control aspects.
- Establishing a process to make sure managers complete necessary training within needed timeframes and to track managers' completion of the training.

Internal Controls in Army Regulations. We concluded that Army regulations could better address the internal control provisions of AR 11-2 needed to provide the Army assurance that its key controls are in place and operating effectively. We made this conclusion based on an evaluation of regulations staffed in FY 09 as well as an audit of published Army regulations. AR 11-2 requires Army functional proponents to identify key internal controls. The regulation also requires the functional proponent to publish key controls, usually in the form of evaluation checklists, in its Army regulations.

Additionally, we concluded during our audit of published Army regulations that the regulations didn't always address internal controls as required by AR 11-2. Specifically, Army functional proponents didn't always identify key internal controls and methods to evaluate the controls. Nor did they always update regulations and evaluations to reflect changing processes and technology. We found Army functional proponents could provide greater assurance that internal controls are working as intended by:

- Providing training to personnel responsible for writing or revising regulations on identifying and evaluating key internal controls.
- Establishing a process for promptly revising regulations affected by changing processes and technology that includes the rapid action revision method of revising regulations and a

periodic feedback loop between functional proponent personnel responsible for writing regulations and end users.

Internal Control Tests Conducted During Audits and Examination Attestations

We evaluated key internal controls during audits and examination attestations and, when necessary, made recommendations to fix internal control weaknesses. Our evaluation of internal controls helps to provide assurance that the Army’s internal controls are in place and operating or weaknesses are identified and corrected.

For this review we developed trend data to identify areas that warrant focus to provide the greatest benefits in continuing a strong control environment. From 1 July 2008 through 30 June 2009, we issued 228 reports including evaluations of key internal controls related to the 5 internal control standards identified in the revised AR 11-2 – control activities, control environment, information and communications, monitoring, and risk assessment. The table summarizes the results of our evaluations.

Internal Control Standard	Total Controls Tested	Controls in Place		Controls not in Place
		Operating	Not Operating	
Control Activities	1,181	598	314	269
Control Environment	243	153	48	42
Information and Communications	117	48	39	30
Monitoring	123	79	31	13
Risk Assessment	45	27	12	6
Totals	1,709	905	444	360

Our evaluations showed:

- About 53 percent (905 of 1709 controls) of the controls tested were in place and operating.
- A majority (about 69 percent) of the controls tested related to the internal control standard entitled control activities. Control activities include the policies, procedures, techniques, and mechanisms that make sure management’s directives are carried out. More than one-half of the controls in this standard were in place and operating.

Implementation of agreed-to recommendations addressing the control weaknesses and additional focus on the area of control activities will strengthen the control program. For example, we analyzed the tests of controls during 30 followup audits conducted from 1 July 2008 through 30 June 2009 on previously agreed-to recommendations and found that about 68 percent (94 of 139) of the controls tested were in place and operating.

Army Regulations in Staffing Process

During FY 09, we reviewed 33 regulations in the staffing process and found that 9 (about 27 percent) of the regulations didn't meet AR 11-2 requirements. For example, Army functional proponents didn't always:

- Include an Army Management Control Process Statement.
- State that the regulation contained internal controls.
- Identify correctly the key management controls to be evaluated.

Planned MICP Audits

In FY 10, we will continue to focus on specific areas of the Army MICP. Accordingly, we plan to evaluate the Army's approach to implementing the requirements of A-123, Appendix A, Internal Control Over Financial Reporting. Also, to address other internal control risk areas, we plan to evaluate material weakness reporting and the implementation of audit recommendations. This work, combined with our review of the tests of internal controls in our other audit and attestation work, will help to provide the Army assurance that it has controls in place to protect its resources from abuse and illegal act.

(TAB A-2)
**DESCRIPTION OF THE CONCEPT OF REASONABLE ASSURANCE
AND HOW THE EVALUATION WAS CONDUCTED**

Guidelines for the Evaluation

Army senior management evaluated the system of internal accounting and administrative controls, in effect during the fiscal year ending September 30, 2009, in accordance with the guidance provided in Office of Management and Budget (OMB) Circular A-123, "Management Accountability and Control," as implemented by DOD Instruction 5010.40, "Management Control Program Procedures." The OMB guidelines were issued in consultation with the Comptroller General of the United States, as required by the "Federal Managers' Financial Integrity Act (FMFIA) of 1982." Included is an evaluation of whether the system of internal accounting and administrative controls for the Army complies with standards prescribed by the Comptroller General.

Objectives of Reasonable Assurance

The objective of the Army's system of internal accounting and administrative controls is to provide reasonable assurance that:

- Obligations and costs comply with applicable law;
- Programs achieve their intended results;
- Assets are safeguarded against waste, loss, unauthorized use, and misappropriation;
- Revenues and expenditures applicable to agency operations are recorded and accounted for properly. This ensures accounts and reliable financial and statistical reports are prepared and accountability of the asset is maintained; and
- Programs are efficiently and effectively carried out in accordance with applicable law and management policy.

Concept of Reasonable Assurance

The evaluation of internal controls extends to every responsibility and activity undertaken by the Army and applies to financial, administrative, and operational controls. The concept of reasonable assurance recognizes that the cost of internal controls should not exceed the expected benefits. The expected benefits and related costs of internal control measures are addressed using managerial judgment. Internal control problems may occur due to inherent limitations, such as resource constraints, congressional restrictions, and other similar factors. Future projections made as a result of any evaluation may be affected by changes in conditions or deterioration of procedural compliance over time. The Army's statement of reasonable assurance is provided within these limitations.

Evaluation

The overall evaluation was performed in accordance with the guidelines above as well as information provided by external sources such as the Government Accountability Office (GAO), Department of Defense Inspector General (DODIG), Army Inspector General, and the U.S. Army Audit Agency (USAAA). The results indicate that the Army's system of internal accounting and administrative controls, in effect during FY 2009, complies with the requirement to provide reasonable assurance that the objectives mentioned above were achieved, except as identified in the listed weaknesses.

Determination of Reasonableness

The Army's approach to internal controls is based on the fundamental philosophy that all commanders and managers have an inherent internal control responsibility. All Army headquarters officials and functional proponents are responsible for establishing sound internal controls in their policy directives and for exercising effective oversight to ensure compliance with these policies. Commanders and managers throughout the Army are responsible for establishing and maintaining effective internal controls over their operations and resources. This philosophy is soundly rooted in FMFIA, OMB, DOD, and Army policies. The Army's internal control program supports commanders and managers in meeting their inherent responsibilities by providing a process for periodically conducting detailed evaluations of key internal controls, and a process for developing and supporting an objective annual statement of assurance that fully discloses known material weaknesses.

The process for developing and supporting an objective assurance statement is accomplished through three key components. First is leadership emphasis. Second is the training of commanders, managers, and other personnel with internal control responsibilities. Third is an evaluation process that clearly defines fundamental requirements, establishes accountability, and enables an effective method to detect, report, and correct recurring internal control deficiencies. In addition to these three key components, the Army continued to emphasize internal control over financial reporting (ICOFR) in compliance with OMB, Circular A-123, Appendix A. A summary of each key component follows:

Leadership Emphasis:

- Senior Army leadership has consistently demonstrated strong support for the managers' internal control program at all levels within the Army. Here are some examples for HQDA:
 - The Army's Senior Level Steering Group (SLSG)/Senior Assessment Team (SAT), a senior management council, as recommended by OMB Circular A-123, met four times during FY 2009 to review, discuss, and resolve internal control issues. This executive body is composed of general officers and senior executive service members representing all areas of Army operations. As part of their oversight duties, the SLSG/SAT reviewed on-going internal control issues, and worked towards correcting previously reported material weaknesses by developing a sound and jointly agreed upon action plan.

- Working with the SLSG/SAT, HQDA staff continued to monitor the status of open material weaknesses and provide assistance to the material weakness owners to ensure timely resolution of the weaknesses by developing a sound and jointly agreed upon scope of condition and action plan by representatives from the weakness owners' office, U.S. Army Audit Agency (USAAA) and the Management Services Directorate, ODASA(FO).
- ASA(FM&C) continued coordination with the Office of the Under Secretary of Defense (Comptroller), Office of the Deputy Assistant Secretary of the Army (Financial Operations) Financial Reporting and Internal Review Directorates to ensure the Managers' Internal Control Program includes requirements of OMB Circular A-123 regarding Internal Controls over Financial Reporting and are aligned with the Chief Financial Officer's Strategic Plan and the Financial Improvement and Audit Readiness Plan. ASA(FM&C) directly tied ICOFR corrective actions to the Financial Improvement Plan (FIP) and included reporting status as part of the in-process reviews, audit committee meetings, and SLSG/SAT quarterly meetings.
- During FY09 the Surgeon General issued a memorandum to leaders throughout the Office of the Surgeon General (OTSG) and the U.S. Army Medical Command (MEDCOM) emphasizing the need for support from all key personnel and managers in maintaining viable Managers' Internal Control Program (MICP). The Chief of Staff also issued memoranda for preparing statements of assurance and Internal Control Evaluation Plans and Risk Assessment Plans to Commanders of MSCs, MEDCOM Health Care Acquisition Activity (HCAA) and the Armed Forces Institute of Pathology (AFIP). The memoranda further emphasized the OTSG/MEDCOM leadership involvement in the MICP and the emphasis they place on the program at all organizational levels.
- The Assistant Chief of Staff for Installation Management (ACSIM), dual-hatted as the Commander, Installation Management Command (IMCOM), hosted and kicked-off the FY 2009 MICP Executive Seminar for all OACSIM and IMCOM General Officers, Senior Executives, Commanders, and Directors. After Assessable Unit Managers and Senior Responsible Officials received refresher training and an MICP update emphasizing milestones related to the upcoming Annual Statement of Assurance, the ACSIM/Commander, IMCOM personally led a discussion with all of his senior leadership regarding evaluation of key controls and functional areas such as contracting and employee travel that needed additional emphasis. As a result of this meeting, the ACSIM issued a policy memorandum requiring that these additional functional areas be added to Management Control Plans and addressed in their feeder statements.
- The Army National Guard has established a network within the 54 States and Territories to proactively manage the MICP through the Adjutants General. Each Adjutant General appoints Internal Control Administrators (ICA) to distribute program guidance and requirements; provides training, instructions and assistance to operating managers; maintains records on assessable units and internal control coverage; reports, tracks and ensures correction of internal control weaknesses; identifies positions with internal control responsibilities warranting coverage in the

- incumbents' performance agreement; disseminates information on problems at other activities identified by sources outside the National Guard Bureau (NGB) (e.g., audit and media); monitors overall compliance with program objectives; develops and staffs required reports; and advises the senior staff.
- The Chief of Engineers has reinforced awareness of internal controls and employed the National Management Board; Major Subordinate Command Regional Command Councils; Regional Management Boards; Quarterly Review Boards; Command Staff Inspections; as well as Directorate and Command Management Reviews to enhance the effectiveness of the MICP. Additionally, the U.S. Army Corps of Engineers created a Quality Management System to standardize business processes throughout the Corps and ensure appropriate internal controls are integrated into critical processes.
 - Strong Senior Leadership support for the Manager's Internal Control Program was also demonstrated throughout the Army. Here are some examples:
 - At the Army Testing and Evaluation Command (ATEC), the Deputy Chief of Staff for Engineering, Logistics and Environment (DCSELE) conducts ATEC's Command Logistics Review Program (CLRP) at least once every three years to review policies, procedures, doctrine, systems, training, personnel, and funding matters impacting supply, maintenance, transportation services, logistics, and facility engineering functions. The CLRP is an assessment and review program that assesses all logistics related functional areas and assists subordinate command activities (SCA) and their subordinate activities. The CLRP identifies systemic issues so Commanders and staff can take actions at the lowest possible level to resolve issues and improve all areas of logistics support, both internal to the organization and from external support activities.
 - The Commander, U.S. Army Space and Missile Defense Command issued a memorandum to the command, dated 4 Nov 08, subject: Oversight of Contractor Performance. This memorandum outlines the command's implementation of Department of Defense and Department of the Army mandated contract surveillance requirements. He followed up this memorandum with a Commanding General's (CG) Special Emphasis Letter that emphasized the importance of good stewardship of resources and reiterated the requirement for each Assessable Unit Manager to be personally engaged to ensure the success of the MICP. This letter is maintained on the command's MICP website for maximum visibility.
 - The Acting Commanding General of U.S. Army Europe/Seventh Army issued a July 21, 2008 memorandum emphasizing that continuing to meet increasing demands of transformation, deployment, redeployment, reintegration and retraining in an era of smaller forces and budgets, effective stewardship of resources is more important than ever. The memorandum stressed the need for leaders to evaluate their key controls, develop corrective actions where shortcomings are detected and immediately report weaknesses.

- The Commanding General, U.S. Army Pacific mandates integration of Composite Risk Management into all operations at company-level and above in the FY09 Annual Safety and Occupational Health Campaign Plan Memorandum. This directive emphasizes the personal responsibility of all leaders in preventing accidents. The U.S. Army Pacific headquarters staff also developed and implemented a set of program goals and quantifiable metrics for the Continuous Process Improvement/Lean Six Sigma Program, thus improving their ability to track, measure and report program and project progress.
- The United States Military Academy has established three levels of Plans and Resources Boards charged with managing all manpower and dollar resources. All aspects of resource management affecting mission activities at the Military Academy are subject to the oversight of these boards. These boards provide a forum to ensure that resources are adequate, used efficiently, accounted for properly and provide oversight of program development and requirements determination in support of the biennial Army Program Objective Memorandum and Program Budget Review processes.

Training:

Training on the principles and practices of sound internal controls in achieving the objectives of the FMFIA occurred at all levels within the Army. Principal Officials of Headquarters, Department of the Army (HQDA), Army Commands (ACOM), Army Service Component Commands (ASCC), and Direct Reporting Units (DRU) prepared FY 2009 assurance statements with documented evidence of internal control training completed by their activities. The following is a summary of internal control training initiatives for FY 2009:

- Office of the Assistant Secretary of the Army (Financial Management and Comptroller) (OASA(FM&C)):
 - Provided internal control training through site visits and desk-side briefings to personnel within Department of Army Headquarters, ACOMs, ASCCs and DRUs. Topics addressed in the training included conducting risk assessments, preparing the internal control plan, completing the internal control evaluations and preparing the statement of assurance.
 - Throughout the past year, the Deputy Assistant Secretary of the Army (Financial Operations) and the Director, Management Services, OASA(FM&C) participated as guest speakers at training conferences and symposia, to include the FY 2009 Managers' Internal Control Program and Check It Campaign Conference on December 17 and 18, 2008, the American Society of Military Comptrollers Professional Development Institute on May 29, 2009 and the quarterly OASA(FM&C)/Army G-8 new hire orientation briefings. Approximately 600 personnel benefitted from these briefings.
 - Partnered with counterparts in the Nuclear Regulatory Commission to exchange information regarding our respective programs and share lessons learned.

- Participated in a Joint Working Group of Federal Government Agencies to develop control procedures and a risk assessment and gap analysis tool in support of the American Recovery and Reinvestment Act (ARRA). This tool was recommended to the Office of Management and Budget and incorporated into their guidance.
- Continued planning of the FY 2010 Army Managers' Internal Control Training Conference. It is estimated that over 250 ICAs will attend.
- Deputy Chief of Staff, G-4:
 - All G-4 senior leaders and sponsors have been trained in Lean Six Sigma. The Army G-4 has four certified Black Belts and eight certified Green Belts. The Army G-4 also directed a goal of 100% awareness training for its staff. To date, over 77% have been trained.
- Office of the Surgeon General (OTSG) and Army Medical Command (MEDCOM):
 - During FY 09, training was made available to OTSG and MEDCOM managers at all levels to include the Army Managers' Internal Control Program courses, briefings, and on-site training by the OTSG/MEDCOM ICA. The most widely used form of training was the OTSG/MEDCOM MICP Training Brief and the MICP Training video. The MICP training statistics for OTSG/MEDCOM in FY 09 are shown in the table that follows. We use these statistics and our evaluations of subordinate activities' Statements of Assurance to establish training needs for the next fiscal year.

OTSG/MEDCOM MICP Training Statistics

Who Received Training in FY 09	Total	Type of Training			
		Army Internal Control Administrator's Course 2 days	Army MICP Course 1 day	ASA(FM&C) MICP Staff Training**	In-house Training
(a.) Assessable Unit Manager(s)	73	3	0	0	70
(b.) Internal Control Administrator(s)	98	16	1	0	81
(c.) Functional Unit Manager(s)	849	3	0	0	846
(d.) Functional Unit Administrator(s)	763	1	0	0	762
(e.) Other Managers/Personnel	5034	12	0	0	5022
Total Personnel Trained	6817	35	1	0	6781

** This is not a standard training class provided by the ASA (FM&C) MICP staff. It is usually provided in the form of a briefing to large audiences and lasts about one to two hours depending on the audience.

- The U.S. Army Intelligence and Security Command trained 579 individuals:
 - They ensured Assessable Unit Managers, Internal Control Administrators and other key managers and staff received MICP refresher training.
 - As part of the Staff Inspection Program, INSCOM staff conducted numerous formal and informal staff assistance visits to ensure policies and procedures are enforced, as well as to provide training, at all levels of the command.
- U. S. Army Materiel Command (AMC) trained over 6,000 individuals:
 - During FY 2009, AMC ensured all Assessable Unit Managers/Staff Principals, division chiefs and supervisors received annual management control refresher training. This requirement complements the familiarization training on GAO Standards/AR 11-2 regulatory requirements already provided to the Resource Management staff each year. The training is documented and reported to the Internal Review and Audit Compliance Office.
 - Management Internal Control Program command-wide training statistics –

<i>Total Trained:</i>	<i>6011</i>
Formal	310
Desk Side Briefings	13
Telephonic Briefings	3
VTCs	109
Web-Based Training	4327
Electronic Briefing Charts	1137
USDA Course	44
AUM Training	2
Other	66

- The U.S. Army Forces Command (FORSCOM) trained over 900 individuals:
 - They conducted training sessions for Staff Principals, deputies, AUMs, action officers, and MICP points of contact at Headquarters FORSCOM. Training sessions included prepared slide presentation, handout materials, and discussion period. All Headquarters managers/AUMs are required to attend training at least once every two years.
 - They hosted the U.S. Department of Agriculture (U.S.D.A.) Graduate School internal control course 18-19 Feb 09. Twenty-seven personnel attended the two day course. The U.S.D.A. instructor also briefed the FORSCOM Commanding General, Deputy

Commanding General/Chief of Staff, directors, division chiefs, and other senior leadership (approximately 25 people) on 20 Feb 09 on the importance of their role in maintaining a strong and effective program.

- Conducted 15 Dec 08 training of senior mission commanders/headquarters staff to keep them up to date in their respective MICP programs, promote good dialogue and assess feeder statements for content and format. Approximately 100 personnel attended this VTC including representatives from FORSCOM staff/major subordinate commands (MSCs)/installations/major troops units, IG Offices, Internal Review and Audit Compliance (IRAC) Offices, and Management Control Administrators (MCAs). Notes from the VTC are also posted on the FORSCOM website to ensure maximum benefit to FORSCOM's internal control community.
- The U.S. Army Training and Doctrine Command (TRADOC) continued an aggressive training program to ensure every manager was aware of their responsibilities for implementing an effective internal control program within their organizations. Over 1,660 individuals at all levels and capacities (including AUMs, MCAs, managers, and action officers) received training as follows:
 - Classroom presentation – 118 trained.
 - Desk-side/administrative initial and refresher training – 292 trained.
 - Telephonic briefings provided to 16 individuals throughout TRADOC.
 - FORSCOM Management Control VTC held on 15 Dec 08 – 51 TRADOC personnel participated.
 - Local Management Control Program conferences – 11 attended.
 - Web-based training/modules/training videos – 236 received training.
 - Electronic briefing charts – provided to over 856 TRADOC personnel.
 - Army Managers' Internal Control/Internal Review Training Conference in Apr 08 - 20 TRADOC ICAs and auditors attended.
 - USDA Army Managers' Internal Control courses - 10 individuals trained.
 - Fifty-one individuals attended formal training and other courses that provided sessions and workshops on internal controls including the Army Comptroller Course, Senior Resource Managers Symposium, American Society of Military Comptrollers (ASMC) PDIs, Association of Government Accountants (AGA)/ASMC Two-day Professional Development Conference, and AGA-hosted audio training on "Using Internal Controls to Better Manage and Monitor Programs."

Execution:

- Assistant Secretary of the Army (Financial Management and Comptroller):
 - Consistently supported internal control awareness throughout the Army by distributing Internal Control Program information Army-wide through a variety of media sources such as: telephone, e-mail, video-teleconferences, briefings, SLSG/SAT meetings, working groups, Resource Management Publications, and memoranda.
 - Participated in various working groups providing advice and assistance with focus on the Internal Controls Program. These included participation in working groups related to the American Recovery and Reinvestment Act of 2009, Equipment Traceability, and Unemployment Compensation.
 - Implemented operational support teams to assist, train, and certify units on financial management systems and core competencies necessary for the unit to perform its deployed mission and provided continued pay support to all Soldiers, especially those wounded, through involvement with the Warrior Transition Units by providing detailed guidance and training to the finance specialists in these units in order to preclude pay problems.
 - Fully implemented EagleCash Stored Value Card self-service kiosks throughout Operation Iraqi Freedom (OIF) and Operation Enduring Freedom (OEF) allowing the theater policy to be changed, reducing casual payments and check cashing. Arranged for placement of full-time Treasury employees in deployed locations to provide ongoing systems maintenance and training. EagleCash continues to thrive, doubling to \$2 billion and reducing in-theater cashier transactions by over 65 thousand per month.
 - Implemented a new Army disbursing station for all of Afghanistan using the current suite of automated finance and Treasury systems. Provided on the ground support with hardware, software, and implementation/training teams.
- The Army National Guard (ARNG):
 - Ensures MICP requirements are addressed in new ARNG regulations and encourages regulation proponents to develop checklists to evaluate key internal controls. Moreover, proponents of Guard Unique Programs develop their own checklists and distribute them to the States. The guard unique checklists provide additional internal control guidance supplementing the inventory of management control evaluations maintained by the Army and ensure the programs are compliant with the National Guard policy.
 - The ARNG Operational Review Program Team (ORP) schedules a minimum of 24 assessments during each MICP assessment cycle. These assessments evaluate the

effectiveness of the MICP at each State and Territory during evaluations of financial management operations at the State level. The ORP team places specific emphasis on financial internal controls during site visits of the United States Property and Fiscal Office (USPFO) Comptroller Divisions within the States, Puerto Rico, the U.S. Virgin Islands, Guam and the District of Columbia. These evaluations focus on the validation of internal controls associated with the proper execution and accountability of ARNG financial programs and resources. This process is further extended to all applicable program managers and their account managers in the course of each ORP site visit.

- The ORP contains performance metrics used to identify systemic trends affecting financial management operations within the ARNG. Systemic trends are profiled to all entities within the ARNG community. This is accomplished through policy memoranda and the ARNG Resource Manager's Newsletter. The Resource Manager's Newsletter is distributed monthly to the Chiefs of Staff, USPFOs, G-Staff and ICAs at the State level. Within this product, systemic ORP trends are profiled and solutions are provided to assist all ARNG activities in identifying and eliminating these trends. Additionally, these trends are evaluated throughout the fiscal year for possible consideration as potential material weaknesses and inclusion in the Annual Statement of Assurance. These trends are also incorporated into training courses ensuring personnel understand the correct policies, procedures and minimum standards in relation to internal controls.
- U. S. Army Training and Doctrine Command (TRADOC):
 - Conducted manpower studies to ensure manpower requirements were based on validated workload using the Army approved Five Phase Methodology as prescribed in AR 570-4, Chapter 3, Sections I-II. Reports were submitted to the U.S. Army Manpower Analysis Agency for approval. Positions that are documented as aviation operational or non-operational positions on authorization documents are limited to the functions identified in Table 6-1, AR 570-4. As required by AR 570-4, HQDA approval was obtained prior to converting a position to operational positions or non-operational positions (additional skill identifier G-7).
 - Completed several audits at TRADOC schools and activities. Some of the specific areas audited, reviewed, and inspected across TRADOC activities during this reporting period included the Property Book Unit Supply Enhanced System Implementation/Training, Sexual Assault Prevention and Response Program, Anti-Terrorism training, Equal Opportunity Program, Army Continuing Education Program, Intelligence Oversight, Voting Assistance Program, Army Modularity, DOD's Joint Policies on Contingency Contracting, Implementation of Logistics Bridging Systems Initiatives, Base Realignment and Closure (BRAC) 2005 Construction Requirements, and NSPS Implementation.

- The U. S. Forces, Korea (USFK) and Eighth Army:
 - Replaced the previous internal control instruction (Army in Korea Pamphlet 11-1) with U.S. Forces, Korea Pamphlet 11-1 on 20 Jan 09. The revised document is the command's umbrella internal control document, providing guidance to staff and subordinate commands on effective internal control measures. As part of the Command Inspection Program, commanders of subordinate activities are inspected for compliance with AR 11-2 and USFK Pamphlet 11-1 within 90 days of assuming command.

- U.S. Army Materiel Command (AMC):
 - Established a comprehensive BRAC execution reporting system to assess the progress being made by each MSC and their installations against assigned tasks and determine friction points to be resolved. An independent audit conducted by Army Audit Agency concluded that over 92% of AMC's requirements were supportable and documented [*Report for Attestation Examination of Selected BRAC 2005 Operations and Maintenance Requirements for AMC FY08-11*, (Report Number A-2008-0134-ALI) Army Audit Agency, September 18, 2008].
 - Created an integrated team from the Safety Office and Command Surgeon's office to participate in the Command's Safety Rapid Response Team (SRRT) as required to work and resolve safety issues before they become material weaknesses by providing lessons learned and sharing best business practices. The Safety Office and Command Surgeon's Office have completed an SRRT Desk Instruction (DI) to ensure these site visits are conducted using a consistent approach and methodology. The 2009 SRRT schedule includes six MSCs and three installations.
 - Reviewed all Health Hazard Assessments (HHA) conducted by the U.S Army Center for Health Promotion and Preventive Medicine (USACHPPM) for AMC developmental systems and placed them in an electronic repository. The Command Surgeon has been appointed by the Deputy Commanding General of AMC to serve as the AMC lead officer for the Joint Trauma Analysis Prevention of Injuries in Combat (JTAPIC) initiative.
 - Created a Protecting Personally Identifiable Information evaluation under the auspices of the Chief Information Officer, G-6. The purpose of this checklist is to identify weaknesses making programs vulnerable to identity theft and assist subordinate organizations in identifying functional areas that are in need of improvement.
 - Conducted Property Book inventories on all property book holders. Chemical Surety Inspections and AMC Surety Management reviews were completed bi-annually at each chemical site. Command Assessment visits were performed at

twelve ammunition plants and the Security Office conducted and documented MSC Intelligence and Security Program Inspections. The results and required corrective actions associated with these inspections were reviewed and documented. Corrective actions were monitored through document reviews and on-site assistance visits.

- The U. S. Army Forces Command (FORSCOM):
 - Reduced on-duty fatalities associated with aviation, drowning, and military vehicle accidents and published a semi-annual ACOM-level risk assessment to provide guidance for subordinate commands to develop safety and risk management plans. Ensured safety and risk management was embedded into all FORSCOM training and operations. Continually reviewed the effectiveness of the FORSCOM safety program and adjusted/improved as appropriate.
 - Partnered with the Combat Readiness/Safety Center to implement the Ground Tactical Safety Officer Course (GSOC) for Reserve Soldiers. This Additional Skill Identifier (ASI) enhances Army safety by providing forum to share information from combat theaters of operation with new safety officers.
 - Continued quarterly meetings of the FORSCOM Command Safety Council. The Forces Command Safety Council is chaired by the Commanding General and includes commanders, command sergeants major, and safety officers from major subordinate commands and units reporting directly to FORSCOM. These meetings discuss accident trends and lessons learned and communicate best business practices.
 - Participated in three joint Department of Defense/Department of the Army explosive safety assistance visits (E-SAVE). Checked ammunition and explosive safety, accountability, storage, inspection, and handling procedures.

(TAB A-3)
MANAGERS' INTERNAL CONTROL PROGRAM AND RELATED
ACCOMPLISHMENTS

Description of Issue: DoD Testing Requirements for Body Armor.

Accomplishment: A DoD IG report found that first article testing for Army Enhanced Small Arms Protective Inserts contract W91CRB-04-D-0040 was not consistently conducted or scored in accordance with contract terms, conditions, and specifications. PEO Soldier is coordinating the identification and the return of the 16,413 sets of design M3D2S2, MP2S2, and M4D2 ballistic inserts purchased under Army Contract 0040, and their removal from inventory, while also working through the Army Materiel Enterprise Board to implement controls to ensure that changes to body armor contracts are approved by the contracting officer in accordance with the Federal Acquisition Regulation. AAA audits have confirmed that PEO Soldier generally had an effective first article and lot acceptance testing process to make sure body armor met contracted requirements. PEO Soldier is working through the Army Materiel Enterprise Board to improve these processes by involving the U.S. Army Test and Evaluation Command to help update the Test and Evaluation Master Plan and review and approve test samples, plans, and evaluation criteria; requiring a second person to validate ballistic test scoring for accuracy and require a government representative observe all ballistic testing; enforcing procedures both to increase or reduce test sample sizes and, after two consecutive lot failures, conducting another First Article Test of the design; and, developing contractor surveillance plans with the Defense Contract Management Agency to ensure contractors meet quality standards.

Description of Issue: Acquisition Education, Training and Experience (AETE) Program inefficiencies.

Accomplishment: The U.S. Army Acquisition Center employed the Lean Six Sigma process to improve reimbursement times for students. They took a very deliberative approach to map out the entire process, identify bottlenecks and devise solutions to increase efficiency. By leaning their process, they successfully reduced total processing time from 26.6 days to 3.20 days (an 83 percent improvement) and decreased the total man hour cost of processing paperwork from \$17,550 to \$749 (a reduction of 96 percent).

Description of Issue: Improve quality of life for Army Families by providing adequate and affordable housing.

Accomplishment: Participated in Professional Housing Managers' Association annual conference to share lessons learned and examined ways to apply them to future projects. Expanded privatization training programs and conducted courses to enhance knowledge and skills of workforce involved in oversight of privatization projects. Conducted meeting between senior Army leaders and senior corporate partners to promote partnerships, identify common objectives and address issues requiring leadership focus. Updated and disseminated policy guidance to installations. Conducted extensive reviews of each family housing management and development plan prior to submission of the project to Congress. Comprehensive reviews included Army Staff,

senior Army leadership, OSD and OMB. Reviews focused on accomplishment of program objectives, sources and uses of funds, project financing and development scope. Used portfolio and asset management process to provide oversight and analyses of the privatized inventory to ensure the program is accomplishing desired objectives. Portfolio management protects the interests of the Army and Army Families over the long term and promotes financial stability and viability of the project.

Description of Issue: Homeowners Assistance Program (HAP) oversight.

Accomplishment: Monthly meetings with the Director of Real Estate, U.S. Army Corps of Engineers to review HAP claims processing, contract awards, outlays and provide additional policy guidance. Updated and developed implementation guidance in response to Congressional temporary major expansion of HAP to assist DoD homeowners during the mortgage crisis.

Description of Issue: Department of the Army Environmental, Safety and Occupational Health (ESOH) policy and oversight.

Accomplishment: Developed, reviewed and promulgated ESOH policies, strategies, initiatives and corrective measures to assist the Army in complying with ESOH laws, regulations and Presidential directives. Reviewed and ensured accuracy of Army regulations to provide guidance, roles and responsibilities, checklists, reports, and timelines to appropriate Army organizations. Advocated for, notified, educated and reviewed Army ESOH programs at the senior leadership level. Utilized information systems to track specific issues at the installation level in order to analyze them from a policy perspective and identify possible trends. Visited installations to carry out program status briefings and gauge compliance with policies and regulations. Utilized balanced scorecard program, metrics (leading measures when possible) and ESOH quad charts to provide leadership with a current snapshot analysis of the program's health. Conducted weekly staff meetings to review current ESOH issues and used outreach programs through the Army's four DoD Regional Environmental Centers to gain third party insight into how well the Army is doing in the ESOH area.

Description of Issue: Installations Program Evaluation Group (II PEG) requirements management.

Accomplishment: Developed Rbuilder, a system that facilitates the requesting, reporting and tracking of approximately \$25 billion of II PEG requirements. The II PEG institutionalized the use of Rbuilder among the myriad of its customers who are primarily Department of the Army Management Decision Package managers and points of contact. The requirement build and validation process is complex and involves minute details and adjustments that have historically been managed in varying ways, lacking standardization and subject to human error. In order to standardize, automate, decrease redundant transactions and make the process more transparent, the II PEG administrator refined Rbuilder and expanded its use beyond the PEG administrator. As a result, the II PEG administrator and customers have a common tool for reporting, tracking and validating requirements. This control and system improvement has enhanced the timeliness of actions while decreasing human error.

Description of Issue: Unimplemented Audit Recommendations.

Accomplishment: The Office of the Assistant Chief of Staff for Installation Management (OACSIM) senior leadership did not have an effective system for monitoring and tracking the status of unimplemented audit recommendation prior to establishing an Internal Review Evaluator position. The OACSIM had 67 unimplemented audit recommendations as of 30 Sept 08, 34 of which were over one year old. Beginning in FY09, OACSIM established a monthly process for monitoring unimplemented recommendation status. Steps include identifying past due recommendations, tasking the directorates to provide status on unimplemented recommendations and providing the Deputy ACSIM with a status report. As a result, OACSIM has closed 32 recommendation made in FY01-08 reports, 19 of which were over one year old.

Description of Issue: Development of OACSIM digital dashboard for use by senior leadership.

Accomplishment: The OACSIM senior leadership identified the need for a central platform for viewing all installation services and infrastructure funding execution. The dashboard is a full business intelligence technical solution for integrating multiple data sources into a single data warehouse and producing analytical tools and reports. The OACSIM designed and partitioned the dashboard into specific tabs, which run the gamut from the 30,000-foot financial executive view to detailed analyst views. The dashboard users benefit from a centralized, one-stop-shopping platform for all installation services and infrastructure funding with an easy point and click method of gaining funding situational awareness. The dashboard provides timely access to critical financial information for OACSIM senior leadership decision makers.

Description of Issue: Continued Leadership Emphasis in the OACSIM and Installation Management Command (IMCOM) in support of the Managers' Internal Control Program (MICP).

Accomplishment: The ACSIM/Commander, IMCOM continued to use his leadership and personal involvement to emphasize the importance of MICP goals within the areas under his control. On November 12, 2008 the ACSIM/Commander, IMCOM hosted the FY 2009 MICP Executive Seminar for all OACSIM and IMCOM General Officers, Senior Executives, Commanders, and Directors to kickoff the MICP for the upcoming year. The ACSIM personally led the discussion and established a dialogue regarding program priorities and critical emphasis areas for OACSIM and IMCOM. The ACSIM later published guidance to ensure that his emphasis areas of contracting and employee travel were incorporated into Management Control Plans (MCP).

Description of Issue: The contract/project closeout process for Military Construction, Army Reserve (MCAR) and Army Reserve Base Realignment and Closure (BRAC) Military Construction (MILCON) projects is inefficient and results in lost funds.

Accomplishment: The U.S. Army Corps of Engineers (USACE) and OACSIM centralized the contract close-out process. This change should free up over \$1 million MCAR dollars for other uses by substantially reducing contract close-out time. The new process enabled the Army Reserve to closeout two MILCON projects within six months vice the previous process, which on average took 18-24 months.

Description of Issue: Temporary Change of Station (TCS) Program.

Accomplishment: In October 2008, the HQDA Internal Review (IR) office completed the TCS Program Review. This review identified many internal control and financial control weaknesses and potential fraud, waste, and abuse in the TCS Program. HQDA IR made a number of recommendations to improve internal and financial controls. The Army completed a major revision of the program implementing all HQDA IR recommendations, significantly strengthening internal and financial controls. The HQDA IR office then proceeded to review travel vouchers for fraud, waste and abuse. HQDA IR referred 510 Soldiers to the Army Criminal Investigation Division (CID) for potential fraud. The changes implemented should save the Army approximately \$1 billion.

Description of Issue: Financial and Logistics Systems Interface.

Accomplishment: Continued to improve the interfaces between financial and logistical systems. The Funds Control Module (FCM) is fully deployed throughout the Army. FCM, a Federal Financial Management Improvement Act (FFMIA) compliant system, is a business process improvement that provides an automated end-to-end interface of supply requisitions to the accounting system. Planned improvements during FY 2009 include a funds availability check for Army requisitions submitted through the Defense Logistics Agency and General Services Administration web-based off line purchasing system. We are developing an interface between FCM with GFEBS. This interface is an interim measure pending fielding of the Global Combat Support System - Army (GCSS-A) which is currently in development. We are also actively involved with ensuring proper financial management procedures are incorporated into GCSS-A which are critical to the successful integration with GFEBS.

Description of Issue: Army's Joint Reconciliation Program (JRP).

Accomplishment: Monitored and expanded the Army's JRP, which is designed to enhance the execution of current obligation authority (i.e., to maximize buying power), limit the Army's contingent liabilities generated from cancelling appropriations, and reduce abnormal account balances caused by problem disbursements. The JRP has improved the execution of current year obligation authority, minimized the expenditure of current year dollars to pay cancelled year obligations, and reduced outstanding travel advances. The Army continues to partner with the Defense Finance and Accounting Service (DFAS) to meet or exceed program goals and improve accountability by:

- Providing a monthly financial reporting package to support the JRP reporting process.
- Implementing standard operating procedures for Joint Reviews.
- Conducting on-site visits at selected installations to observe the reconciliation process and assist with any necessary improvements.
- Conducting three Command level VTCs during the year to discuss the Army's progress towards meeting FY 2009 goals.

Description of Issue: Equipment Traceability.

Accomplishment: HQDA established a governance process to address Transparency. The primary venue is a monthly 2-Star General Officer Steering Committee (GOSC) chaired by the Director of Force Development. The GOSC membership also includes ASA(FM&C), ASA(ALT), the Army National Guard (ARNG), the Office of the Chief, Army Reserve (OCAR), G-3, G-4, and G-8 Program Analysis and Evaluation. Quarterly, the GOSC updates the HQDA 3-Star Budget Review Program (BRP) with selected issues and information.

Supporting the GOSC's efforts are two Integrated Product Teams (IPTs): The Financial Synchronization and Transparency (FST) IPT led by the Programs and Priorities Division in the Force Development Directorate of Resources and the Delivery Certification IPT led by the Army G-4. The IPTs are responsible for developing policies, procedures, and recommendations for near and long term solutions and coordinating them with the Army G-8 Traceability Project.

Near Term. Starting in FY 2009 and continuing through FY 2012, the Undersecretary of Defense (Acquisition, Technology and Logistics) has directed the Services to implement two actions addressing Transparency. The first is modifying selected exhibits accompanying the annual budget submission to Congress. Specifically, the Services were instructed to provide component funding and quantity data on the "Budget Item Justification Sheet" (P-40 form). The Services were also directed to show projected annual deliveries, by component, on the "Budget Production Schedule" (P-21 Form). The second step is to provide the Undersecretary of Defense (Acquisition, Technology and Logistics) a quarterly Equipment Delivery Report (EDR) for all items found on the "Procurement Programs for Reserve Components" budget exhibit (P-1R). Semi-annually, OSD intends to provide the EDR to Congress.

Data collected for the EDR spans equipment funding, procurement and delivery data for 31 programs encompassing over 400 Line Item Numbers. The data collection, supervised by the FST IPT, began in January 2009 with the development of software designed to assist in the data collection effort and the concurrent development of detailed data collection procedures. The FST IPT then provided guidance and procedural rules for the data collection and conducted training sessions with selected Program Executive Offices and HQDA staff members. The FST IPT is scheduled to provide its first EDR report to the Transparency GOSC in August 2009. Subsequently, the report will be submitted to the 3-Star BRP for approval and forwarding to OSD.

Long Term. The Undersecretary of Defense (Acquisition, Technology and Logistics) intends to re-evaluate its Transparency directives in FY 2012. At that time, a decision will be made on the adequacy of the effort. Notwithstanding OSD's review, the Army has a long term plan to evaluate its current programming, budgeting and contracting systems and determine if modifications are necessary to improve traceability and transparency.

Description of Issue: Pay Support Provided to Wounded Warriors.

Accomplishment: The Army, in partnership with DFAS, National Guard and U.S. Army Reserve has implemented several actions to improve military and travel pay support to Wounded Warriors and their Family members. A Memorandum of Agreement was established that delineates specific financial management responsibilities between DFAS, Warrior Transition Units (WTU) and

Civilian Based Warrior Transition Units (CBWTU). Updates on procedures and policy have been provided to the WTU Consolidated Guidance. We continue to train financial management specialists hired by the WTU in the fundamentals of military pay, travel pay and wounded warrior pay account maintenance. From April 1, 2009, to July 31, 2009, the WTU's financial management operations will be inspected in internal controls and operations. Also implemented was the Family Support Debit Card Program, which offers Family Members immediate access to advance travel funds. There are now five sites offering the Card services with implementation of the Card at five more locations by October 1, 2009. The U.S. Army Finance Command (USAFINCOM) and DFAS have provided training, technical support and service that improved the overall pay support to Wounded Warriors and their Families. The advent of financial management specialists in the WTUs provides the one-on-one human dimension service to Soldiers assigned to the WTUs.

Description of Issue: Implementation of Defense Integrated Military Human Resources System (DIMHRS).

Accomplishment: During this last year, USAFINCOM has been actively leading Army efforts to identify the required transfer of functions and responsibilities between the finance community and personnel community. We continue to be actively engaged in the overall DIMHRS development effort, as well as the planning for training and transition in order to ensure continued accuracy of pay. USAFINCOM is teaming with ASA(M&RA), G-1, HRC, IMCOM, DUSA, staff and Army DIMHRS Program Office to identify and clarify functions and responsibilities required by legislation, regulation, and transition covered by the program. DIMHRS requires significant business process reengineering across Army personnel, finance, installation management activities, and DFAS. Military pay responsibilities will transfer at all levels of the Army from financial management organizations to human resources organizations and commands. Most of the \$130 million bill to the Army for DFAS military pay support will be eliminated as workload is internalized by the Army. USAFINCOM is responsible for supporting Army HR proponents in the functional development and testing of DIMHRS requirements, realigning military pay proponentcy from ASA(FM&C) to ASA(M&RA), and transitioning DFAS support.

Description of Issue: Container Management in the CENTCOM AOR.

Accomplishment: To further improve the management and proper accountability of containers in the CENTCOM AOR, Army G-4, along with OSD, conducted a Lean Six Sigma Project focused on better visibility and accountability of containers. A Proof of Principle (PoP) was conducted at Victory Base, Iraq in April 2009. The PoP focused on collecting data in the critical fields (location, content, use, condition) needed by leadership to better manage containers. The PoP yielded over 680 containers for recovery and over 1.8 million dollars worth of excess materiel

Description of Issue: Continual oversight of policy, guidance, program execution and Army Command activities associated with the Army Power Projection Program (AP3).

Accomplishment: During 2009, the AP3 Management Plan was updated to reflect the realities of the Army's mission to deploy and employ a Brigade Combat Team (BCT) capability in 4-7 days; deploy and employ 3 BCTs / Division Headquarters capability in 10 days; deploy 9 BCTs / Multi-Division Headquarters capability in 20 days; and deploy 15 BCTs / Multi-Division headquarters

capability in 30 days. Goal of this effort is to ensure proper Army Staff oversight, identification and programming of requirements to achieve the ACP goals / objectives, and stewardship of resources for rapid, credible, global response options.

Description of Issue: Management control and accountability of equipment on hand for Army Pre-positioned Stocks (APS) 2, 3, 4 and 5.

Accomplishment: Video teleconferences are held on an as-needed basis with key Combatant Commands, Army Commands, Joint and Army Staff personnel to discuss and resolve APS issues associated with Unit Set equipment, munitions, operational projects, and sustainment requirements and shortages, APS unit set reconstitution, equipment readiness, equipment handoff to units, equipment flow to APS sets, War Reserve Secondary Items and funding issues. With the exception of APS-4 (North East Asia) unit sets, the majority of the Army's afloat pre-positioned unit equipment sets (APS-3) and ground-based pre-positioned sets in South West Asia (APS-5) have been downloaded and/or issued to support surge operations in the US Central Command area of responsibility. Equipment build of an APS-2 Heavy Brigade Combat Team (Europe) and the rebuild of APS-3 (Afloat) and APS-5 (SWA) Brigade Combat Teams, Motorized Augmentation Sets, Sustainment Support Brigade unit sets and sustainment stocks are being implemented in accordance with The Army's Priorities Listing and the APS Strategy 2015 objectives. The planned timeline will have the entire APS program re-constituted no later than 2015.

A Joint Expeditionary Housing Working Group (WG) was formed. The group's focus is to assess and implement common base camp engineering standards between the Air Force's Basic Expeditionary Airfield Resources (BEAR) and the Army's Force Provider (FP). WG discussion centered on maximizing interoperability, performing quality life cycle management and procurement of components in support of these two systems. Ultimately, the WG goal is to improve base camp support to the Warfighter and leverage common engineering standards for these systems.

An FY 09 \$319.104M Overseas Contingency Operations (OCO) funding requested in the bridge will provide funds for refurbishment of combat equipment retrograded from current operations and destined for APS unit equipment sets in APS-5 Southwest Asia (Heavy Brigade Combat Team with Motorized Augmentation Set, Infantry Brigade Combat Team with Motorized Augmentation Set) and APS-3 Afloat (Infantry Brigade Combat Team with Motorized Augmentation Set for Army Strategic Flotilla II sited at Diego Garcia). Funding will provide contract maintenance labor for anticipated extensive repairs as well as port operations supporting upload of reconstituted afloat sets. Funding estimates are subject to possible future changes due to costs associated with ongoing operational requirements, extensive repairs for repeatedly used APS unit equipment and sustainment supplies, equipment modernization, modifications in unit design/force structure, and directed adjustments/realignments in Army priorities and funding which impact APS.

Description of Issue: Sustaining combat operations through the initial contingency.

Accomplishment: Army Pre-positioned Stocks (APS) War Reserve Secondary Items (WRSI) stocks are intended to sustain modular units during the first 60 days of an expeditionary campaign until re-supply lines from CONUS can be established. Supply classes include: I (subsistence); II

(clothing and textiles); III (P) (packaged oil and lubricants); IV (construction and barrier materiel); VIII (Medical supplies); and IX (repair parts and major assemblies). The WRSI Program has made significant improvements since the beginning Overseas Contingency Operations as cited below.

Specifically, HQDA G-4 finalized a Lean Six Sigma Redesign Study to improve the WRSI requirements determination process, and how WRSI requirements are positioned and supported. Sustainment Supply Activity (SSA) and DLA Storage Integrated Process Teams (IPTs) have been established to “relook” the APS-3 afloat sustainment ship concept, APS sustainment requirements and possible sustainment stocks storage locations. IPT end products will be recommendations on storage of APS sustainment supplies on Large Medium Speed Roll-on/Roll-off (LMSR) ships, in Defense Logistics Agency (DLA) Forward Distribution Depots (FDDs), and the continuing need for two SSA ships to support APS 2015 Strategy objectives.

The SSA IPT focused on completion of APS-3 (afloat) and APS-5 (Southwest Asia) sustainment requirements which are provided to RAND for allocation based on big, heavy, fast moving, stocks positioned forward. An estimated 600 containers are required for APS-3 sustainment stockage which will possibly be placed on existing APS-3 LMSR ships or in DLA FDDs. APS-3 LMSR load plans are being developed for armored Infantry Brigade Combat Teams and motorized augmentation sets and Sustainment Brigades to determine square footage allowances for unit equipment and sustainment supplies. DLA Storage IPT is providing an analysis of APS OCONUS Sustainment stocks categorized into three groups: NIINs already stocked by DDC FDD; NIINs not stocked by FDD's but have sufficient Theater demands to be candidates for stockage, and NIINs neither stocked nor demanded but have APS sustainment requirements. A total of \$443.2M Army Working Capital Supplemental Funding is expected to be received shortly and will be executed to totally reset APS-3, APS-4, and partially reset APS-5 stocks that were issued in FY 02 and FY 03.

Description of Issue: Logistics Execution Information System (LEXIS).

Accomplishment: AR 220-1 Unit Status Reporting and AR 700-138 Army Logistics Readiness and Sustainability drive the operational reporting requirement. Logistics Execution Information System (LEXIS) is an Army owned web-based data-mart that capitalizes on data obtained from multiple databases, consolidating data into a central data source and providing both a reporting and query engine to G-4 Action Officers. The centralized source provides G-4 with a product that improves the efficiency and effectiveness of all G-4's sustainment roles and responsibilities. LEXIS data assists in making the G-4 compliant with regulatory requirements. LEXIS accomplishments include linking the following readiness topics in a format that tracks units daily through the ARFORGEN process; Managing critical CSS equipment for modularity by analyzing modular unit requirements (MTOEs), on hand data, combat capability impact and mitigation strategies; Tracking leading logistics readiness indicators; Automating Readiness, Reporting and Analysis Process, along with CSS Equipment Weapon System Handbook; supporting the 360 Logistics Readiness initiative; and text mining of Commander's Comments for trend discovery.

Description of Issue: Army Strategic Readiness Update (ARSU).

Accomplishment: A program to analyze units down to the basic element (company level) was procured and developed to identify trends for all reporting units through the use of text mining. This enables users to query for commonly stated messages across the entire data base inclusive of

over 6000 reports from the field a month. The program allows a quick analysis and discovery of previously unseen trends within a given month and across multiple months. It also will provide the ability to make a forecast based upon identified trends. The program provides significant time savings in data extraction, provides quick understanding of concepts and frequency of occurrence.

Description of Issue: Sierra Army Depot process improvements.

Accomplishment: Sierra's Lean Six Sigma team completed 37 events and projects, accounting for \$2.4 million in savings and cost avoidance. Specifically, six of the events were completed in various areas of the AJ1 (Reverse Pipeline Initiative) Retail Supply Operations. The receiving process was modified to accept both bulk and small items on a single processing line. As a result, one line now has the capability to download work from an entire container and they have better visibility when verifying Radio Frequency Identification (RFID) information received on inbound overseas shipments.

Description of Issue: Lean Implementation on AGT-1500 Engine Line to improve proficiency and increase production on the M1 engine (AGT-1500)

Accomplishment: Improved First Pass Yield (FPY) for the past 6 months over 93 percent. Developed a modernization plan which was approved and funded to allow the Turbine Engine shop to be self sufficient (i.e., Cleaning, Dyno Testing, Ground Hop). Installed open parts bins on each assembly line cell, allowing parts to be more accessible to the mechanics and allowing visual concepts for restocking to the parts keepers.

Description of Issue: Aerial Delivery and Materiel Operations on the Contingency Packed, Cargo (G-12) Parachutes.

Accomplishment: Defense Depot Susquehanna Pennsylvania (DDSP) rigger team nearly exhausted its inventory of contingency packed parachutes to satisfy theater demands. Forces Command provided riggers from Fort Campbell, KY, who deployed to DDSP to repack cargo parachutes. The FORSCOM G-4 recommended parachutes be shipped from DDSP to Fort Bragg, NC, so Soldiers could pack chutes without leaving their home installations. Once packed, chutes were shipped back to DDSP to transfer for use in theater. The FORSCOM G-4 also recommended to HQDA G-4 the procurement of commercial contingency packed chutes and a revision to the current regulation (AR 750-32, Airdrop, Parachute Recovery, and Aircraft Personnel Escape Systems). This would allow civilian personnel trained by the Quartermaster Center and School to inspect cargo parachutes in order to alleviate the requirement for Army rigger inspectors.

Description of Issue: Item Unique Identification (IUID) Initiative.

Accomplishment: The Army mandated that all Services mark and register all items. This mandate applies to current inventory and new purchases with a unit price equal to or greater than \$5K. It also applies to all weapons and sensitive items as well as any mission-essential items. The Services are required to provide quarterly updates on the status of their progress. Forces Command is working with the National Training Center in the implementation of the IUID program with their

Preposition Fleet. The objective of this initiative is to improve property accountability and visibility while facilitating the tracking of maintenance and associated costs. Forces Command also wants to utilize the IUID capability with small arms management. The Army Materiel Command Small Arms Repair Team began marking all weapons received in third quarter FY 09. Forces Command is working to acquire smart software to implement IUID in arms rooms to reduce inventory time without jeopardizing inventory accuracy.

Description of Issue: Improve Training Readiness/Shaping the Army's Future.

Accomplishments: Per FORSCOM Commanding General, an Infantry War-fighters' Forum (IWfF) was established. The primary focus of the IWfF is to provide Operational input to the institutional Army via collaborative discussions among Infantry Brigade Combat Team (IBCT) "community of practice" participants, facilitators, and enablers for the purpose of enhancing combat effectiveness. The secondary focus is to identify requirements and develop unique Army capabilities for Light Infantry maneuver, air mobility, and vertical assault to support joint forcible entry operations. The intended outcome of these two focal areas is doctrine, organization, training, material, leadership development, personnel, and facilities (DOTMLPF) solutions, expedited by cutting through traditional stove-piped processes.

To date, 48 issues have been identified with 18 closed. The forum is actively working on 13 of the 30 remaining issues and passively monitoring the progress on the other 17. Accomplishments include but are not limited to: the Combined Arms Doctrine Directorate (CADD) is favorably considering the need to codify forcible entry (FE) requirements into doctrine; mine resistant ambush protected (MRAP) home-station training requirements have been brought to forefront of HQDA senior leader discussions; funding for dismounted Soldier virtual simulator will be available commencing FY 11; tactical ground reporting system will be fielded more widely to deploying units to enhance real-time intelligence sharing capability; and additional mobile training team (MTT) courses have been created for newly-identified specialized training requirements.

Description of Issue: Improved Procedures for Budget Execution using the Integrated Logistics Analysis Program (ILAP).

Accomplishment: ILAP provides a "checkbook" for reconciliation of items that have been purchased through the Standard Army Retail Supply System (SARSS). Budget analysts provide a monthly spending limit for bulk supplies processed through the Funds Control Module into SARSS. Items processed are numerous, involving hundreds of requisitions. By utilizing the checkbook feature in ILAP, budget analysts and logisticians are no longer required to provide a log of every requisition that has been ordered. The budget analyst does not have to marry up the requisition log to the obligation, as this is accomplished by the checkbook. Items that are on back order are also identified, which allows the budget analyst to leave funds committed until they are obligated. This saves numerous manhours and eliminates human error due to manual reconciliations.

Description of Issue: Property Accountability Procedures and Module.

Accomplishment: The Quartermaster Center and School (QMC&S) developed and promulgated property accountability procedures for not only local, but Army-wide use. It is too soon to quantify the cost savings to the Army and reduction in financial liability investigations of property loss, but

we expect significant cost savings/program improvements. The QMC&S also developed a property accountability module that can be integrated into any Army course – logistics or non-CSS academics. This module covers the Army property accountability and the physical security (i.e., inventory) requirements.

Description of Issue: Defense Travel System (DTS).

Accomplishment: Continued to provide active Army support for the fielding and deployment of the DTS. This Department of Defense initiative touches each Army Soldier and civilian who performs temporary duty travel and local travel. As of June 30, 2009, the Army has processed 974,015 DTS claims. We continue to monitor and enforce DTS usage through the Joint Reconciliation Process and average usage at proliferated sites has risen to 97 percent.

Description of Issue: Reduction of aged Antideficiency Act (ADA) cases.

Accomplishment: Continued our efforts to ensure timely and proper closure of alleged ADA cases. In response to a Government Accountability Office audit, the Office of the Under Secretary of Defense (Comptroller) (OUSD(C)) added new requirements to the processing of ADA investigations. The focus is on the independence and training of investigating officers, training key funds control personnel, and timeliness of ADA investigations. As a result, appointing officials are required to certify the investigating officer's independence and qualifications in the formal appointment letter. The formal appointment letter must be submitted to our office within 15 days after written confirmation of the potential ADA. Mandatory fiscal law training is required for all fund certifying officers. Currently, 7,342 of the Army's 7,664 fund certifying officers have been trained. Funded activities with overdue investigation are required to provide a status brief to the ASA (FM&C). As of June 30, 2009, the Army reduced overdue investigations from six to one and is on track to complete and submit all cases greater than 12 months old to the OUSD(C) by September 30, 2009. We continue to partner with the Commands and the Office of the General Counsel to ensure the timely investigation and adjudication of ADA cases and work with the OUSD(C) to process over-aged ADA cases.

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

Uncorrected Weaknesses Identified During the Period:

Title	Quarter (QTR) and Fiscal Year (FY) Targeted Correction Date	Page #
N/A		B-2-1

Uncorrected Weaknesses Identified During Prior Periods:

Title	<u>Correction QTR and FY Date)</u>			Page #
	Year First Reported	Per Last Annual Statement	Per This Annual Statement	

Category: Contract/Procurement

Expeditionary Contracting	FY2007	2nd Qtr, FY 2011	2nd Qtr, FY 2011	B-2-2
Oversight of Service Contracts	FY 2006	4th Qtr, FY 2010	4th Qtr, FY 2010	B-2-6

Category: Supply Operations

Logistics Asset Visibility and Accountability	FY 2004	4th Qtr, FY 2011	4th Qtr, FY 2011	B-2-10
Financial Reporting of New Equipment In-Transit	FY 2008	3rd Qtr, FY 2010	3rd Qtr, FY 2010	B-2-12

Corrected Weaknesses Identified During All Periods:

Title	Year First Reported	Page #
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Category: Comptroller and/or Resource Management

Contingency Payment Audit Trails	FY 2009	B-3-2
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Category: Logistics, Installation Management, and Comptroller

Army General Equipment Data Integrity	FY 2006	B-3-3
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(TAB B-2)
UNCORRECTED WEAKNESS(ES) STATUS OF CORRECTIVE ACTIONS

Uncorrected Weakness(es) Identified During the Period

N/A

(TAB B-2)

UNCORRECTED WEAKNESS(ES) STATUS OF CORRECTIVE ACTIONS

Uncorrected Weakness(es) Identified During Prior Periods

Title and Description of Material of Weakness: Expeditionary Contracting. The Army's acquisition workforce is not adequately staffed, trained, structured, or empowered to meet the Army needs of the 21st century deployed Warfighters. The contracting process (requirements definition, contract management, and contract closeout) is not treated as a core competency. Audit reports conclude that internal controls to mitigate risks in the contracting process are ineffective or nonexistent.

Functional Category: Contract/Procurement

Senior Official in Charge: Mr. Edward M. Harrington - Deputy Assistant Secretary of the Army (Procurement), OASA(ALT)

Pace of Corrective Action:

<u>Year Identified:</u>	FY 2007
<u>Original Target Date:</u>	2nd Qtr, FY 2011
<u>Target Date in Last Year's Report:</u>	2nd Qtr, FY 2011
<u>Current Target Date:</u>	2nd Qtr, FY 2011
<u>Reason for Change in Date(s):</u>	N/A

Validation Process:

- Unit Self Inspection conducted using Army Federal Acquisition Regulation Supplement (AFARS), Appendix BB Management Control checklists.
- Compliance review with procedures and internal controls conducted by Contracting Operations Review.
- USAAA validates results.

Results Indicators: Success is defined as the effective implementation of the procedures and internal controls that work effectively for expeditionary contracting operations. This will be accomplished by reviewing contract files to ensure compliance with current policy. The indicator required to validate success will be to compare the contract files with the AFARS Appendix BB Management Control Evaluation Checklist(s), and to ensure the contract files that contain all appropriate documentation, and therefore validating that effective internal controls are in place. The USAAA will validate that the contracting organizations have implemented the appropriate controls in accordance with

DASA(P) policy. Additional positive or negative implementation indicators include (1) the review of recent audit reports and the conclusions found related to contract administration of service contracts, and (2) annual review results developed by the ACOM and DASA(P) Procurement Management Review teams.

Source(s) Identifying Weakness: Audit Reports on Expeditionary Contracting Operations:

Subject Area	Government Accountability Office	USAAA	Special Inspector General for Iraq Reconstruction (SIGIR)
1. Failure to follow long-standing planning guidance and to adequately factor use and role of contractors into planning	Four reports from 2003 to 2007: GAO-03-695, GAO-04-854, GAO-05-201 and GAO-07-145		One report in 2006: Lessons Learned Report 2: Contracting and Procurement
2. Failure to systematically collect and distribute lessons learned	Two reports from 2004 to 2007 (both also included in subject areas 1 and 2): GAO 04-854 and GAO-07-145	One report from 2005 (also included in subject area 2): A-2005-0043-ALE	One report in 2008: SIGIR-08-006
3. Lack of comprehensive training for contract oversight personnel and military commanders	Seven reports from 1997 to 2007 (five also included in subject areas 1, 2, and 3): GAO/NSIAD-97-63, GAO/NSIAD-00-225, GAO-03-695, GAO-04-854, GAO-05-201, GAO-05-737, GAO-07-145	One report from 2008 (also included in subject areas 2 and 3): A-2008-0020-ALL	

Major Milestones in Corrective Action:

A. Completed Milestones (Fiscal Year 2008):

<u>Date:</u>	<u>Milestone:</u>
4th Qtr, FY 2007	Form the Army Contracting Task Force (ACTF) (co-led by ASA(ALT) MILDEP and AMC Executive Deputy Command Director) with participants from a wide range of Army staff elements and contracting operations.
4th Qtr, FY 2007	Assign new leadership and increase staff.
4th Qtr, FY 2007	Establish reach-back capability to manage active contracts.
1st Qtr, FY 2008	Develop internal controls for optimal contract management and surveillance.

1st Qtr, FY 2008	Establish increased engagement of Defense Contract Management Agency in performing contract management and oversight support through the Kuwait Logistics Support Office.
2nd Qtr, FY 2008	Establish contracting officer's representative training program.
2nd Qtr, FY 2008	Commence contracting officer's representative training.
2nd Qtr, FY 2008	Disband ACTF and form the Army Contracting Campaign Plan Task Force to work ACTF findings.
3rd Qtr, FY 2008	Implement internal controls for optimal contract surveillance.
3rd Qtr, FY 2008	Procurement Management Review team conducts independent verification of compliance with internal control procedures.
3rd Qtr, FY 2008	Procurement Management Review team reports internal control review results.
2nd Qtr, FY 2009	Develop Internal Control Evaluation Checklist(s) in accordance with AFARS, Appendix BB that are distributed to all Army contracting offices and are permanently added to the AFARS.

B. Planned Milestones for 4th Qtr. FY 2009:

<u>Date:</u>	<u>Milestone:</u>
4 th Qtr, FY 2009	Initiate discussions with USAAA on validation audit.
4th Qtr, FY 2009	Conduct Unit Self Inspection utilizing the Internal Control Evaluation Checklist

C. Planned Milestones (Beyond Fiscal Year 2009):

<u>Date:</u>	<u>Milestone:</u>
1st Qtr, FY 2010	Independent review/Procurement Management Review team conducts compliance review.

2nd Qtr, FY 2010	Review team reports internal control review results.
3rd Qtr, FY 2010	Contracting Operations
4th Qtr, FY 2010	USAAA validates Contracting Operations Review results.

(TAB B-2)

UNCORRECTED WEAKNESS(ES) STATUS OF CORRECTIVE ACTIONS

Uncorrected Weakness(es) Identified During Prior Periods

Title and Description of Material of Weakness: Oversight of Service Contracts. The Director of the Army Contracting Agency (ACA) identified the administration of contracting services as an area of concern in the ACA FY 2005 Annual Assurance Statement. Subsequent review by the Senior Level Steering Group, in conjunction with the USAAA, revealed that oversight of service contracts should be disclosed as an Army-wide material weakness. Specific elements of this weakness include poorly trained CORs, weak requirements justification, and improper use of contractor labor.

Functional Category: Contract/Procurement

Senior Official in Charge: Mr. Edward M. Harrington - Deputy Assistant Secretary of the Army (Procurement), Office of the Assistant Secretary of the Army (Acquisition, Policy and Logistics), OASA(ALT)

Pace of Corrective Action:

Year Identified:	FY 2006
Original Target Date:	4th Qtr, FY 2010
Target Date in Last Year's Report:	4th Qtr, FY 2010
Current Target Date:	4th Qtr, FY 2010

Reason for Change in Date(s): N/A

Validation Process: Deputy Assistant Secretary of the Army (Procurement) validates implementation through recurring reports that identify weaknesses and corrective actions. USAAA validates results after DASA(P) verifies acceptable implementation.

Results Indicators: Review contract files to verify compliance with current policy. Indicators include the following: (1) CORs are trained and appointed; and (2) surveillance plans are developed and used to support receipt and acceptance of services. The acceptable accuracy rate for COR training and oversight execution is 90 percent (95 percent where potential fraud exists). The USAAA will consider these indicators in developing the audit parameters and measures of success.

For Army Command (ACOM) level Army Service Strategy Panel (ASSP) reviews, success is defined as data reflecting that management controls over service contracts imposed by the ASSP are in place and working effectively. The USAAA will validate

that the contracting organizations have implemented statutory and regulatory requirements for reviews of service acquisitions in accordance with DASA(P) policy.

Additional positive or negative implementation indicators include (1) the review of recent audit organization reports and the conclusions found related to contract administration of service contracts, and (2) annual review results developed by the ACOM and DASA(P) Procurement Management Review teams.

Source(s) Identifying Weakness:

- ACA Director's FY 2005 Annual Assurance Statement
- DOD Office of the Inspector General Report 2006-010, Contract Surveillance for Service Contracts, dated October 28, 2005
- GAO Report GAO-05-274, Opportunity to Improve Surveillance on DOD Service Contracts, dated March 2005
- USAAA Report A-2005-0296-ALT, Contract Administration for Contracts Resulting From A-76 Commercial Activities Study Decisions, dated September 15, 2005

Major Milestones in Corrective Action:

A. Completed Milestones:

<u>Date:</u>	<u>Milestone:</u>
1st Qtr, FY 2007	Army COR minimum certification and refresher training requirements standardized.
2nd Qtr, FY 2007	DASA(P&P) and ASA(ALT) memos issued which addressed oversight, surveillance, and performance assessment measures for service contracts and established mandatory Army COR training requirements.
2nd Qtr, FY 2007	Principal Assistants Responsible for Contracting (PARCs) established COR compliance plans.
2nd Qtr, FY 2007	Defense Acquisition University (DAU) established Army COR folder in Acquisition Community Connection.
3rd Qtr, FY 2007	DAU began to collect COR training metrics.

<u>Date:</u>	<u>Milestone:</u>
3rd Qtr, FY 2007	Established method of obtaining service metrics from ACOM ASSP review authority. Conducted discussions with PARCs. ASA(ALT) approved ASSP process metrics. FY 2006 metrics on services collected and assessed.
3rd Qtr, FY 2008	HQDA IR reports results.
1 st Qtr, FY 2009	Issued policy mandating inclusion of a performance objective for oversight of service contracts for all contracting professionals involved with the acquisition of services.
2nd Qtr, FY 2009	DASA(P) signed staffing documents to release the new Army Regulation for the management and oversight of service contracts to the Army Publishing Directorate.
3rd Qtr, FY2009	Issued policy requiring bi-monthly reporting to the DASA(P) on compliance with service contract surveillance policy and corrective actions being taken to correct deficiencies.
3rd Qtr, FY2009	Contacted USAAA to schedule the validation audit commencement in the 1Q, FY 2010.

B. Planned Milestones for 4th Qtr. FY 2009:

<u>Date:</u>	<u>Milestones:</u>
4th Qtr, FY 2009	Publish Army Regulation 70-13, Management and Oversight of Service Contracts.
4th Qtr, FY 2009	Coordinate with USAAA to develop schedule and determine objectives for validation.

C. Planned Milestones (Beyond FY09):

<u>Date:</u>	<u>Milestone:</u>
1st Qtr, FY 2010	Commence validation audit.

3rd Qtr, FY 2010

USAAA reports results.

4th Qtr, FY 2010

USAAA validates weakness has been resolved and closed.

(TAB B-2)

UNCORRECTED WEAKNESS(ES) STATUS OF CORRECTIVE ACTIONS

Uncorrected Weakness(es) Identified During Prior Periods

Title and Description of Issue: Logistics Asset Visibility and Accountability. The Army does not have adequate visibility over all requisitions, equipment, and supplies transported to, from, and within theaters of operation. The supply chain does not effectively support asset visibility and distribution capability.

Functional Category: Supply Operations

Senior Official in Charge: Mr. Mark Averill, Director of Force Projection and Distribution, Deputy Chief of Staff, G-4

Pace of Corrective Action:

Year Identified: FY 2004

Original Target Date: 4th Qtr, FY 2008

Target Date in Last Year's Report: 4th Qtr, FY 2011

Current Target Date: 4th Qtr, FY 2011

Validation Process: Corrective actions and improvements to in-transit visibility (particularly in the early stages of a conflict where the infrastructure is undeveloped), will be demonstrated by Office of the Deputy Chief of Staff, G-4 and validated by USAAA.

Results Indicators: Corrective action will provide visibility of shipments in transit allowing commanders to allocate available lift assets in accordance with established priorities.

Source(s) Identifying Weakness: GAO letter dated December 18, 2003, subject: *Defense Logistics: Preliminary Observations on the Effectiveness of Logistics Activities during Operation Iraqi Freedom* (GAO-04-305R).

Major Milestones to Include Progress to Date:

A. Completed Milestones:

<u>Date:</u>	<u>Milestone:</u>
4 th Qtr, FY 2005	Army Radio Frequency Identification (RFID) Strategy. Combat Service Support Very Small Aperture Terminal Phase One - SSA/Log Nodes (Connect Focus Area IPT).

<u>Date:</u>	<u>Milestone:</u>
1 st Qtr, FY 2006	Established Army Reserve/Retrograde Logistics Reverse Pipeline Committee.
4 th Qtr, FY 2008	GCSS-A Initial Operating Capability (IOC) and Fielding.
4 th Qtr, FY 2008	G-4 validation of current systems, policies, procedures, and processes to address lack of in-transit visibility.
2 nd Qtr, FY 2009	On 5 Feb 09 requested AAA (SAAG-ALZ) validation of Army's in-transit visibility systems, policies, and procedures.

B. Planned Milestones for 4th Qtr. FY 2009:

<u>Date:</u>	<u>Milestone:</u>
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N/A

C. Planned Milestones (Beyond FY 2009):

<u>Date:</u>	<u>Milestone:</u>
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4 th Qtr, FY 2011	Complete AAA validation of Army's in-transit visibility systems, policies, and procedures.
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(TAB B-2)
UNCORRECTED WEAKNESS(ES) STATUS OF CORRECTIVE ACTIONS

Uncorrected Weakness(es) Identified During Prior Periods

Title and Description of Material Weakness: Financial Reporting of New Equipment In-Transit. The U.S. Army lacks internal controls in the follow-up process on New Equipment Fielding in-transit. The U.S. Army does not have reliable internal controls in place to track equipment in-transit from the Program Management office to the unit, resulting in unreliable data on the value reported on the U.S. Army's financial statements. This error makes it difficult to gain visibility over the total number of major items, determine maintenance requirements, and redistribute equipment. In 2006, the Army introduced the Property Book Unit Supply Enhanced system (PBUSE) that was designed to automatically close in-transits when receipt of the equipment was entered. The audit identified a continuing uncorrected weakness.

Functional Category: Supply Operations

Component: Army

Senior Official in Charge: Ms. Sarah Finnicum, Director of Supply, Office of the Deputy Chief of Staff, G-4

Pace of Corrective Action:

Year Identified: FY 2008

Original Targeted Correction Date: 3rd Quarter, FY 2010

Targeted Correction Date in Last Year's Report: 3rd Quarter, FY 2010

Current Target Date: 3rd Quarter, FY 2010

Reason for Change in Date(s): N/A

Validation Process: Validation will be conducted by the U.S. Army Audit Agency (USAAA) and Headquarters, Department of the Army, G-4 (HQDA G-4).

Results Indicators: Corrective actions will reduce the error rate of in-transit asset data to an acceptable level that provides management with reasonable assurance of asset accountability, thus improving asset reporting and document closure procedures.

Source(s) Identifying Weakness: USAAA Report: Material Weakness Closure – Financial Reporting of Equipment In-Transit, Audit Report: A-2007-0213-FFM, 25 September 2007.

Major Milestones to Include Progress to Date:

A. Completed Milestones:

<u>Date:</u>	<u>Milestone:</u>
1 st Qtr, FY 2008	The HQDA G-4 POC met with the ASA(ALT) , ASA(FM&C), HQs, U. S. Army Materiel Command (USAMC) G-3, and internal review (IR), Product Director, Tactical Logistics Systems (PO PBUSE, PO SARSS), and the USAAA to develop corrective actions and milestones.
2 nd Qtr, FY 2008	Document and deliver process flowcharts. Develop a follow up process to make sure equipment in-transit is properly and promptly closed upon receipt. Obtain aged Army in-transit reports. Establish a threshold for closing in-transits.
3 rd Qtr, FY 2008	Determine where break-downs exist.
3 rd Qtr, FY 2008	Determine the reconciliation process Develop the assessment plan.
1 st Qtr, FY 2009	Test the process to ensure a follow-up report is produced to catch transactions that failed to process or processed in error. Test that all systems whether logistical or financial are closing in transit documents. Review current controls inherent to each system, and manual controls directed by policy or regulation.
2 nd Qtr, FY 2009	Develop a follow up process to make sure equipment in-transit is properly and promptly closed upon receipt. Establish periodic reviews for identification and corrective action for aged in-transits. Establish metrics for open in-transits to track and take corrective action. HQDA G-4 will evaluate results to see if additional controls are needed or actions required to ensure/enforce controls/processes. Establish new key management controls in the flow process of equipment in-transit for the CSDP.

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

Identified During the Period

N/A

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

Identified During Prior Periods

Title and Description of Material Weakness: Contingency Payment Audit Trails. Because of the high turnover of personnel and organizations in a contingency theater of operations, the maintenance of substantiating documents by certifying/entitlement activities creates significant challenges in tracing audit trails for support of financial statements. Based on an audit of Operation Iraqi Freedom payment vouchers stored in Rome, New York, two percent of the sample was missing critical supporting documents. Additionally, two percent were missing critical signatures. Numerous vouchers stored in Rome did not contain all critical data elements, primarily because the automated disbursing voucher was not included in the hard-copy package sent to Rome. While the DOD FMR Volume 5 and GAO Financial Manual specifically allow for the maintenance of distributed audit trails rather than attaching supporting documents to a payment voucher, this practice creates significant complexity in tracking back through audit trails for payments made in a contingency operation.

Functional Category: Comptroller and/or Resource Management

Senior Official in Charge: Mr. John J. Argodale, Deputy Assistant Secretary of the Army for Financial Operations

Pace of Corrective Action:

Year Identified: FY 2008

Original Target Date: 2nd Qtr, FY 2009

Target Date in Last Year's Report: 2nd Qtr, FY 2009

Current Target Date: Closed

Reason for Change in Dates: USAAA cannot validate closure of weakness as it is currently written. USAAA recommended that the weakness be closed and restructured to address findings after completion of ongoing audit of controls over vendor payments in SWA (A2009-ALL-0118.000).

Validation Process:

Results Indicators:

Source Identifying Weakness: DODIG Audit Report: Internal Controls Over Payments Made in Iraq, Kuwait and Egypt, Report No. D-2008-098, dated May 22, 2008.

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

Identified During Prior Periods

Title and Description of Material Weakness: Army General Equipment Data Integrity. Recent USAAA audit results identified significant weaknesses in financial reporting of Property, Plant and Equipment (PP&E) to include deficiencies with accountability over general equipment and supporting documentation availability/retention. Army installations do not systemically comply with DOD and Army regulations that require periodic comprehensive (wall-to-wall) inventories of PP&E. This failure to properly perform accountability functions has led to breakdown in reporting acquisitions, improvements, transfers and disposals of PP&E; all of which may have an impact on Army financial statements. Furthermore, Army installations are unable to present adequate documentation to support information in property accountability systems. Absence of supporting documentation for property records will prohibit Army from achieving audit compliance goals.

Functional Category: Logistics, Installation Management, and Comptroller

Pace of Corrective Action:

Year Identified: FY 2006

Original Targeted Correction Date: 4th Qtr, FY 2009

Targeted Correction Date in Last Year's Report: 4th Qtr, FY 2010

Current Target Date: Closed

Reason for Change in Date(s): Substantial corrections to address the original scope have been implemented and are operable. Additional issues beyond the original scope have been identified. Opening new weakness addressing additional problems beyond original scope, pending audit completion (ongoing).

Validation Process:

Results Indicators:

Source(s) Identifying Weakness:

USAAA Reports:

- A-2005-0261-FFG Defense Property Accountability System Material Weakness Closeout, Fort Belvoir, Virginia

- A-2005-0277-FFG Defense Property Accountability System Material Weakness Closeout, Fort Stewart, Georgia
- A-2005-0325-FFG Defense Property Accountability System Material Weakness Closeout, Fort Knox, Kentucky
- A-2005-0326-FFG Defense Property Accountability System Material Weakness Closeout, Corpus Christi, Texas
- A-2006-0013-FFG Defense Property Accountability System Material Weakness Closeout, Criminal Investigative Division Laboratory, Fort Gillem, Georgia
- A-2006-0060-FFM Defense Property Accountability System Material Weakness Closeout, Fort Bragg, North Carolina
- A-2006-0064-FFM Defense Property Accountability System Material Weakness Closeout, Night Vision and Electronic Sensors Directorate; Fort Belvoir, Virginia
- A-2006-0109-FFM Defense Property Accountability System Material Weakness Closeout, Fort Gillem, Georgia
- A-2006-0123-FFM Defense Property Accountability System Material Weakness Closeout, U.S. Army Special Operations Command Fort Bragg, North Carolina

(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:

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

General Fund Uncorrected Weaknesses Identified During Prior Periods:

<u>Title</u>	<u>Year First Reported</u>	<u>Correction QTR and FY Date</u>		<u>Page #</u>
		<u>Per Last Annual Statement</u>	<u>Per This Annual Statement</u>	
<u>Financial Management Systems</u> The lack of a single, standard transaction-driven general ledger will prevent the Army from preparing auditable financial statements.	FY 2008	2 nd Qtr. FY 2014	2 nd Qtr. FY 2014	D-2-2
<u>Fund Balance with Treasury</u> Army has had long-standing problems in reconciling transaction activity in their Fund Balance with Treasury accounts.	FY 2008	2 nd Qtr. FY 2012	3 rd Qtr. FY 2014	D-2-5
<u>Inventory (Operating Materials and Supplies)</u> 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	2 nd Qtr. FY 2015	2 nd Qtr. FY 2015	D-2-7

(TAB D-1)

LISTS OF ALL ARMY UNCORRECTED AND CORRECTED MATERIAL WEAKNESSES

Title	Year First Reported	Correction QTR and FY Date		Page #
		Per Last Annual Statement	Per This Annual Statement	
<u>General Property, Plant, and Equipment</u> 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	1 st Qtr. FY 2011	1 st Qtr. FY 2013	D-2-10
<u>Environmental Liabilities</u> The Army has not properly estimated and reported its environmental liabilities.	FY 2008	1 st Qtr. FY 2012	4 th Qtr. FY 2012	D-2-17
<u>Intragovernmental Eliminations</u> DOD is unable to collect, exchange, and reconcile buyer and seller Intragovernmental transactions, resulting in adjustments that cannot be verified.	FY 2008	4 th Qtr. FY 2011	1 st Qtr. FY 2012	D-2-21
<u>Accounting Adjustments</u> 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	4 th Qtr. FY 2011	1 st Qtr. FY 2012	D-2-24
<u>Statement of Net Cost</u> 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	4 th Qtr. FY 2011	1 st Qtr. FY 2012	D-2-26
<u>Abnormal Account Balances</u> 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.	FY 2008	1 st Qtr. FY 2012	1 st Qtr. FY 2012	D-2-29

(TAB D-1)

LISTS OF ALL ARMY UNCORRECTED AND CORRECTED MATERIAL WEAKNESSES

Title	Year First Reported	Correction QTR and FY Date		Page #
		Per Last Annual Statement	Per This Annual Statement	
<p>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.</p>				
<p><u>Accounts Receivable</u> 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.</p>	FY 2008	4 th Qtr. FY 2011	2 nd Qtr. FY 2013	D-2-31
<p><u>Accounts Payable</u> The Army is unable to properly account for and report Accounts Payable.</p>	FY 2008	2 nd Qtr. FY 2012	3 rd Qtr. FY 2013	D-2-33
<p><u>Statement of Budgetary Resources</u> 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."</p>	FY 2008	4 th Qtr. FY 2011	1 st Qtr. FY 2012	D-2-36
<p><u>Reconciliation of Net Cost of Operations to Budget</u> 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.</p>	FY 2008	4 th Qtr. FY 2011	1 st Qtr. FY 2012	D-2-38

(TAB D-1)

LISTS OF ALL ARMY UNCORRECTED AND CORRECTED MATERIAL WEAKNESSES

General Fund Corrected Weaknesses Identified During All Periods:

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

(TAB D-2)
ARMY GENERAL FUND UNCORRECTED WEAKNESS(ES) STATUS OF
CORRECTIVE ACTIONS

General Fund Uncorrected Weakness(es) Identified During Period

N/A

(TAB D-2)
**ARMY GENERAL FUND UNCORRECTED WEAKNESS(ES) STATUS OF
CORRECTIVE ACTIONS**

General Fund Uncorrected Weakness(es) Identified During Prior Periods

Title and Description of Material Weakness: Financial Management Systems. Army accounting systems lacked a single, standard transaction-driven general ledger. The Army also needed to upgrade or replace many of its non-financial feeder systems so that financial statement reporting requirements could be met. The lack of a single, standard transaction-driven general ledger will continue to prevent the Army from preparing auditable financial statements.

Functional Category: Financial Management Systems

Component: Army

Senior Official in Charge: Ms. Kristyn Jones, Director, Financial Information Management, OASA(FM&C)

Pace of Corrective Action:

Year Identified: FY 2008

Original Targeted Correction Date: 2nd Qtr. FY 2014

Targeted Correction Date in Last Year's Report: 2nd Qtr. FY 2014

Current Target Date: 2nd Qtr. FY 2014

Reason for Change in Date(s): N/A

Validation Process: Internal validation will be conducted by AAA.

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

Source(s) Identifying Weakness: Independent Auditor's Report on the FY 2008 Army General Fund Financial Statements (9 November 2008); Army Financial Improvement Plan

(TAB D-2)
**ARMY GENERAL FUND UNCORRECTED WEAKNESS(ES) STATUS OF
CORRECTIVE ACTIONS**

Major Milestones to Include Progress to Date:

A. Completed Milestones:

<u>Date:</u>	<u>Milestone:</u>
3 rd Qtr. FY 2002	Field DPAS to required units and activities (SFFAS #6, SFFAS #3) (Army GE Financial Improvement Plan WBS 3.1.1.1.2.1.1)
1 st Qtr. FY 2004	PBUSE: Conduct FFMIA compliance attestation and provide report on the system compliance status (A-2004-0075-FFG) (Army Financial Improvement Plan, December 2008, WBS 7.7.7)
4 th Qtr. FY 2006	Replaced Army Medical Department Property Accounting System (AMEDDPAS) with Defense Medical Logistics Standard Support System (DMLSS), (Army GE Financial Improvement Plan WBS 3.4.1)
3 rd Qtr. FY 2009	Complete implementation of Planning Resource Infrastructure Decision and Evaluation (PRIDE) System – Web Version (Army RP Financial Improvement Plan WBS 3.1.7.10)

B. Planned Milestones for 4th Qtr. FY 2009:

<u>Date:</u>	<u>Milestone:</u>
4 th Qtr. FY 2009	Continue fielding modifications for GFEBs and LMP.

C. Planned Milestones (Beyond FY 2009):

<u>Date:</u>	<u>Milestone:</u>
4 th Qtr. FY 2010	Conduct follow-up audit of implemented corrective actions for PBUSE (Army GE Financial Improvement Plan WBS 3.4.4.15)
1 st Qtr. FY 2011	Obtain AAA certification that PBUSE complies with all identified requirements based on the current version of the DFAS Blue Book and JFMIP (Army GE Financial Improvement Plan WBS 3.4.4.16)

(TAB D-2)
**ARMY GENERAL FUND UNCORRECTED WEAKNESS(ES) STATUS OF
CORRECTIVE ACTIONS**

1 st Qtr. FY 2011	Logistics Modernization Program (LMP) to replace Commodity Command Standard System-Financial (CCSS-F) (Army GE Financial Improvement Plan WBS 3.4.2)
1 st Qtr. FY 2011	LMP to replace Commodity Command Standard System-Logistics (CCSS-L) ((Army GE Financial Improvement Plan WBS 3.4.3)
1 st Qtr. FY 2011	Full operational capability of Logistics Modernization Program (LMP) (Army Inventory Improvement Plan WBS 3.1.12)
1 st Qtr. FY 2012	Obtain AAA certification that IFS complies with all identified requirements based on the current version of the DFAS Blue Book and JFMIP (Army RP Improvement Plan WBS 3.1.9.15)
1 st Qtr. FY 2012	Full operational capability of General Fund Enterprise Business System (GFEBS) (Army OM&S Financial Improvement Plan WBS 3.1.16.4)
2 nd Qtr. FY 2014	Full operational capability of Global Combat Support System - Army (GCSS-A) (Army Inventory Financial Improvement Plan WBS 3.1.13)
2 nd Qtr. FY 2014	Correct remaining identified Financial Management Systems deficiencies

(TAB D-2)
**ARMY GENERAL FUND UNCORRECTED WEAKNESS(ES) STATUS OF
CORRECTIVE ACTIONS**

General Fund Uncorrected Weakness(es) Identified During Prior Periods

Title and Description of Material Weakness: Fund Balance with Treasury. DOD and its Components, including the Army, have had long-standing problems in reconciling transaction activity in their Fund Balance with Treasury accounts. Appropriation balances recorded in the accounting records do not agree with balances held at Treasury. Therefore, DFAS Indianapolis made unsupported adjustments that had a net effect of \$12.3 billion on the three Fund Balance with Treasury line items.

Functional Category: Fund Balance with Treasury

Senior Official in Charge: Mr. John Argodale, DASA for Financial Operations, 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: 2nd Qtr. FY 2012

Current Target Date: 3rd Qtr. FY 2014

Reason for Change in Date(s): GFEBS full operational capability date slipped to 1st quarter FY 2012, pushing out internal validation completion date.

Validation Process: Internal validation will be conducted by AAA. Limited reconciliation assertion will be assessed by DoDIG.

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

Source(s) Identifying Weakness: Independent Auditor's Report on the FY 2008 Army General Fund Financial Statements (9 November 2008); Army Financial Improvement Plan

(TAB D-2)
**ARMY GENERAL FUND UNCORRECTED WEAKNESS(ES) STATUS OF
CORRECTIVE ACTIONS**

Major Milestones in Corrective Action:

A. Completed Milestones :

<u>Date:</u>	<u>Milestone:</u>
4 th Qtr. FY 2008	Identify Requirements to Accurately Report FBWT (Army GF FBWT Financial Improvement Plan WBS 3.1.1)

B. Planned Milestones for 4th Qtr. FY 2009:

<u>Date:</u>	<u>Milestone:</u>
4 th Qtr. FY 2009	DFAS is currently in Phase III of preparation for the assertion (Review, Update and Create Documents).

C. Planned Milestones (Beyond Fiscal Year 2009):

<u>Date:</u>	<u>Milestone:</u>
1 st Qtr. FY 2012	Full operational capability of GFEBS (Army Other Financial Improvement Plan, WBS 3.6.4)
1 st Qtr. FY 2014	Implement sustainable business process to report FBWT (Army GF FBWT Financial Improvement Plan, WBS 3.1.2)
1 st Qtr. FY 2014	Report FBWT in accordance with a sustainable business process (Army GF FBWT Financial Improvement Plan, WBS 3.1.3)
3 rd Qtr. FY 2014	Internal validation of FBWT (AAA) (Army GF FBWT Financial Improvement Plan, WBS 5.1.1.2)

(TAB D-2)
**ARMY GENERAL FUND UNCORRECTED WEAKNESS(ES) STATUS OF
CORRECTIVE ACTIONS**

General Fund Uncorrected Weakness(es) Identified During Prior Periods

Title and Description of Material Weakness: Inventory (Operating Materials and Supplies). Inventories are valued and reported at approximate historical cost using latest acquisition cost adjusted for holding gains and losses. 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. Statement of Federal Financial Accounting Standards No. 3 states that Operating Materials and Supplies must be expensed when the items are consumed. However, the Army has acknowledged that significant amounts of Operating Materials and Supplies were expensed when they were purchased instead of when they were consumed.

Functional Category: Inventory (Operating Materials and Supplies)

Senior Official in Charge: Mr. Robert Turzak, DCS/Army G-4

Pace of Corrective Action:

Year Identified: FY 2008

Original Target Date: 2nd Qtr. FY 2015

Target Date in Last Year's Report: 2nd Qtr. FY 2015

Current Target Date: 2nd Qtr. FY 2015

Reason for Change in Date(s): N/A

Validation Process: Internal validation will be conducted by AAA.

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

Source(s) Identifying Weakness: Independent Auditor's Report on the FY 2008 Army General Fund Financial Statements (9 November 2008); Army Financial Improvement Plan

(TAB D-2)
**ARMY GENERAL FUND UNCORRECTED WEAKNESS(ES) STATUS OF
CORRECTIVE ACTIONS**

Major Milestones in Corrective Action:

A. Completed Milestones:

<u>Date:</u>	<u>Milestone:</u>
4 th Qtr. FY 2001	Provide guidance for establishing the value of OM&S using a historical cost method (Army OM&S Financial Improvement Plan, WBS 3.1.1.1)
4 th Qtr. FY 2001	Provide policy for valuation of operating expenses associated with consumption of OM&S in normal operations (Army OM&S Financial Improvement Plan, WBS 3.1.1.2)
4 th Qtr. FY 2002	Provide guidance for reporting Excess, Obsolete and Beyond Repair OM&S (Army OM&S Financial Improvement Plan, WBS 3.1.1.4)
1 st Qtr. FY 2006	Provide guidance for establishing the inventory baseline (i.e. an acceptable value for on-hand OM&S at the time systems are converted to a historical cost method) (Army OM&S Financial Improvement Plan, WBS 3.1.1.3)
2 nd Qtr. FY 2007	Incorporate the revised historical cost valuation policy (Consumption Method) for OM&S into the DOD FMR (DOD 7000.14-R) (Army OM&S Financial Improvement Plan, WBS 3.1.1.7)
2 nd Qtr. FY 2007	Publish Army implementation guidance (Army OM&S Financial Improvement Plan, WBS 3.1.1.8)
3 rd Qtr. FY 2009	AAA validates the Army Materiel Command (AMC) guidance and Aviation and Missile Command process to convert inventory from Last Acquisition Cost to Moving Average Cost (Army Inventory FIP, WBS 3.1.1.6.4)

(TAB D-2)
**ARMY GENERAL FUND UNCORRECTED WEAKNESS(ES) STATUS OF
CORRECTIVE ACTIONS**

B. Planned Milestones for 4th Qtr. FY 2009:

<u>Date:</u>	<u>Milestone:</u>
4 th Qtr. FY 2009	AMC develops audit readiness plan (Army Inventory Financial Improvement Plan, WBS 1.7.2)
4 th Qtr. FY 2009	AMC provides audit readiness validation plan (Inventory and Related Property) to OASA(FM&C) to validate financial accountability (Army Inventory Financial Improvement Plan, WBS 1.7.3)

C. Planned Milestones (Beyond Fiscal Year 2009):

<u>Date:</u>	<u>Milestone:</u>
1 st Qtr. FY 2010	OASA(FM&C) provides audit readiness validation plan (Inventory and Related Property) to audit community for review (Army Inventory Financial Improvement Plan, WBS 1.7.4)
4 th Qtr. FY 2010	Perform physical inventory counts in accordance with the AR 740-26 and other applicable guidance (Army OM&S Financial Improvement Plan, WBS 3.1.1.5)
4 th Qtr. FY 2010	Ensure adherence to governance requirements for field level physical inventory process (Army OM&S Financial Improvement Plan, WBS 3.1.1.6)
1 st Qtr. FY 2011	Full operational capability of LMP (Army OM&S Financial Improvement Plan, WBS 3.1.16.3)
1 st Qtr. FY 2012	Full operational capability of GFEBs (Army OM&S Financial Improvement Plan, WBS 3.1.16.4)
2 nd Qtr. FY 2014	Full operational capability of GCSS-Army (Army OM&S Financial Improvement Plan, WBS 3.1.16.5)
2 nd Qtr. FY 2015	Internal validation of inventory and related property (AAA) (Army OM&S Financial Improvement Plan, WBS 5.1.1)

(TAB D-2)
**ARMY GENERAL FUND UNCORRECTED WEAKNESS(ES) STATUS OF
CORRECTIVE ACTIONS**

General Fund Uncorrected Weakness(es) Identified During Prior Periods

Title and Description of Material Weakness: General Property, Plant, and Equipment. Statement of the Federal Financial Accounting Standards No. 6, "Accounting for Property, Plant, and Equipment," requires that all General Property, Plant, and Equipment be recorded at cost, and that depreciation expense be recognized on all General Property, Plant, and Equipment. The Army has acknowledged Military Equipment was not recorded at acquisition or historical cost and did not include all costs needed to bring the assets to a form and location suitable for their intended use. Also, the Army could not support the reported cost of Military Equipment in accordance with Statement of Federal Financial Accounting Standards No. 6. The Army also lacks financial accountability systems for all its Military Table of Equipment unit property books that comply with the Federal Financial Management Improvement Act (FFMIA) of 1996.

Functional Category: General Property, Plant, and Equipment

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

Pace of Corrective Action:

Year Identified: FY 2008

Original Target Date: 1st Qtr. FY 2011

Target Date in Last Year's Report: 1st Qtr. FY 2011

Current Target Date: 1st Qtr. FY 2013

Reason for Change in Date(s): Current target date pushed to 1st Quarter FY 2013 to accommodate system implementation schedules.

Validation Process: Internal validation will be conducted by AAA.

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

Source(s) Identifying Weakness: Independent Auditor's Report on the FY 2008 Army General Fund Financial Statements (9 November 2008); Army Financial Improvement Plan

(TAB D-2)
**ARMY GENERAL FUND UNCORRECTED WEAKNESS(ES) STATUS OF
CORRECTIVE ACTIONS**

Major Milestones in Corrective Action:

A. Completed Milestones:

<u>Date:</u>	<u>Milestone:</u>
3 rd Qtr. FY 2003	Identify applicable compliance requirements by chapter from the current "Guide to Federal Requirements for Financial Management Systems" (DFAS Blue Book) and JFMIP (Army GE Financial Improvement Plan, WBS 3.4.4.1)
4 th Qtr. FY 2003	Map DFAS Blue Book and JFMIP requirements to PBUSE business processes (Army GE Financial Improvement Plan, WBS 3.4.4.2)
1 st Qtr. FY 2004	PBUSE: Conduct FFMIA compliance attestation and provide report on the system compliance status (A-2004-0075-FFG) (Army GE Financial Improvement Plan, WBS 3.4.4.7)

B. Planned Milestones for 4th Qtr. FY 2009:

<u>Date:</u>	<u>Milestone:</u>
4 th Qtr. FY 2009	Formally request an FFMIA compliance re-audit on PBUSE from AAA (Army GE Financial Improvement Plan, WBS 3.4.4.14)

C. Planned Milestones (Beyond Fiscal Year 2009):

<u>Date:</u>	<u>Milestone</u>
1 st Qtr. FY 2010	Identify Requirements to accurately Report General Equipment (Army GE Financial Improvement Plan, WBS 3.1.1.1)
4 th Qtr. FY 2010	Conduct follow-up audit of implemented corrective actions for PBUSE (Army GE Financial Improvement Plan, WBS 3.4.4.15)
1 st Qtr. FY 2011	Obtain AAA certification that PBUSE complies with all identified requirements based on the current

(TAB D-2)
**ARMY GENERAL FUND UNCORRECTED WEAKNESS(ES) STATUS OF
CORRECTIVE ACTIONS**

	versions of the DFAS Blue Book and JFMIP (Army GE Financial Improvement Plan, 3.4.4.16)
1 st Qtr. FY 2012	Implement sustainable business process to report General Equipment (Army GE Financial Improvement Plan, WBS 3.1.1.1.2)
1 st Qtr. FY 2012	Report General Equipment in accordance with a sustainable business process (Army GE Financial Improvement Plan, WBS 3.1.1.1.3)
1 st Qtr. FY 2013	Validate Auditability of General Equipment (Army GE Financial Improvement Plan, WBS 3.1.1.2)

(TAB D-2)
**ARMY GENERAL FUND UNCORRECTED WEAKNESS(ES) STATUS OF
CORRECTIVE ACTIONS**

General Fund Uncorrected Weakness(es) Identified During Prior Periods

Title and Description of Material Weakness: General Property, Plant, and Equipment. Statement of the Federal Financial Accounting Standards No. 6, "Accounting for Property, Plant, and Equipment," requires that all General Property, Plant, and Equipment be recorded at cost, and that depreciation expense be recognized on all General Property, Plant, and Equipment. The Army has acknowledged Military Equipment was not recorded at acquisition or historical cost and did not include all costs needed to bring the assets to a form and location suitable for their intended use. Also, the Army could not support the reported cost of Military Equipment in accordance with Statement of Federal Financial Accounting Standards No. 6. The Army also lacks financial accountability systems for all its Military Table of Equipment unit property books that comply with the Federal Financial Management Improvement Act (FFMIA) of 1996.

Functional Category: Real Property

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

Pace of Corrective Action:

Year Identified: FY 2008

Original Target Date: 2nd Qtr. FY 2010

Target Date in Last Year's Report: 2nd Qtr. FY 2010

Current Target Date: 4th Qtr. FY 2013

Reason for Change in Date(s): Date changed to accurately reflect ongoing efforts within OACSIM.

Validation Process: Internal validation will be conducted by AAA.

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

Source(s) Identifying Weakness: Independent Auditor's Report on the FY 2008 Army General Fund Financial Statements (9 November 2008); Army Financial Improvement Plan

(TAB D-2)
**ARMY GENERAL FUND UNCORRECTED WEAKNESS(ES) STATUS OF
CORRECTIVE ACTIONS**

Major Milestones in Corrective Action:

A. Completed Milestones:

<u>Date:</u>	<u>Milestone:</u>
1 st Qtr. FY 2007	Identify Requirements to accurately report General PP&E - Real Property (Army RP Financial Improvement Plan WBS 3.1.1)

B. Planned Milestones for 4th Qtr. FY 2009:

<u>Date:</u>	<u>Milestone:</u>
4 th Qtr. FY 2009	Continue to implement Army Real Property Audit Readiness Handbook.

C. Planned Milestones (Beyond Fiscal Year 2009):

<u>Date:</u>	<u>Milestone</u>
4 th Qtr. FY 2010	Continue to implement Army Real Property Audit Readiness Handbook.
4 th Qtr. FY 2011	Continue to implement Army Real Property Audit Readiness Handbook.
4 th Qtr. FY 2012	Implement sustainable business process to report General PP&E - Real Property (Army RP Financial Improvement Plan WBS 3.1.3)
4 th Qtr. FY 2012	Report General PP&E - Real Property in accordance with a sustainable business process (Army RP Financial Improvement Plan WBS 3.1.5)
4 th Qtr. FY 2013	Internal validation of General PP&E – Real Property Assets (AAA) (Army RP Financial Improvement Plan WBS 5.1.1.2)

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**ARMY GENERAL FUND UNCORRECTED WEAKNESS(ES) STATUS OF
CORRECTIVE ACTIONS**

General Fund Uncorrected Weakness(es) Identified During Prior Periods

Title and Description of Material Weakness: General Property, Plant, and Equipment. Statement of the Federal Financial Accounting Standards No. 6, "Accounting for Property, Plant, and Equipment," requires that all General Property, Plant, and Equipment be recorded at cost, and that depreciation expense be recognized on all General Property, Plant, and Equipment. The Army has acknowledged Military Equipment was not recorded at acquisition or historical cost and did not include all costs needed to bring the assets to a form and location suitable for their intended use. Also, the Army could not support the reported cost of Military Equipment in accordance with Statement of Federal Financial Accounting Standards No. 6. The Army also lacks financial accountability systems for all its Military Table of Equipment unit property books that comply with the Federal Financial Management Improvement Act (FFMIA) of 1996.

Functional Category: Military Equipment

Senior Official in Charge: Mr. Robert J. Turzak, G-4/DCSLOG

Pace of Corrective Action:

Year Identified: FY 2008

Original Target Date: 2nd Qtr. FY 2012

Target Date in Last Year's Report: 2nd Qtr. FY 2012

Current Target Date: 2nd Qtr. FY 2012

Reason for Change in Date(s): N/A

Validation Process: Internal validation will be conducted by AAA.

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

Source(s) Identifying Weakness: Independent Auditor's Report on the FY 2008 Army General Fund Financial Statements (November 9, 2008); Army Financial Improvement Plan

(TAB D-2)
**ARMY GENERAL FUND UNCORRECTED WEAKNESS(ES) STATUS OF
CORRECTIVE ACTIONS**

Major Milestones in Corrective Action:

A. Completed Milestones:

<u>Date:</u>	<u>Milestone:</u>
1 st Qtr. FY 2006	Identify the universe of Military Equipment population and the associated user base (Army ME Financial Improvement Plan WBS 3.1.2.1)
1 st Qtr. FY 2006	Establish the Military Equipment baseline (Army ME Financial Improvement Plan WBS 3.2)
4 th Qtr. FY 2006	Implement a mid-term solution to maintain Military Equipment baseline in CAMS-ME (Army ME Financial Improvement Plan WBS 3.1.20.2)

B. Planned Milestones for 4th Qtr. FY 2009:

<u>Date:</u>	<u>Milestone:</u>
4 th Qtr. FY 2009	Complete CAMS-ME update (on-going).

C. Planned Milestones (Beyond Fiscal Year 2009):

<u>Date:</u>	<u>Milestone</u>
1 st Qtr. FY 2010	Reconcile Military Equipment data with Army logistical/accountability and accounting systems of record (Army ME Financial Improvement Plan WBS 3.12)
1 st Qtr. FY 2012	Report Military Equipment in accordance with an Auditable Process (Army ME Financial Improvement Plan WBS 3.16)
2 nd Qtr. FY 2012	Internal validation of Military Equipment (AAA) (Army ME Financial Improvement Plan WBS 5.1.1)

(TAB D-2)
**ARMY GENERAL FUND UNCORRECTED WEAKNESS(ES) STATUS OF
CORRECTIVE ACTIONS**

General Fund Uncorrected Weakness(es) Identified During Prior Periods

Title and Description of Material Weakness: Environmental Liabilities. The Army has not properly estimated and reported environmental liabilities. The processes used to report environmental liabilities for the Defense Environmental Restoration Program, Base Realignment and Closure, and the non-Defense Environmental Restoration Program on the financial statements were not adequate to establish or maintain sufficient documentation and audit trails. Although estimators were properly qualified to perform estimates, the Army did not document supervisory reviews of estimates and did not have adequate quality control programs in place to ensure the reliability of data.

Functional Category: Environmental Liabilities

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

Pace of Corrective Action:

Year Identified: FY 2008

Original Target Date: 1st Qtr. FY 2012

Target Date in Last Year's Report: 1st Qtr. FY 2012

Current Target Date: 4th Qtr. FY 2012

Reason for Change in Date(s): Date changed to reflect ongoing efforts within OACSIM.

Validation Process: Internal validation will be conducted by AAA.

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

Source(s) Identifying Weakness: Independent Auditor's Report on the FY 2008 Army General Fund Financial Statements (9 November 2008); Army Financial Improvement Plan

(TAB D-2)
**ARMY GENERAL FUND UNCORRECTED WEAKNESS(ES) STATUS OF
CORRECTIVE ACTIONS**

A. Completed Milestones:

<u>Date:</u>	<u>Milestone:</u>
3 rd Qtr. FY 2009	Identify the environmental liabilities universe for environmental liability program (Army EL Financial Improvement Plan WBS 3.1.1, 3.2.1, 3.4.1, 2.5.1, 3.7.1, 3.11.1, 3.12.1, 3.13.1, 3.14.1, 3.15.1)
3 rd Qtr. FY 2009	Ensure quality of documentation meets audit standards for environmental liability program (Army EL Financial Improvement Plan WBS 3.1.2.2, 3.2.2.2, 3.3.2.2, 3.4.2.2, 3.5.2.2, 3.7.2.2, 3.12.2.2, 3.11.2.2, 3.13.2.2, 3.14.2.2)
3 rd Qtr. FY 2009	Implement a sustainable business process to report environmental liability program (Army EL Financial Improvement Plan WBS 3.3.4, 3.4.4, 3.5.4, 3.7.4, 3.14.5)
3 rd Qtr. FY 2009	Perform site level supervisory review on environmental liability program (Army EL Financial Improvement Plan WBS 3.1.5.1, 3.2.5.1, 3.3.4.1, 3.4.4.1, 3.7.4.1, 3.11.5.1)
3 rd Qtr. FY 2009	Implement Internal Control Program to ensure accurate site level environmental liability data (Army EL Financial Improvement Plan WBS 3.3.4.2, 3.4.4.2, 3.5.4.1, 3.7.4.3, 3.11.5.3, 3.12.5.1, 3.13.5.1, 3.14.5.1)

B. Planned Milestones for 4th Qtr. FY 2009:

<u>Date:</u>	<u>Milestone:</u>
4 th Qtr. FY 2009	OACSIM provide Audit Readiness Validation Plan –Active Installations (Environmental Liabilities and Disposal Liabilities) (Army EL Financial Improvement Plan WBS 3.1.6)
4 th Qtr. FY 2009	Provide Audit Readiness Validation Plan-Military Munitions Response Program (Environmental Liabilities and Disposal Liabilities) (Army EL Financial Improvement Plan WBS 3.2.8)

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**ARMY GENERAL FUND UNCORRECTED WEAKNESS(ES) STATUS OF
CORRECTIVE ACTIONS**

C. Planned Milestones (Beyond Fiscal Year 2009):

<u>Date:</u>	<u>Milestone:</u>
1 st Qtr. FY 2010	Implement a sustainable business process to report Active Installations-Military Munitions Response Program (Army EL Financial Improvement Plan WBS 3.2.5)
3 rd Qtr. FY 2010	Provide Audit Readiness Validation Plan – FUDS IRP (Environmental Liabilities and Disposal Liabilities (Army EL Financial Improvement Plan WBS 3.3.5)
4 th Qtr. FY 2010	Identify the environmental liabilities universe for Non-BRAC Asbestos (Army EL Financial Improvement Plan WBS 3.8.1)
4 th Qtr. FY 2012	Identify the environmental liabilities universe for environmental liabilities segment (Army EL Financial Improvement Plan WBS 3.6.1, 3.8.1, 3.9.1, 3.10.1, 3.16.1)
4 th Qtr. FY 2012	Ensure quality of documentation meets audit standards for environmental liabilities segment (Army EL Financial Improvement Plan WBS 3.6.2.2, 3.8.2.2, 3.9.2.2, 3.10.2.2)
4 th Qtr. FY 2012	Implement a sustainable business process to report environmental liabilities segment (Army EL Financial Improvement Plan WBS 3.1.5, 3.2.5, 3.6.4, 3.8.3, 3.9.4, 3.10.4, 3.11.5, 3.12.5, 3.13.5)
4 th Qtr. FY 2012	Perform site level supervisory review on environmental liabilities segment (Army EL Financial Improvement Plan WBS 3.6.4.1, 3.8.3.1, 3.9.4.1, 3.10.4.1)

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**ARMY GENERAL FUND UNCORRECTED WEAKNESS(ES) STATUS OF
CORRECTIVE ACTIONS**

4 th Qtr. FY 2012	Implement Internal Control Program to ensure accurate site level liability data (Army EL Financial Improvement Plan WBS 3.1.5.2, 3.2.5.2, 3.6.4.2, 3.8.3.2, 3.9.4.2, 3.10.4.3)
4 th Qtr. FY 2012	Provide Audit Readiness Validation Plan (Environmental Liabilities and Disposal Liabilities) (Army EL Financial Improvement Plan WBS 3.3.5, 3.4.7, 3.5.5, 3.6.5, 3.7.5, 3.8.4, 3.9.5, 3.10.5, 3.11.6, 3.12.8, 3.13.6, 3.14.6, 3.15.4, 3.16.4)

(TAB D-2)
**ARMY GENERAL FUND UNCORRECTED WEAKNESS(ES) STATUS OF
CORRECTIVE ACTIONS**

General Fund Uncorrected Weakness(es) Identified During Prior Periods

Title and Description of Material Weakness: Intragovernmental Eliminations. DOD is unable to collect, exchange, and reconcile buyer and seller Intragovernmental transactions, resulting in adjustments that cannot be verified. This is primarily because of systems' limitations, as the majority of the systems currently used within DOD do not allow the capture of buyer-side information for use in reconciliations and eliminations. DOD and Army accounting systems were unable to capture trading partner data at the transaction level to facilitate required trading partner eliminations, and DOD guidance did not require adequate support for eliminations. In addition, DOD procedures required that buyer-side transaction data be forced to agree with seller-side transaction data without performing proper reconciliations. Therefore, DFAS Indianapolis made \$38.6 billion in unsupported adjustments to Intragovernmental accounts for FY 2008, to force the accounts to agree with the records of Army's trading partners.

Functional Category: Intragovernmental Eliminations

Senior Official in Charge: Mr. John Argodale, DASA for Financial Operations, OASA(FM&C)

Pace of Corrective Action:

Year Identified: FY 2008

Original Target Date: 4th Qtr. FY 2011

Target Date in Last Year's Report: 4th Qtr. FY 2011

Current Target Date: 1st Qtr. FY 2012

Reason for Change in Date(s): GFEBS full operational capability date slipped to 1st quarter FY 2012.

Validation Process: Internal validation will be conducted by AAA.

Results Indicators: Success is defined as the segment's passing audit readiness validation.

Source(s) Identifying Weakness: Independent Auditor's Report on the FY 2008 Army General Fund Financial Statements (November 9, 2008); Army Financial Improvement Plan; DFAS Financial Improvement Plan, June 2009

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**ARMY GENERAL FUND UNCORRECTED WEAKNESS(ES) STATUS OF
CORRECTIVE ACTIONS**

Major Milestones in Corrective Action:

A. Completed Milestones:

<u>Date:</u>	<u>Milestone:</u>
3 rd Qtr. FY 2009	Logistics Modernization Program (LMP) Second Deployment to AMCOM.

B. Planned Milestones for 4th Qtr. FY 2009:

<u>Date:</u>	<u>Milestone:</u>
4 th Qtr. FY 2009	AMC continues LMP fielding modifications in preparation for Third Deployment
4 th Qtr. FY 2009	Identify current plans from ERP prospective for addressing intragovernmental eliminations (DFAS AR Financial Improvement Plan, WBS 1.3.8.2)
4 th Qtr. FY 2009	Evaluate viability of SIFS compliance enhancing the intragovernmental elimination process (DFAS AR Financial Improvement Plan, WBS 1.3.8.3)

C. Planned Milestones (Beyond Fiscal Year 2009):

<u>Date:</u>	<u>Milestone:</u>
2 nd Qtr. FY 2010	Identify current focus of the Intragovernmental Value-Added Network (IVAN) System for eliminations (DFAS AR Financial Improvement Plan, WBS 1.3.8.1)
1 st Qtr. FY 2011	Summarize and review the current potential for capturing elimination data in legacy environment (DFAS AR Financial Improvement Plan, WBS 1.3.8.4)
1 st Qtr. FY 2011	Confirm sustainable processes, procedures, and/or systems exist to eliminate intragovernmental costs and revenues (Army Other Financial Improvement Plan, WBS 3.2.1.1.2.3)

(TAB D-2)
**ARMY GENERAL FUND UNCORRECTED WEAKNESS(ES) STATUS OF
CORRECTIVE ACTIONS**

1 st Qtr. FY 2011	Full operational capability of Logistics Modernization Program (LMP) (Army Inventory Financial Improvement Plan, WBS 3.1.12)
2 nd Qtr. FY 2011	Analyze and document the impact of intragovernmental eliminations on the Public A/P process and identify the sources and reasoning for such adjustments (DFAS AP Financial Improvement Plan, WBS 5.3.3.2)
4 th Qtr. FY 2011	Correct identified deficiencies over Intragovernmental Transactions and Eliminations (Army Other Financial Improvement Plan, WBS 3.7.3.1.3)
1 st Qtr. FY 2012	Full operational capability of GFEBS (Army OM&S Financial Improvement Plan, WBS 3.1.16.4)

(TAB D-2)
**ARMY GENERAL FUND UNCORRECTED WEAKNESS(ES) STATUS OF
CORRECTIVE ACTIONS**

General Fund Uncorrected Weakness(es) Identified During Prior Periods

Title and Description of Material Weakness: 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. DFAS Indianapolis did not adequately support \$595.8 billion in journal voucher adjustments for FY 2008 used to prepare the Army General Fund financial statements.

Functional Category: Accounting Adjustments

Senior Official in Charge: Mr. John Argodale, DASA for Financial Operations, OASA(FM&C)

Pace of Corrective Action:

Year Identified: FY 2008

Original Target Date: 4th Qtr. FY 2011

Target Date in Last Year's Report: 4th Qtr. FY 2011

Current Target Date: 1st Qtr. FY 2012

Reason for Change in Date(s): GFEBS full operational capability date slipped to 1st quarter FY 2012.

Validation Process: Internal validation will be conducted by AAA.

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

Source(s) Identifying Weakness: Independent Auditor's Report on the FY 2008 Army General Fund Financial Statements (November 29, 2008); Army Financial Improvement Plan

Major Milestones in Corrective Action:

A. Completed Milestones:

Date:

3rd Qtr. FY 2009

Milestone:

FFMIA audit is on-going.

(TAB D-2)
**ARMY GENERAL FUND UNCORRECTED WEAKNESS(ES) STATUS OF
CORRECTIVE ACTIONS**

B. Planned Milestones for 4th Qtr. FY 2009:

<u>Date:</u>	<u>Milestone:</u>
4 th Qtr. FY 2009	Testing for Release 1.2 has been merged into testing for Release 1.3.

C. Planned Milestones (Beyond Fiscal Year 2009):

<u>Date:</u>	<u>Milestone:</u>
1 st Qtr. FY 2011	Full operational capability of Logistics Modernization Program (LMP) (Army Inventory Financial Improvement Plan, WBS 3.1.12)
1 st Qtr. FY 2012	Full operational capability of GFEBS (Army Financial Improvement Plan, WBS 3.1.16.4)

(TAB D-2)
ARMY GENERAL FUND UNCORRECTED WEAKNESS(ES) STATUS OF
CORRECTIVE ACTIONS

General Fund Uncorrected Weakness(es) Identified During Prior Periods

Title and Description of Material Weakness: 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. Because financial processes and systems do not correlate costs with performance measures, revenues and expenses are reported by appropriation categories. The amounts presented in the Statement of Net Cost are based on funding, obligation, and disbursing transactions, which are not always recorded using accrual accounting. Army systems do not always record the transactions on an accrual basis as required by GAAP. To capture all cost and financing sources for the Army, the information presented also includes data from non-financial feeder systems. In addition, Army General Fund budgetary and proprietary information does not correlate. As a result, DFAS Indianapolis made \$22.9 billion in unsupported adjustments to force costs to agree with obligation information.

Functional Category: Statement of Net Cost

Senior Official in Charge: Mr. John Argodale, DASA for Financial Operations, OASA(FM&C)

Pace of Corrective Action:

Year Identified: FY 2008

Original Target Date: 4th Qtr. FY 2011

Target Date in Last Year's Report: 4th Qtr. FY 2011

Current Target Date: 1st Qtr. FY 2012

Reason for Change in Date(s): GFEBS full operational capability date slipped to 1st quarter FY 2012.

Validation Process: Internal validation will be conducted by AAA.

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

Source(s) Identifying Weakness: Independent Auditor's Report on the FY 2008 Army General Fund Financial Statements (November 9, 2008), Army Financial Improvement Plan

(TAB D-2)
**ARMY GENERAL FUND UNCORRECTED WEAKNESS(ES) STATUS OF
CORRECTIVE ACTIONS**

Major Milestones in Corrective Action:

A. Completed Milestones:

<u>Date:</u>	<u>Milestone:</u>
3 rd Qtr. FY 2009	Logistics Modernization Program (LMP) Second Deployment to AMCOM.

B. Planned Milestones for 4th Qtr. FY 2009:

<u>Date:</u>	<u>Milestone:</u>
4 th Qtr. FY 2009	AMC continues LMP fielding modifications in preparation for Third Deployment

C. Planned Milestones (Beyond Fiscal Year 2009):

<u>Date:</u>	<u>Milestone:</u>
1 st Qtr. FY 2011	Full operational capability of LMP (Army Inventory Financial Improvement Plan, WBS 3.1.12)
1 st Qtr. FY 2012	Report the full cost of outputs in the General Fund Financial Statements (SFFAS # 4, par. 89) (Army Other Financial Improvement Plan, WBS 3.2.1.1.3.1)
1 st Qtr. FY 2012	Report indirect costs included in the full cost of outputs (SFFAS # 4, par. 91) (Army Other Financial Improvement Plan, WBS 3.2.1.1.3.2)
1 st Qtr. FY 2012	Report general management and administrative support costs as a cost not assigned to programs if they cannot be identified by segment (SFFAS # 4, par. 92) (Army Other Financial Improvement Plan, WBS 3.2.1.1.3.3)
1 st Qtr. FY 2012	Report other post employment benefits as an expense for the period during which the future outflow or other sacrifice is probable and measurable on the basis of events occurring on or before the accounting date (SFFAS # 4, par. 96) (Army Other Financial Improvement Plan, WBS 3. 2.1.1.3.4)

(TAB D-2)
**ARMY GENERAL FUND UNCORRECTED WEAKNESS(ES) STATUS OF
CORRECTIVE ACTIONS**

<u>Date:</u>	<u>Milestone:</u>
1 st Qtr. FY 2012	Report as an expense the benefits paid during the reporting period plus any increase or less any decrease in liabilities from the end of the prior period to the end of the current period (SFFAS # 17, par. 22) (Army Other Financial Improvement Plan, WBS 3.2.1.1.3.5)
1 st Qtr. FY 2012	Report inter-entity costs for goods and services received without reimbursement (SFFAS #4, par. 112) (Army Other Financial Improvement Plan, WBS 2.3.1.1.3.6)
1 st Qtr. FY 2012	Full operational capability of GFEBS (Army OM&S Financial Improvement Plan, WBS 3.1.16.4)

(TAB D-2)
**ARMY GENERAL FUND UNCORRECTED WEAKNESS(ES) STATUS OF
CORRECTIVE ACTIONS**

General Fund Uncorrected Weakness(es) Identified During Prior Periods

Title and Description of Material Weakness: Abnormal Account Balances. DFAS Indianapolis did not detect, report, or take action to eliminate abnormal balances included in the Army General Fund accounting records. 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. The FY 2008 trial balance data for the Army General Fund included an additional \$261.3 billion of abnormal balances in 53 budgetary general ledger accounts that were not used in compiling the Army General Fund financial statements. DFAS Indianapolis considers this budgetary data so unreliable that the trial balance for budgetary accounts must be constructed from other budgetary reports. 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.

Functional Category: Abnormal Account Balances

Senior Official in Charge: Mr. John Argodale, DASA for Financial Operations, OASA(FM&C)

Pace of Corrective Action:

Year Identified: FY 2008

Original Target Date: 1st Qtr. FY 2012

Target Date in Last Year's Report: 1st Qtr. FY 2012

Current Target Date: 1st Qtr. FY 2012

Reason for Change in Date(s): N/A

Validation Process: Internal validation will be conducted by AAA.

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

Source(s) Identifying Weakness: Independent Auditor's Report on the FY 2008 Army General Fund Financial Statements (November 9, 2008), Army Financial Improvement Plan.

(TAB D-2)
**ARMY GENERAL FUND UNCORRECTED WEAKNESS(ES) STATUS OF
CORRECTIVE ACTIONS**

Major Milestones in Corrective Action:

A. Completed Milestones:

<u>Date:</u>	<u>Milestone:</u>
3 rd Qtr. FY 2009	Logistics Modernization Program (LMP) Second Deployment to AMCOM.

B. Planned Milestones for 4th Qtr. FY 2009:

<u>Date:</u>	<u>Milestone:</u>
4 th Qtr. FY 2009	AMC continues LMP fielding modifications in preparation for Third Deployment

C. Planned Milestones (Beyond Fiscal Year 2009):

<u>Date:</u>	<u>Milestone:</u>
2 nd Qtr. FY 2010	Incorporate the modified pre-validated payment change request (#24164) into the LMP CY 2009 IPMS (Army Inventory Financial Improvement Plan WBS 3.1.12.22.1)
1 st Qtr. FY 2011	Full operational capability of Logistics Modernization Program (LMP) (Army Inventory Financial Improvement Plan, WBS 3.1.12)
2 nd Qtr. FY 2011	Clean-up Accounting Systems Legacy Environment by Evaluating the Integrity and Support of Debts (DFAS AR Financial Improvement Plan, WBS 1.3.5.2)
1 st Qtr. FY 2012	Correct identified deficiencies resulting in Abnormal Account Balances (Army Other Financial Improvement Plan, WBS 3.7.3.14)
1 st Qtr. FY 2012	Full operational capability of GFEBS (Army OM&S Financial Improvement Plan, WBS 3.1.16.4)

(TAB D-2)
**ARMY GENERAL FUND UNCORRECTED WEAKNESS(ES) STATUS OF
CORRECTIVE ACTIONS**

General Fund Uncorrected Weakness(es) Identified During Prior Periods

Title and Description of Material Weakness: Accounts Receivable. The Army has acknowledged weaknesses in its accounts receivable management. The weaknesses are considered to be DOD-wide and apply to both public and intragovernmental receivables at the Army General Fund level. 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
- A lack of controls to ensure that accounts receivable balances are supportable at the transaction level.

Functional Category: Accounts Receivable

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

Pace of Corrective Action:

Year Identified: FY 2008

Original Target Date: 4th Qtr. FY 2011

Target Date in Last Year's Report: 4th Qtr. FY 2011

Current Target Date: 2nd Qtr. FY 2013

Reason for Change in Date(s): Internal validation date changed to 2nd Qtr. FY 2013 during Army to DFAS ownership transfer.

Validation Process: Internal validation will be conducted by AAA.

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

Source(s) Identifying Weakness: Independent Auditor's Report on the FY 2008 Army General Fund Financial Statements (November 9, 2008); DFAS Financial Improvement Plan, June 2009

(TAB D-2)
**ARMY GENERAL FUND UNCORRECTED WEAKNESS(ES) STATUS OF
CORRECTIVE ACTIONS**

Major Milestones in Corrective Action:

A. Completed Milestones:

<u>Date:</u>	<u>Milestone:</u>
2 nd Qtr. FY 2009	Established draft procedures with TJAG and DFAS to clean up suspense accounts (WBS 1.1.4.1.1.1.10.3.9)

B. Planned Milestones for 4th Qtr. FY 2009:

<u>Date:</u>	<u>Milestone:</u>
4 th Qtr. FY 2009	Identify dollar amount and count of receivables in system and identify types of receivables originating in system (DFAS AR Financial Improvement Plan, WBS 1.3.1.2.2.8.1.1.1.1, 1.3.1.2.2.8.1.2.1.1, 1.3.1.2.2.8.1.3.1.1, 1.3.1.2.2.8.1.4.1, 1.3.1.2.2.8.1.5.1) and (DFAS AR Financial Improvement Plan, WBS 1.3.1.1.2.2.8.1.1.1.2, 1.3.1.2.2.8.1.2.1.1, 1.3.1.2.2.8.1.3.1.2, 1.3.1.2.2.8.1.4.1.2, 1.3.1.2.2.8.1.5.1.2)
4 th Qtr. FY 2009	Identify Corrective Actions (DFAS AR Financial Improvement Plan, WBS 1.3.1.2.2.8.1.1.5, 1.3.1.2.2.8.1.2.1.2, 1.3.1.2.2.8.1.3.5, 1.3.1.2.2.8.1.4.5, 1.3.1.2.2.8.1.5.5)

C. Planned Milestones (Beyond Fiscal Year 2009):

<u>Date:</u>	<u>Milestone:</u>
4 th Qtr. FY 2010	Identify dollar amount and count of receivables in system (DFAS AR Financial Improvement Plan, WBS 1.3.1.2.2.8.7.1.1.1, 1.3.1.2.2.8.7.5.6.12)
4 th Qtr. FY 2010	Identify Corrective Actions (DFAS AR Financial Improvement Plan, WBS 1.3.1.2.2.8.7.1.5, 1.3.1.2.2.8.7.5.10)
2 nd Qtr. FY 2013	Develop Accounts Receivable AR Tool Phase III Requirements (DFAS AR Financial Improvement Plan, WBS 1.3.10)

(TAB D-2)
ARMY GENERAL FUND UNCORRECTED WEAKNESS(ES) STATUS OF
CORRECTIVE ACTIONS

General Fund Uncorrected Weakness(es) Identified During Prior Periods

Title and Description of Material Weakness: Accounts Payable. The Army is unable to properly account for and report Accounts Payable. DFAS Indianapolis made \$2.2 billion in unsupported adjustments for FY 2008. In addition, the Army accounting systems do not capture trading partner data at the transaction level in a manner that facilitates trading partner aggregations for intra-agency sales. Therefore, the Army has acknowledged that it was unable to reconcile Intragovernmental accounts payable to the related Intragovernmental accounts receivable that generated the payables.

Functional Category: Accounts Payable

Senior Official in Charge: Mr. John Argodale, Deputy Assistant Secretary of the Army for Financial Operations, 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: 2nd Qtr. FY 2012

Current Target Date: 3rd Qtr. FY 2013

Reason for Change in Date(s): Internal validation date changed to 3rd Qtr. FY 2013 during Army to DFAS ownership transfer.

Validation Process: Internal validation will be conducted by AAA.

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

Source(s) Identifying Weakness: Independent Auditor's Report on the FY 2008 Army General Fund Financial Statements (November 9, 2008); DFAS Financial Improvement Plan, June 2009

(TAB D-2)
**ARMY GENERAL FUND UNCORRECTED WEAKNESS(ES) STATUS OF
CORRECTIVE ACTIONS**

Major Milestones in Corrective Action:

A. Completed Milestones:

<u>Date:</u>	<u>Milestone:</u>
3 rd Qtr. FY 2009	GFEBs release 1.2 subsumes CAPS functionality for current payables.

B. Planned Milestones for 4th Qtr. FY 2009:

<u>Date:</u>	<u>Milestone:</u>
4 th Qtr. FY 2009	MOCAS Clean-up activity period 1 (DFAS AP Financial Improvement Plan, WBS 3.6.5.5.1)
4 th Qtr. FY 2009	MOCAS Clean-up activity period 2 (DFAS AP Financial Improvement Plan, WBS 3.6.5.5.2)

C. Planned Milestones (Beyond Fiscal Year 2009):

<u>Date:</u>	<u>Milestone:</u>
1 st Qtr. FY 2010	MOCAS Clean-up activity period 3 (DFAS AP Financial Improvement Plan, WBS 3.6.5.5.3)
1 st Qtr. FY 2010	MOCAS Clean-up activity period 4 (DFAS AP Financial Improvement Plan, WBS 3.6.5.5.4)
1 st Qtr. FY 2010	MOCAS Clean-up activity period 5 (DFAS AP Financial Improvement Plan, WBS 3.6.5.5.5)
2 nd Qtr. FY 2010	MOCAS Clean-up activity period 6 (DFAS AP Financial Improvement Plan, WBS 3.6.5.5.6)
2 nd Qtr. FY 2010	MOCAS: Complete clean-up at transactional level (DFAS AP Financial Improvement Plan, WBS 3.6.5.5)

(TAB D-2)
**ARMY GENERAL FUND UNCORRECTED WEAKNESS(ES) STATUS OF
CORRECTIVE ACTIONS**

2 nd Qtr. FY 2010	Maintain and modify standard procedures for reconciling Accounts Payable (DFAS AP Financial Improvement Plan, WBS 3.6.5.6)
4 th Qtr. FY 2010	Through data analysis, evaluate WAWF process of the flow of the receipt from WAWF to the entitlement systems and to accounting to ensure timely receipt and posting of the accrual in the accounting records (DFAS AP Financial Improvement Plan, WBS 5.3.2.2)
1 st Qtr. FY 2011	Full operational capability of Logistics Modernization Program (LMP) (Army Inventory Financial Improvement Plan, WBS 3.1.12)
1 st Qtr. FY 2012	Full operational capability of GFEBS (Army OM&S Financial Improvement Plan, WBS 3.1.16.4)
4 th Qtr. FY 2012	Determine if entitlement system has ability to appropriately age Accounts Payable (DFAS AP Financial Improvement Plan, WBS 5.4.1.1.3.1, 5.4.1.1.6.1, 5.4.1.1.9.1)
4 th Qtr. FY 2012	Determine if accounting system has ability to appropriately age Accounts Payable (DFAS AP Financial Improvement Plan, WBS 5.4.1.1.3.2, 5.4.1.1.6.2, 5.4.1.1.9.2)
4 th Qtr. FY 2012	Determine changes needed to bring non-aging systems into aging status (DFAS AP Financial Improvement Plan, WBS 5.4.1.1.3.3, 5.4.1.1.6.3, 5.4.1.1.9.3)
3 rd Qtr. FY 2013	Internal validation of Accounts Payable (DFAS AP FIP, WBS 6.4)

(TAB D-2)
**ARMY GENERAL FUND UNCORRECTED WEAKNESS(ES) STATUS OF
CORRECTIVE ACTIONS**

General Fund Uncorrected Weakness(es) Identified During Prior Periods

Title and Description of Material Weakness: 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." Although the Army developed an alternative methodology to calculate these items, the amount of distortion cannot be reliably determined.

Functional Category: Statement of Budgetary Resources

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

Pace of Corrective Action:

Year Identified: FY 2008

Original Target Date: 4th Qtr. FY 2011

Target Date in Last Year's Report: 4th Qtr. FY 2011

Current Target Date: 1st Qtr. FY 2012

Reason for Change in Date(s): GFEBs full operational capability date slipped to 1st quarter FY 2012.

Validation Process: Internal validation will be conducted by AAA.

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

Source(s) Identifying Weakness: Independent Auditor's Report on the FY 2008 Army General Fund Financial Statements (November 9, 2008), Army Financial Improvement Plan

Major Milestones in Corrective Action:

A. Completed Milestones:

<u>Date:</u>	<u>Milestone:</u>
3 rd Qtr. FY 2009	Logistics Modernization Program (LMP) Second Deployment completed.

(TAB D-2)
**ARMY GENERAL FUND UNCORRECTED WEAKNESS(ES) STATUS OF
CORRECTIVE ACTIONS**

B. Planned Milestones for 4th Qtr. FY 2009:

<u>Date:</u>	<u>Milestone:</u>
4 th Qtr. FY 2009	DFAS completes updating procedures for recording unobligated balances. Continue fielding modifications for LMP and GFEBS.

C. Planned Milestones (Beyond Fiscal Year 2009):

<u>Date:</u>	<u>Milestone:</u>
1 st Qtr. FY 2011	Full operational capability of Logistics Modernization Program (Army Inventory Financial Improvement Plan, WBS 3.1.12)
1 st Qtr. FY 2012	Full operational capability of GFEBS (Army OM&S Financial Improvement Plan WBS 3.1.16.4)

(TAB D-2)
**ARMY GENERAL FUND UNCORRECTED WEAKNESS(ES) STATUS OF
CORRECTIVE ACTIONS**

General Fund Uncorrected Weakness(es) Identified During Prior Periods

Title and Description of Material Weakness: Reconciliation of Net Cost of Operations to Budget. The Statement of Federal Financial Accounting Standards No. 7 “requires a reconciliation of proprietary and budgetary information to assist users in understanding the relationship of the data.” During FY 2007, OMB rescinded the requirement to report this reconciliation as a Statement of Financing and now requires the disclosure of the information as a note to the financial statements. The Army General Fund is unable to accurately represent the relationship between budgetary obligations incurred and its Statement of Net Costs without preparing \$1.2 billion in unsupported adjustments for FY 2008 to the general ledger accounts to force costs to match obligation information.

Functional Category: Reconciliation of Net Cost of Operations to Budget

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

Pace of Corrective Action:

Year Identified: FY 2008

Original Target Date: 4th Qtr. FY 2011

Target Date in Last Year’s Report: 4th Qtr. FY 2011

Current Target Date: 1st Qtr. FY 2012

Reason for Change in Date(s): GFEBS full operational capability date slipped to 1st quarter FY 2012.

Validation Process: Internal validation will be conducted by AAA.

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

Source(s) Identifying Weakness: Independent Auditor’s Report on the FY 2008 Army General Fund Financial Statements (November 9, 2008); Army Financial Improvement Plan

(TAB D-2)
**ARMY GENERAL FUND UNCORRECTED WEAKNESS(ES) STATUS OF
CORRECTIVE ACTIONS**

Major Milestones in Corrective Action:

A. Completed Milestones:

<u>Date:</u>	<u>Milestone:</u>
3 rd Qtr. FY 2009	Logistics Modernization Program (LMP) Second Deployment to AMCOM.

B. Planned Milestones for 4th Qtr. FY 2009:

<u>Date:</u>	<u>Milestone:</u>
4 th Qtr. FY 2009	Continue fielding modifications for LMP and GFEBS.

C. Planned Milestones (Beyond Fiscal Year 2009):

<u>Date:</u>	<u>Milestone:</u>
1 st Qtr. FY 2011	Full operational capability of Logistics Modernization Program (Army Inventory Financial Improvement Plan, WBS 3.1.12)
1 st Qtr. FY 2012	Full operational capability of GFEBS (Army OM&S Financial Improvement Plan WBS 3.1.16.4)

(TAB D-3)
ARMY MATERIAL WEAKNESS(ES) CORRECTED THIS PERIOD

General Fund Identified During Prior Periods

Title and Description of Material of Weakness: Contingency Payment Audit Trails
(see page B-3-2).

(TAB E-1)
LIST OF ALL ARMY WORKING CAPITAL FUND UNCORRECTED AND CORRECTED MATERIAL WEAKNESSES

Working Capital Fund Uncorrected Weaknesses Identified During the Period:

Title	Quarter (QTR) and Date (FY) Targeted Correction Date	Page #
<u>Abnormal Account Balances</u> Army Managers and DFAS Indianapolis have not detected, reported or taken action to eliminate abnormal account balances, and use abnormal accounts to compile amounts reported on the balance sheet.	1 st Qtr. FY 2012	E-2-1

Uncorrected Weaknesses Identified During Prior Periods:

Title	Year First Reported	Correction QTR and FY Date		Page #
		Per Last Annual Statement	Per This Annual Statement	
<u>Financial Management Systems</u> The lack of a single, standard transaction-driven general ledger will prevent the Army from preparing auditable financial statements.	FY 2008	2 nd Qtr. FY 2014	2 nd Qtr. FY 2014	E-2-3
<u>Inventory</u> 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 are unable to produce financial transactions using the U.S. Government Standard General Ledger.	FY 2008	2 nd Qtr. FY 2015	2 nd Qtr. FY 2015	E-2-6
<u>General Property, Plant, and Equipment</u> 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	1 st Qtr. FY 2011	4 th Qtr. FY 2013	E-2-9

(TAB E-1)
LIST OF ALL ARMY WORKING CAPITAL FUND UNCORRECTED AND CORRECTED
MATERIAL WEAKNESSES

<u>Title</u>	<u>Year First Reported</u>	<u>Correction QTR and FY Date</u>		<u>Page #</u>
		<u>Per Last Annual Statement</u>	<u>Per This Annual Statement</u>	
<u>Intragovernmental Eliminations</u> DOD is unable to collect, exchange, and reconcile buyer and seller intra-governmental transactions, resulting in adjustments that cannot be verified.	FY 2008	4 th Qtr. FY 2011	1 st Qtr. FY 2012	E-2-13
<u>Accounting Adjustments (Other Accounting Entries)</u> Because of inadequate financial management systems and processes, journal voucher adjustments and data calls were used to prepare the Army Working Capital Fund financial statements.	FY 2008	4 th Qtr. FY 2011	1 st Qtr. FY 2012	E-2-16
<u>Statement of Net Cost</u> 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	4 th Qtr. FY 2011	1 st Qtr. FY 2012	E-2-18
<u>Accounts Payable</u> The Army is unable to properly account for and report Accounts Payable.	FY 2008	2 nd Qtr. FY 2012	3 rd Qtr. FY 2013	E-2-21
<u>Reconciliation of Net Cost of Operations to Budget</u> The Army Working Capital Fund is unable to accurately represent the relationship between budgetary obligations incurred and its Statement of Net Costs without preparing \$348 million in unsupported adjustments to the general ledger accounts to force costs to match obligation information.	FY 2008	4 th Qtr. FY 2011	1 st Qtr. FY 2012	E-2-24

(TAB E-1)
LIST OF ALL ARMY WORKING CAPITAL FUND UNCORRECTED AND CORRECTED
MATERIAL WEAKNESSES

Corrected Weaknesses Identified During All Periods:

<u>Title</u>	Year First Reported	<u>Page #</u>
N/A		

(TAB E-2)
**AWCF UNCORRECTED WEAKNESS(ES) STATUS OF CORRECTIVE
ACTIONS**

Working Capital Fund Uncorrected Weakness(es) Identified During the Period

Title and Description of Material Weakness: Abnormal Account Balances. Army managers and DFAS Indianapolis personnel had not detected and reported, or taken action to eliminate, abnormal balances reported by Army Working Capital Fund field-level organizations. In FY 2008, the Army Working Capital Fund organizations reported 57 abnormal account balances (at the limit level), valued at \$753.7 million. Nineteen of the 57 abnormal account balances, valued at \$51.6 million, were from the Logistics Modernization Program system. The Army and DFAS Indianapolis used the 57 abnormal balances to compile the amounts reported on the Balance Sheet for: Intragovernmental Accounts Receivable, Inventory, Intragovernmental Accounts Payable, Accounts Payable, and Other Liabilities.

Functional Category: Abnormal Account Balances

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

Pace of Corrective Action:

Year Identified: FY 2009

Original Target Date: 1st Qtr. FY 2012

Target Date in Last Year's Report: N/A

Current Target Date: 1st Qtr. FY 2012

Reason for Change in Date(s): N/A

Validation Process: Internal validation will be conducted by AAA.

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

Source(s) Identifying Weakness: Independent Auditor's Report on the FY 2008 Army Working Capital Fund Financial Statements (November 9, 2008)

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

Major Milestones in Corrective Action:

A. Completed Milestones:

<u>Date:</u>	<u>Milestone:</u>
3 rd Qtr. FY 2009	Logistics Modernization Program (LMP) Second Deployment to AMCOM.

B. Planned Milestones for 4th Qtr. FY 2009:

<u>Date:</u>	<u>Milestone:</u>
4 th Qtr. FY 2009	AMC continues LMP fielding modifications in preparation for Third Deployment

C. Planned Milestones (Beyond Fiscal Year 2009):

<u>Date:</u>	<u>Milestone:</u>
3 rd Qtr. FY 2010	AMC G3, LAISO and PM LMP incorporate the modified Pre-validated Payment CR#24164 into the CY 09 IPMS. (Army Inventory Financial Improvement Plan, WBS 3.1.12.22.1)
1 st Qtr. FY 2011	Full operational capability of Logistics Modernization Program (LMP) (Army Inventory Financial Improvement Plan, WBS 3.1.12)
1 st Qtr. FY 2012	Full operational capability of GFEBS (Army OM&S Financial Improvement Plan, WBS 3.1.16.4)

(TAB E-2)
**AWCF UNCORRECTED WEAKNESS(ES) STATUS OF CORRECTIVE
ACTIONS**

Working Capital Fund Uncorrected Weakness(es) Identified During Prior Periods

Title and Description of Material Weakness: Financial Management Systems. Army accounting systems lacked a single, standard transaction-driven general ledger. The Army also needed to upgrade or replace many of its non-financial feeder systems so that financial statement reporting requirements could be met. The lack of a single, standard transaction-driven general ledger will continue to prevent the Army from preparing auditable financial statements.

Functional Category: Financial Management Systems

Component: Army

Senior Official in Charge: Ms. Kristyn Jones, Director, Financial Information Management, OASA(FM&C)

Pace of Corrective Action:

Year Identified: FY 2008

Original Targeted Correction Date: 2nd Qtr. FY 2014

Targeted Correction Date in Last Year's Report: 2nd Qtr. FY 2014

Current Target Date: 2nd Qtr. FY 2014

Reason for Change in Date(s): N/A

Validation Process: Internal validation will be conducted by AAA.

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

Source(s) Identifying Weakness: Independent Auditor's Report on the FY 2008 Army Working Capital Fund Financial Statements (November 9, 2008); Army Financial Improvement Plan

(TAB E-2)
**AWCF UNCORRECTED WEAKNESS(ES) STATUS OF CORRECTIVE
ACTIONS**

Major Milestones to Include Progress to Date:

A. Completed Milestones:

<u>Date:</u>	<u>Milestone:</u>
3 rd Qtr. FY 2002	Field DPAS to required units and activities (SFFAS #6, SFFAS #3) (Army GE Financial Improvement Plan, WBS 3.1.1.1.2.1.1)
4 th Qtr. FY 2006	Replaced Army Medical Department Property Accounting System (AMEDDPAS) by Defense Medical Logistics Standard Support System (DMLSS) (Army GE Financial Improvement Plan, WBS 3.4.1)

B. Planned Milestones for 4th Qtr. FY 2009:

<u>Date:</u>	<u>Milestone:</u>
4 th Qtr. FY 2009	Continue fielding modifications for GFEBS and LMP.

C. Planned Milestones (Beyond Fiscal Year 2009):

<u>Date:</u>	<u>Milestone:</u>
1 st Qtr. FY 2011	Obtain AAA certification that PBUSE complies with all identified requirements based on the current versions of the DFAS Blue Book and JFMIP (Army GE Financial Improvement Plan, WBS 3.4.4.16)
1 st Qtr. FY 2012	Obtain AAA certification that IFS complies with all identified requirements based on the current versions of the DFAS Blue Book and JFMIP (Army RP Improvement Plan WBS 3.1.9.15)
4 th Qtr. FY 2010	Conduct follow-up audit of implemented corrective actions for PBUSE (Army GE Financial Improvement Plan WBS 3.4.4.15)
1 st Qtr. FY 2011	Logistics Modernization Program (LMP) to replace Commodity Command Standard System-Financial (CCSS-F) (Army GE Financial Improvement Plan, WBS 3.4.2)

(TAB E-2)
**AWCF UNCORRECTED WEAKNESS(ES) STATUS OF CORRECTIVE
ACTIONS**

1 st Qtr. FY 2011	LMP to replace Commodity Command Standard System-Logistics (CCSS-L) (Army Financial Improvement Plan, WBS 3.4.3)
1 st Qtr. FY 2011	Full operational capability of Logistics Modernization Program (LMP) (Army Inventory Financial Improvement Plan, WBS 3.1.12)
1 st Qtr. FY 2012	Full operational capability of General Fund Enterprise Business System (GFEBS) (Army OM&S Financial Improvement Plan, WBS 3.1.16.4)
2 nd Qtr. FY 2014	Full operational capability of Global Combat Support System - Army (GCSS-A) (Army Inventory Financial Improvement Plan, WBS 3.1.11)
2 nd Qtr. FY 2014	Correct remaining identified Financial Management Systems deficiencies

(TAB E-2)
**AWCF UNCORRECTED WEAKNESS(ES) STATUS OF CORRECTIVE
ACTIONS**

Working Capital Fund Uncorrected Weakness(es) Identified During Prior Periods

Title and Description of Material Weakness: Inventory. Inventories are valued and reported at approximate historical cost using latest acquisition cost adjusted for holding gains and losses. 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 do not produce financial transactions using the U.S. Government Standard General Ledger. Statement of Federal Financial Accounting Standards No. 3 states that Inventory must be expensed when the items are consumed. However, the Army has acknowledged that significant amounts of Inventory were expensed when they were purchased instead of when consumed.

Functional Category: Inventory

Senior Official in Charge: Mr. Robert Turzak, DCS/Army G-4

Pace of Corrective Action:

Year Identified: FY 2008

Original Target Date: 2nd Qtr. FY 2015

Target Date in Last Year's Report: 2nd Qtr. FY 2015

Current Target Date: 2nd Qtr. FY 2015

Reason for Change in Date(s): N/A

Validation Process: Internal validation will be conducted by AAA.

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

Source(s) Identifying Weakness: Independent Auditor's Report on the FY 2008 Army Working Capital Fund Financial Statements (November 9, 2008); Army Financial Improvement Plan

(TAB E-2)
**AWCF UNCORRECTED WEAKNESS(ES) STATUS OF CORRECTIVE
ACTIONS**

Major Milestones in Corrective Action:

A. Completed Milestones:

<u>Date:</u>	<u>Milestone:</u>
4 th Qtr. FY 2001	Provide guidance for establishing the value of inventory using a historical cost method (Army Inventory Financial Improvement Plan, WBS 3.1.1.1)
4 th Qtr. FY 2003	Provide guidance for reporting Excess, Obsolete and Beyond Repair OM&S (Army Inventory Financial Improvement Plan, WBS 3.1.1.3)
4 th Qtr. FY 2004	Perform physical inventory counts in accordance with the AR 740-26 and other applicable guidance (Army Inventory Financial Improvement Plan, WBS 3.1.1.6.2)
1 st Qtr. FY 2006	Provide guidance for establishing the inventory baseline (i.e. an acceptable value for on-hand inventory at the time systems are converted to a historical cost method) (Army Inventory Financial Improvement Plan, WBS 3.1.1.2)
1 st Qtr. FY 2007	Incorporate the revised historical cost valuation policy (Consumption Method) for OM&S into the DOD FMR (DOD 7000.14-R) (Army Inventory Financial Improvement Plan, WBS 3.1.1.4)
3 rd Qtr. FY 2009	Publish Army implementation guidance (Army Inventory Financial Improvement Plan, WBS 3.1.1.6.1)

B. Planned Milestones for 4th Qtr. FY 2009:

<u>Date:</u>	<u>Milestone:</u>
4 th Qtr. FY 2009	Continue fielding modifications for LMP Third Deployment.

(TAB E-2)
**AWCF UNCORRECTED WEAKNESS(ES) STATUS OF CORRECTIVE
ACTIONS**

C. Planned Milestones (Beyond Fiscal Year 2009):

<u>Date:</u>	<u>Milestone:</u>
4 th Qtr. FY 2010	Ensure adherence to governance requirements for field level physical inventory process (Army Inventory Financial Improvement Plan, WBS 3.1.8.3)
1 st Qtr. FY 2011	Full operational capability of LMP (Army Inventory Financial Improvement Plan, WBS 3.1.12)
2 nd Qtr. FY 2014	Report Inventory and Related Property in accordance with a sustainable business process (Army Inventory Financial Improvement Plan, WBS 3.1.10)
2 nd Qtr. FY 2014	Full operational capability of GCSS-Army (Army Inventory Financial Improvement Plan, 3.1.13)
2 nd Qtr. FY 2015	Internal validation of Inventory and Related Property (AAA) (Army Inventory Financial Improvement Plan, WBS 5.1.1)

(TAB E-2)
**AWCF UNCORRECTED WEAKNESS(ES) STATUS OF CORRECTIVE
ACTIONS**

Working Capital Fund Uncorrected Weakness(es) Identified During Prior Periods

Title and Description of Material Weakness: General Property, Plant, and Equipment. Statement of the Federal Financial Accounting Standards No. 6, "Accounting for Property, Plant, and Equipment," requires that all General Property, Plant, and Equipment be recorded at cost, and that depreciation expense be recognized on all General Property, Plant, and Equipment. The Army has acknowledged that military equipment was not recorded at acquisition or historical cost and did not include all costs needed to bring the assets to a form and location suitable for their intended use. Also, the Army could not support the reported cost of military equipment in accordance with Statement of Federal Financial Accounting Standards No. 6. The Army also lacks financial accountability systems for all its Military Table of Equipment unit property books that comply with the Federal Financial Management Improvement Act (FFMIA) of 1996.

Functional Category: General Property, Plant, and Equipment

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

Pace of Corrective Action:

Year Identified: FY 2008

Original Target Date: 1st Qtr. FY 2011

Target Date in Last Year's Report: 1st Qtr. FY 2011

Current Target Date: 2nd Qtr. FY 2011

Reason for Change in Date(s): Current target date moved to 2nd quarter FY 2011 to align with OSD FIAR Key Milestones.

Validation Process: Internal validation will be conducted by AAA.

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

Source(s) Identifying Weakness: Independent Auditor's Report on the FY 2008 Army Working Capital Fund Financial Statements (November 9, 2008); Army Financial Improvement Plan

(TAB E-2)
**AWCF UNCORRECTED WEAKNESS(ES) STATUS OF CORRECTIVE
ACTIONS**

Major Milestones in Corrective Action:

A. Completed Milestones:

<u>Date:</u>	<u>Milestone:</u>
3 rd Qtr. FY 2002	Field DPAS to required units and activities (SFFAS #6, SFFAS #3) (Army GE Financial Improvement Plan, WBS 3.1.2.1.2.1.1)
3 rd Qtr. FY 2002	Verify accuracy of personal property data during transfer to DPAS (SFFAS #6, SFFAS #3) (Army GE Financial Improvement Plan, WBS 3.1.2.1.2.1.2)

B. Planned Milestones for 4th Qtr. FY 2009:

<u>Date:</u>	<u>Milestone:</u>
4 th Qtr. FY 2009	Continue to develop business process to report General Equipment

C. Planned Milestones (Beyond Fiscal Year 2009):

<u>Date:</u>	<u>Milestone:</u>
1 st Qtr. FY 2011	Implement sustainable business process to report General Equipment (Army GE Financial Improvement Plan, WBS 3.1.2.1.2)
1 st Qtr. FY 2011	Report General Equipment in accordance with a sustainable business process (Army GE Financial Improvement Plan, WBS 3.1.2.1.3)
2 nd Qtr. FY 2011	Internal validation of General Equipment (Army GE Financial Improvement Plan, WBS 3.1.2.2)

(TAB E-2)
**AWCF UNCORRECTED WEAKNESS(ES) STATUS OF CORRECTIVE
ACTIONS**

Title and Description of Material Weakness: General Property, Plant, and Equipment. Statement of the Federal Financial Accounting Standards No. 6, "Accounting for Property, Plant, and Equipment," requires that all General Property, Plant, and Equipment be recorded at cost, and that depreciation expense be recognized on all General Property, Plant, and Equipment. The Army has acknowledged that military equipment was not recorded at acquisition or historical cost and did not include all costs needed to bring the assets to a form and location suitable for their intended use. Also, the Army could not support the reported cost of military equipment in accordance with Statement of Federal Financial Accounting Standards No. 6. The Army also lacks financial accountability systems for all its Military Table of Equipment unit property books that comply with the Federal Financial Management Improvement Act (FFMIA) of 1996.

Functional Category: Real Property

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

Pace of Corrective Action:

Year Identified: FY 2008

Original Target Date: 2nd Qtr. FY 2010

Target Date in Last Year's Report: 2nd Qtr. FY 2010

Current Target Date: 4th Qtr. FY 2013

Reason for Change in Date(s): Date adjusted to align with ACSIM corrective actions.

Validation Process: Internal validation will be conducted by AAA.

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

Source(s) Identifying Weakness: Independent Auditor's Report on the FY 2008 Army Working Capital Fund Financial Statements (November 9, 2008); DoDIG Report D-2009-084: Controls Over Army Working Capital Fund Real Property Assets (29 May 2009); Army Financial Improvement Plan

(TAB E-2)
**AWCF UNCORRECTED WEAKNESS(ES) STATUS OF CORRECTIVE
ACTIONS**

Major Milestones in Corrective Action:

A. Completed Milestones:

<u>Date:</u>	<u>Milestone:</u>
1 st Qtr. FY 2007	Identify requirements to accurately report General PP&E - Real Property (Army RP Financial Improvement Plan, WBS 3.1.1)

B. Planned Milestones for 4th Qtr. FY 2009:

<u>Date:</u>	<u>Milestone:</u>
4 th Qtr. FY 2009	Continue to develop business process to report General Equipment

C. Planned Milestones (Beyond Fiscal Year 2009):

<u>Date:</u>	<u>Milestone</u>
4 th Qtr. FY 2012	Implement sustainable business process to report General PP&E - Real Property (Army RP Financial Improvement Plan, 3.1.3)
4 th Qtr. FY 2012	Report General PP&E - Real Property in accordance with a sustainable business process (Army Financial Improvement Plan, WBS 3.1.5)
4 th Qtr. FY 2013	Internal validation of General PP&E – Real Property Assets (AAA) (Army Financial Improvement Plan, WBS 5.1.1.2)

(TAB E-2)
**AWCF UNCORRECTED WEAKNESS(ES) STATUS OF CORRECTIVE
ACTIONS**

Working Capital Fund Uncorrected Weakness(es) Identified During Prior Periods

Title and Description of Material Weakness: Intragovernmental Eliminations. DOD is unable to collect, exchange, and reconcile buyer and seller Intragovernmental transactions, resulting in adjustments that cannot be verified. DOD and Army Working Capital Fund accounting systems were unable to capture trading partner data at the transaction level to facilitate required trading partner eliminations, and DOD guidance did not require adequate support for eliminations. In addition, DOD procedures required that buyer-side transaction data be forced to agree with seller-side transaction data without performing proper reconciliations. As a result, in FY 2008, DFAS Indianapolis made \$10.2 billion in unsupported adjustments to Intragovernmental accounts to force the accounts to agree with the records of Army's trading partners.

Functional Category: Intragovernmental Eliminations

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

Pace of Corrective Action:

Year Identified: FY 2008

Original Target Date: 4th Qtr. FY 2011

Target Date in Last Year's Report: 4th Qtr. FY 2011

Current Target Date: 1st Qtr. FY 2012

Reason for Change in Date(s): GFEBS full operational capability date slipped to 1st quarter FY 2012.

Validation Process: Internal validation will be conducted by AAA.

Results Indicators: Success is defined as the segment's passing audit readiness validation.

Source(s) Identifying Weakness: Independent Auditor's Report on the FY 2008 Army Working Capital Fund Financial Statements (November 9, 2008); Army Financial Improvement Plan; DFAS Financial Improvement Plan, June 2009.

(TAB E-2)
**AWCF UNCORRECTED WEAKNESS(ES) STATUS OF CORRECTIVE
ACTIONS**

Major Milestones in Corrective Action:

A. Completed Milestones:

<u>Date:</u>	<u>Milestone:</u>
3 rd Qtr. FY 2009	Logistics Modernization Program (LMP) Second Deployment to AMCOM.

B. Planned Milestones for 4th Qtr. FY 2009:

<u>Date:</u>	<u>Milestone:</u>
4 th Qtr. FY 2009	Identify current plans from ERP prospective for addressing intragovernmental eliminations (DFAS AR Financial Improvement Plan, WBS 1.3.8.2)
4 th Qtr. FY 2009	Evaluate viability of SIFS compliance enhancing the intragovernmental elimination process (DFAS AR Financial Improvement Plan, WBS 1.3.8.3)

C. Planned Milestones (Beyond Fiscal Year 2009):

<u>Date:</u>	<u>Milestone:</u>
2 nd Qtr. FY 2010	Identify current focus of the Intragovernmental Value-Added Network (IVAN) System for eliminations (DFAS AR Financial Improvement Plan, WBS 1.3.8.1)
1 st Qtr. FY 2011	Summarize and review the current potential for capturing elimination data in legacy environment (DFAS AR Financial Improvement Plan, WBS 1.3.8.4)
1 st Qtr. FY 2011	Full operational capability of Logistics Modernization Program (LMP) (Army Inventory Financial Improvement Plan, WBS 3.1.12)
1 st Qtr. FY 2011	Confirm sustainable processes, procedures, and/or systems exist to eliminate intragovernmental costs and revenues (Army Other Financial Improvement Plan, WBS 3.2.1.1.2.3)

(TAB E-2)
**AWCF UNCORRECTED WEAKNESS(ES) STATUS OF CORRECTIVE
ACTIONS**

2 nd Qtr. FY 2011	Analyze and document the impact of intragovernmental eliminations on the Public A/P process and identify the sources and reasoning for such adjustments (DFAS AP Financial Improvement Plan, WBS 5.3.3.2)
4 th Qtr. FY 2011	Correct identified deficiencies over Intragovernmental Transactions and Eliminations (Army Other Financial Improvement Plan, WBS 3.7.3.1.3)
1 st Qtr. FY 2012	Full operational capability of GFEBS (Army OM&S Financial Improvement Plan, WBS 3.1.16.4)

(TAB E-2)
**AWCF UNCORRECTED WEAKNESS(ES) STATUS OF CORRECTIVE
ACTIONS**

Working Capital Fund Uncorrected Weakness(es) Identified During Prior Periods

Title and Description of Material Weakness: Accounting Adjustments (Other Accounting Entries). Because of inadequate financial management systems and processes, journal voucher adjustments and data calls were used to prepare the Army Working Capital Fund financial statements. In FY 2008, DFAS Indianapolis did not adequately support \$4.6 billion in journal voucher adjustments used to prepare the Army Working Capital Fund financial statements.

Functional Category: Accounting Adjustments

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

Pace of Corrective Action:

Year Identified: FY 2008

Original Target Date: 4th Qtr. FY 2011

Target Date in Last Year's Report: 4th Qtr. FY 2011

Current Target Date: 1st Qtr. FY 2012

Reason for Change in Date(s): GFEBS full operational capability date slipped to 1st quarter FY 2012.

Validation Process: Internal validation will be conducted by AAA.

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

Source(s) Identifying Weakness: Independent Auditor's Report on the FY 2008 Army Working Capital Fund Financial Statements (November 9, 2008); Army Financial Improvement Plan

Major Milestones in Corrective Action:

A. Completed Milestones:

<u>Date:</u>	<u>Milestone:</u>
3 rd Qtr. FY 2009	Second Deployment of LMP.

(TAB E-2)
**AWCF UNCORRECTED WEAKNESS(ES) STATUS OF CORRECTIVE
ACTIONS**

B. Planned Milestones for 4th Qtr. FY 2009:

<u>Date:</u>	<u>Milestone:</u>
4 th Qtr. FY 2009	Continue fielding modifications for LMP Third Deployment.

C. Planned Milestones (Beyond Fiscal Year 2009):

<u>Date:</u>	<u>Milestone:</u>
1 st Qtr. FY 2011	Full operational capability of Logistics Modernization Program (LMP) (Army Inventory Financial Improvement Plan, WBS 3.1.12)
1 st Qtr. FY 2012	Full operational capability of GFEBS (Army OM&S Financial Improvement Plan, WBS 3.1.16.4)

(TAB E-2)
**AWCF UNCORRECTED WEAKNESS(ES) STATUS OF CORRECTIVE
ACTIONS**

Working Capital Fund Uncorrected Weakness(es) Identified During Prior Periods

Title and Description of Material Weakness: 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. Because financial processes and systems do not correlate costs with performance measures, revenues and expenses are reported by appropriation categories. The amounts presented in the Statement of Net Cost are based on funding, obligation, and disbursing transactions, which are not always recorded using accrual accounting. Army systems do not always record the transactions on an accrual basis as required by GAAP. To capture all cost and financing sources for the Army, the information presented also includes data from non-financial feeder systems. In addition, Army Working Capital Fund budgetary and proprietary information does not correlate.

Functional Category: Statement of Net Cost

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

Pace of Corrective Action:

Year Identified: FY 2008

Original Target Date: 4th Qtr. FY 2011

Target Date in Last Year's Report: 4th Qtr. FY 2011

Current Target Date: 1st Qtr. FY 2012

Reason for Change in Date(s): GFEBS full operational capability date slipped to 1st quarter FY 2012.

Validation Process: Internal validation will be conducted by AAA.

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

Source(s) Identifying Weakness: Independent Auditor's Report on the FY 2008 Army Working Capital Fund Financial Statements (November 9, 2008); Army Financial Improvement Plan

(TAB E-2)
**AWCF UNCORRECTED WEAKNESS(ES) STATUS OF CORRECTIVE
ACTIONS**

Major Milestones in Corrective Action:

A. Completed Milestones:

<u>Date:</u>	<u>Milestone:</u>
3 rd Qtr. FY 2009	Logistics Modernization Program (LMP) Second Deployment to AMCOM.

B. Planned Milestones for 4th Qtr. FY 2009:

<u>Date:</u>	<u>Milestone:</u>
4 th Qtr. FY 2009	AMC continues LMP fielding modifications in preparation for Third Deployment

C. Planned Milestones (Beyond Fiscal Year 2009):

<u>Date:</u>	<u>Milestone:</u>
1 st Qtr. FY 2011	Full operational capability of Logistics Modernization Program (LMP) (Army Inventory Financial Improvement Plan, December 2008, WBS 3.1.12)
1 st Qtr. FY 2011	Report the full cost of outputs in the General Purpose Financial Statements (SFFAS # 4, par. 89) (Army Other Financial Improvement Plan, WBS 3.2.2.1.3.1)
1 st Qtr. FY 2011	Report indirect costs included in the full cost of outputs (SFFAS # 4, par. 91) (Army Other Financial Improvement Plan, WBS 3.2.2.1.3.1.2)
1 st Qtr. FY 2011	Report general management and administrative support costs as a cost not assigned to programs if they cannot be identified by segment (SFFAS # 4, par. 92) (Army Other Financial Improvement Plan, WBS 3.2.2.1.3.1.2.2)

(TAB E-2)
**AWCF UNCORRECTED WEAKNESS(ES) STATUS OF CORRECTIVE
ACTIONS**

<u>Date:</u>	<u>Milestone:</u>
1 st Qtr. FY 2011	Report other post employment benefits as an expense for the period during which the future outflow or other sacrifice is probable and measurable on the basis of events occurring on or before the accounting date (SFFAS # 4, par. 96) (Army Other Financial Improvement Plan, WBS 3.2.2.1.3.1.2.3)
1 st Qtr. FY 2011	Report as an expense the benefits paid during the reporting period plus any increase or less any decrease in liabilities from the end of the prior period to the end of the current period (SFFAS # 17, par. 22) (Army Other Financial Improvement Plan, WBS 3.2.2.1.3.1.2.4)
1 st Qtr. FY 2011	Report inter-entity costs for goods and services received without reimbursement (SFFAS #4, par. 112) (Army Other Financial Improvement Plan, WBS 3.2.2.1.3.1.2.5)
1 st Qtr. FY 2012	Full operational capability of GFEBS (Army OM&S Financial Improvement Plan, WBS 3.1.16.4)

(TAB E-2)
**AWCF UNCORRECTED WEAKNESS(ES) STATUS OF CORRECTIVE
ACTIONS**

Working Capital Fund Uncorrected Weakness(es) Identified During Prior Periods

Title and Description of Material Weakness: Accounts Payable. The Army is unable to properly account for and report Accounts Payable. DFAS adjusted Accounts Payable with Public upward by \$128 million for undistributed disbursements in FY 2008. Also, DFAS was unable to reconcile the Army Working Capital Fund accounts payable with the corresponding Intragovernmental accounts receivable that generated the payables. As a result, in FY 2008, DFAS made \$307.7 million in unsupported adjustments to decrease Intragovernmental accounts payable to force the amounts to agree with Army Working Capital Fund trading partners. In addition, the Supply Management, Army activity does not establish accounts payable in accordance with SFFAS #1 "Accounting for Selected Assets and Liabilities", which requires the Army to establish an account payable when it accepts title to goods or services.

Functional Category: Accounts Payable

Senior Official in Charge: Mr. John Argodale, Deputy Assistant Secretary of the Army for Financial Operations, 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: 2nd Qtr. FY 2012

Current Target Date: 3rd Qtr. FY 2013

Reason for Change in Date(s): Internal validation date changed to 3rd Qtr. FY 2013 during Army to DFAS ownership transfer.

Validation Process: Internal validation will be conducted by AAA.

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

Source(s) Identifying Weakness: Independent Auditor's Report on the FY 2008 Army Working Capital Fund Financial Statements (November 9, 2008); Army Financial Improvement Plan; DFAS Financial Improvement Plan, June 2009

(TAB E-2)
**AWCF UNCORRECTED WEAKNESS(ES) STATUS OF CORRECTIVE
ACTIONS**

Major Milestones in Corrective Action:

A. Completed Milestones:

<u>Date:</u>	<u>Milestone:</u>
3 rd Qtr. FY 2009	Second Deployment of LMP at AMCOM.

B. Planned Milestones for 4th Qtr. FY 2009:

<u>Date:</u>	<u>Milestone:</u>
4 th Qtr. FY 2009	MOCAS Clean-up activity period 1 (DFAS AP Financial Improvement Plan, WBS 3.6.5.5.1)
4 th Qtr. FY 2009	MOCAS Clean-up activity period 2 (DFAS AP Financial Improvement Plan, WBS 3.6.5.5.2)

C. Planned Milestones (Beyond Fiscal Year 2009):

<u>Date:</u>	<u>Milestone:</u>
2 nd Qtr. FY 2010	MOCAS: Complete clean-up at transactional level (DFAS AP Financial Improvement Plan, WBS 3.6.5.5.3, 3.6.5.5.4, 3.6.5.5.5, 3.6.5.5.6)
2 nd Qtr. FY 2010	Maintain and modify standard procedures for reconciling Accounts Payable (DFAS AP Financial Improvement Plan, WBS 3.6.5.6)
4 th Qtr. FY 2010	Through data analysis, evaluate WAWF process of the flow of the receipt from WAWF to the entitlement systems and to accounting to ensure timely receipt and posting of the accrual in the accounting records (DFAS AP Financial Improvement Plan, WBS 5.3.2.2)
1 st Qtr. FY 2011	Full operational capability of Logistics Modernization Program (LMP) (Army Inventory Financial Improvement Plan, WBS 3.1.12)

(TAB E-2)
**AWCF UNCORRECTED WEAKNESS(ES) STATUS OF CORRECTIVE
ACTIONS**

1 st Qtr. FY 2012	Full operational capability of GFEBs (Army OM&S Financial Improvement Plan, WBS 3.1.16.4)
4 th Qtr. FY 2012	Determine if entitlement system has ability to appropriately age Accounts Payable (DFAS AP Financial Improvement Plan, WBS 5.4.1.1.3.1, 5.4.1.1.6.1, 5.4.1.1.9.1)
4 th Qtr. FY 2012	Determine if accounting system has ability to appropriately age Accounts Payable (DFAS AP Financial Improvement Plan, WBS 5.4.1.1.3.2, 5.4.1.1.6.2, 5.4.1.1.9.2)
4 th Qtr. FY 2012	Determine changes needed to bring non-aging systems into aging status (DFAS AP Financial Improvement Plan, WBS 5.4.1.1.3.3, 5.4.1.1.6.3, 5.4.1.1.9.3)
3 rd Qtr. FY 2013	Internal validation of Accounts Payable (DFAS AP Financial Improvement Plan, WBS 6.4)

(TAB E-2)
**AWCF UNCORRECTED WEAKNESS(ES) STATUS OF CORRECTIVE
ACTIONS**

Working Capital Fund Uncorrected Weakness(es) Identified During Prior Periods

Title and Description of Material Weakness: Reconciliation of Net Cost of Operations to Budget. The Statement of Federal Financial Accounting Standards No. 7 “requires a reconciliation of proprietary and budgetary information to assist users in understanding the relationship of the data. In FY 2008, the Army Working Capital Fund was unable to accurately represent the relationship between budgetary obligations incurred and its Statement of Net Costs without preparing \$348 million in unsupported adjustments to the general ledger accounts to force costs to match obligation information.

Functional Category: Reconciliation of Net Cost of Operations to Budget

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

Pace of Corrective Action:

Year Identified: FY 2008

Original Target Date: 4th Qtr. FY 2011

Target Date in Last Year’s Report: 4th Qtr. FY 2011

Current Target Date: 1st Qtr. FY 2012

Reason for Change in Date(s): GFEBS full operational capability date slipped to 1st quarter FY 2012.

Validation Process: Internal validation will be conducted by AAA.

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

Source(s) Identifying Weakness: Independent Auditor’s Report on the FY 2008 Army Working Capital Fund Financial Statements (November 9, 2008)

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

Major Milestones in Corrective Action:

A. Completed Milestones:

<u>Date:</u>	<u>Milestone:</u>
3 rd Qtr. FY 2009	Logistics Modernization Program (LMP) Second Deployment to AMCOM.

B. Planned Milestones for 4th Qtr. FY 2009:

<u>Date:</u>	<u>Milestone:</u>
4 th Qtr. FY 2009	Continue fielding modifications for LMP Third Deployment.

C. Planned Milestones (Beyond Fiscal Year 2009):

<u>Date:</u>	<u>Milestone:</u>
1 st Qtr. FY 2011	Full operational capability of Logistics Modernization Program (LMP) (Army Inventory Financial Improvement Plan, WBS 3.1.12)
1 st Qtr. FY 2012	Full operational capability of GFEBS (Army OM&S Financial Improvement Plan, WBS 3.1.16.4)

(TAB E-3)
ARMY MATERIAL WEAKNESS(ES) CORRECTED THIS PERIOD

Working Capital Fund Weaknesses Identified During Prior Periods

N/A