



SECRETARY OF THE ARMY
WASHINGTON

INFO MEMO

24-08-10 10:46 OUT

FOR: SECRETARY OF DEFENSE

FROM: John M. McHugh, Secretary of the Army

A handwritten signature in black ink, appearing to read "John M. McHugh", is written over the printed name in the "FROM" line.

SUBJECT: Fiscal Year (FY) 2010 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, 2010, met FMFIA objectives except for the five 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. TABs A-1 through A-3 provide The Auditor General's assessment of the Army's FMFIA compliance, a description of how our evaluation was conducted, and a summary of our significant accomplishments.
- 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. TAB C provides details of internal controls over financial systems.
- 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, 2010, 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; over 2,000 uncorrected actions identified in our financial improvement plan; 14 weaknesses associated with the General Fund, which are identified at TABs D-1 through D-3; and 10 weaknesses associated with the Working Capital Fund, which are identified at TABs E-1 through E-3.

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- I am able to provide an unqualified statement of assurance for the Civil Works financial statements. My assurance is based on the audit and opinion achieved in fiscal year 2009.

COORDINATION: NONE

Enclosures: As stated

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

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SAAG-ZA

9 July 2010

MEMORANDUM FOR Secretary of the Army

SUBJECT: Review of the Army's Compliance With the Federal Managers' Financial Integrity Act (Project A-2010-FFM-0111.000), Attestation Report: A-2010-0125-FFM

1. The U.S. Army Audit Agency performed a review 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 review, 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 10, nothing came to our attention that would indicate the Army didn't remain committed to making sure that the Army Managers' Internal Control Program was effective. The Army reflected its commitment through:
 - Continued emphasis on leadership, training, and process execution in its day-to-day operations.
 - The quarterly meeting of its Senior Level Steering Group to review ongoing program issues and work toward correcting previously reported Army-level material weaknesses.

In addition, actions taken by the Management Services Directorate in the Office of the Deputy Assistant Secretary of the Army (Financial Operations) had a continued positive effect on the overall program. It took actions to:

- Publish the revised AR 11-2 (Army Managers' Internal Control Program). The Army changed the regulation to increase the involvement and accountability of Army commanders and managers, add policy on internal controls over financial reporting, and realign the standards for internal controls.
- Develop a computer-based Managers' Internal Control Program training program that will enable key internal control personnel to more easily identify and access needed training.

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SUBJECT: Review of the Army's Compliance With the Federal Managers' Financial Integrity Act (Project A-2010-FFM-0111.000), Attestation Report: A-2010-0125-FFM

- Conduct quarterly video conferences with representatives from all 46 direct reporting organizations to publicize new internal control policy and regulations, and address questions and concerns.
- Identify, report, and monitor material weaknesses. During FY 10, the Army reported five material weaknesses. The Management Services Directorate continued to actively monitor the status of the material weaknesses and provide assistance to the material weakness owners to ensure timely resolution.

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 review, we:

- Conducted audits of two Army Managers' Internal Control Program direct reporting organizations to assess the implementation of the Program within the organizations. Although we found improvements were needed, the weaknesses 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 191 reports that included evaluations of key internal controls. About 48 percent (581 of 1,204 controls) of the controls tested were in place and fully operating. The percentage of controls not fully in place and operating is significant. However, we normally expect a high number of tested controls to require strengthening. This is because, in addition to performing audits in response to requests (which normally indicate a senior leader has concerns about the effectiveness or efficiency of the area audited), we focus on suspected high-risk areas or where programs are new and controls may not have fully matured. Our evaluation of internal controls is a key component of the Army Managers' Internal Control Program because it helps the Army identify controls that are weak and need to be corrected.
- Commented on Army regulations that were in the staffing process. We reviewed 28 regulations in the staffing process and found that 7 (about 25 percent) of the regulations didn't meet all AR 11-2 requirements.

Detailed results are in the enclosure.

4. We continue to make recommendations during our audits to strengthen controls that were not in place or not operating. To have a fully effective control environment,

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the recommendations need to be implemented in a timely manner. As of July 2010, Army organizations reported 882 unimplemented Agency recommendations. Of these, 348 recommendations exceeded the target completion date for implementing corrective actions by 24 months or more.

5. Although our audits identified some significant opportunities for improvement, they did not identify any problem areas that were sufficiently material to negatively affect your opinion on your annual assurance statement for the Secretary of Defense on the status of managers' internal controls in the Army.

Encl


RANDALL L. EXLEY
The Auditor General

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

What We Reviewed

We reviewed 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 review 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 2009 to 30 June 2010, as well as results of tests of internal controls for our other audits with published reports.

Results of Review

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 10, nothing came to our attention that would indicate the Army didn't remain committed to making sure that the Army MICP was effective.

The Army reflected its commitment through:

- Continued emphasis on leadership, training, and process execution in its day-to-day operations.
- The quarterly meeting of its Senior Level Steering Group to review ongoing program issues and work toward correcting previously reported Army-level material weaknesses.

In addition, actions taken by the Management Services Directorate in the Office of the Deputy Assistant Secretary of the Army (Financial Operations) had a continued positive effect on the overall program. It took actions to:

- Publish the revised AR 11-2 (Army Managers' Internal Control Program). The Army changed the regulation to increase the involvement and accountability of Army commanders and managers, add policy on internal controls over financial reporting, and realign the standards for internal control.
- Develop a computer-based Managers' Internal Control Program training program that will enable key internal control personnel to more easily identify and access needed training.

Enclosure

- Conducted quarterly video conferences with representatives from all 44 direct reporting organizations to publicize new internal control policy and regulations, and address questions and concerns.
- Identify, report, and monitor material weaknesses. During FY 10, the Army reported five material weaknesses. The Management Services Directorate continued to actively monitor the status of the material weaknesses and provide assistance to the material weakness owners to ensure timely resolution.

Specific Army MICP Audits

For our audits of the Army MICP, we concentrated on direct reporting organizations to assess their implementation of the MICP. We performed our audits at the Office of the Assistant Secretary of the Army (Acquisition, Logistics and Technology) (ASA (ALT)) and the U.S. Army Training and Doctrine Command (TRADOC) and four subordinate organizations. We found ASA (ALT) and TRADOC:

- Leadership continued to emphasize the MICP through their actions. For example, TRADOC senior leadership issued a memorandum communicating the importance of the internal control process in detecting fraud, waste, abuse, and mismanagement of resources. Additionally, they established a command-wide advisory body to monitor internal control weaknesses and related corrective actions as well as identifying at risk areas needing further internal control review.
- Organizations had processes established to identify, report, and track material weaknesses. Senior leadership generally evaluated material weaknesses identified by external inspection and audit activities and reported those weaknesses considered material.
- Internal control administrators prepared feeder statements that organizations consolidated into an annual statement of assurance properly signed by senior leadership.

However, we found Army organizations had opportunities for improving the execution of the MICP that could be addressed by making sure personnel with MICP responsibilities received sufficient training. The Management Services Directorate's actions to develop a computer-based MICP training program and process for tracking training completion should assist organizations in addressing those opportunities. The issues we identified were not significant enough to change our overall conclusion on the effectiveness of the Army's internal control program.

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 2009 through 30 June 2010, we issued 191 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	769	364	203	202
Control Environment	94	51	26	17
Information and Communications	142	73	33	36
Monitoring	136	68	32	36
Risk Assessment	63	25	25	13
Total	1,204	581	319	304

Our evaluations showed:

- About 48 percent (581 of 1,204 controls) of the controls tested were in place and operating.
- A majority (about 64 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. About half of the controls in this standard were in place and operating.

Implementation of agreed-to recommendations addressing the control weaknesses and focusing on agreed-upon actions will strengthen the control program. We make recommendations during our audits to strengthen controls that were not in place or not operating. To have a fully effective control environment, the recommendations need to be implemented in a timely manner. As of July 2010, Army organizations reported 882 unimplemented Agency recommendations. Of these, 348 recommendations exceeded the target completion date for implementing corrective actions by 24 months or more.

Army Regulations in Staffing Process

During FY 10, we reviewed 28 regulations in the staffing process and found that 7 (about 25 percent) of the regulations didn't meet AR 11-2 requirements. For example, Army functional proponents sometimes didn't:

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

Planned MICP Audits

In FY 11, we will continue to focus on specific areas of the Army MICP. Accordingly, we plan to evaluate the Army's 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 acts.

(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, 2010, in accordance with the guidance provided in Office of Management and Budget (OMB) Circular A-123, "Management Accountability and Control," as implemented by Department of Defense (DOD) Instruction 5010.40, "Managers' Internal Control Program (MICP) 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 Fiscal Year (FY) 2010, 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 leadership issued a memorandum emphasizing the importance of effective internal controls and sound stewardship of public resources. The memorandum, signed jointly by the Under Secretary of the Army and the Vice Chief of Staff, Army, was addressed and disseminated to Principal Officials of Headquarters, Department of the Army (HQDA), Army Commands (ACOMs), Army Service Component Commands (ASCCs) and Direct Reporting Units (DRUs).

- 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 2010 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 toward 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).
- Continued coordination with the Office of the Under Secretary of Defense (Comptroller), to ensure the Managers' Internal Control Program includes requirements of OMB Circular A-123 regarding ICOFR and are aligned with the Army's Financial Improvement Plan (FIP).
- Maintained an Army Internal Control Web site, and an e-mail network of Commands and HQDA Internal Control Administrators (ICAs) to provide internal control information and guidance, and address issues in a timely manner. Maintained Army Internal Control Web site within Army Knowledge Online (AKO).
- The United States Army Corps of Engineers (USACE) leadership continued to emphasize the importance of the Managers' Internal Control Program using internal control mechanisms including: Senior leader conferences, meetings of HQUSACE Command Council; National Management Board; Major Subordinate Commands' Regional Command Councils; Regional Management Boards; and Quarterly Review Boards; operating budget/manpower reviews; Project Review Board meetings and Line Item reviews; Command Staff Inspections and Directorate and Command Management Reviews. The Corps created a Quality Management System standardizing business processes and ensuring appropriate internal controls are built into processes. Additionally, they use the Executive Senior Assessment Team, established in FY 2008, to stress the importance of the Chief Financial Officer's (CFO) Act. This team of General Officers and members of the Senior Executive Service provides leadership and direction over financial audits. CFO Act issues are embedded into Corps operating business practices and the USACE five-year internal control plan.
- The Office of the Surgeon General and Medical Command (OTSG/MEDCOM) Chief of Staff issued memorandums to leaders of OTSG/MEDCOM subordinate organizations for preparing Statements of Assurance on Internal Controls, 1 Feb 10, and Internal Control Evaluation Plans and Risk Assessment Plans, 17 Nov 09. The memorandums helped illustrate the OTSG/MEDCOM leadership involvement in the MICP and the emphasis they place on the program at all organizational levels.

- Strong Senior Leadership support for the Manager's Internal Control Program was also demonstrated throughout the Army. Here are some examples:
 - At the Army Materiel Command (AMC) the Deputy Commanding General, Executive Deputy to the Commanding General, and Principal Staff Elements conducted senior level meetings to discuss how Assessable Unit Managers (AUMs) were addressing internal controls, and to review and approve new, updated and closed material weaknesses. These meetings and other senior level meetings with AMC commands world-wide via video teleconference (VTC) improved the internal control process by involving senior leaders in critical mission area risk assessments, the evaluation of controls in place to mitigate the risks and actions taken when controls or resources were deficient.
 - The Army Contracting Command (ACC) issued a memorandum, dated 24 Sep 09, which emphasized the purpose and importance of effective internal controls. This memorandum was disseminated to all Contracting Centers (CCs) and Major Subordinate Commands (MSCs), as well as to the primary and special staff within the Headquarters. Additionally, the command hosted a Director's conference in which representatives from HQDA, HQ ACC primary and special staff sections, CCs and MSCs discussed internal controls related to contracting, including credit cards, micro-purchases, contingency contracting, construction and major system acquisitions.
 - The Training and Doctrine Command (TRADOC) Deputy Commanding General issued an internal control memorandum, dated 6 Dec 09, to TRADOC's principal commanders, commandants and key staff officers at the HQ staff offices, MSCs and the TRADOC schools and activities. The memorandum stressed the responsibility for senior leaders across the Command to operate and assess an effective internal control program aimed at the detection and correction of fraud, waste, abuse and mismanagement of resources. Further emphasis was placed on the active involvement of senior leaders in the entire internal control process coupled with prompt reporting and resolution of any weaknesses and areas of concern identified.
 - TRADOC's Senior Leaders developed an Audit and Internal Control Working Group (AICWG) to act as an advisory body for leading, integrating and synchronizing corrective actions related to internal control weaknesses and identify vulnerable functions, programs or systems which may be a candidate for an internal control inspection or review. The AICWG will also monitor material weakness to ensure timely completion of corrective actions. The AICWG is chaired by the Director of the Office of Internal Review and Audit Compliance (OIRAC) and the Director of the Finance and Accounting Directorate serves as the Vice Chair.

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 HQDA, ACOMs, ASCCs and DRUs prepared FY 2010 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 2010:

- Office of the Assistant Secretary of the Army (Financial Management and Comptroller) (OASA(FM&C)):
 - Throughout FY 2010 members of the Management Services Directorate participated in workshops, seminars and training sessions either as guest speakers or as instructors with Department of Defense, Army Commands, Army Service Component Commands, Direct Reporting Units and Principal Officials of Headquarters, Department of the Army. To date, we have conducted training for a total of 320 personnel on internal controls.
 - Initiated a quarterly video-teleconference with representatives from all 44 direct reporting organizations to disseminate the latest internal control requirements, regulatory, policy, or statutory changes and updates and address all questions, concerns and/or issues impacting the Army.
 - Published our first Newsletter edition covering information from all Financial Operations Directorates. This serves as an added method of communication and ensures widest possible dissemination of critical information affecting Army's mission and resources.
 - In coordination with the Graduate School (formerly the USDA Graduate School) updated training programs of instruction on internal controls specific to the Army.
 - In coordination with the Army Learning Management System developed an internal control training package for Computer Based Training leveraging existing technology and using the Army Knowledge On Line. On line testing was conducted in the Spring 2010 and made available for Army-wide training in June 2010. Training includes six modules enabling training from the internal control administrator to the senior responsible official, training examination, certificate of completion and tracking of individuals trained.
 - Participated in the DOD ICOFR conference at Fort Belvoir, Virginia.
- Assistant Chief of Staff for Installation Management(ACSIM):
 - Hosted a Managers' Internal Control Program training and executive seminar on 30 Sep 09 for all OACSIM and Installation Management Command (IMCOM) General Officers, Senior Executive Service staff and directors to "kickoff" the FY 2010 program.
 - As a follow-on to the seminar, the ACSIM directed that all OACSIM staff to complete MICP awareness training, and select personnel complete specialized training for internal control evaluators. As a result, the MICP staff provided training for 409 (100 percent) OACSIM personnel. New employees complete awareness training as necessary. In accordance with the ACSIM's policy guidance, the MICP staff also provided specialized classroom training for 33 internal control evaluators and division points of contact.

- The Office of the Surgeon General (OTSG):
 - Made training available to OTSG and MEDCOM managers at all levels during FY 2010, to include the Army MICP 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 videos on the OTSG/MEDCOM MICP Web site. The MICP training statistics for OTSG/MEDCOM in FY 2010 are shown in the table that follows. These statistics and evaluations of subordinate activities' Statements of Assurance are used to develop and improve future training.

OTSG/MEDCOM MICP Training Statistics

Type of Training

Who Received Training in FY10	Total	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)	60	2	2	1	55
(b) Internal Control Administrator(s)	91	20	0	2	69
(c) Functional Unit Manager(s)	669	4	0	0	665
(d) Functional Unit Administrator(s)	469	10	0	0	459
(e) Other Managers/Personnel	5308	3	0	0	5305
Total Personnel Trained	6597	39	2	3	6553

** 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 Forces Command (FORSCOM):
 - Conducted training sessions for over 600 personnel including headquarters and subordinate commands. All levels of personnel received training including general officers, senior executive service, AUMs, action officers and ICAs. Training was conducted through a variety of means to include: HQDA-developed training video; classroom-style training with briefing slides; desk-side briefings; telephonic briefings; distribution of training materials; web-based training modules; materials; electronic briefings, MICP Handbook; Civilian Personnel Supervisory Course; staff assistance visits/evaluations; and audits and inspections. All Headquarters managers/AUMs are required to attend training at least once every two years.
 - Participated in the three (7 Jan 10, 16 Feb 10, and 6 Apr 10) HQDA-hosted MICP training VTCs.

- Conducted staff assistance visits to I Corps and Joint Base Lewis-McChord, WA; providing an MICP awareness briefing to senior leadership.
- Updated training materials for current fiscal year to include “Check It” posters and public service announcements. The FORSCOM ICA regularly posts resource/training materials and MICP-related documents to the Internal Control page of the FORSCOM Web site.
- Approximately 35 major subordinate command (mission) administrators and AUMs attended the Graduate School (formerly the USDA Graduate School) two-day MICP course during FY10. Additionally, XVIII Airborne Corps hosted the Graduate School for a two-day MICP course, training 23 ICAs.
- Distributed a detailed briefing to all AUMs outlining their responsibilities. Also provided compact discs containing examples of previous inspections, specific checklists required for each inspection in MS Word format, and specific format for the required documentation for each inspection.
- Distributed a MICP information package to all commanders and senior staff members as part of the Commander’s Orientation Program for all newly-assigned brigade commanders and senior staff members.
- Training and Doctrine Command (TRADOC):
 - TRADOC continued its training program at all levels to ensure all managers and employees were aware of their responsibilities for implementing an effective internal control program within their organizations. Internal controls were included as a major topic at various workshops and conferences. TRADOC ensured its community was notified of training opportunities and conferences including the courses offered by the Graduate School, HQDA Quarterly Managers’ Internal Control VTCs, and the OSD Managers’ Internal Control Conference. Over 1,300 individuals at all levels and capacities (including AUMs, ICAs, managers and action officers) received training as follows:
 - Classroom presentation – 540 trained
 - Desk-side/administrative initial and refresher training – 48 trained
 - Telephonic briefings provided to 23 individuals throughout TRADOC
 - DA hosted training VTC – 21 attended
 - Web-based training/modules/training videos – 278 received training
 - Electronic briefing charts – provided to over 421 TRADOC personnel
 - OSD Managers’ Internal Control Conference in Nov 09 – 2 TRADOC administrators attended

- Ninety-two individuals attended formal training and other courses that provided sessions and workshops which included topics and information relative to internal controls including the American Society of Military Comptrollers (ASMC) PDIs, Budget Analysis, Distributed Learning Fiscal Law course, Federal Appropriations Law, Fiscal Law/Ethics, Fundamentals of Cost Analysis, Cost Accounting, Cost Benefit Analysis, Program and Budget Analysis, Budget Estimating, HR for Supervisors, General Services Administration Smart Pay Travel Card Conference, Enhanced Defense Financial Management Course, Wide Area Work Flow Conference, Association of Government Accountants (AGA)/ASMC Two-day Professional Development conference, Defense Travel Administrator Seminar, and multiple General Fund Enterprise Business System (GFEBS) training courses.
- TRADOC's Internal Control Administrators devised alternative methods for providing internal control training, such as publishing a 45-page Memorandum of Instruction for the Implementation of the Internal Control Process. This "a-z" reference document provided organizations a step-by-step process for establishing and maintaining an effective Internal Control process. Proper managerial oversight resulted in receiving an Institution of Excellence award, the highest rating achieved from an Accreditation Team visit.
- Army Materiel Command (AMC):
 - Army Materiel Command (AMC) command wide training statistics:

<u>Total Trained:</u>	6,546
Formal	339
Desk Side Briefings	22
Telephonic Briefings	18
VTCs	48
Web-Based Training	4,270
Electronic Briefing Charts	1,258
USDA Course	4
AUM Training	32
Other	555

- Internal Review and Audit Compliance Office (IRACO) prepared and presented formal blocks of training to AUMs, ICAs, and others at Redstone Arsenal, AL; Rock Island Arsenal, IL; and Ft. Belvoir, VA. Sessions discussed implementing the management control process within AMC's divisions. Further, the IRACO presented one-on-one desk side briefings/training sessions on internal controls, the Annual Statement of Assurance, and material weakness.

- Army Test and Evaluation Command (ATEC):
 - Trained a total of 887 ATEC personnel on the internal control program through the use of formal, in-house, desk-side and other methods of training. Training continues throughout the command through the use of locally developed training packets posted on the command's intranet (SharePoint).
- Installation Management Command (IMCOM):
 - Approximately 14,838 IMCOM personnel received some type of management control training during FY 2010 via on-line, offsite, onsite, desk-side, one-on-one or group sessions.
 - Requires all AUMs, MCAs/ICAs, and evaluators to obtain initial MICP training, followed by refresher training no less than once every three years. IMCOM employees must also have MICP training. This training is not mandatory for IMCOM Contractors but they are highly encouraged to take the training.

Execution:

- Assistant Secretary of the Army (Financial Management and Comptroller):
 - Completed and published a major revision to AR 11-2, Managers' Internal Control Program in February 2010.
 - Distributed Internal Control Program information to all elements across the Army through a variety of media sources including: telephone, e-mail, video-teleconferences, briefings, Senior Level Steering Group/Senior Assessment Team meetings, working groups, newsletters, Resource Management Publications and memoranda.
 - Participated in various working groups providing advice and assistance with focus on internal controls, to include participation in the American Recovery and Reinvestment Act of 2009, Department of Defense and Army level working groups.
 - Placed special emphasis on internal controls leading to problem disbursements and potential anti-deficiency act violations. Working with commands and the Defense Finance and Accounting Service (DFAS) offices in Indianapolis, Indiana; Rome, New York and Columbus, Ohio to identify root causes and develop solutions that will result in improved processes and resource management.
 - Leveraged accounting service provider, DFAS, to provide more robust and complete deliverables through execution of a service level agreement. The service level agreement will increase our visibility over the work they do for us, thus providing improved internal controls over Army financial data.
 - Reviewed internal and external audit reports that were furnished by GAO, Department of Defense, Inspector General and the USAAA to identify areas with internal control weakness that merited consideration for reporting as material weaknesses.

- Deployed operational support teams to assist, train and certify tactical units on financial management systems and core competencies necessary for the unit to perform their deployed mission.
- 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 to preclude pay problems.
- Developed desktop standard operating procedures to improve Disbursing Officer accountability.
- Assisted in the continued deployment of Wide Area Work Flow by monitoring command usage, rendering assistance and providing support. Expanded use to include pre-certified and miscellaneous payments.
- Fully sustained and expanded the Eagle Cash Stored Value Card self-service program 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. Eagle Cash continues to thrive, doubling to \$2 billion in total transaction volume and reducing in-theater cashier transactions by over 65,000 per month.
- The Office of the Surgeon General and Medical Command (OTSG/MEDCOM):
 - Continued the review and update of Army Health Care Regulations for key internal controls since the FY 2009 statement of assurance. Two regulations that contain internal control evaluations, AR 40-7, 19 Nov 09, Use of U.S. Food and Drug Administration-Regulated Investigational Products in Humans Including Schedule I Controlled Substances, and AR 40-400, 27 Jan 10, Patient Administration, were published.
 - Will use MICP Quality Assurance Review evaluations of statements of assurance submitted by subordinate activities to identify quality improvements needed and improve future reporting. Statements are examined to ensure they contain all of the reporting requirements for the Army and the TMA Defense Health Program MICP. Each evaluation results in a report to subordinate activities that shows how their statement of assurance was compared to the reporting requirements and recommends improvements for future statements. Evaluating statements of assurance promotes greater command emphasis of the MICP and results in improved statements of assurance.
- U. S. Army Training and Doctrine Command (TRADOC):
 - Emphasized the importance of meeting internal review quality control standards throughout the year. The Director, OIRAC, continued to look for various ways of improvement to the review process. As a result, OIRAC developed a self-evaluation quality control guide. This plan included reviews designed to identify command

material weaknesses and/or validate that material weaknesses had been corrected. OIRAC analyzed “Inventory of Army Functions Requiring Internal Control Evaluations” to help identify tasks requiring checklists during FY 2010. The Director also served on DA’s Internal Review Steering Group and is an active participant in identifying ways to improve the internal review community and the Army as a whole.

- The U. S. Army Materiel Command (AMC):
 - The AMC Base Realignment and Closure (BRAC) Program Office maintained a comprehensive BRAC execution reporting system to assess the progress of MSC and its installations against assigned tasks and determine friction points to be resolved. The BRAC Program Office obtained monthly input to update the BRAC Line of Operation metrics and completed quarterly updates to the BRAC Actions Reporting Tracking Tool for internal controls and compliance with regulations and higher authority guidance.
 - Reviewed and retained all Health Hazard Assessments (HHAs) conducted by the U.S. Army Center for Health Promotion and Preventive Medicine (USACHPPM) for AMC developmental systems. The Command Surgeon has been appointed by the Deputy Commanding General, AMC, as the AMC lead officer for the Joint Trauma Analysis Prevention of Injuries in Combat (JTAPIC) initiative. The environmental health officer serves as the action officer for AMC’s oversight of the JTAPIC initiative.
 - Safety Office conducted multiple staff assistance visits throughout the year, working closely with on-site personnel to ensure site safety postures meet established criteria. The Safety Office provides technical information and liaison with the DoD Voluntary Protection Program (VPP) Center of Excellence to AMC locations participating in the Occupational Safety and Health Administration (OSHA) VPP.
- The U.S. Army Test and Evaluation Command (ATEC):
 - Implemented Lean Six Sigma (LSS) to identify/reduce waste and improve critical efforts and streamline identified processes without sacrificing internal controls. One initiative was the development of a streamlined hiring process which reduced internal selection time by 50 percent and alleviated 48 percent of previous processing requirements, resulting in a savings of 8 man-years of effort.
 - Utilized its internal controls to track and monitor upcoming BRAC related items. Surveys are conducted quarterly to reflect the ATEC workforce accurately by location to ascertain adequate planning for funding, logistical and manpower requirements, while maintaining effective continuity of operations. Statistical reports were provided to relevant functional staff to ensure proper allocation of any BRAC funds, determine adequate office space, command control and oversight of the workforce and manpower assets. The Office of the Deputy Chief of Staff for Resource Management developed a process to track current and past BRAC leave and provided assistance in developing cost analysis through FY 2011.

- The U.S. Army Forces Command (FORSCOM):
 - Executed the Aviation Resources Management Survey (ARMS) Program by evaluating internal controls in over 400 separate Active and Reserve Component aviation units. Identified strengths and weaknesses and provided methods to improve procedures (best practices from successful units) to the unit's command leadership to help improve areas needing attention. Checklists are updated when regulatory guidance changes, doctrine or policies change, or when improved methods are identified. This is crucial to the overall aviation force since guidance and regulations can change while units are deployed. These ARMS inspections continue to be critical to units identified for deployment to combat by identifying weaknesses and ensuring proper procedures are in place prior to deployment.
 - Reduced fatal accidents by 20 percent within the Command. Conducted on-site surveys and analysis to determine accident root causes and developed mitigating measures designed to further reduce personnel losses. Forces Command was submitted for the Outstanding ACOM award, which is awarded annually by the Chief of Staff, Army.
 - 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 assess and reassess the effectiveness of the FORSCOM safety program and adjust/improve as appropriate.
- United States Forces Korea (USFK) and Eighth U.S. Army (EUSA):
 - G-8 inspected subordinate activities for compliance with AR 11-2 and USFK Pam 11-1 within 90 days after each new Commander assumed command. Likewise, HQ EUSA offices of primary responsibility complete detailed inspections on the full range of command functions during each Command Inspection Program.
 - Chief of Staff approved USFK Pamphlet 11-1 on 20 Jan 09 – which is effective through FY10. The command's umbrella internal control evaluation plan, USFK Pam 11-1, provides guidance to HQ USFK and EUSA staff and EUSA subordinate commands on effective internal control measures.
- U. S. Army Space and Missile Defense Command: (USASMDC)
 - Business Initiatives Office implemented and coordinated the command's Staff Inspection Program (SIP). The SIP was established to ensure command subordinate elements are in compliance with Army and USASMDC/Army Strategic Command (ARSTRAT) regulations and policies. All subordinate elements are inspected every 18-24 months; incoming commanders/directors receive initial inspections to establish baseline performance levels and target improvement areas and outgoing commanders/directors receive departing inspections to assess accomplishment. Major focus of inspections include: providing clear goals, standards, and priorities for regulatory requirements; ensuring organization's strengths and weaknesses are understood in relation to the command's goals and standards; providing a feedback

mechanism to identify problems and track their resolution; directing problems to the proper level of resolution; and helping the organization assess Internal Controls.

- Implemented and coordinated the LSS efforts at USASMDC/ARSTRAT. Using Lean principles, the command can make changes to eliminate non-value added steps in our processes which will reduce costs, improve efficiency, and improve the quality of our products and services. As a result, value-added contributions to the Warfighter are maximized.
- Safety Office established and held Safety and Occupational Health Advisory Safety Council, Quarterly Safety councils, staff assistance visits, and the command inspection program visits as essential means to assess the command's safety posture and to evaluate the effectiveness of risk control measures. The office also updated the command safety web page with the latest safety commander's toolbox, risk management initiatives and seasonal concerns.
- Army National Guard (ARNG):
 - Internal Control Administrator distributed Guard Unique Programs Checklists to the States. The unique checklists were developed by ARNG proponents to cover areas not listed in the Army Evaluation Checklist. The guard unique checklists provide program guidance in conjunction with internal controls to ensure the program compliance.
 - The ARNG Operational Review Program (ORP) Team scheduled a minimum of 20 assessments during this MICP assessment cycle. The assessments evaluate the effectiveness of the MICP at each State and Territory and the operational effectiveness of financial management operations at the State level. The ORP team placed 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. The evaluations focused on the validation of internal controls associated with the proper execution and accountability of ARNG financial programs and resources. The process was further extended to all applicable program managers and their account managers in the course of each ORP site visit.
 - The ORP contained 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 memorandums and the ARNG Resource Manager's Newsletter. The Resource Manager's Newsletter is distributed monthly to the Chiefs of Staff, USPFOs, G-Staff and Internal Control Administrators at the State level. Additionally, 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.

(TAB A-2)

**The Army Assessment of Acquisition Functions under Office of Management and Budget
(OMB) Circular A-123**

In April 2009, the Office of Undersecretary of Defense (Acquisition, Technology and Logistics (OUSD(AT&L))) provided components guidelines for the Assessment of Internal Controls over Acquisition Functions in response to OMB.

These guidelines assigned DoD Components responsibility for:

- Determining the scope of the acquisition assessment based on the definition of acquisition provided in the guidance.
- Completing the DoD Assessment of Internal Control over Acquisition Functions Template using the guidelines in the OMB Acquisition Assessment Template to evaluate acquisition functions.
- Determining if there are any new deficiencies or material weaknesses and developing corrective action plans. Material weaknesses and corrective action plans will be reported in the annual Statement of Assurance in TAB B, in accordance with Federal Managers Financial Integrity Act and annual OUSD-Comptroller guidance.
- Explaining briefly in TAB A of the annual Statement of Assurance, how the DoD Template and OMB Template guidance were used to determine deficiencies and weaknesses.
- Monitoring the progress of the corrective action implementation.

OASA(ALT) received guidance for this requirement on 4 April 2010. To complete the Army Assessment of Internal Control over Acquisition Functions OASA(ALT) used the Template provided by OUSD(AT&L). An Army functional proponent organization was identified for every "Control Environment" element identified in the template. The list of Army organizations is included below.

ASA(ALT):

Deputy Assistant Secretary, Acquisition Policy and Logistics (SAAL-ZL)
Deputy Assistant Secretary, Defense Exports and Cooperation (SAAL-ZN)
Deputy Assistant Secretary, Procurement (SAAL-ZP)
Deputy Assistant Secretary, Plans, Programs and Resources (SAAL-ZR)
Deputy Assistant Secretary, Research and Technology (SAAL-ZT)
Deputy Assistant Secretary, Strategic Communication and Business Transformation (SAAL-ZG)
Deputy for Acquisition and Systems Management (SAAL-ZS)
Director U.S. Army Acquisition Support Center (USAASC)
Director System-Of-Systems Engineering (SAAL-ZE)

ASA(FM&C):

Deputy Assistant Secretary, Cost and Economics (DASA-CE)

Other:

Deputy Chief Of Staff, G-2
Office of General Council
U.S. Army Test and Evaluation Command

A tasker was developed and sent out on 12 April 2010. The tasker requested that the functional proponent organizations identify an appropriate Subject Matter Expert (SME) to complete the assessment for their organizations. They were also asked to identify if their organization had been incorrectly identified or another organization should be included in the assessment of an element.

The SME's identified the relevant risks to proper implementation of the standards or objectives, the policies and procedures that help ensure the necessary actions are taken to address risks and the monitoring activities or separate evaluations necessary to assess performance over time. Results were reported to OASA(ALT) and incorporated into this report.

Areas of Concern

Arlington National Cemetery

The U.S. Army Inspector General inspected Arlington National Cemetery from 17 August 2009 to 28 January 2010, at direction of then Secretary of the Army Pete Geren. The inspection focused on three objectives:

- Assess policy and procedures for operation of Arlington National Cemetery (ANC.)
- Assess management, administration and coordination processes as well as training of personnel involved with operation of ANC.
- Assess the effectiveness, coordination, and synergy of command and leadership structures and other entities involved in the operation of ANC and attendant activities.

In November 2009, I expanded this directive to include two additional objectives:

- Assess ANC's compliance with Army information assurance requirements.
- Assess contracting procedures at ANC.

The inspection report resulted in 76 findings and 101 recommendations. Some of these findings are repeat deficiencies from a 1997 Military District of Washington, Inspector General Inspection of ANC. I am concerned with the effective management and control of the ANC, and have established a special Task Force to assess the findings identified by the Army Inspector General in a broader scale to determine the magnitude of the problem and to develop the appropriate corrective actions.

Army National Guard Equipment Tracking

The Army National Guard continues to raise concerns of visibility over delivery of new equipment to the National Guard units and how equipment is funded. The Army addresses these issues in the following three material weaknesses:

- Reporting of New Equipment in Transit
- General Property Plant and Equipment, Military Equipment
- General Property Plant and Equipment, General Equipment

Resolution of these issues will correct the condition raised by the Army National Guard.

The Army's intent is to simplify the processes and procedures and couple them with new materiel solutions in order to have a single means to ensure the required information is in one place.

In addition the Army is improving management processes to gain visibility and transparency through the Transparency Lean Six Sigma Project.

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

Description of Issue: Equipment Survey Program (ESP) Savings - Forces Command (FORSCOM)

Accomplishment: The Equipment Survey Team conducts independent, on-site reviews to ensure equipment authorizations are fully justified; equipment is properly documented; excess equipment is identified and returned to supply system and property accountability records and authorizations documents are reconciled. The ESP is now fully compatible with U.S. Army Force Management Support Agency's (USAFMSA) 4610-R Tool. The Forces Command (FORSCOM) ESP's information system was changed to allow property book unit supply enhanced (PBUSE) information to be uploaded and converted into a report that is much more functional and user-friendly so the property book can be compared with the table of distribution and allowances (TDAs). Trained Army Commands (ACOMs), Direct Reporting Units (DRUs), and Army Service Component Commands (ASCCs) users in the functionality and upgrades made to the program. Initiated effort to transfer ESP to USAFMSA for oversight of entire Army ESP so all users will have access. Surveyed 58 TDAs with equipment valued at approximately \$1.3B. Identified \$58M in excess equipment and \$136M of additional Army Force Generation (ARFORGEN) requirements was added to FORSCOM TDAs.

Description of Issue: Excess Management and Reduction Policy - FORSCOM

Accomplishment: The Excess Management and Reduction Policy, signed 8 Jun 09, by Major General Jerome Johnson, FORSCOM G-4, established a standardized excess management and reduction policy requiring accountability procedures to identify, redistribute and turn-in excess equipment. Nine installations implemented the policy to reduce excess. Forces Command units are in compliance and focusing their efforts on identifying and turning in excess during the RESET phase of ARFORGEN. Installations are required to report monthly. To date in FY10, there has been a cost savings of over \$110M.

Description of Issue: Structure and Manpower Allocation System (SAMAS) - FORSCOM

Accomplishment: The FORSCOM Force Management Division (FMD) created a common operating picture (COP) of all U.S. Army force structure and stationing actions by leveraging access to HQDA SAMAS data file, which is the HQDA database of record for all force structure actions. The data products are bundled to meet specific requirements based on fiscal year, installation+ or Standard Resource Code (SRC). Although the SAMAS data is highly reliable, it does contain anomalies due to human error.

The FMD analysis team created several tools to look for the anomalies, which has created a clearer picture of what is happening to units over time. The improved process reduced processing time from initial receipt of the SAMAS file from weeks and months to under 24 hours. Over 160 SAMAS reports are posted to the FORSCOM SharePoint on non-secure internet protocol router

(NIPR), secure internet protocol router (SIPR) and the external portal, which allows access by users outside the FORSCOM firewall.

The products created by the analysis of the SAMAS data have been used to show deviations between SAMAS and Army Stationing and Installation Plan, General Officer FORSCOM Integration Task Force forums, Total Army Analysis panels, Stationing rehearsal of concept drills, and Grow the Army (GTA) briefings to FORSCOM and HQDA leadership. The analysis team also created the Stationing Smart book to provide FORSCOM leadership a PowerPoint presentation of major force structure actions occurring during the program objective memorandum (POM) years. Information products have been created to provide “what if” drills for stationing analysis to assist HQDA in selecting the best stationing locations for the GTA brigade combat teams. The analysis team also coordinated with the G-6 to load the SAMAS files into the Oracle database that supports the G-3/5/7 planners who use the ARFORGEN Sourcing Tool and worked with G-6 developers to create COGNOS tools to support Force Documentation Division and the Command Plan Manager.

Description of Issue: Executing the Environmental Performance and Assessment System (EPAS) Program for Army – Installation Management Command (IMCOM)

Accomplishment: United States Army Environmental Command has implemented a risk-based approach for determining which environmental media should be assessed at any particular installation. This has proven to yield much more value per dollar than assessing all media areas present at all installations. The principal cost of the assessment is associated with the number of assessors participating in each assessment. Responsible allocation of limited funding requires careful selection of the highest risk operations to identify and distribute assessors better across the Active Army. It is estimated that the risk-based approach has decreased the funding requirements for CONUS installation assessments from \$3,550,000 if all media were assessed to \$2,075,000 per year under the risk-based approach.

Description of Issue: Increased HQDA Visibility of Army-wide Installation Reimbursement Transactions - Office of the Assistant Chief of Staff for Installation Management (OACSIM)

Accomplishment: OACSIM Resources Directorate implemented a new Army-wide procedure that will provide HQDA visibility over reimbursement executed at the installation level. Visibility over reimbursements will enable Resources Directorate to review, analyze and use reimbursement data on an annual basis; improve the fidelity of installation program requirements and ensure reimbursement policies remain current, and programming, budgeting and reimbursement procedures stay aligned.

The new procedures were based on a reimbursement process review conducted during FY 2009 to identify issues and recommend improvements. As a result, OACSIM implemented Army-wide reimbursement tracking procedures in FY 2010 to begin monitoring the types of reimbursement by program category. By gaining this new visibility and data for analysis, HQDA has improved internal controls over the decentralized reimbursement process that includes more than 75,000 transactions worth over \$2 billion a year across all three Components.

Description of Issue: Installation Services and Infrastructure Financial Dashboard - OACSIM.

Accomplishment: Through the establishment of a “Dashboard” that provides the Installation Services and Infrastructure community with cost management and financial situational awareness,

OACSIM RD executed an improved financial capability. The Dashboard provides leadership a much-needed analytical tool on the road to implementing a cost culture successfully. It also provides a review of the cost of services from HQDA down to the garrison and directorate level for analysis and comparison. OACSIM is the only Army organization with a dedicated cost management tool that allows the Installation Services and Infrastructure leadership to comply with the Chief of Staff, Army, guidance of cost culture implementation. In FY 2010, the Dashboard reached an initial operating capability enabling the execution tracking of \$14.3 billion, comprising 89 installation services representing over 130 garrisons. OACSIM anticipates full operational capability in FY 2011 of \$17.6 billion once the Army National Guard and Army Reserve installations are included.

Description of Issue: Unimplemented Audit Recommendations - OACSIM

Accomplishment: OACSIM continues to improve its process for monitoring the status of unimplemented recommendations. As of 30 Apr 09, OACSIM had 53 United States Army Audit Agency (USAAA) and DOD Inspector General (DODIG) unimplemented recommendations, 24 of which were over one year old. In FY 2010, the internal review evaluator began monitoring the status of Government Accountability Office (GAO) and DODIG unimplemented recommendations, and increased senior management visibility and emphasis by coordinating inclusion of unimplemented recommendations as a discussion topic at the quarterly Business Transformation Quality Council meetings chaired by the Deputy ACSIM and attended by high-level front office and directorate personnel. As a result, OACSIM closed 35 USAAA and DODIG recommendations in FY 2010, 21 of which were over one year old.

Description of Issue: Execution of the 2009 American Recovery and Reinvestment Act (ARRA) Program - OACSIM

Accomplishments: ARRA provided \$180 million in MILCON funding to build two Warriors in Transition Units (WTU) (\$100 million) and seven child development centers (CDC) (\$80 million).

The intent of the program was to provide “shovel ready” projects that could be executed quickly and stimulate the economy. With this program came an increased requirement for transparency and reporting, as well as significant oversight from the White House and auditors (GAO, USAAA, DODIG and the Army Inspector General). The Operations Directorate developed a reporting system with the assistance of Deputy Assistant Secretary (Installations and Housing), the Army Budget Office and OSD that provided transparency, contracting and population data.

These projects have all been awarded and two additional projects (one WTU and one CDC) have been requested for inclusion in the program as a result of bid savings.

Description of Issue: Unimplemented Law and Policy on Capturing Energy Savings - OACSIM.

Accomplishment: The Department of the Army had a new statutory and DOD policy requirement to begin capturing energy savings for extended year use (50 percent to the installation, 50 percent to big-Army). Per the DOD Financial Management Regulation, DOD required the Services to establish an energy savings process that implements the law. Resources Directorate developed and codified a process in a new HQDA policy letter that establishes the Army's policy for identifying, retaining and using energy savings in extended year accounts. The policy letter will remain in

effect for two years or until incorporated into the next update of AR 420-1. This policy applies to Active Component, Army National Guard and United States Army Reserve activities that own installations, fund utilities and energy initiatives and report energy consumption through OACSIM. This action improved incentives for Army installations to conserve energy and created a mechanism for them to benefit from some of the savings they achieved.

Description of Issue: Modernization of Real Property Planning and Analysis System (RPLANS) - OACSIM.

Accomplishment: OACSIM converted the RPLANS suite of systems (RPLANS, the Facility Planning System, and the Army Criteria Tracking System) into one integrated web-based application. This action brought RPLANS into compliance with AR 25-1, Army Knowledge Management and Information Technology, DOD Enterprise Architecture and security requirements by improving system efficiencies, flexibility and timeliness. System efficiencies gained include more timely updates, consolidation and streamlining of databases and improved editing and stationing capabilities. The modernization of RPLANS produced a cost avoidance of approximately \$573,000 per year, or 26 percent of the modernization cost, resulting in a 3.82 year amortization and providing more timely and accurate data to meet operational mission requirements.

Issue: Other Health Insurance (OHI) – Office of the Surgeon General, Medical Command

Accomplishment: William Beaumont Army Medical Center (WBAMC) Uniform Business Office (UBO) collected over \$19 million through VA/DOD and Third Party Collections (TPC) operations. This was done by strengthening the VA itemization coding for record collections and an OHI marketing plan for TPC. The marketing plan included stationing precertification nurses at newcomer's orientation to brief incoming personnel about the OHI program; providing information at the "Welcome to Fort Bliss" campaign during substantial student rotations through the U.S. Army Sergeants Major Academy (USASMA) and staffing a station.

Description of Issue: Antiterrorism Operations Intelligence Cell (ATOIC) Homepage – Office of the Provost Marshal General (OPMG).

Accomplishment: In July 2009, the ATOIC launched a new homepage on the Secret Internet Protocol Router Network (SIPRNET). The ATOIC Watch Officer posted all ATOIC analysis and warning products to the webpage, which were immediately accessible to all SIPRNET users. Additionally, the ATOIC webpage included web feeds from partner organizations, providing real-time updates to the ATOIC page and adding new products to the Web sites of those partner organizations. As of March 2010, the average number of requests to the Web site was over 100 per day, Monday through Friday.

The Web site includes a searchable archive of all ATOIC products, a request for information feature for products or information from the ATOIC Watch Officer, the current ATOIC Priority Intelligence Requirements and contact information for all ATOIC personnel. The ATOIC Watch Officer, on duty seven days a week, manages the Web site content to provide instant updates and necessary changes.

Description of Issue: Army Senior Detainee Operations Oversight Council (SDOOC) – OPMG.

Accomplishment: The Provost Marshal General co-chaired the Army Senior Detainee Operations Oversight Council with the G-2 and G-3/5/7. The council managed and ensured synchronization within the Army for all detainee and detainee interrogation operation tasks from the 14 investigations regarding the Abu Ghraib incident and assessments conducted by U.S. Army Central Command and the DA Inspector General. The SDOOC made final decisions on task completion based on recommendations from the office of primary responsibility. Currently, there are 166 green (completed), 39 amber and no red tasks. The SDOOC continues to review and analyze emerging policy and doctrine.

Description of Issue: Antiterrorism Strategic Communication - OPMG

Accomplishment: The concept of operations was an aggressive engagement and communications strategy that instilled a heightened awareness, knowledge and understanding of Antiterrorism concepts, techniques and requirements in the Army. This program operated in concert with recent initiatives, such as the revised Army Antiterrorism Strategic Plan and the recent antiterrorism field manual currently under development. In particular, one of the unprecedented successes of the Antiterrorism Security Program was the recent adoption by Senior Army leadership of an “Army Antiterrorism Month.” The antiterrorism month allowed commanders at all levels to focus efforts and develop programs in concert with leadership guidance, emphasizing antiterrorism-related topics and issues.

Description of Issue: Logistics Execution Information System (LEXIS) -Analytical tool to better assess logistics readiness posture of the Army – G-4.

Accomplishment: AR 220-1, Unit Status Reporting, and AR 700-138, Army Logistics Readiness and Sustainability, drive the operational reporting requirement. 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 (Modified Tables of Organization and Equipment), 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: Property Accountability Strategic Plan – G-4.

Accomplishment: The recent Army Inspector General inspections highlighted three property accountability areas in which the Army needs to improve. First, update existing property accountability policy to conform to the ARFORGEN processes; second, improve property accountability training among Property Book Officers (PBOs) and Supply Sergeants; and third, increase unit commanders’ emphasis on the Command Supply Discipline Program (CSDP). The Office of the Deputy Chief of Staff (ODCS), G-4, aggressively addressed each of these issues by creating the Property Accountability Task Force (PATF) (lead by the Army G-44(S)). The PATF continued in the development and execution of a property accountability strategic plan that ensures

accountability and stewardship of Army-owned equipment and adapts our processes to support an expeditionary Army in an era of persistent conflict. In our continued efforts, we established the PATF to identify problem areas further and corresponding solutions in equipment accountability processes. The PATF was charged with developing a property accountability “attack plan” that synchronized problems and solutions into a coherent collective approach and adapting all of our corporate property accountability processes to support the dynamic nature of this new and enduring era of persistent conflict. Some other solutions the team is working include implementing property accountability training in appropriate Professional Military Education Courses (Officer Education System/Non-Commissioned Officer Education System); implementing property accountability training in all Army Captain Common Core Courses; personnel policy to synchronize key personnel rotations with a 180-day stability period for required inventories; augmenting supply room staff during surge periods; implementing Program Manager (PM) use of PBUSE for the fielding of equipment; rewriting Command Supply Discipline Program (CSDP) Checklist in Appendix B of AR 710-2 for Brigade and Battalion Commanders (Table B3), Company Commanders (Table B-1) and PBOs (Table B-2) plus adding a Commanders CSDP Quick Guide Reference (Table B-8); and relooking and restructuring policy to adapt to the persistent conflict environment. The most important element of improving accountability is emphasizing and enforcing Command Supply Discipline. The task force’s effort will continue this year with USAAA audits of active and reserve component installations and units. The U.S. Army Logistics Innovation Agency (LIA) team and PATF will meet to discuss our way ahead and assess our position now and strategies to continue our plan to ensure accountability and stewardship of Army-owned equipment several times a year.

Description of Issue: Removing Obsolete Line Item Numbers (LINs) List (In-Process Review-Video Teleconference (IPR-VTC) – G-4.

Accomplishment: The Army G-44(S) continues to support the ODCS, G-3, effort to remove obsolete LINs from requirements and authorization documents. Obsolete equipment in the Army inventory strains the force logistically and operationally rather than supporting its wartime or peacetime missions. It provides limited utility in current deployments, other operational or homeland defense missions, and causes logistical and operational costs, which greatly exceed their depreciated value and potential benefit to the Army. In 2009, the ODCS, G-4, hosted monthly IPR-VTCs with representatives from throughout the Army. The group reviewed the status of equipment turn-in. The components have made significant progress with equipment turn-in. Since the start of the initiative, 21,142 pieces of equipment have been turned in from the field, with 1,712 pieces remaining to be turned in (down from 3,001 from the last report). Of the 73 National Item Identification Numbers (NIINs) identified for obsolescence, 39 NIINs have Standard Study Number-Line Item Number Automated Management and Integrating System (SLAMIS) action initiated for Logistics Control Code “O” once the NIINs are brought to zero balance in the force. The ODCS, G-4 (DALO-SUE), continues to emphasize the importance of focusing on the turn-in of low density LIN-NIIN items that could be quickly type-classified as obsolete. The ODCS, G-4 (DALO-SUE), will continue to monitor equipment turn-in performance.

Description of Issue: Wartime Requirements Process for Coalition Support: The current cycle time for providing equipment to Coalition Forces requires identification of requirements and locating/providing the necessary equipment prior to deployment – Assistant Secretary of the Army for Acquisition, Logistics and Technology (ASA(ALT)).

Accomplishment: Deputy Assistant Secretary of the Army, Defense Exports & Cooperation,

initiated a Lean Six Sigma project to document and enhance the process of allocating equipment to Coalition Forces. A simulation of the new process was conducted with one country for the pilot to validate the solutions identified and selected. This pilot confirmed the new process was achievable and that the mission requirements could be determined and compared to country capabilities. The overall Information Technology solution involved the creation of a mission requirements listing in an automated system to allow visibility of the capabilities to the coalition partner to allow them to bring equipment to the warfighter. The creation of a historical database allows advanced opportunity to procure any gaps through foreign military sales (FMS) and ensures the right equipment is in the hands of the Coalition forces. A user guide was developed to provide specific step-by-step guidance to assist the Coalition partner in identifying requirements they need to participate and how to obtain them.

Description of Issue: Procurement Management Review (PMR) Program

Accomplishment: In the period under review, the DASA(P) organization continued to execute PMRs in accordance with the Army Federal Acquisition Regulation Supplement, Appendix CC in order to ensure Army contracting organizations were adhering to the highest procurement and internal control standards. A total of sixteen PMRs were conducted for FY 2009.

To date ten PMRs have been conducted for FY 2010. The management controls/processes focus area was assessed for all ten PMRs. Results of those PMRs are as follows: The team rated high risk for one site with self-reported material weakness, medium risk for four sites, and low risk for five sites. These reviews ensure our contracting organizations are performing at the highest levels of efficiency.

To assist in the effective management of Army contracting we compiled data for the year-end Summary Health Report for FY 2008-2009. This report provides management good insight into what is going well, what needs improvement, systemic issues, and what is being done to resolve identified problems (process/training improvement). The published date was May 2010.

To make sure senior management has the most current and relevant PMR information a PMR Status Report for FY 2010 was developed to provide senior management ongoing insight and comparative analysis into what is going well, what needs improvement, emerging trends, systemic issues and snapshot summary of risk ratings by site and toolkit, and comparison of actual costs versus budget for PMR site visits.

In order to maintain the highest levels of security of procurement sensitive documentation an Army Knowledge Online (AKO) back-up repository was established for the PMR Program to assure information is accessible and available to make PMR and Army decisions. The AKO database is restricted to specific user groups to ensure data integrity and security.

Since PMR team members may sometimes deal with procurement sensitive documentation PMR Non-Disclosure statements were developed to communicate DASA(P)'s mission, objectives, and standards of conduct for PMR Program to all PMR team members.

In order to ensure the same high level of support is provided by the PMR Team Leads a Standard Operating Procedure was developed for PMR Team Leads to provide consistent understanding of

DASA(P)'s expectations of team lead's role, responsibilities and management of the PMR function to achieve intended results more efficiently and effectively.

DESCRIPTION OF ISSUE: Lean Six Sigma (LSS) Projects U.S. Army Acquisition Support Center (USAASC)

ACCOMPLISHMENT: In the period under review, USAASC completed five LSS projects, which yielded total savings of \$4.82 million and streamlined processes.

OMB Circular A-123, Management's Responsibility for Internal Control, December 2004, states that the "three objectives of internal control are: effectiveness and efficiency of operations; reliability of financial reporting; and compliance with applicable laws and regulations." The projects described below clearly illustrate USAASC's commitment to process improvement and how LSS is used to improve the efficiency of operations and ultimately provide cost savings to the Army.

LSS Project #1: Data Improvement for Defense Acquisition University (DAU) forecasting and analysis. The green belt candidate gathered a group of colleagues from amongst USAASC and DAU personnel in a variety of departments. They proceeded to lay out the complex processes of creating the number of forecasted class requirements for DAU courses and the actual authorization of seats for those courses. Through the engagement of the green belt candidate and her team, they were able to identify areas of unnecessary and redundant work. She then worked to implement the use of an automated Career Acquisition Personnel and Position Information System (CAPPMS) solution. The end result was a net savings of \$1.96 million and an improved ability to deploy resources to shape the acquisition workforce.

LSS Project #2: Improving the Incentive Award Process. This effort was spearheaded by several different project owners. They were successful in their aim to reduce the time between the Program Executive Office (PEO)/Direct Reporting Program Manager (DRPM) submission of the award nomination package and its approval and return to the submitting organization. Through careful master black belt guidance, the project leaders established an automated document transfer process that utilizes the Tracking System of the Headquarters, Department of the Army (HQDA) and minimizes manual handling which reduced process cycle time by 19 days and generated savings amounting to \$618,000. This project improved the efficiency of our customer support practices.

LSS Project #3: PEO Chartering Process. USAASC identified a problem with its production and mailing of charters. The project owners quickly enacted a solution to improve speed and avoid defects by utilizing the HQDA Tracking System for electronic document delivery. The result was an improvement in quality and speed of our services and a savings of \$99,410.

LSS Project #4: USAASC Senior Leader Training Forum (SLTF) Event Planning. Through collaboration with several process stakeholders, the green belt candidate identified a way to reduce labor hours by 25 percent and cut additional costs through re-use of a venue via multi-year contract. The final results were a savings of \$509,060 and an improvement in event satisfaction.

LSS Project #5: USAASC's Execution of the ASA(ALT) Exhibit at the Association of the U.S. Army (AUSA) Conference. The green belt derived this non-gated, "quick win" project from the lessons learned in the SLTF LSS project to produce a savings of \$1.64 million.

Description of Issue: Reduction of aged Antideficiency Act (ADA) cases – Assistant Secretary of the Army Financial Management and Comptroller – ASA(FM&C).

Accomplishment: Continued our efforts to ensure timely and proper closure of alleged ADA cases and improve oversight to reduce occurrences of violations. In response to an inventory of aging cases growing at an alarming rate, we issued a policy memorandum on October 19, 2009, requiring commands to redouble their efforts to examine root causes and apply lessons learned in areas posing exceptional risk, such as work classification, while emphasizing the importance of senior leader accountability to ensure that Army and OSD metrics are being met. On a case-by-case basis, we also have been requiring periodic face-to-face meetings between senior executives of ASA(FM&C) and those of funded activities with outstanding cases to maintain the highest level of emphasis and awareness at command level. The Army also continues to track the training of fund certifiers, disbursing officials and other accountable officers aggressively. Currently, 9,003 of the Army's 9,678 fund certifying officers have received fiscal law training within the past three years - a 93 percent compliance rate! The Army started the fiscal year with eight delinquent formal cases with two additional cases becoming delinquent during the fiscal year. Five of the cases were closed, two were completed in the Army and submitted to OSD for further action, and three remain actionable within the Army.

Description of Issue: Defense Travel System (DTS) – ASA(FM&C).

Accomplishment: Continued to provide active Army support for sustainment and operation of the DTS. This Department of Defense initiative touches each Army Soldier and civilian who performs temporary duty travel and local travel. As of May 31, 2010, the Army has processed 1,029,867 DTS claims. We continue to monitor and enforce DTS usage through the Joint Reconciliation Process and average usage at proliferated sites has risen to 98 percent. An effort is underway to deploy the DTS Centrally Billed Account (CBA) Reconciliation Tool across the Army. This tool will reduce the unmatched disbursements in GFEBs and the CBA delinquency rate. The enhancement of DTS internal control procedures has facilitated oversight management of the Army DTS Program.

Description of Issue: Army's Joint Reconciliation Program (JRP) – ASA(FM&C).

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 DFAS to meet or exceed program goals and improve accountability by:

- Implementing guidance/standard operating procedures for Joint Reviews. This guidance was signed by the ASA(FM&C) and disseminated throughout the Army on April 19, 2010.
- 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 2010 goals.
- Identifying trends where training/guidance needs to be conducted and ensuring Commands and DFAS receive the training that impacts the program.

Description of Issue: Financial and Logistics Systems Interface – ASA(FM&C).

Accomplishment: Continued to improve the interfaces between financial and logistical systems. The Funds Control Module (FCM) is fully deployed throughout the Army. The FCM, a Federal Financial Management Improvement Act (FFMIA) compliant system provides an automated end-to-end interface of supply requisitions to the accounting system. Improvements during FY 2010 included additional enhancements for the interface between FCM with GFEBS. This interface is an interim measure pending fielding of the Global Combat Support System – Army (GCSS-A). We are actively involved with staffing coordination to ensure proper financial management procedures and controls are incorporated into GCSS-A which are critical to the successful integration with GFEBS. The FCM is used as a tool to validate data prior to conversion for GCSS-A. Changes were made to the interface between FCM and GFEBS to ensure all transactions passing from FCM to GFEBS are accounted for and properly documented.

Description of Issue: Reporting Accurate Obligations for the Permanent Change of Station (PCS) Program – ASA(FM&C).

Accomplishment: Military Personnel Appropriation (MPA) was not able to forecast PCS disbursements due to decentralized commitments/obligations and the payroll model did not have the capability to estimate additional disbursements that occur after the close of the fiscal year. This caused a violation to the Anti-Deficiency Act in 2008. Three substantive changes to the existing MPA model have improved operations.

- The MPA model was updated in early FY 2009 to allow a forecast for disbursements to accommodate pay-related adjustments that occur after the fiscal year.
- The Cost of War report is now automatically generated using Defense Joint Military Pay System AC/RC (DJMS), the Standard Army Finance Information System (STANFINS) and DFAS Accounting Report 1002 as the primary sources to populate execution data. The imported data is separated and organized by
- Army Management Structure Code (AMSCO) and Component of Pay (COP) codes and then cross walked to Cost Breakout Structure (CBS) codes for trend analysis and variance explanation. This automation replaced a manual review of thousands of lines of accounting information which has greatly improved the accuracy of the Military Pay reporting for Overseas Contingency Operations.
- Ongoing Process Improvement. The Military Personnel Division has three on-going Lean Six Sigma projects designed to enhance the Army's capabilities to forecast the cost impact of external variable factors. Two of the projects are associated with the PCS program and one was designed to improve the ability to forecast requirements for the enlistment bonus program.

Description of Issue: Pay Support Provided to Wounded Warriors – ASA(FM&C).

Accomplishment: The Army, in partnership with DFAS, National Guard and U.S. Army Reserve provided improved military and travel pay support to Wounded Warriors and their Family members. To date, USAFMCOM has reviewed and managed more than 80,000 Wounded Warrior accounts for pay and allowances accuracy and timeliness. The dollar amount for remissions and waivers requests decreased from \$1.4M in FY 2008 to \$938K in FY 2009. The USAFMCOM continues to meet or exceed the standard three-day travel payment turnaround time.

In addition, Warrior Transition Units (WTU) financial management procedures and policies have been reviewed and updated. 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. To date, USAFMCOM has completed 90 percent of FY 2010 Organizational Inspection Program (OIP) of the WTUs. WTUs that received an Amber or Red rating are being re-inspected six months after the initial inspection. We continue to conduct site training assistance visits to the WTUs.

The USAFMCOM has trained the WTU Cadre on core finance-related topics directed by a Fragmentary Order (FRAGO) of the Department of the Army's (DA) Executive Order, 118-07, Healing Warriors. The Family Support Debit Card Program, which offers Family Members immediate access to advance travel funds via debit card instead of by check or electronic funds transfer (EFT), was expended to four new sites (Dover Air Force Base, Landstuhl Regional Medical Center, Bethesda National Naval Medical Center and Palo Alto). During FY 2010, over \$757,000 has been advanced to Family members using the Card.

Description of Issue: Operational Support Teams (OST) – ASA(FM&C).

Accomplishment: The OSTs were created to provide standardized, unit level technical training and assistance to deploying and deployed Army financial management units. OSTs provide on-site or remote training and assistance in CONUS/OCONUS operating environments to both the active and reserve components. The objectives of the OSTs are to assist, train and provide a Mission Rehearsal Exercise (MRX) for units on financial management systems and Core 1 and Core 2 level competencies. The OST teams provide valuable financial training across the spectrum of financial operations (disbursing, entitlements, accounting and resource management) to deployed and deploying units. During FY 2010 the OST trained 18 units and evaluated 24 units resulting in approximately 650 Soldiers receiving training, an evaluation, or both. In

FY 2010 we expanded the capabilities of the Fort McCoy Warrior Training Center to provide an MRX for not only Reserve Component FM Units but Active Component FM units as well.

Our teams have trained and/or conducted an MRX for 86 FM units who have deployed since the beginning of FY 2009 and are responsible for the training and MRX for five additional units that will be deploying during FY 2010. Additionally, we continue to provide support as required to include systems implementation and training at the Financial Management School (FMS), taskers to help with real world exercises/missions (Lucky Strike/Warrior, JTF-B Honduras, DSSN/DDS implementation in CENTCOM), and a growing number of additional requirements. We are partnering with the FMS and ARCENT to provide RM training/MRX's to FM units. We have the

OST website which is available to FM units to supplement training. During FY 2010 the OST has taken on the training/certifying mission from the 13th and 18th FM Centers (FMC).

Description of Issue: Military Banking – ASA(FM&C).

Accomplishment: The Military Banking Program is managed and made up of the Department of the Army Banking Officer, the European Banking Officer, the ARCENT Theater Financial Management Center's Banking Team and the CONUS on-base Bank/Credit Union Liaison Officers (BLO/CULOs).

The overall banking program plays a significant role in bringing about improvements in the internal controls, accountability and efficiency of cash disbursement operations of financial management units (domestically, OCONUS and in Contingency Areas of Operation). In OEF/OIF, the banking program focused on relationships directly with the local banks and synchronizing the efforts of other agencies (i.e., State Department, USAID, and Task Force of Business Stability Operations). The U.S. Army Financial Management Command (USAFMCOM) established four local banks on Forward/Contingency Operating Bases. These banks reduced the cost and improved the availability of local currency and allowed the Army to leverage electronic payment and transfer programs, such as International Treasury Service (ITS.gov) which transferred \$2.5B for contract and vendor payments in FY 2009. This allowed financial management units to reduce their cash holding authority from \$918M to \$513M and decreased cash disbursements from \$150M to \$50M. Transmitting payments via electronic funds transfer strengthened the host country banking infrastructure and increased the use of the banks by the local citizens and businesses; the overall number of bank branches in Iraq increased by 38 percent during FY 2009.

The Community Bank, a Military Banking Facility operated under a DOD contract by Bank of America provided U.S. dollar funding support to the Theater Financial Management Center (FMC) Central Funding Vault in Kuwait, supporting OIF/OEF. The efforts of the FMC and the use of local banks in theater reduced the cash shipments into theater from \$1.9B in FY 2008 to \$800M in FY 2009 while facilitating a first ever return of \$157M in U.S. currency to the U.S. Treasury. The reduction of U.S. dollars in theater strengthened and increased the use of local currency, reduced the convoys and flights needed to transport currency and improved safety and security for all personnel.

The establishment of on-base banks and credit unions, domestically, provided a designated depository and Financial Agent of the government through the use of Treasury General Accounts (TGA). A TGA is maintained with an authorized Depository to accelerate the collection and availability of funds to U.S. Treasury from appropriated fund and non-appropriated fund instrumentalities and other governmental/non-governmental agencies. This improved the governments use and earnings of U.S. dollars by reducing the time funds are held outside of the treasury.

(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 #
Reporting Accurate Obligations for the PCS Program	4th Qtr FY 2012	B-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	

Category: Contract/Procurement

Expeditionary Contracting	FY 2007	2nd Qtr, FY 2011	3rd Qtr, FY 2014	B-2-4
Oversight of Service Contracts	FY 2006	4th Qtr, FY 2010	2nd Qtr, FY 2012	B-2-8

Category: Supply Operations

Logistics Asset Visibility and Accountability	FY 2004	4th Qtr, FY 2011	4th Qtr, FY 2011	B-2-12
Financial Reporting of New Equipment In-Transit	FY 2008	3rd Qtr, FY 2010	3rd Qtr, FY 2012	B-2-14

Corrected Weaknesses Identified During All Periods:

Title	Year First Reported	Page #
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N/A

(TAB B-2)
UNCORRECTED WEAKNESS STATUS OF CORRECTIVE ACTION

Uncorrected Weakness Identified During Prior Periods

Title and Description of Material Weakness: Reporting Accurate Obligations for the PCS Program. An automated solution does not currently exist to obligate PCS orders when issued (a DoD FMR and fiscal law requirement) with reliable cost estimates and to reconcile obligations with disbursements. This situation makes it extremely difficult to ensure adequate funds are available to cover disbursements after fiscal year end close, and as a consequence, the Army is vulnerable to ADA violations.

Functional Category: Military Pay

Senior Official in Charge: BG Karen Dyson

Pace of Corrective Action:

Year Identified: FY 2010

Original Target Date: 2nd Qtr FY 2013

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

Current Target Date: 2nd Qtr FY 2013

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

Validation Process: After completion of development, USAAA must audit the MPA account to determine whether procedures and systems have been put in place to obligate orders at the time of issuance. Based on current batch upload cycles in the Department of the Army Mobilization Process system, Temporary Change of Station (DAMPS-TCS) module, obligations should be recorded in the financial system no later than 48 hours after the order has been completed at the installation level.

Results Indicator: Army will have developed a process/system capable of obligating PCS orders when issued.

Source(s) Identifying Weakness: Military Personnel Division

Major Milestones to Include Progress to Date:

A. Completed Milestones:

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

B. Planned Milestones (Fiscal Year 2010):

<u>Date</u>	<u>Milestone</u>
4th Qtr FY 2010	Receive IRB/APMS Certification for DAMPS TCS.
4th Qtr FY 2010	Reconvene stakeholders involved in the current process to develop interim improvements to the managerial controls that could be implemented while the software solution is being developed.
4th Qtr FY 2010	Begin PCS project. Amy will develop a business process and system capable of recording a unique obligation at the time of PCS order issuance. Completion will correct the managerial internal control weakness.
4th Qtr FY 2010	Establish a memorandum of understanding with six sites selected for pilot program.
4th Qtr FY 2010	Establish a memorandum of understanding with HQDA staff elements to delineate the supporting roles and responsibilities necessary to resolve the material weakness.

C. Planned Milestones (Beyond Fiscal Year 2010):

<u>Date</u>	<u>Milestone</u>
1 st Qtr, FY 2011	Procure necessary funds through the development of a business case and presentation through the BRP.
1 st Qtr, FY 2011	Contract award for PCS pilot program for DAMPS PCS.
1st Qtr FY 2011	Begin software development through engagement of PCS subject matter experts and pilot site personnel.
3rd Qtr FY 2011	Completion of software development.

<u>Date</u>	<u>Milestone</u>
3rd Qtr FY 2011	Begin tests at pilot sites.
3rd Qtr FY 2011	Begin self assessment of timeliness of PCS obligations at the pilot sites.
4th Qtr FY 2011	Request USAAA to audit results at pilot sites.
1 st Qtr, FY 2012	Decision Point - Assessment of system to begin training and development to additional sites.
3rd Qtr FY 2012	Receive results from USAAA and based on a statement of reasonable assurance; begin training and deployment to additional sites.
2nd Qtr FY 2013	Resolution of managerial weakness.

OSD or HQDA Action Required:

- Support process changes and funding of automated solutions.

Point of Contact: James Fasano, SAFM-BUO-M, 703-692-8531

(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) (DASA(P)), Office of the Assistant Secretary of the Army (Acquisition, Policy and Logistics) (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>	3rd Qtr, FY 2014

Reason for Change in Date(s): Expanded milestones need to address inadequate staffing and training impacting on the effectiveness of the expeditionary contracting process.

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. The Army will have established viable internal controls to mitigate risk of fraud, waste, abuse and mismanagement.

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 collect and distribute lessons learned systematically	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):

Actions Completed Prior to FY 2010

Milestone:

Formed the Army Contracting Task Force (ACTF) (co-led by ASA(ALT) Military Deputy and Army Materiel Command Executive Deputy Command Director) with participants from a wide range of Army staff elements and contracting operations.

Assigned new leadership and increased staff.

Established reach-back capability to manage active contracts.

Developed internal controls for optimal contract management and surveillance.

Increased engagement of Defense Contract Management Agency in performing contract management and oversight support through the Kuwait Logistics Support Office.

Established contracting officer's representative training program.

2nd Qtr, FY 2008	Disbanded ACTF and formed the Army Contracting Campaign Plan Task Force to work ACTF findings.
3rd Qtr, FY 2008	Implemented internal controls for optimal contract surveillance.
3rd Qtr, FY 2008	Contracting Operations Review team conducted independent verification of compliance with internal control procedures.
3rd Qtr, FY 2008	Contracting Operations Review team reported internal control review results.
2nd Qtr, FY 2009	Updated the Management Control Evaluation Checklist and published it in the AFARS Appendix BB.

B. Planned Milestones (Fiscal Year 2010):

<u>Date:</u>	<u>Milestone:</u>
4th Qtr, FY 2010	Continue to have unit conduct self-inspections to validate use of Management Control Evaluation Checklist.
4th Qtr, FY 2010	Identify subtasks associated with material weakness resolution (i.e., Manning, training, structure, internal controls) and lay out a milestone schedule for subtask completion.
4th Qtr, FY 2010	Ongoing Independent Review/Procurement Management Review team conducts compliance review of individual subtasks.
4th Qtr, FY 2010	Ongoing process of review teams providing results.

C. Planned Milestones (Beyond Fiscal Year 2010):

<u>Date:</u>	<u>Milestone:</u>
3rd Qtr, FY 2012	Independent review/Procurement Management Review team conducts compliance reviews

extending through 3rd Qtr 12 (commenced 1st Qtr
FY2010.)

2nd Qtr, FY 2013

Review teams provide results.

3rd Qtr, FY 2013

Initiate discussions with USAAA on validation
audit.

2nd Qtr, FY 2014

USAAA validation audit commences.

3rd Qtr, FY 2014

USAAA provides audit results.

3rd Qtr, FY 2014

Close material weakness

OSD or HQDA Action Required: Continue to apprise OSD DPAP on a quarterly
basis of Army progress

(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 Contracting Officer's Representative (CORs), weak requirements justification and improper use of contractor labor.

Functional Category: Contract/Procurement

Senior Official in Charge: Mr. Edward M. Harrington, DASA(P), 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:	2nd Qtr, FY 2012

Reason for Change in Date(s): Results of field data submission did not substantiate sufficient implementation to initiate U.S. Army Audit Agency (USAAA) validation.

Validation Process: DASA(P) 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).

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.

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.
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.

<u>Date:</u>	<u>Milestone:</u>
3rd Qtr, FY 2008	U.S. Army IR reported COR compliance results with previously issued guidance to ASA(ALT).
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. .
4th Qtr FY 2009	Reviewed service contract surveillance data and determined weakness requires additional time to implement training, and institutional oversight.

B. Planned Milestones for 4th Qtr. FY 2010:

<u>Date:</u>	<u>Milestones:</u>
4th Qtr, FY 2010	Target completion date revised from 4th Qtr FY 2009 to 4th Qtr FY 2010 for issuing new Army Regulation 70-13, Management and Oversight of Service Contracts, due to Army Publishing Directorate delays.
4th Qtr, FY2010	Evaluate all recently issued COR guidance, and develop a plan to incorporate this guidance into a single approach to correct the material weakness.
4th Qtr, FY2010	Develop a surveillance plan resources for service acquisitions at various dollar thresholds.

C. Planned Milestones (Beyond FY10):

<u>Date:</u>	<u>Milestone:</u>
2nd Qtr, FY 2011	Coordinate with USAAA to develop schedule and determine objectives for validation.
4th Qtr, FY 2011	Commence audit.
1st Qtr, FY 2012	USAAA reports results.
2nd Qtr, FY 2012	Close out material weakness.

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

Uncorrected Weakness(es) Identified During Prior Periods

Title and Description of Material Weakness: 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 operations. 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 Protection and Distribution, Deputy Chief of Staff, G-4

Pace of Corrective Action:

Year Identified: FY2004

Original Target Date: 4th Qtr, FY 2008

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

Current Target Date: 4th Qtr, FY2011

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.

Sources(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 in Corrective Action:

A. Completed Milestones

<u>Date:</u>	<u>Milestone:</u>
4th Qtr, FY2005	Army Radio Frequency Identification (RFID) Strategy. Combat Service Support Very Small Aperture Terminal Phase One – SSA/Log Nodes (Connect Focus Area IPT.)

1st Qtr, FY2006	Established Army Reserve/Retrograde Logistics Reserve Pipeline Committee.
4th Qtr, FY2008	GCSS-A Initial Operating Capability (IOC) and Fielding.
4th Qtr, FY2008	G-4 validation of current systems, policies procedures and processes to address lack of in-transit visibility.
2nd Qtr, FY2009	On 5 Feb 09, requested AAA (SAAG-ALZ) validation of Army's in-transit visibility systems, policies and procedures.
1th Qtr, FY 2010	Met with USAAA to discuss closure of Material Weakness (MW).
2nd Qtr, FY2010	Army G-4 sent memo to USAAA for "asserting corrective actions" to validate G-4 processes and closure of Army's in-transit visibility systems policies and procedures.
3rd Qtr, FY2010	Continued coordination with USAAA to complete assertion and validation for closure of MW.

B. Planned Milestones for FY2010

<u>Date:</u>	<u>Milestone:</u>
4th Qtr, FY2010	USAAA to begin assertion and validation for closure of MW.

C. Planned Milestones (Beyond Fiscal Year 2010)

<u>Date:</u>	<u>Milestone:</u>
4th Qtr, FY 2011	Complete USAAA validation of Army's in-transit visibility systems, policies and procedures.

(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 of 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: Mr. Michael W. Brown, 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>
1st 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.
2nd Qtr, FY 2008	Documented and deliver process flowcharts. Developed a follow up process to make sure equipment in-transit is properly and promptly closed upon receipt. Obtained aged Army in-transit reports. Established a threshold for closing in-transits.
3rd Qtr, FY 2008	Determined where break-downs exist.
3rd Qtr, FY 2008	Determined the reconciliation process Developed the assessment plan.
1st Qtr, FY 2009	Tested the process to ensure a follow-up report is produced to catch transactions that failed to process or processed in error. Tested that all systems whether logistical or financial are closing in transit documents. Reviewed current controls inherent to each system, and manual controls directed by policy or regulation.
2nd Qtr, FY 2009	Developed a follow up process to make sure equipment in-transit is properly and promptly closed upon receipt. Established periodic reviews for identification and corrective action for aged in-transits. Established metrics for open in-transits to track and take corrective action. HQDA G-4 evaluated results to see if additional controls are needed or actions required to ensure/enforce controls/processes. Established new key management controls in the flow process of equipment in-transit for the CSDP.

2nd Qtr, FY 2009 Using validation plan, conducted site assistance visits Army-wide (includes accountability analysis, data validation, source documentation validation and creation and other required actions to create auditable records).

B. Planned Milestones for 4th Qtr. FY 2010:

<u>Date:</u>	<u>Milestone:</u>
4th Qtr, FY 2010	LMP TPF Document creation/generation developed and fielded to the LCMCs.

C. Planned Milestones (Beyond FY 2010):

<u>Date:</u>	<u>Milestone:</u>
1st Qtr, FY 2011	Develop management control process for validation of manual closure of LMP TPF documents. Investigate design for an automated fix.
2nd Qtr, FY 2011	Monitor manual closure of TPF documents in LMP
3rd Qtr, FY 2011	Map the financial process for in transits from LMP and PBUSE/GCSS-Army to GFEBs.
2nd Qtr, FY 2012	Test the financial reporting of equipment from LMP and PBUSE/GCSS-Army to GFEBs.
3rd Qtr, FY 2012	USAAA validates closure of Weakness for the financial reporting of equipment in transit of Major end item new equipment fielding.

(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

N/A

(TAB C)
ARMY INTERNAL CONTROLS OVER FINANCIAL SYSTEMS (ICOFs)
UNCORRECTED WEAKNESS(ES) STATUS OF CORRECTIVE ACTIONS

Title and Description of Material Weakness: The Army relies primarily on financial systems operated and maintained by the Defense Finance and Accounting Service and/or Department of Defense. Many of these systems lack a single, standard transaction-driven general ledger and lack controls to meet audit standards. The Army also needs to upgrade or replace many of its non-financial feeder systems so that financial statement reporting requirements may be met. The lack of a single, standard transaction-driven general ledger will continue to prevent the Army from preparing auditable financial statements. Consequently, the Army provides no assurance of internal controls over financial systems.

To remediate these problems, the Army is modernizing its financial management systems. The Army is currently implementing the General Fund Enterprise Business System (GFEBS), the Global Combat Support System-Army (GCSS-A), and the Logistics Modernization Program (LMP) that, when fully deployed, will serve as the foundation for an FFMIA compliant systems environment.

To further the Army's implementation of the Chief Financial Officers (CFO) Act of 1990, the Army continues to refine the Army Financial Improvement Plan (FIP). The FIP is the Army's roadmap for driving business process and system improvements and includes financial improvement and systems implementation tasks that apply across the enterprise. It also includes actions required to correct previously identified internal control weaknesses, both management and auditor identified. To ensure accountability, the Army Audit Committee Executives meet quarterly to monitor progress, review action plans and update the FIP as required.

The table below summarizes the compliance requirements of Army's Integrated Financial Management Systems (IFMS) with FFMIA, OMB Circular A-127 and Chapter 3 of Volume 1, DoD FMR. "Yes" means compliance, "No" means non-compliance with the regulations cited above. IFMS is a unified set of financial systems necessary to carry out financial management functions.

Compliance with Federal Financial Management Improvement Act			
Substantial Compliance Requirements	Reporting Entity	Auditor	Reason for Non-Compliance
1. System Requirements	Yes	N/A	IFMS has been defined, but not fully implemented
2. Accounting Standards	No	N/A	IFMS has been defined, but not fully implemented
3. USSGL at Transaction Level	No	N/A	IFMS has been defined, but not fully implemented

(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	2nd Qtr FY 2014	4th Qtr FY 2015	D-2-1
<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	3rd Qtr FY 2014	2nd Qtr FY 2014	D-2-5
<u>Inventory (Operating Materials and Supplies) (OM&S)</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	2nd Qtr FY 2015	4th Qtr FY 2015	D-2-7

(TAB D-1)

LISTS OF ALL ARMY 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>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	1st Qtr FY 2013	2nd Qtr FY 2014	D-2-10
<u>Environmental Liabilities</u> The Army has not properly estimated and reported its environmental liabilities.	FY 2008	4th Qtr FY 2012	4th Qtr FY 2012	D-2-18
<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	1st Qtr FY 2012	2nd Qtr FY 2012	D-2-23
<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	1st Qtr FY 2012	2nd Qtr FY 2012	D-2-26
<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	1st Qtr FY 2012	2nd Qtr FY 2012	D-2-28
<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. Abnormal balances	FY 2008	1st Qtr FY 2012	2nd Qtr FY 2012	D-2-31

(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	
not only distort the Army General Fund Financial statements, but also indicate internal control and operational deficiencies and may conceal instances of fraud.				
<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.	FY 2008	2nd Qtr FY 2013	2nd Qtr FY 2013	D-2-33
<u>Accounts Payable</u> The Army is unable to account for and report Accounts Payable properly.	FY 2008	3rd Qtr FY 2013	3rd Qtr FY 2013	D-2-35
<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."	FY 2008	1st Qtr FY 2012	2nd Qtr FY 2012	D-2-38
<u>Reconciliation of Net Cost of Operations to Budget</u> In FY 2008, the Army General Fund was unable to represent accurately the relationship between budgetary obligations incurred and its Statement of Net Costs without preparing \$1.2 billion in unsupported adjustments to the general ledger accounts to force costs to match obligation information.	FY 2008	1st Qtr FY 2012	2nd Qtr FY 2012	D-2-40

(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>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.	FY 2009	3rd Qtr FY 2009	2nd Qtr FY 2011	D-2-42

Corrected Weaknesses Identified During All Periods:

Title	Year First Reported	Page #
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, Office of the Secretary of the Army (Financial Management and Comptroller) (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: 4th Qtr FY 2015

Reason for Change in Date(s): Received updated full-deployment date for Global Combat Support System – Army (GCSS-A).

Validation Process: Internal validation will be conducted by the U.S. Army Audit Agency (USAAA).

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

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

(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>
Completed	Fielded Department Property Accounting System (DPAS) to required units and activities Statement of Federal Financial Accounting Standards (SFFAS) (SFFAS #6, SFFAS #3) (Army GE Financial Improvement Plan WBS 3.1.1.1.2.1.1)
Completed	PBUSE: Conducted Federal Financial Management Improvement Act (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)
Completed	Completed implementation of Planning Resource Infrastructure Decision and Evaluation System – Web Version (Army RP Financial Improvement Plan WBS 3.1.7.10)
Completed	Replaced Army Medical Department Property Accounting System (AMEDDPAS) with Defense Medical Logistics Standard Support System, (Army GE Financial Improvement Plan WBS 3.4.1)
Completed	Deployed wave 1 of General Fund Enterprise Business System (GFEBS) to 3 organizations.
Completed	Deployed wave 2 of General Fund Enterprise Business System (GFEBS) to 21 organizations.

B. Planned Milestones (Fiscal Year 2010):

<u>Date:</u>	<u>Milestone:</u>
4th Qtr FY 2010	Formally request FFMIA compliance re-audit on PBUSE from USAAA (Army GE Financial Improvement Plan, WBS 3.4.4.14)
4 th Qtr FY 2010	Deploy wave 3 of General Fund Enterprise Business System (GFEBS) to 29 organizations.

C. Planned Milestones (Beyond FY 2010):

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

<u>Date:</u>	<u>Milestone:</u>
2 nd Qtr FY 2011	Deploy wave 4 of General Fund Enterprise Business System (GFEBS) to 25 organizations.
2 nd Qtr FY 2011	Begin General Fund Enterprise Business System (GFEBS) wave 1 examination 1.
2 nd Qtr FY 2011	Deploy wave 5 of General Fund Enterprise Business System (GFEBS) to 22 organizations.
4 th Qtr FY 2011	Deploy wave 6 of General Fund Enterprise Business System (GFEBS) to 2 organizations.
4th Qtr FY 2011	Obtain USAAA certification that PBUSE complies with all identified requirements based on the current versions of the Defense Finance and Accounting Service (DFAS) Blue Book and JFMIP (Army GE Financial Improvement Plan WBS 3.4.4.16)

C. Planned Milestones (Beyond FY 2010):

<u>Date:</u>	<u>Milestone:</u>
1st Qtr FY 2012	Obtain USAAA certification that integrated financial management system (IFMS) complies with all identified requirements based on the current versions of the DFAS Blue Book and Joint Financial Management Improvement Program (JFMIP) (Army RP Improvement Plan WBS 3.1.7.15)
1 st Qtr FY 2012	Deploy wave 7 of General Fund Enterprise Business System (GFEBS) to 9 organizations.
2 nd Qtr FY 2012	Deploy wave 8 of General Fund Enterprise Business System (GFEBS) to all remaining organizations.
2nd Qtr FY 2012	Full deployment of General Fund Enterprise Business System (GFEBS) (Army OM&S Financial Improvement Plan WBS 3.1.16.6)
2 nd Qtr FY 2012	Begin General Fund Enterprise Business System (GFEBS) waves 1& 2 examination 2.

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

C. Planned Milestones (Beyond FY 2010):

<u>Date:</u>	<u>Milestone:</u>
1 st Qtr FY 2013	Begin General Fund Enterprise Business System (GFEBS) Statement of Budgetary Resources (SBR) examination 3.
1 st Qtr FY 2014	Begin General Fund Enterprise Business System (GFEBS) Statement of Budgetary Resources (SBR) examination 4.
1 st Qtr FY 2015	Assert Army GF Statement of Budgetary Resources (SBR)
4th Qtr FY 2015	Full deployment of Global Combat Support System - Army (GCSS-A) (Army Inventory Financial Improvement Plan WBS 3.1.13)

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

Functional Category: Fund Balance with Treasury

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

Pace of Corrective Action:

Year Identified: FY 2008

Original Target Date: 2nd Qtr FY 2012

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

Current Target Date: 2nd Qtr FY 2014

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

Validation Process: Internal validation will be conducted by USAAA.

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

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

Major Milestones in Corrective Action:

A. Completed Milestones:

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

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

B. Planned Milestones (Fiscal Year 2010):

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

C. Planned Milestones (Beyond Fiscal Year 2010):

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

(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 of Weakness: Inventory (OM&S). 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 OM&S must be expensed when the items are consumed. However, according to independent auditor's report dated 8 November 2009 the Army has acknowledged that significant amounts of OM&S were expensed when they were purchased instead of when they were consumed.

Functional Category: Inventory (OM&S)

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: 4th Qtr FY 2015

Reason for Change in Date(s): Received updated full-deployment date for GCSS-A.

Validation Process: Internal validation will be conducted by USAAA.

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

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

(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>
Completed	Provided guidance for establishing the value of OM&S using a historical cost method (Army OM&S Financial Improvement Plan, WBS 3.1.1.1)
Completed	Provided 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)
Completed	Provided guidance for reporting Excess, Obsolete and Beyond Repair OM&S (Army OM&S Financial Improvement Plan, WBS 3.1.1.4)
Completed	Provided 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)
Completed	Incorporated 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)
Completed	Published Army implementation guidance (Army OM&S Financial Improvement Plan, WBS 3.1.1.8)

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

B. Planned Milestones (Fiscal Year 2010):

<u>Date:</u>	<u>Milestone:</u>
4th Qtr FY 2010	Perform physical inventory counts in accordance with AR 740-26 and other applicable guidance (Army OM&S Financial Improvement Plan, WBS 3.1.1.5)
4th 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)

C. Planned Milestones (Beyond Fiscal Year 2010):

<u>Date:</u>	<u>Milestone:</u>
2nd Qtr FY 2012	Full deployment of GFEBs (Army OM&S Financial Improvement Plan WBS 3.1.16.6)
2nd Qtr FY 2015	Internal validation of inventory and related Property (USAAA) (Army OM&S Financial Improvement Plan, WBS 5.1.1)
4th Qtr FY 2015	Full deployment of GCSS-Army (Army OM&S Financial Improvement Plan, WBS 3.1.16.5)

(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 of 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 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. Also, the Army could not support the reported cost of Military Equipment in accordance with Statement of Federal Financial Accounting Standards No. 6. According to independent auditor's report dated 8 November 2009, the Army also lacks financial accountability systems for all its Military Table of Equipment unit property books that comply with the FFMIA of 1996.

Functional Category: General Property, Plant and Equipment (PP&E)

Senior Official in Charge: Mr. John J. Argodale, DASA(FO), 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 2013

Current Target Date: 2nd Qtr FY 2014

Reason for Change in Date(s): Current target date moved to 2nd quarter FY 2014 to reflect ongoing Existence and Completeness Audit Readiness Activities accurately.

Validation Process: Internal validation will be conducted by USAAA.

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

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

(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>
Completed	Identified 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)
Completed	Mapped DFAS Blue Book and JFMIP requirements to PBUSE business processes (Army GE Financial Improvement Plan, WBS 3.4.4.2)
Completed	PBUSE: Conducted 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 (Fiscal Year 2010):

<u>Date:</u>	<u>Milestone:</u>
4th Qtr FY 2010	Formally request FFMIA compliance re-audit on PBUSE from USAAA (Army GE Financial Improvement Plan, WBS 3.4.4.14)

C. Planned Milestones (Beyond Fiscal Year 2010):

<u>Date:</u>	<u>Milestone</u>
1 st Qtr FY 2011	Implemented discovery and evaluation plans for existence and completeness of mission critical assets
2nd Qtr FY 2011	Assert Existence and Completeness (E&C) of GE fire and rescue quick win (Army GE Financial Improvement Plan, WBS 3.1.1.1.2.8.1.2.1.1.1)
2nd Qtr FY 2011	Assert Existence and Completeness (E&C) of GE quick win mission critical assets (Army GE Financial Improvement Plan, WBS 3.1.1.1.2.8.1.2.1.1)

C. Planned Milestones (Beyond Fiscal Year 2010):

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

<u>Date:</u>	<u>Milestone</u>
2nd Qtr FY 2011	Conduct follow-up audit of implemented corrective actions for PBUSE (Army GE Financial Improvement Plan, WBS 3.4.4.15)
3rd Qtr FY 2011	Obtain USAAA 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, 3.4.4.16)
1st Qtr FY 2013	Implement sustainable business process to report General Equipment (Army GE Financial Improvement Plan, WBS 3.1.1.1.2)
2nd Qtr FY 2013	Report General Equipment in accordance with a sustainable business process (Army GE Financial Improvement Plan, WBS 3.1.1.1.3)
2nd Qtr FY 2014	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 of Weakness: General Property, Plant and Equipment (PP&E). 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 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. Also, the Army could not support the reported cost of Military Equipment in accordance with Statement of Federal Financial Accounting Standards No. 6. According to independent auditor's report dated 8 November 2009, the Army also lacks financial accountability systems for all its Military Table of Equipment unit property books that comply with the FFMIA of 1996.

Functional Category: Real Property

Senior Official in Charge: Mr. John J. Argodale, DASA(FO), 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: 4th Qtr FY 2013

Current Target Date: 4th Qtr FY 2013

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

Validation Process: Internal validation will be conducted by USAAA.

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

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

(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>
Completed	Identified requirements to accurately report General PP&E – Real Property (Army RP Financial Improvement Plan WBS 3.1.1)

B. Planned Milestones (Fiscal Year 2010):

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

C. Planned Milestones (Beyond Fiscal Year 2010):

<u>Date:</u>	<u>Milestone</u>
4th Qtr FY 2012	Implement sustainable business process to report General PP&E – Real Property (Army RP Financial Improvement Plan WBS 3.1.3)
4th Qtr FY 2012	Report General PP&E – Real Property in accordance with a sustainable business process (Army RP Financial Improvement Plan WBS 3.1.4)
4th Qtr FY 2012	Internal validation of General PP&E – Real Property Assets (USAAA) (Army RP Financial Improvement Plan WBS 5.1.1.1)
4th Qtr FY 2013	Conduct validation of management’s assertion of audit readiness for Real Property (Army RP Financial Improvement Plan, WBS 7.1.1.1)

(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 of 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 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. Also, the Army could not support the reported cost of Military Equipment in accordance with Statement of Federal Financial Accounting Standards No. 6. According to independent auditor's report dated 8 November 2009, 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 USAAA.

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

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

(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>
Completed	Identified the universe of Military Equipment (ME) population and the associated user base (Army ME Financial Improvement Plan WBS 3.2.1)
Completed	Established the ME baseline (Army ME Financial Improvement Plan WBS 3.2)
Completed	Implemented a mid-term solution to maintain ME baseline in Capital Asset Management System-Military Equipment (Army ME Financial Improvement Plan WBS 3.13.2)

B. Planned Milestones (Fiscal Year 2010):

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

C. Planned Milestones (Beyond Fiscal Year 2010):

<u>Date:</u>	<u>Milestone</u>
1 st Qtr FY 2011	Implemented discovery and evaluation plans for existence and completeness of mission critical assets
2nd Qtr FY 2011	Reconcile ME data with Army logistical/ accountability and accounting systems of record (Army ME Financial Improvement Plan WBS 3.11)

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

<u>Date:</u>	<u>Milestone</u>
2nd Qtr FY 2011	Assert Existence and Completeness of quick wins Apache AH-64A, Apache AH-64D, 900 Series Small Tug, Aircraft Utility UC-35A, CH-47F / MH-47G Chinook, OH-58D Kiowa Warrior, UH-60L Blackhawk, UH-60M Blackhawk, Light Utility Helicopter (Army ME Financial Improvement Plan WBS 3.13.10.1.2.1.1.1, 3.13.10.1.2.1.1.2, 3.13.10.1.2.1.1.3, 3.13.10.1.2.1.1.4, 3.13.10.1.2.1.1.5, 3.13.10.1.2.1.1.6, 3.13.10.1.2.1.1.7, 3.13.10.1.2.1.1.8, 3.13.10.1.2.1.1.9)
2nd Qtr FY 2011	Assert Existence and Completeness of quick win mission critical assets (Army ME Financial Improvement Plan WBS 3.13.10.1.2.1.1)
1st Qtr FY 2012	Report ME in accordance with an Auditable Process (Army ME Financial Improvement Plan WBS 3.15)
4th Qtr FY 2012	Internal validation of ME (USAAA) (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 of Weakness: Environmental Liabilities (EL). The Army has not properly estimated and reported its environmental liabilities. For example, the processes used to report environmental liabilities for the Defense Environmental Restoration Program (DERP), Base Realignment and Closure (BRAC) and the non-Defense Environmental Restoration Program (Non-DERP) on the financial statements were not adequate to establish or maintain sufficient documentation and audit trails. Although estimators were properly qualified to perform estimates, according to independent auditor's report dated 8 November 2009, 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, DASA(FO), 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: 4th Qtr FY 2012

Current Target Date: 4th Qtr FY 2012

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

Validation Process: Internal validation will be conducted by USAAA.

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

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

(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>
Completed	Identified the environmental liabilities universe for environmental liability program (Army EL Financial Improvement Plan WBS 3.1.1, 3.2.1, 3.4.1, 3.5.1, 3.7.1, 3.11.1, 3.12.1, 3.13.1, 3.14.1, 3.15.1)
Completed	Ensured 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, 3.11.2.2, 3.12.2.2, 3.13.2.2, 3.14.2.2)
Completed	Implemented 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)
Completed	Performed 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)
Completed	Implemented 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)
Completed	Provide Audit Readiness Validation Plan for Non-BRAC Environmental Closure Requirements (ECR) (Army EL Financial Improvement Plan WBS 3.6.5)

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

B. Planned Milestones (Fiscal Year 2010):

<u>Date:</u>	<u>Milestone:</u>
4th Qtr FY 2010	Provide Audit Readiness Validation Plans for BRAC Installation Restoration Program (IRP), BRAC Military Munitions Response Program (MMRP), BRAC Environmental Corrective Action/Closure Requirements (ECA/CR), BRAC Asbestos (Army EL Financial Improvement Plan WBS 3.11.6, 3.12.8, 3.13.6, 3.14.6)
4th Qtr FY 2010	Provide Audit Readiness Validation Plan for formally used defense sites (FUDS) MMRP, Non-BRAC ECA, Non-BRAC Environmental Response at Operational Ranges (Army EL Financial Improvement Plan WBS 3.4.7, 3.5.5, 3.7.5)
4th Qtr FY 2010	Identify the environmental liabilities universe for Non-BRAC ECR, Non-BRAC Asbestos (Army EL Financial Improvement Plan WBS 3.6.1, 3.8.1)
4th Qtr FY 2010	Ensure quality of documentation meets audit standards for Non-BRAC ECR, Non-BRAC Asbestos (Army EL Financial Improvement Plan WBS 3.6.2.2, 3.8.2.2)
4th Qtr FY 2010	Implement a sustainable business process to report Non-BRAC Asbestos (Army EL Financial Improvement Plan WBS 3.8.3)
4th Qtr FY 2010	Perform site level supervisory review on Non-BRAC ECR, Non-BRAC Asbestos (Army EL Financial Improvement Plan WBS 3.6.4.1, 3.8.3.1)
4th Qtr FY 2010	Implement Internal Control Program to ensure accurate site level liability data for Non-BRAC Asbestos (Army EL Financial Improvement Plan WBS 3.8.3.2)

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

B. Planned Milestones (Fiscal Year 2010):

<u>Date:</u>	<u>Milestone:</u>
4th Qtr FY 2010	Provide Audit Readiness Validation Plan for Active Installations IRP Building Demolition and Debris Removal, Active Installations MMRP, Non-BRAC Asbestos (Army EL Financial Improvement Plan WBS 3.1.6, 3.2.8, 3.8.4)

C. Planned Milestones (Beyond Fiscal Year 2010):

<u>Date:</u>	<u>Milestone:</u>
4th Qtr FY 2012	Identify the environmental liabilities universe for Non-BRAC – Non-Military Equipment, Non-BRAC – Other, Environmental Disposal for Military Equipment/Weapons Programs: Other National Defense Weapons Systems (Army EL Financial Improvement Plan WBS 3.9.1, 3.10.1, 3.16.1)
4th Qtr FY 2012	Ensure quality of documentation meets audit standards for Non-BRAC – Non-Military Equipment, Non-BRAC – Other (Army EL Financial Improvement Plan WBS 3.9.2.2, 3.10.2.2)
4th Qtr FY 2012	Implement a sustainable business process to report Environmental Liabilities and Disposal Liabilities, Active Installations-MMRP, Non-BRAC – ECR, Non-BRAC – Non-Military Equipment, Non-BRAC – Other liabilities, BRAC Installations- IRP, BRAC - MMRP liabilities, BRAC – CA/CR liabilities (Army EL Financial Improvement Plan WBS 3.1.5, 3.2.5, 3.6.4, 3.9.4, 3.10.4, 3.11.5, 3.12.5, 3.13.5)
4th Qtr FY 2012	Perform site level supervisory review on Non-BRAC – Non-Military Equipment, Non-BRAC – Other liabilities (Army EL Financial Improvement Plan WBS 3.9.4.1, 3.10.4.1)

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

C. Planned Milestones (Beyond Fiscal Year 2010):

<u>Date:</u>	<u>Milestone:</u>
4th Qtr FY 2012	Implement Internal Control Program to ensure accurate site level liability data for Active Installations – IRP and BD/DR, Active Installations – MMRP, Non-BRAC – ECR, Non-BRAC – Non-Military Equipment, Non-BRAC – Other liability data (Army EL Financial Improvement Plan WBS 3.1.5.2, 3.2.5.2, 3.6.4.2, 3.9.4.2, 3.10.4.3)
4th Qtr FY 2012	Provide Audit Readiness Validation Plan (Environmental Liabilities and Disposal Liabilities) FUDS – IRP and BD/DR, Non-BRAC – Non-Military Equipment, Non-BRAC – Other, Non-Nuclear Powered Military Equipment, Other National Defense Weapons Systems (Army EL Financial Improvement Plan WBS 3.3.5, 3.9.5, 3.10.5, 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 of 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, according to independent auditor's report dated 8 November 2009, DFAS Indianapolis made \$35.5 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, DASA(FO), 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: 1st Qtr FY 2012

Current Target Date: 2nd Qtr FY 2012

Reason for Change in Date(s): Obtained GFEBS deployment date based on January 2010 GFEBS Council of Colonels presentation (Slide 29).

Validation Process: Internal validation will be conducted by USAAA.

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

Source(s) Identifying Weakness: Independent Auditor's Report on the FY 2009 Army General Fund Financial Statements (8 November 2009); Army Financial Improvement Plan; Army Financial Improvement Plan; DFAS 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>
Completed	Identify current plans from ERP prospective for addressing intragovernmental eliminations (DFAS AR Financial Improvement Plan, WBS 1.3.8.2)
Completed	Evaluate viability of Standard Industrial Fund System (SIFS) compliance enhancing the intragovernmental elimination process (DFAS AR Financial Improvement Plan, WBS 8.3)
Completed	Identify current focus of the Intragovernmental Value-Added Network System for eliminations (DFAS AR Financial Improvement Plan, WBS 1.3.8.1)

B. Planned Milestones (Fiscal Year 2010):

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

C. Planned Milestones (Beyond Fiscal Year 2010):

<u>Date:</u>	<u>Milestone:</u>
1st 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)
2nd Qtr FY 2011	Analyze and document the impact of intragovernmental eliminations on the Public accounts payable (A/P) process and identify the sources and reasoning for such adjustments (DFAS AP Financial Improvement Plan, WBS 5.3.3.2)

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

C. Planned Milestones (Beyond Fiscal Year 2010):

<u>Date:</u>	<u>Milestone:</u>
4th 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)
4th Qtr FY 2011	Correct identified deficiencies over Intragovernmental Transactions and Eliminations (Army Other Financial Improvement Plan, WBS 3.7.3.1.3)
2nd Qtr FY 2012	Full deployment of GFEBS (Army OM&S Financial Improvement Plan WBS 3.1.16.6)

(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 of 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. According to independent auditor's report dated 8 November 2009, DFAS Indianapolis did not adequately support \$258.2 billion in journal voucher adjustments used to prepare the Army General Fund financial statements.

Functional Category: Accounting Adjustments

Senior Official in Charge: Mr. John Argodale, DASA(FO), 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: 1st Qtr FY 2012

Current Target Date: 2nd Qtr FY 2012

Reason for Change in Date(s): Obtained GFEBS deployment date based on January 2010 GFEBS Council of Colonels presentation (Slide 29).

Validation Process: Internal validation will be conducted by USAAA.

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

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

Major Milestones in Corrective Action:

A. Completed Milestones:

<u>Date:</u>	<u>Milestone:</u>
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N/A	
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(TAB D-2)
**ARMY GENERAL FUND UNCORRECTED WEAKNESS(ES) STATUS OF
CORRECTIVE ACTIONS**

B. Planned Milestones (Fiscal Year 2010):

<u>Date:</u>	<u>Milestone:</u>
N/A	In a legacy environment, full correction of inadequate journal vouchers is not possible; however, with the implementation of Army Enterprise Resource Plans (ERPs) by 2015, journal vouchers will have adequate support and documentation.

C. Planned Milestones (Beyond Fiscal Year 2010):

<u>Date:</u>	<u>Milestone:</u>
2nd Qtr FY 2012	Full deployment of GFEBS (Army OM&S Financial Improvement Plan WBS 3.1.16.6)

(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 of 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 Generally Accepted Accounting Principles. 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, according to independent auditor's report dated 8 November 2009, 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(FO), 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: 1st Qtr FY 2012

Current Target Date: 2nd Qtr FY 2012

Reason for Change in Date(s): Obtained GFEBS deployment date based on January 2010 GFEBS Council of Colonels presentation (Slide 29).

Validation Process: Internal validation will be conducted by USAAA.

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

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

(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>
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N/A

B. Planned Milestones (Fiscal Year 2010):

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

C. Planned Milestones (Beyond Fiscal Year 2010):

<u>Date:</u>	<u>Milestone:</u>
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2nd 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)
2nd 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)
2nd 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)
2nd 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**

C. Planned Milestones (Beyond Fiscal Year 2010):

<u>Date:</u>	<u>Milestone:</u>
2nd 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)
2nd Qtr FY 2012	Report inter-entity costs for goods and services received without reimbursement (SFFAS #4, par. 112) (Army Other Financial Improvement Plan, WBS 3.2.1.1.3.6)
2nd Qtr FY 2012	Full deployment of GFEBS (Army OM&S Financial Improvement Plan WBS 3.1.16.6)

(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 of Weakness: Abnormal Account Balances.
According to independent auditor's report dated 8 November 2009, DFAS Indianapolis did not detect, report, or take action to eliminate abnormal balances included in the Army General Fund accounting records. The FY 2007 trial balance data for the Army General Fund included 141 general ledger accounts with \$163.8 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 2007 trial balance data for the Army General Fund included an additional \$847.5 billion of abnormal balances in 58 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. Although the Army reported abnormal balances as an area of concern in its FY 2006 Annual Statement of Assurance, it did not disclose abnormal balances in the financial statement footnotes. 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(FO), 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: 2nd Qtr FY 2012

Reason for Change in Date(s): Obtained GFEBS deployment date based on January 2010 GFEBS Council of Colonels presentation (Slide 29).

Validation Process: Internal validation will be conducted by USAAA.

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

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

(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>
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N/A

B. Planned Milestones (Fiscal Year 2010):

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

C. Planned Milestones (Beyond Fiscal Year 2010):

<u>Date:</u>	<u>Milestone:</u>
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2nd Qtr FY 2012

Correct identified deficiencies resulting in Abnormal Account Balances (Army Other Financial Improvement Plan, WBS 3.7.3.1.4)

2nd Qtr FY 2012

Full Deployment of GFEBS (Army OM&S Financial Improvement Plan WBS 3.1.16.6)

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

Uncorrected Weakness(es) Identified During Prior Periods

Title and Description of Material of 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. According to independent auditor's report dated 8 November 2009, the Army's accounts receivable has weaknesses of 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.

Functional Category: Accounts Receivable

Senior Official in Charge: Mr. John Argodale, DASA(FO), 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: 2nd Qtr FY 2013

Current Target Date: 2nd Qtr FY 2013

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

Validation Process: Internal validation will be conducted by USAAA.

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

Source(s) Identifying Weakness: Independent Auditor's Report on the FY 2009 Army General Fund Financial Statements (8 November 2009); Army Financial Improvement Plan; DFAS 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>
Completed	Identify dollar amount and count of receivables in system (DFAS AR Financial Improvement Plan, WBS 1.2.2.8.1.1.1.1, 1.2.2.8.1.2.1.1, 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)
Completed	Identify types of receivables originating in system (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)
Completed	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)

B. Planned Milestones (Fiscal Year 2010):

<u>Date:</u>	<u>Milestone:</u>
4th 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)
4th Qtr FY 2010	Identify types of receivables originating in system (DFAS AR Financial Improvement Plan, WBS 1.3.1.2.2.8.7.1.1.1, 1.3.1.2.2.8.7.5.6.13)

C. Planned Milestones (Beyond Fiscal Year 2010):

<u>Date:</u>	<u>Milestone:</u>
4th Qtr FY 2011	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)

(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 of Weakness: Accounts Payable. According to independent auditor's report dated 8 November 2009, the Army is unable to account for and report Accounts Payable properly. DFAS Indianapolis made \$6 billion in unsupported adjustments for FY 2007 that decreased Accounts Payable by \$25.5 million. 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, DASA(FO), OASA(FM&C)

Pace of Corrective Action:

Year Identified: FY 2008

Original Target Date: 2nd Qtr FY 2012

Target Date in Last Year's Report: 3rd Qtr FY 2013

Current Target Date: 3rd Qtr FY 2013

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

Validation Process: Internal validation will be conducted by USAAA.

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

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

(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>
Completed	Mechanization of Contract Administration Services (MOCAS) Clean-up activity period 1 (DFAS AP Financial Improvement Plan, WBS 3.6.5.5.1)
Completed	MOCAS Clean-up activity period 2 (DFAS AP Financial Improvement Plan, WBS 3.6.5.5.2)
Completed	MOCAS Clean-up activity period 3 (DFAS AP Financial Improvement Plan, WBS 3.6.5.5.3)
Completed	MOCAS Clean-up activity period 4 (DFAS AP Financial Improvement Plan, WBS 3.6.5.5.4)
Completed	MOCAS Clean-up activity period 5 (DFAS AP Financial Improvement Plan, WBS 3.6.5.5.5)
Completed	MOCAS Clean-up activity period 6 (DFAS AP Financial Improvement Plan, WBS 3.6.5.5.6)
Completed	MOCAS: Complete clean-up at transactional level (DFAS AP Financial Improvement Plan, WBS 3.6.5.5)
Completed	Maintain and modify standard procedures for reconciling Accounts Payable (DFAS AP Financial Improvement Plan, WBS 3.6.5.6)

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

B. Planned Milestones (Fiscal Year 2010):

<u>Date:</u>	<u>Milestone:</u>
4th Qtr FY 2010	Through data analysis, evaluate Wide Area Work Flow (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)

C. Planned Milestones (Beyond Fiscal Year 2010):

<u>Date:</u>	<u>Milestone:</u>
1st Qtr FY 2011	Full operational capability of Logistics Modernization Program (LMP) (Army Inventory Financial Improvement Plan, WBS 3.1.12)
2nd Qtr FY 2011	Full Deployment of LMP (Army Inventory Financial Improvement Plan, WBS 3.1.12.23)
2nd Qtr FY 2012	Full Deployment of GFEBS (Army OM&S Financial Improvement Plan WBS 3.1.16.6)
4th 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)
4th 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)
4th 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)
3rd 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 of Weakness: Statement of Budgetary Resources. According to independent auditor's report dated 8 November 2009, 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, DASA(FO), 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: 1st Qtr FY 2012

Current Target Date: 2nd Qtr FY 2012

Reason for Change in Date(s): The changed date reflects a change in the General Fund Enterprise Business System (GFEBS) deployment schedule.

Validation Process: Internal validation will be conducted by USAAA.

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

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

Major Milestones in Corrective Action:

A. Completed Milestones:

<u>Date:</u>	<u>Milestone:</u>
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N/A	
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(TAB D-2)
**ARMY GENERAL FUND UNCORRECTED WEAKNESS(ES) STATUS OF
CORRECTIVE ACTIONS**

B. Planned Milestones (Fiscal Year 2010):

<u>Date:</u>	<u>Milestone:</u>
4th Qtr FY 2010	Management Assertion of Appropriations Received

C. Planned Milestones (Beyond Fiscal Year 2010):

<u>Date:</u>	<u>Milestone:</u>
2 nd Qtr FY 2011	Begin General Fund Enterprise Business System (GFEBS) wave 1 examination 1.
3rd Qtr FY 2011	Complete evaluation and discovery activities
2nd Qtr FY 2012	Full Deployment of GFEBS (Army OM&S Financial Improvement Plan WBS 3.1.16.6)
2 nd Qtr FY 2012	Begin General Fund Enterprise Business System (GFEBS) waves 1 & 2 examination 2.
1 st Qtr FY 2013	Begin General Fund Enterprise Business System (GFEBS) Statement of Budgetary Resources (SBR) examination 3.
1 st Qtr FY 2014	Begin General Fund Enterprise Business System (GFEBS) Statement of Budgetary Resources (SBR) examination 4.
1 st Qtr FY 2015	Assert Army GF Statement of Budgetary Resources (SBR)

(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 of 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. According to independent auditor’s report dated 8 November 2009, the Army General Fund is unable to represent the relationship between budgetary obligations incurred and its Statement of Net Costs accurately without preparing \$22.9 billion 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, DASA(FO), 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: 1st Qtr FY 2012

Current Target Date: 2nd Qtr FY 2012

Reason for Change in Date(s): Obtained GFEBS deployment date based on January 2010 GFEBS Council of Colonels presentation (Slide 29).

Validation Process: Internal validation will be conducted by USAAA.

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

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

(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>
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N/A

B. Planned Milestones (Fiscal Year 2010):

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

C. Planned Milestones (Beyond Fiscal Year 2010):

<u>Date:</u>	<u>Milestone:</u>
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2nd Qtr FY 2012

Full deployment of GFEBS (Army OM&S Financial Improvement Plan WBS 3.1.16.6)

(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 of Weakness: Contingency Payment Audit Trails. The Army identified contingency audit trails as a material weakness in the FY 2008 Army Statement of Assurance Over Internal Controls, acknowledging that the maintenance of substantiating documents by certifying and entitlement activities creates significant challenges in tracing audit trails for support of financial statements. DoD Office of the Inspector General Report No. D-2008-098, "Internal Controls over Payments Made in Iraq, Kuwait and Egypt," May 22, 2008, determined that the Army made \$1.4 billion in commercial payments that lacked the minimum supporting documentation and information for a valid payment (minimum support would include documents such as certified vouchers, proper receiving reports and invoices). In addition, it is estimated that \$6.3 billion of commercial payments contained the minimum supporting documentation but did not comply with other statutory and regulatory requirements. According to independent auditor's report dated 8 November 2009, payments that are not properly supported do not provide the necessary assurance that funds were used as intended.

Functional Category: Contingency Payment Audit Trails.

Senior Official in Charge: Thomas Mullins, OASA(ALT)

Pace of Corrective Action:

Year Identified: FY 2009

Original Target Date: 2nd Qtr FY 2009

Target Date in Last Year's Report: 3rd Qtr FY 2009

Current Target Date: 2nd Qtr FY 2011

Reason for Change in Date(s): Awaiting USAAA validation.

Validation Process: Internal validation will be conducted by USAAA.

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

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

Source(s) Identifying Weakness: Independent Auditor's Report on the FY 2009 Army General Fund Financial Statements (8 November 2009); Independent Auditor's Report on Internal Controls Over Payments Made in Iraq, Kuwait and Egypt (22 May 2008); Independent Auditor's Report on Contracting Operations: U.S. Army Contracting Command, Southwest Asia – Kuwait (29 September 2009); Independent Auditor's Report on controls over vendor payments – Kuwait (Phase I-US Army Contracting Command, Southwest Asia, Camp Arifjan, Kuwait) (29 July 2009)

Major Milestones in Corrective Action:

A. Completed Milestones:

<u>Date:</u>	<u>Milestone:</u>
Completed	Corrected identified deficiencies in Contingency Payment Audit Trails (Army Other Financial Improvement Plan, WBS 3.7.2.9)

B. Planned Milestones (Fiscal Year 2010):

<u>Date:</u>	<u>Milestone:</u>
4th Qtr FY 2010	Implement auditor recommendations from audit - 2009-0173-ALL- Audit of controls over vendor payments – Kuwait (Phase I-US Army Contracting Command, Southwest Asia, Camp Arifjan, Kuwait) (Army Other Financial Improvement Plan, WBS 3.7.2.9.1)

C. Planned Milestones (Beyond Fiscal Year 2010):

<u>Date:</u>	<u>Milestone:</u>
2nd Qtr FY 2011	Validate implementation of audit recommendations (USAAA) (Army Other Financial Improvement Plan, WBS 3.7.2.9.2)

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

General Fund Identified During Prior Periods

N/A

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

Internal Controls Over Financial Reporting (ICOFR)

Working Capital Fund Uncorrected Weaknesses Identified During the Period:

Title	Quarter (QTR) and Date (FY) Targeted Correction Date	Page #
<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."	2nd Qtr FY 2015	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	2nd Qtr FY 2014	4th Qtr FY 2015	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 also are unable to produce financial transactions using the U.S. Government Standard General Ledger.	FY 2008	2nd Qtr FY 2015	4th Qtr FY 2015	E-2-6
<u>General Property, Plant and Equipment</u> 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.	FY 2008	4th Qtr FY 2013	2nd Qtr FY 2014	E-2-9

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

Title	Year First Reported	<u>Correction QTR and FY Date</u>		Page #
		Per Last Annual Statement	Per This Annual Statement	
<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	4th Qtr FY 2012	4th 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	1st Qtr FY 2012	1st 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	1st Qtr FY 2012	1st Qtr FY 2012	E-2-18
<u>Accounts Payable</u> The Army is unable to account for and report Accounts Payable properly	FY 2008	3rd Qtr FY 2013	3rd Qtr FY 2013	E-2-21
<u>Reconciliation of Net Cost of Operations to Budget</u> The Army Working Capital Fund is unable to represent the relationship between budgetary obligations incurred and its Statement of Net Costs accurately without preparing \$145 million in unsupported adjustments to the general ledger accounts to force costs to match obligation information.	FY 2008	1st Qtr FY 2012	2nd Qtr FY 2012	E-2-24

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

Title	Correction QTR and FY Date		Per This Annual Statement	Page #
	Year First Reported	Per Last Annual Statement		
<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.	FY 2009	1st Qtr FY 2012	1st Qtr FY 2012	E-2-26

Corrected Weaknesses Identified During All Periods:

Title	Year First Reported	Page #
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 of 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, DASA(FO), OASA(FM&C)

Pace of Corrective Action:

Year Identified: FY 2009

Original Target Date: N/A

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

Current Target Date: 2nd Qtr FY 2015

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

Validation Process: Internal validation will be conducted by USAAA.

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

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

Major Milestones in Corrective Action:

A. Completed Milestones:

<u>Date:</u>	<u>Milestone:</u>
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N/A	
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(TAB E-2)
AWCF UNCORRECTED WEAKNESS(ES) STATUS OF CORRECTIVE ACTIONS

B. Planned Milestones (Fiscal Year 2010):

Date:

Milestone:

N/A

C. Planned Milestones (Beyond Fiscal Year 2010):

Date:

Milestone:

2nd Qtr FY 2011

Full deployment of Logistics Modernization Program (LMP) (Army Inventory Financial Improvement Plan, WBS 3.1.12.23)

(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: 4th Qtr FY 2015

Reason for Change in Date(s): Received updated full-deployment date for GCSS-A.

Validation Process: Internal validation will be conducted by USAAA.

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

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

Major Milestones to Include Progress to Date:

A. Completed Milestones:

<u>Date:</u>	<u>Milestone:</u>
Completed	Fielded DPAS to required units and activities (SFFAS #6, SFFAS #3) (Army GE Financial Improvement Plan, WBS 3.1.1.1.2.1.1)

(TAB E-2)

AWCF UNCORRECTED WEAKNESS(ES) STATUS OF CORRECTIVE ACTIONS

<u>Date:</u>	<u>Milestone:</u>
Completed	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 (Fiscal Year 2010):

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

C. Planned Milestones (Beyond Fiscal Year 2010):

<u>Date:</u>	<u>Milestone:</u>
2nd Qtr FY 2011	LMP to replace Commodity Command Standard System-Logistics (CCSS-L) (Army GE Financial Improvement Plan, WBS 3.4.3)
2nd 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)
1st Qtr FY 2011	Full operational capability of Logistics Modernization Program (LMP) (Army Inventory Financial Improvement Plan, WBS 3.1.12)
2nd Qtr FY 2011	Full deployment of Logistics Modernization Program (LMP) (Army Inventory Financial Improvement Plan, WBS 3.1.12.23)
1st Qtr FY 2012	Obtain USAAA 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 3.1.7.15)

(TAB E-2)

AWCF UNCORRECTED WEAKNESS(ES) STATUS OF CORRECTIVE ACTIONS

C. Planned Milestones (Beyond Fiscal Year 2010):

<u>Date:</u>	<u>Milestone:</u>
4th Qtr FY 2015	Full deployment of Global Combat Support System - Army (GCSS-A) (Army Inventory Financial Improvement Plan, WBS 3.1.13)
4th Qtr FY 2015	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 of 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 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 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 they were 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: 4th Qtr FY 2015

Reason for Change in Date(s): Received updated full-deployment date for GCSS-A.

Validation Process: Internal validation will be conducted by USAAA.

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

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

Major Milestones in Corrective Action:

A. Completed Milestones:

Date:

Completed

Milestone:

Provided guidance for establishing the value of inventory using a historical cost method (Army Inventory Financial Improvement Plan, WBS 3.1.1.1)

(TAB E-2)

AWCF UNCORRECTED WEAKNESS(ES) STATUS OF CORRECTIVE ACTIONS

<u>Date:</u>	<u>Milestone:</u>
Completed	Provided guidance for reporting Excess, Obsolete and Beyond Repair OM&S (Army Inventory Financial Improvement Plan, WBS 3.1.1.3)
Completed	Performed 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)
Completed	Provided 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)
Completed	Incorporated 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)
Completed	Published Army implementation guidance (Army Inventory Financial Improvement Plan, WBS 3.1.1.6)

B. Planned Milestones (Fiscal Year 2010):

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

C. Planned Milestones (Beyond Fiscal Year 2010):

<u>Date:</u>	<u>Milestone:</u>
1st Qtr FY 2011	Full operational capability of LMP (Army Inventory Financial Improvement Plan, WBS 3.1.12)
<u>Date:</u>	<u>Milestone:</u>
2nd Qtr FY 2011	Full deployment of Logistics Modernization Program (LMP) (Army Inventory Financial Improvement Plan, WBS 3.1.12.23)

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

<u>Date:</u>	<u>Milestone:</u>
4th Qtr FY 2012	Ensure adherence to governance requirements for field level physical inventory process (Army Inventory Financial Improvement Plan, WBS 3.1.9.3)
4th Qtr FY 2015	Report Inventory and Related Property in accordance with a sustainable business process (Army Inventory Financial Improvement Plan, WBS 3.1.10)
4th Qtr FY 2015	Full deployment of GCSS-Army (Army Inventory Financial Improvement Plan, 3.1.13)
2nd Qtr FY 2015	Internal validation of Inventory and Related Property (USAAA) (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 of 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 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. 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, DASA(FO), 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: 4th Qtr FY 2013

Current Target Date: 2nd Qtr FY 2014

Reason for Change in Date(s): Current target date moved to 2nd quarter FY 2014 to accurately reflect ongoing Existence and Completeness/Audit Readiness Activities.

Validation Process: Internal validation will be conducted by USAAA.

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

Source(s) Identifying Weakness: Independent Auditor's Report on the FY 2009 Army Working Capital Fund Financial Statements (8 November 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>
Completed	Fielded DPAS to required units and activities (SFFAS #6, SFFAS #3) (Army GE Financial Improvement Plan, WBS 3.1.2.1.2.1.1)
Completed	Verified 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 (Fiscal Year 2010):

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

C. Planned Milestones (Beyond Fiscal Year 2010):

<u>Date:</u>	<u>Milestone:</u>
1st Qtr FY 2013	Implement sustainable business process to report General Equipment (Army GE Financial Improvement Plan, WBS 3.1.2.1.2)
1st Qtr FY 2013	Report General Equipment in accordance with a sustainable business process (Army GE Financial Improvement Plan, WBS 3.1.2.1.3)
1st Qtr FY 2014	Validate auditability of General Equipment (Army GE Financial Improvement Plan, WBS 3.1.2.2)

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

Functional Category: Real Property

Senior Official in Charge: Mr. John J. Argodale, DASA(FO), 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: 4th Qtr FY 2013

Current Target Date: 4th Qtr FY 2013

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

Validation Process: Internal validation will be conducted by USAAA.

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

Source(s) Identifying Weakness: Independent Auditor's Report on the FY 2009 Army Working Capital Fund Financial Statements (8 November 2009); DoDIG Report D-2009-084: Controls over Army Working Capital Fund Real Property Assets (29 May 2009); Army Financial Improvement Plan

Major Milestones in Corrective Action:

A. Completed Milestones:

<u>Date:</u>	<u>Milestone:</u>
Completed	Identified requirements to accurately report General PP&E - Real Property (Army RP Financial Improvement Plan, WBS 3.1.1)

B. Planned Milestones (Fiscal Year 2010):

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

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

C. Planned Milestones (Beyond Fiscal Year 2010):

<u>Date:</u>	<u>Milestone</u>
4th Qtr FY 2012	Implement sustainable business process to report General PP&E - Real Property (Army RP Financial Improvement Plan, 3.1.3)
4th Qtr FY 2012	Report General PP&E - Real Property in accordance with a sustainable business process (Army RP Financial Improvement Plan, WBS 3.1.4)
4th Qtr FY 2012	Internal validation of General PP&E – Real Property Assets (USAAA) (Army RP Financial Improvement Plan, WBS 5.1.1.1)
4th Qtr FY 2013	Conduct validation of management's assertion of audit readiness for Real Property (Army RP Financial Improvement Plan, WBS 7.1.1.1)

(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 of 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 \$7.5 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 J. Argodale, DASA(FO), 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 2012

Current Target Date: 4th Qtr FY 2012

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

Validation Process: Internal validation will be conducted by USAAA.

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

Source(s) Identifying Weakness: Independent Auditor's Report on the FY 2009 Army Working Capital Fund Financial Statements (8 November 2009); Army Financial Improvement Plan; DFAS 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>
Completed	Identified current plans from ERP prospective for addressing intragovernmental eliminations (DFAS AR Financial Improvement Plan, WBS 1.3.8.2)
Completed	Evaluated viability of SIFS compliance enhancing the intragovernmental elimination process (DFAS AR Financial Improvement Plan, WBS 1.3.8.3)
Completed	Identified current focus of the Intragovernmental Value-Added Network (IVAN) System for eliminations (DFAS AR Financial Improvement Plan, WBS 1.3.8.1)

B. Planned Milestones (Fiscal Year 2010):

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

C. Planned Milestones (Beyond Fiscal Year 2010):

<u>Date:</u>	<u>Milestone:</u>
1st 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)
1st Qtr FY 2011	Full operational capability of Logistics Modernization Program (LMP) (Army Inventory Financial Improvement Plan, WBS 3.1.12)
2nd Qtr FY 2011	Full deployment of Logistics Modernization Program (LMP) (Army Inventory Financial Improvement Plan, WBS 3.1.12.23)

(TAB E-2)

AWCF UNCORRECTED WEAKNESS(ES) STATUS OF CORRECTIVE ACTIONS

Date:

Milestone:

4th 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)

2nd 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)

4th Qtr FY 2011

Correct identified deficiencies over Intragovernmental Transactions and Eliminations (Army Other Financial Improvement Plan, WBS 3.7.3.1.3)

(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 of 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. DFAS Indianapolis did not adequately support \$7.7 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 J. Argodale, DASA(FO), 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: 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 USAAA.

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

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

Major Milestones in Corrective Action:

A. Completed Milestones:

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

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

B. Planned Milestones (Fiscal Year 2010):

<u>Date:</u>	<u>Milestone:</u>
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N/A	
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C. Planned Milestones (Beyond Fiscal Year 2010):

<u>Date:</u>	<u>Milestone:</u>
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1st Qtr FY 2011	Full operational capability of Logistics Modernization Program (LMP) (Army Inventory Financial Improvement Plan, WBS 3.1.12)
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2nd Qtr FY 2011	Full deployment of Logistics Modernization Program (LMP) (Army Inventory Financial Improvement Plan, WBS 3.1.12.23)
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(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 of 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 J. Argodale, DASA(FO), 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: 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 USAAA.

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

Source(s) Identifying Weakness: Independent Auditor's Report on the FY 2009 Army Working Capital Fund Financial Statements (8 November 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>
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N/A

B. Planned Milestones (Fiscal Year 2010):

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

C. Planned Milestones (Beyond Fiscal Year 2010):

<u>Date:</u>	<u>Milestone:</u>
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1st Qtr FY 2011	Full operational capability of Logistics Modernization Program (LMP) (Army Inventory Financial Improvement Plan, December 2008, WBS 3.1.12)
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2nd Qtr FY 2011	Full Deployment of Logistics Modernization Program (LMP) (Army Inventory Financial Improvement Plan, WBS 3.1.12.23)
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2nd Qtr FY 2011	Report the full cost of outputs in the Working Capital Fund Financial Statements (SFFAS # 4, par. 89) (Army Other Financial Improvement Plan, WBS 3.2.2.1.3.1)
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2nd 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)
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2nd 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)
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(TAB E-2)
AWCF UNCORRECTED WEAKNESS(ES) STATUS OF CORRECTIVE ACTIONS

<u>Date:</u>	<u>Milestone:</u>
2nd 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)
2nd 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)
2nd 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)

(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 of Weakness: Accounts Payable. The Army is unable to properly account for and report Accounts Payable. DFAS adjusted Accounts Payable with Public upward by \$116.1 million for undistributed disbursements. 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, DFAS made \$140.2 million in unsupported adjustments to decrease Intragovernmental accounts payable to force the amounts to agree with Army Working Capital Fund trading partners. 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 J. Argodale, DASA(FO), OASA(FM&C)

Pace of Corrective Action:

Year Identified: FY 2008

Original Target Date: 2nd Qtr FY 2012

Target Date in Last Year's Report: 3rd Qtr FY 2013

Current Target Date: 3rd Qtr FY 2013

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

Validation Process: Internal validation will be conducted by USAAA.

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

Source(s) Identifying Weakness: Independent Auditor's Report on the FY 2009 Army Working Capital Fund Financial Statements (8 November 2009); Army Financial Improvement Plan; DFAS 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>
Completed	MOCAS Clean-up activity period 1 (DFAS AP Financial Improvement Plan, WBS 3.6.5.5.1)
Completed	MOCAS Clean-up activity period 2 (DFAS AP Financial Improvement Plan, WBS 3.6.5.5.2)
Completed	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)
Completed	Maintained and modify standard procedures for reconciling Accounts Payable (DFAS AP Financial Improvement Plan, WBS 3.6.5.6)

B. Planned Milestones (Fiscal Year 2010):

<u>Date:</u>	<u>Milestone:</u>
4th 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)

C. Planned Milestones (Beyond Fiscal Year 2010):

<u>Date:</u>	<u>Milestone:</u>
1st Qtr FY 2011	Full operational capability of Logistics Modernization Program (LMP) (Army Inventory Financial Improvement Plan, WBS 3.1.12)
2nd Qtr FY 2011	Full deployment of Logistics Modernization Program (LMP) (Army Inventory Financial Improvement Plan, WBS 3.1.12.23)

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

C. Planned Milestones (Beyond Fiscal Year 2010):

<u>Date:</u>	<u>Milestone:</u>
4th 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)
4th 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)
4th 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)
3rd Qtr FY 2013	Internal validation of Accounts Payable (DFAS AP FIP, 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 of 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 in the financial statements. The Army Working Capital Fund is unable to accurately represent the relationship between budgetary obligations incurred and its Statement of Net Costs without preparing \$145 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 J. Argodale, DASA(FO), 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: 1st 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 USAAA.

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

Source(s) Identifying Weakness: Independent Auditor’s Report on the FY 2009 Army Working Capital Fund Financial Statements (8 November 2009); Army Financial Improvement Plan

Major Milestones in Corrective Action:

A. Completed Milestones:

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

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

B. Planned Milestones (Fiscal Year 2010):

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

C. Planned Milestones (Beyond Fiscal Year 2010):

<u>Date:</u>	<u>Milestone:</u>
1st Qtr FY 2011	Full operational capability of Logistics Modernization Program (LMP) (Army Inventory Financial Improvement Plan, WBS 3.1.12)
2nd Qtr FY 2011	Full deployment of Logistics Modernization Program (LMP) (Army Inventory Financial Improvement Plan, WBS 3.1.12.23)

(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 of 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. 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 J. Argodale, DASA(FO), 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: 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 USAAA.

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

Source(s) Identifying Weakness: Independent Auditor's Report on the FY 2009 Army Working Capital Fund Financial Statements (8 November 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>
N/A	

B. Planned Milestones (Fiscal Year 2010):

<u>Date:</u>	<u>Milestone:</u>
3rd 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)

C. Planned Milestones (Beyond Fiscal Year 2010):

<u>Date:</u>	<u>Milestone:</u>
1st Qtr FY 2011	Full operational capability of Logistics Modernization Program (LMP) (Army Inventory Financial Improvement Plan, WBS 3.1.12)
2nd Qtr FY 2011	Full deployment of Logistics Modernization Program (LMP) (Army Inventory Financial Improvement Plan, WBS 3.1.12.23)

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

Working Capital Fund Weaknesses Identified During Prior Periods

N/A