



SECRETARY OF THE ARMY
WASHINGTON

08-08-12 08:13 OUT

INFO MEMO

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 "FROM" line and extends into the "SUBJECT" line.

SUBJECT: Fiscal Year 2012 Statement of Assurance on Internal Controls as Required Under the Federal Managers' Financial Integrity Act of 1982

- 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). As such, I provide a qualified statement of assurance that the Army's internal controls, in effect for the fiscal year ending September 30, 2012, met FMFIA objectives, except for the four material weaknesses noted in this assurance statement. Other than the material weaknesses noted, internal controls operated effectively and were used as designed.
- The Army assessed internal controls for overall operations according to the Office of Management and Budget (OMB) Circular A-123, Management's Responsibility for Internal Control. Details of how this assessment was conducted are provided at Tabs A-1 through E-3.
- Although we continued to make progress in improving internal controls over financial reporting for the General and Working Capital funds, I cannot provide assurance that the Army's internal controls for financial reporting were operating effectively as of June 30, 2012. This assessment is based on the auditor's inability to render an audit opinion; numerous uncorrected actions identified in our financial improvement plan; 13 weaknesses associated with the General Fund and nine weaknesses associated with the Working Capital Fund. Our FY 12 Internal Controls over Financial Reporting Statement of Assurance (Enclosure 1) provides further details.
- Our assessment of the effectiveness of the internal controls over financial systems for the General and the Working Capital funds was conducted in compliance with OMB Circular A-127. Based on this assessment, I provide a qualified statement of assurance that internal control over financial systems were operating effectively, with the exception of the two material weaknesses reported earlier in this statement. Other than the material weaknesses noted, internal controls were operating effectively and no other material weaknesses were found in the design or operation of the internal control over financial systems.

SUBJECT: Fiscal Year (FY) 2012 Statement of Assurance on Internal Controls as Required Under the Federal Managers' Financial Integrity Act of 1982

- For Army Civil Works Funds, I am providing an unqualified statement of assurance based on the unqualified audit opinion rendered in FY11.

COORDINATION: NONE.

Attachments:
As stated

Prepared By: Jorge F. Roca, 703-601-1252.

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SAAG-ZA

9 August 2012

MEMORANDUM FOR Secretary of the Army

SUBJECT: Review of the Army's Compliance with the Federal Managers' Financial Integrity Act (Project A-2011-FMR-0528.000), Attestation Report A-2012-0136-FMR

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). We performed our review in accordance with generally accepted government auditing standards and with attestation standards established by the American Institute of Certified Public Accountants.

2. From the results of our review, I concluded that the Army, as an entity, actively pursued efforts to strengthen its system of internal controls in accordance with the Act and DOD Instruction 5010.40. While the Army expressed less than full assurance on its FY 12 internal controls over nonfinancial operations, financial reporting, and financial systems, nothing came to our attention to indicate that Army leadership wasn't strongly committed to ensuring that the Army Managers' Internal Control Program (MICP) was effective and to correcting any material weaknesses that limited assurance. Army leadership demonstrated this commitment through:

- Continued emphasis on leadership, training, and process execution in the Army's daily operations.
- Quarterly meetings of the Senior Level Steering Committee/Senior Assessment Team to review ongoing program issues and to work toward correcting previously reported Army-level nonfinancial operating, financial reporting, and financial systems material weaknesses.
- A user-friendly Accountability and Audit Readiness Army Knowledge Online site that provided valuable information on internal control self-assessments and on improving controls for audit readiness.

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- Actions undertaken to assess and improve internal controls essential to achieving audit readiness for the FY 14 Statement of Budgetary Resources. During FY 12, the Army deployed audit readiness teams to installations to document business processes, test key controls, and make recommendations to improve or implement internal controls. In addition, the Army published the Commanders' Audit Readiness Checklist for commanders to use in making sure that the controls that are key to financial statement audit readiness are in place and used.
- Active employment of internal audit capabilities to identify and correct internal control weaknesses. Almost 70 percent of the audits performed by our Agency were requested by Army senior leaders, helping us focus on areas of significant risk and to provide Army leadership with recommendations for improvement.

In addition, actions taken by the Accountability and Audit Readiness Directorate in the Office of the Deputy Assistant Secretary of the Army (Financial Operations) had a continued positive effect on the overall program. The directorate's actions included:

- Providing computer-based MICP training to key Army internal control personnel, enabling them to more easily identify and access needed training. More than 15,000 personnel have had training since the program's inception in July 2010—over 8,400 in FY 12.
 - Revising AR 11-2 (Managers' Internal Control Program) to incorporate new Army responsibilities and requirements for internal controls over financial reporting and financial systems.
 - Identifying, reporting, and monitoring material weaknesses. During FY 12, the Army reported 28 uncorrected material weaknesses (4 operational, 22 financial reporting, and 2 financial system weaknesses). The Accountability and Audit Readiness Directorate continued to actively monitor the status of these weaknesses and to assist material weakness owners in ensuring 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:
- Completed an audit of one Army MICP direct reporting organization to assess implementation of the program within the organization. Specifically, we performed our audit at the Office of the Deputy Chief of Staff, G-1 and two subordinate organizations. We found that the organizations' leadership issued internal control guidance to assessable units, distributed MICP guidance from the Deputy Assistant Secretary of the Army (Financial Operations) to all assessable

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units, and signed annual statements of assurance as required. Additionally, internal control administrators made a variety of MICP training available to personnel with key MICP responsibilities. However, Deputy Chief of Staff, G-1 organizations had opportunities to improve processes over program execution by identifying, reporting, and tracking material weaknesses; and by tracking audit recommendations to implementation. These areas could be addressed by making key program personnel more aware of, and accountable for, their MICP responsibilities. Although improvements were needed, the weaknesses we identified were not sufficiently significant to change our overall conclusion that the Army's internal control program was effective.

- Evaluated key internal controls during our other audits and examination attestations. We published 177 reports that included evaluations of key internal controls. We found 46 percent of the key controls evaluated were fully in place and operating – an increase from FY 11. This demonstrates continued commitment by Army leadership to improve internal controls. The process we use to select audits is based on ongoing assessment of high-risk areas where there is a greater likelihood of internal control weaknesses. That process, in conjunction with Army senior leaders' requests to audit areas where they believe problems exist, generally results in findings and recommendations designed to improve current controls or establish new ones. Our evaluation of internal controls is a key component of the Army MICP because it helps identify weak controls that need to be strengthened.
 - Commented on Army regulations that were in the staffing process. We reviewed 19 regulations and found that Army functional proponents could better meet AR 11-2 requirements by ensuring that regulations include the terminology or format provided in AR 11-2 as well as a process to evaluate whether key internal controls are in place and being used as intended. Sixteen of the regulations had statements that addressed internal controls, but they didn't use the correct terminology. Five regulations didn't include processes to examine whether the controls were in place and being used as intended. We communicated these needed improvements to the responsible Army functional proponents.
4. We continue to make recommendations during our audits to strengthen controls that are not in place or operating. To have a fully effective control environment, the recommendations need to be implemented in a timely manner. As of July 2012, Army organizations reported 319 unimplemented Agency recommendations – a 23 percent decrease from the 415 unimplemented recommendations reported as of July 2011. Of these 319 recommendations, only 104 have exceeded their originally agreed-to target completion dates for implementing corrective actions by 6 months or more. Our Agency also has a process for periodically notifying both the Secretary of the Army and

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Army principal leaders of overdue unimplemented recommendations to maintain a sharp focus on this area.

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

A handwritten signature in cursive script that reads "Randall L. Exley". The signature is written in black ink and is positioned above the printed name.

RANDALL L. EXLEY
The Auditor General

(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, 2012, 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 2012 (FY12), 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 implementing a comprehensive internal control program to include: identification of assessable units, establishment of a positive control environment, assessing risk, evaluating control activities, providing a communication framework, implementing and monitoring corrective actions, and developing and supporting an objective annual statement of assurance that fully discloses known material weaknesses.

Developing and supporting an objective assurance statement is accomplished through 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, the Army continued to emphasize internal control over financial reporting (ICOFR) in compliance with OMB, Circular A-123, Appendix A.

Using the following processes for conducting the evaluation, the Army evaluated its system of internal and administrative controls and maintains sufficient documentation to support its evaluation and level of assurance. The process for conducting the evaluation of internal controls is on a continual basis and encompasses the items detailed below.

Positive Control Environment: "Tone at the Top"

- Senior Army leadership has consistently demonstrated strong support for the managers' internal control program at all levels within the Army. Here are some examples for HQDA:
 - The Army's Senior Level Steering Group/Senior Assessment Team (SLSG/SAT), a senior management council, as recommended by OMB Circular A-123, met quarterly during FY12 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 Senior Level Steering Group/Senior Assessment Team (SLSG/SAT), Office of Deputy Assistant Secretary of the Army (Financial Operations) (ODASA (FO)) personnel, continue 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 and the USAAA.
- Continued to provide Army support for sustainment and operations of the Defense Travel System (DTS). This Department of Defense (DoD) initiative touches each Army Soldier and civilian who performs temporary duty travel and local travel. As of March 31, 2012, DTS had a total of 1,136,847 Army travelers registered. From April 2011 to March 2012 we processed 2.1 million DTS travel claims with a dollar value of \$2.5 billion. We continue to monitor and enforce DTS usage through the Joint Reconciliation Program. We continue to use DTS as a tool to automate and streamline the Army's temporary duty travel process and in concert with General Fund Enterprise Business System (GFEBS) enable pre-validation of travel payments, reduce centrally billed account (CBA) prompt payment act interest, and mitigate unmatched disbursements. Lastly, we are proactively involved in the Defense Travel Steering Committee, the Defense Travel Improvement Board, and various other work groups to enhance DTS usability, seek system improvements, and prepare for Next Generation travel software.
- The Government Travel Charge Card (GTCC) is used by Army travelers to pay for all official travel expenses for both temporary duty and permanent duty travel. The Army program is made up of 547,000 individually billed accounts (IBA) for which the cardholder has liability for payment and 2,685 centrally billed accounts (CBA) for which the government has liability for payment. CBA are primarily used for transportation expenses, group travel, and travel expenses of Foreign Nationals in support of DoD activities, and travelers who do not qualify for an IBA. For the reporting period, the travel card program vendor processed over 8.4 million transactions, with a total value of over \$2.2 billion, against the travel card accounts and Army organizations received \$16.8 million dollars in rebates.
- Continued to improve the interfaces between financial and logistical systems. The Funds Control Module (FCM), a Federal Financial Management Improvement Act (FFMIA) compliant system provides an automated end-to-end interface of supply requisitions to the accounting system. FCM is fully deployed throughout the Army. Improvements during FY12 included implementing additional enhancements for the Army Enterprise System Integration Program (AESIP) catalog. FCM uses the new catalog starting the first of each month to assign the proper price, financial and logistical information on the supply transaction before passing the necessary obligation and obligation adjustments to the financial system-of-record (Standard Army Finance System (STANIFNS), Standard Operation and Maintenance Army Research and Development System (SOMARDS) and General Fund Enterprise Business System (GFEBS)). FCM implemented an interface with Defense Logistics Agency (DLA) DoD Electronic Mall (DoD EMALL) and General Services Administration (GSA) Offline

Ordering to perform a funds check ensuring funds are available when orders are submitted. FCM decrements the funds accordingly and sends obligation data to the financial systems of record when funds are available. FCM implemented a manual process to pull transactional data placed on a File Transfer Protocol server by DLA for the Enterprise Business System and Subsistence Total Order and Receipt Electronic Systems ensuring financial obligations and obligation adjustment have passed to the applicable financial system.

- The Office of Secretary of Defense and Army Anti-deficiency Act (ADA) caseload is reconciled on a monthly basis and all preliminary and formal reports of investigation are reviewed to ensure that the reports are thorough, supportable and compliant with Army and OSD policy. Reports of external audit agencies and Army data is analyzed for trends that indicate weaknesses in internal controls and additional measures are recommended to reduce recurrence of similar violations. Senior leaders are briefed on a weekly basis and ADA guidance for Army staff and commands is formulated, coordinated and disseminated. Meetings and teleconferences with commands are conducted as needed to monitor the progress and manage the conduct of the ADA investigations.
- Continued to maintain an Army Internal Control Web site, an Internal Control portal on AKO, 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.
- Continued coordination with the OUSD(C) to ensure the Managers' Internal Control Program includes requirements of OMB Circular A-123 regarding Internal Controls over Financial Reporting and are aligned with the Chief Financial Officer's Strategic Plan and the Financial Improvement and Audit Readiness Plan.
- Coordinated a rapid action revision to Army Regulation (AR) 11-2, Managers' Internal Control Program, with HQDA Principal Officials, Army commands, Army service component commands and direct reporting units. AR 11-2 rapid action revision was published on March 26, 2012 with an effective date of April 26, 2012.
- Strong "Tone at the Top" support for the Manager's Internal Control Program was also demonstrated throughout the Army. Here are some examples:
 - Army Materiel Command (AMC) 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 VTC improved the internal control process by senior leaders assessing levels of risk for critical mission areas, evaluating controls in place to mitigate the risks and taking action when controls or resources were deficient. Major Subordinate Commands (MSCs) signed and issued Command Emphasis memorandums on the Command Internal Control Process. It addresses preventing waste, fraud, and abuse through diligent application of sound internal/management control principles.

- AMC's organizations have a monthly Review and Analysis Report that is presented to their managers and team leaders. The report consists of key managerial information relating to budget and fund status, manpower, contract execution, credit card purchases, and overtime/leave/training status. This report is used as a key management control to highlight conditions needing immediate attention and as an indicator of program status. A network of command and installation management control administrators has been established throughout one MSC and remains a highly effective means of distributing information, guidance, and instructions in a timely and efficient manner.
- U.S. Army Forces Command (FORSCOM) provided Leadership Emphasis on the MICP by issuing FY12 Feeder Annual Statement of Assurance Guidance, dated January 12, 2012, to all Assessable Unit Managers (AUMs) and ICAs. FORSCOM directed that all AUMs in the FORSCOM HQ receive face-to-face Internal Control training by the FORSCOM ICA; ensured that annual statements of assurance and the evaluation of internal controls were included as measures of performance and measures of effectiveness in the FORSCOM FY 2012-2020 Campaign Plan; and provided senior leadership correspondence to AUMs, re-iterating the importance of the internal control program.
- U.S. Army Training and Doctrine Command (TRADOC) Deputy Commanding General, LTG Sterling, issued an internal control memorandum, dated January 17, 2012, 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 reducing error rates, the detection and correction of fraud, waste, abuse, and mismanagement of resources. TRADOC's leaders used the top-down approach to place emphasis on internal controls by using policy letters, quarterly reviews, briefings and analysis presentations, town hall meetings, Code of Ethics training, newsletters, mentoring programs, and monthly status reports to communicate the command's philosophy. In addition to monitoring the effectiveness of internal controls, periodically Chief of Staff's Board of Directors meetings and numerous council and committee meetings were chaired; reiterating the philosophy of identifying, detecting, and correcting deficiencies before they become audit findings/material weaknesses. Command and staff meetings were also ways leadership disseminated internal control information, emphasized proactive involvement, and received feedback on the effectiveness and resolution of internal control issues throughout the command. TRADOC leadership at the MSCs, schools, and activities issued subsequent memorandums, policy letters, and guidance down to their AUMs and organizations further endorsing the importance of the internal control program and advising them of their roles and responsibilities.

Risk-Based Program

The Army recognizes the importance of establishing a risk-based internal control program, and has incorporated risk assessment in both regulatory guidance and training. AR 11-2, Managers' Internal Control Program (MICP) requires that functional proponents "determine, through risk assessment,

the key internal controls.” Risk assessments are also used as the basis to determine areas to be evaluated, and frequency of evaluations. Some examples are:

- FORSCOM
 - Performed risk assessment prior to all deployments and training events with particular emphasis on protecting the unit’s personnel and equipment.
 - Performed risk assessments prior to training events and before weekends and holidays. Evaluated checklists and conducted reviews of internal and external risks to minimize or eliminate risks.
- The Military Surface Deployment and Distribution Command (SDDC)
 - Commanding General (CG) supports the program, setting the example for managers. Evaluations were performed according to the ICEPs by the Directors, Staff Principals and Brigade Commanders down to the battalion and detachment levels as required. Evaluations were made using checklists within Headquarters Department of the Army regulations, other developed checklists or alternate methods such as inspections.
- Office of the Surgeon General/Medical Command (OTSG/MEDCOM)
 - OTSG/MEDCOM used a variety of organizational evaluation and assessment methods to support the statement of assurance. We used an organizational inspection program, risk assessments, functional team reviews, audits, inspections, investigations, staff assistance visits, and special reviews to ensure adherence to regulations, directives, and other policies. We also used evaluations scheduled on assessable units Internal Control Evaluation Plans (ICEPs). Thus far during FY12, OTSG/MEDCOM personnel have completed 791 of the 1,573 evaluations scheduled on ICEPs.
- Assistant Secretary of the Army, Acquisition, Logistics and Technology (ASA (ALT)) Program Executive Office Ground Combat Systems (PEO GCS)
 - The PEO GCS Risk Management Program is aligned with the Risk Management Guide for DoD Acquisitions. A Risk Management Integrated Process Team has been established and meets weekly. PEO GCS leadership is briefed routinely on risk management activities and findings. A risk management standard operating procedure has been established and implemented across the PEO. The PEO has established partnerships with Research Development and Engineering Command, Mine Resistant Ambush Protected, Tank Automotive Command and other organizations to heighten risk awareness and leverage mitigation efforts. Risk management information is stored on a PEO central database called “Risk Recon.”

Communication Framework

- HQDA maintains a strong communication network through:

- Maintaining an Army Internal Control Web site, an Internal Control portal on Army Knowledge On-line (AKO), 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.
- Continued coordination with the Office of the Undersecretary of Defense – Comptroller, and Office of the Deputy Assistant Secretary of the Army Financial Operations Financial Reporting and Internal Review Directorates, to ensure the Managers’ Internal Control Program includes requirements of OMB Circular A-123 regarding Internal Controls over Financial Reporting and are aligned with the Chief Financial Officer’s Strategic Plan and the Financial Improvement and Audit Readiness Plan.
- Distributing Army-wide Internal Control Program information through a variety of media sources such as internet, telephone, e-mail, video-teleconferences, briefings, Senior Level Steering Group/Senior Assessment Team meetings, working groups, newsletters, Resource Management Publications and memoranda.
- Effective communication is also demonstrated throughout Army assessable units as follows:
 - The OTSG/MEDCOM Internal Control Administrator used email and the OTSG/MEDCOM MICP Newsletter as the principal means to disseminate information throughout our MICP network. Our improved MICP internet website provides such items as executive correspondence, training information, and MICP guidance. Our MICP website also includes online MICP training videos. We used our email networks to accelerate resolution of emerging issues affecting internal controls and, specifically, material weaknesses reported. We held video and audio teleconferences within the OTSG/MEDCOM and with the TRICARE Management Activities (TMA) to discuss MICP issues in the areas of education, program execution and material weakness resolution and monitoring.
 - TRADOC senior managers are directly involved in the evaluation of internal controls. Leaders used the top-down approach to place emphasis on internal controls by using policy letters, quarterly reviews, briefings and analysis presentations, town hall meetings, Code of Ethics training, newsletters, mentoring programs, and monthly status reports to communicate the command's philosophy. In addition to monitoring the effectiveness of internal controls, periodically one-on-one sessions were held, as well as Chief of Staff's Board of Directors meetings and numerous council and committee meetings (Environmental Quality Control Council, Installation Safety and Occupational Safety and Health Advisory Council, Mayor's Council, etc.). Command and staff meetings were also ways leadership disseminated internal control information, emphasized proactive involvement, and received feedback on the effectiveness and resolution of internal control issues throughout the command.
 - FORSCOM maintained an e-mail network for all FORSCOM ICAs and Internal Review and Compliance (IRAC) Offices, and numerous other commands throughout the Army in order to quickly disseminate MICP-related information. FORSCOM also maintained an MICP website, which includes FORSCOM ICA directory, training and briefing materials, other resource materials, video teleconference (VTC) schedule, training

opportunities, website links, and other useful MICP information:
<https://fcportal.forscom.army.mil/sites/CommandGrp/MgmtCtrl/default.aspx>.

Identification of Assessable Units

- Assessable units reporting directly to HQDA Army are identified in regulation AR11-2, Army Managers' Internal Control Program, and updated when reorganization requires. For FY12 one new HQDA Staff Principal was added.
- There are currently 45 direct reporting organizations. A total of 1,539 assessable units were identified as subordinate reporting assessable units under the 45 reporting organizations.

Assignment of Responsibilities

Internal control responsibilities are clearly defined and assigned in Chapter 1 of the regulation AR 11-2. Responsibilities are defined for all levels of implementation. Some examples of implementation follow:

- The Assistant Chief of Staff Installation Management (ACSIM) provided FY12 MICP guidance to ACSIM directors in a policy memorandum, dated November 7, 2011, to ensure directorate five-year ICPs, ICEs, and MIC program training were executed and completed on time. The guidance was the basis for MIC program direction for all directorates during FY12. ACSIM continues to support and ensure that internal controls are observed and followed within the organization as prescribed in AR 11-2. This framework establishes and maintains the responsibility for an effective internal control management process and program with leadership and emphasis at the top, to include structural integration down to the lowest level possible within ACSIM. All directors and AUMs provided sufficient evidence of internal control program oversight. Senior leaders demonstrated their involvement by staff actions, understanding and applying the concept of reasonable assurance.
- AMC maintained a framework for pinpointing responsibility and accountability to achieve Federal Managers Integrity Act objectives. AMC established and maintained a network of ICAs to:
 - Distribute Management Control guidance and requirements.
 - Provide training, instructions, and assistance to managers.
 - Provide status of reported management control weaknesses.
 - Identify positions warranting inclusion of management control responsibilities within job performance standards.
 - Disseminate information on weaknesses at other activities, both within and outside command identified by sources outside the command (e.g., audits, inspections, and the media).
 - Keep the commander and senior managers advised to ensure a sound basis for the annual statement of assurance.

Reliance upon Subordinate Certification Statements

In FY12 supporting feeder statements were received from all 45 Army reporting organizations. In turn, reporting organizations also require feeder statements from their subordinate assessable units. A few samples from this year's statements follow:

- The FORSCOM Deputy Commanding General/Chief of Staff signed FY12 Annual Statement of Assurance (ASOA) instructions, addressed to the senior mission commanders and Headquarters staff, emphasized the importance of internal controls and leadership's involvement. Feeder statements were required from senior mission commanders and Headquarters staff organizations. The HQ FORSCOM functional proponents reviewed every material weakness and submitted to determine whether it should be forwarded to the DA; to provide any additional information for completeness and accuracy; and to provide feedback information for the originator.
- Army Cyber Command's Headquarter Staff and Major Subordinate Commands (MSCs) were tasked to submit input for the Commander's ASOA. These feeder reports contain information and data concerning the execution of the programs at the HQ and MSC level as well as a discussion of any material weaknesses and/or areas of concerns found. The feeder reports were then consolidated and used in making an overall assessment of the command.

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, Army Commands, Army Service Component Commands and Direct Reporting Units prepared FY12 assurance statements with documented evidence of internal control training completed by their activities. The following is a summary of internal control training initiatives for FY12:

- Office of the Assistant Secretary of the Army (Financial Management and Comptroller) (OASA (FM&C)):
 - Held monthly meetings with material weakness sponsors to ensure progress towards resolution. Continued to hold quarterly Managers' Internal Control Program (MICP) video-teleconferences with representatives from all 45 direct reporting organizations to share the latest internal control requirements, regulatory changes, and to address all questions, concerns and issues impacting the Army MICP.
 - Participated in the 2012 DOD Managers' Internal Control Conference, January 2012, Washington, DC.
 - Participated in the 2012 Office of the Administrative Assistant to the Secretary of the Army Managers' Internal Control Workshop, February 2012.
 - 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 Headquarters Department of the Army Principal Officials. In addition, in coordination with the ALMS, developed and updated internal control computer-based training (CBT) programs. All CBT courses require students to register and complete an exam (70 percent pass/fail). Upon successful completion, the student receives a generated certificate of completion. This training is available Army-wide at no cost through AKO on the ALMS portal. During the period October 1, 2011 to April 24, 2012, 8,434 personnel completed the MICP computer-based training. With the use of this computer-based training, the Army has realized a cost avoidance of about \$5 million.

- OTSG. MICP training was made mandatory for OTSG/MEDCOM personnel during FY12 depending on the MICP role of personnel within each organization. OTSG also included MICP training in the Army's Digital Training Management System during FY12. MICP training was made available to OTSG and MEDCOM personnel at all levels to include the Army Managers' Internal Control Program courses, briefings, and on-site training. The MICP training statistics (total 8,638 training events in FY12) for OTSG/MEDCOM were used for evaluations of statements of assurance from subordinate activities, and to further improve future training.
- Training and Doctrine Command (TRADOC)
 - A vital element in TRADOC's Internal Control Program was continuous and up to date training for all personnel involved in any aspect of the program. TRADOC continued its training at all levels to ensure that managers and employees were aware of their responsibilities for an effective internal control program in all areas of their organizations. TRADOC ICAs provided training to AUMs, as well as facilitated onsite training, desk side reviews, and conducted periodic refresher training for ICAs and one on one session, as personnel turnover dictates. Several ICAs at the TRADOC schools and activities conducted training sessions for their commanders and other managers in their organizations. These sessions allowed direct interaction and exchanges on internal controls. TRADOC ensured its community was notified of current training opportunities, updated and current regulatory guidance, and conferences that included the topic of internal controls. Available training included power-point slides from the HQDA Quarterly Managers' Internal Control video teleconferences (VTCs), web-based training tools available through Army Learning Management System, (ALMS), from which TRADOC personnel can select the course pertaining to their individual role within the program.
 - Various types of training from multiple sources were conducted throughout the TRADOC community covering the internal control process. Over 3000 individuals at all levels and capacities (including AUMs, ICAs, managers, and action officers) received training as follows:
 - Classroom presentation – 610 trained
 - Desk-side/administrative initial and refresher training – 205 trained
 - Telephonic briefings provided to 9 individuals throughout TRADOC

- DA hosted training VTC – 16 attended
 - Local VTCs – 7 attended
 - Web-based training/modules/training videos – 335 received training
 - Electronic briefing charts – provided to over 1156 TRADOC personnel
 - Five hundred fifty four (554) individuals attended formal training and other courses that provided sessions and workshops that included topics and information relative to internal controls.
- Army Materiel Command (AMC): Trained a total of 8,335 personnel on the internal control program. All Assessable Unit Managers/Staff Principals, division chiefs and supervisors receive management control refresher training on an annual basis. The training is documented and reported to the Internal Review and Audit Compliance Office. A training session led by the Director of the Internal Review and Audit Compliance Office (IRACO) at AMC Headquarters was held on February 2, 2012 for Assessable Unit Managers (AUMs) and supervisors. The training covered the purpose of the MICP, roles and responsibilities of individuals in the organization, and the reporting requirements for the Annual Statement of Assurance submission. It was a very effective session that reiterated the importance of applying internal controls to the daily mission and the safeguarding of assets.
 - U.S. Army South (ARSOUTH): Computer-based Training (CBT) was completed by 320 personnel: 18 AUMS, 25 ICAs and alternates, 68 Managers, 31 Evaluators, and 178 other responsible personnel, resulting in an overall 98% of mandatory CBT training completed. The Command ICA provided desk-side training to 11 AUMs, 5 newly appointed ICAs and Refresher Training to 25 primary and alternate ICAs. Training material included areas for improvement of yearly Feeder Reports, new program guidance, and requirements for preparation of the 2012 Feeder Reports. Additionally, awareness training on the Audit Readiness and the overall key control objectives supporting the Statement of Budgetary Resources (SBR) was also provided. Training to subordinate units (1st Battlefield Coordination Detachment, Davis Monthan, AZ and the 525th MP Battalion, Guantanamo Bay, Cuba) and Joint Task Forces was provided while conducting Internal Control Inspections with the Command Inspection Team. These training sessions included slide presentations, handouts and discussions. Developed and disseminated electronic MICP briefings for ICAs to use for internal training purposes and updated MICP-related information on the command's website. This page contains training briefings, articles, the Internal Control Evaluation Plan and links to other program related sites.
 - U.S. Army Space and Missile Defense Command (SMDC): Trained a total of 639 personnel on the internal control program. The command updated and provided the FY12 online MICP training course. The training brief is located on the Command MICP website for easy access to all SMDC employees. Internal Controls Administrator (ICA) completed computer-based internal controls training to stay abreast of changes throughout the year.

Conducted biennial DTS training for AO/CO, travelers, and Organizational Defense Travel Administrators (ODTA).

- Army Test and Evaluation Command (ATEC): Through the use of formal, in-house, desk-side and other methods of training, a total of 1,012 personnel within ATEC have been trained this year, according to their role, on the internal control program. ATEC has adopted HQDA Army Learning Management System (ALMS) training as a minimal requirement for all roles. The ATEC ICA attended DA sponsored quarterly VTCs and provided minutes to all subordinate commands and directorates. Each new ICA received a one-on-one telephonic briefing to facilitate awareness of FY12 requirements and provide command guidance regarding current concerns and areas of emphasis.

Tools and Techniques

The Army used numerous tools and techniques to implement the internal control program and processes. They included Lean Six Sigma, SharePoint, Balanced Scorecard and other systems to streamline processes and reduce risk. A few examples from reporting organizations are included below.

- ASA (ALT): Continuous Process Improvement (CPI). Since 2008, ASA (ALT) centrally managed an enterprise-wide business transformation program using a tailored LSS approach as the primary enabler of transformation. The program helped complete over 720 improvement projects, identified over \$23 billion in benefits and developed capabilities that institutionalized CPI in less than 4 years. The FY12 CPI/LSS organizational maturity assessment clearly shows that engaged leaders directing transformational change, a workforce with CPI skills, and a clear team focus on meeting cost-saving targets are key ingredients to meeting future fiscal challenges. The organization's senior leader is responsible and accountable for execution of a fully compliant CPI/LSS program within their organization. All OASA (ALT) staff headquarters and reporting organizations must demonstrate improved performance each year, sustain a culture of continuous improvement, meet validated cost savings targets each year and proactively manage business process performance.
 - Variability in Task Order Process for Procuring Technical Engineering Services, (ASA (ALT) Program Executive Office Enterprise Information System (PEO EIS). LSS Green Belt Project was sponsored to improve the Technical Engineering Services task order process resulting in \$597,000 cost avoidance for FY12. Contract Task Order Reporting Project optimizes the contracting process to ensure contract actions are executed as planned thereby diminishing the loss of productivity and ensuring effective financial management. Projected cost avoidance is \$2 million over the next seven years. PEO EIS has trained over 95% of its civilian and military personnel in some level of LSS training (Project Sponsor, Black Belt, Green Belt, or Awareness). During the past year, the number of certified Black Belts has increased to 12 Black Belts (exceeding 1% target), with 4 more individuals anticipating completion of their Black Belt certification by September 2012. The number of certified Green Belts increased to 46. PEO EIS now has one Certified Army Master Black Belt and two others more than 50% complete toward certification. PEO EIS increased trained project sponsors to 78. The total number of projects completed to date in PowerSteering is 75 (a total of 10 to

date in FY12). Total cost benefits from projects completed to date in FY12 is over \$261 million (grand total cost benefits for year-over-year is \$768.8 million). A forecasted cost benefit from projects in progress is \$57 million.

- Knowledge Management – SharePoint. ASA (ALT) PEO EIS and Soldier Program Management (PM) office developed and continues to use an internal web-based portal to streamline business processes, capture and share institutional knowledge, and create a virtual workspace to improve collaboration efforts. Over the past year, two key systems were developed and deployed that enhances our internal controls in the areas of information assurance and business process reengineering. These improvements allow the PM office to access the most accurate and timely information with regards to systems accreditation and LSS efforts while serving as a central communication tool to gain greater efficiency and effectiveness across a very diverse organization. Soldier PM office added an additional Level III acquisition professional in the review process of acquisition documentation to ensure that information requirements are satisfied for each Milestone and Decision Review. This review identifies new and changed acquisition requirements and coordinates with the PEO staff for DoDI 5000.02 and Directive Type Memorandum Information Requirements necessary for successful Milestone and Decision Reviews. Soldier PM office conducted several training classes in SharePoint and MS Office products, to include MS Project and Excel. These training sessions were held to enhance users' ability to better report and document their programs. It also implemented the new PEO Knowledge Management Center Tasker System to improve efficiency in answering taskers as well as using it as a repository for information.
- LSS Pilot Program. PEO Missile and Space (MS).
 - Cruise Missile Defense Systems Office supported the Secretary of Defense Cost Initiatives. The Sentinel Product Office developed a plan to modify Sentinel software vs. adding additional power amplifier modules to achieve similar range improvements that resulted in \$29.5 million efficiency in FY11 and \$132 million cost avoidance over the life cycle of Sentinel.
 - The Key Performance Parameters include behaviors and functions which describe the customer's requirements for System of Systems architecture. There was no means to determine performance parameters to effectively measure the program's maturity with respect to the achievement of these behaviors and functions. Without a method to measure achievement of these behaviors and functions, PEO MS could not evaluate whether the end product would meet customer requirements for a System of Systems product. Prior to this project, there was a 93% defect rate in the ability of Engineering and Management staff to identify Technical Performance Parameters. After this project there was a zero defect rate. This project developed a robust process for consistently identifying the Technical Performance Parameters needed to measure behaviors and functions. This enabled PEO MS to identify monitoring points and track progress of the Prime Contractor toward the achievement of the System of Systems capabilities the customer requires. Fifty one Technical Performance Parameters were identified from the 5 Key Performance Parameters. This process is transferrable to any program engaged in System of System architecture design.

- LSS Initiatives – Joint Program Executive Office Joint Tactical Radio System (JPEO JTRS). The JPEO JTRS has a well laid out CPI/LSS Initiatives that focus on realizing operational efficiencies through development, maintenance and implementation of sound and consistent processes and procedures. The JPEO has released a “JPEO JTRS Enterprise Business Process Development and Maintenance Policy” with the intention of establishing the framework for the institutionalization of quality and standardized procedures for Business Processes within the Enterprise. In support of the JPEO Mission, the Enterprise developed the 2009 Strategic Plan which set forth five primary goals. One of the strategic goals is focused on Process– “to continually analyze, refine, and improve the JPEO JTRS’ Enterprise processes to ensure optimal performance and execution in accordance with requirements, budget, and acquisition authority guidelines.” A direct initiative linked to this goal was the establishment of the Enterprise Process Action Team (ePAT). The ePAT provides a chartered forum to identify, define, document, and improve JPEO JTRS key Enterprise processes. The ePAT was successfully transformed into the JPEO JTRS CPI and LSS team that focused on deployment of LSS across the Enterprise. The Enterprise has successfully documented, standardized and streamlined over 30 organizational processes, including 6 LSS DMAIC (Define, Measure, Analyze, Improve and Control) events which have resulted in numerous operational benefits and estimated cost avoidance of approximately \$4.7M over five years. The end goal of this team is to increase overall efficiency and eliminate ineffective redundancies through the use of CPI initiatives, including LSS.

- SharePoint Portal (AMC). Software Engineering Process. AMC created an integrated master schedule (IMS) to direct, manage and control the Logistics Information Warehouse (LIW) project. In March 2011 Secretary of the Army signed a memo designating LIW as the authoritative repository for logistics data in the Army. To accomplish this mission developmental funding has been provided to assure the full integration and service enabling of LIW. This project will increase reliability and dependability of strategic supply chain metrics by inclusion of non-Enterprise Resourcing Plan (ERP) data into LIW. Further, it will allow the repository to be federated with the enterprise resource planning systems to include Logistics Modernization Program (LMP), Global Combat Support System-Army (GCSS-A), Army Materiel Master and General Fund Enterprise Business System (GFEBs). To gain effective and efficient programmatic control, in October 2011, the AMC Enterprise Integration Center (EIC) completed and published an integrated master schedule (IMS) detailing the tactical implementation of tasks required to complete this project. The IMS contains over 3,000 work packages, 15,000 tasks and identifies all critical paths and dependent nodes required for successful project completion. To-date, this IMS has enabled the assignment and control of multiple simultaneous tasks toward a common purpose. The benefits of the structure IMS include: greater clarity of leadership’s intent for those performing tasks; empirical metrics of mission accomplishment versus plan; consumable executive-level metrics regarding the progress of LIW; and a well-defined project management map used by project managers to ensure the project scope remains within time, cost and performance boundaries throughout the project lifecycle. It has also allowed insight into discrete milestone achievement inside the overall project.

Use of Performance Standards

Army Regulation (AR) 11-2 mandates that supervisors must include an explicit statement of responsibility for internal controls in the performance agreements of commanders, managers and ICAs responsible for the execution or oversight of effective internal controls, down to and including assessable unit level. Implementation at the reporting organization level is illustrated below:

- TRADOC
 - The DCS, G-6, stressed the requirement to include responsibility for internal controls in the performance agreements of managers responsible for the execution and/or oversight of internal controls in accordance with AR 11-2, paragraph 2-11. Directors were personally involved and committed to effectively executing those responsibilities. In addition, they attended and conducted staff meetings, reviews and studies, met with HQDA and activities in working group and VTCs to surface and resolve problems, collaborated with other Army commands on like issues, established points of contact for information management at TRADOC activities and HQDA, and ensured managers received mandatory training on the objectives and techniques of the Army internal control process.

- AMC
 - The Joint Munitions Command (JMC) Executive Director (Acting Commander) signed and issued a memorandum titled “Internal Controls Statements of Responsibility in Performance Agreements.” It deals with the requirement that the JMC Installation Military Commanders are required to have an explicit statement for the execution and/or oversight of effective internal/management controls in their Officer Evaluation Report Support Form performance agreements.

- Army NORTH
 - Senior Responsible Officer (SRO) and Assessable Unit Managers (AUMs) were designated in accordance with AR 11-2, Management Control, which emphasized the importance of the Managers’ Internal Control Program and stressed the criticality of their involvement in the program. The responsibility for management controls is included in the SRO’s and AUMs performance agreement and is evaluated in the annual appraisal process. The SRO supported and participated in the required MICP training, and reviewed and provided functional updates to the Army NORTH Internal Control Plan.

MICP Instruction/Regulations

- Assistant Secretary of the Army (Financial Management and Comptroller):
 - The Army has a comprehensive regulation governing the internal control program, AR 11-2, Army Managers’ Internal Control Program. It was completely revised in FY12, and we have recently completed a rapid action revision (RAR) to incorporate

new policies, with HQDA Principal Officials, Army Commands, Army Service Component Commands and Direct Reporting Units.

- Annual guidance on the preparation of the annual statement of assurance is distributed to all 45 direct reporting organizations. FY12 guidance was distributed on November 17, 2011.
- All Army regulations are required to identify key internal controls. ASA (FM&C) recently provided the Army Publishing Directorate, Office of the Administrative Assistant to the Secretary of the Army, with internal control guidance for distribution to all functional proponents that are updating or writing Army regulations. Regulation writers are also provided the opportunity to complete the Army Managers' Internal Control Program computer-based training "Internal Controls in Army Regulations." This provides regulation writers interim guidance pending the update to AR 25-30, The Army Publishing Program, and DA PAM 25-40, Army Publishing: Action Officers Guide.
- Army assessable units also issued local guidance and included internal control provisions in regulations. For example, OTSG/MEDCOM updated the Army's inventory of regulations containing evaluations for FY12 to ensure assessable units have the most current information when developing their Internal Control Evaluation Plans (ICEPs). In addition, the OTSG/MEDCOM, Chief of Staff, Senior Responsible Official for the MICP and the ICA provided detailed suggestions for improving the draft revision of AR 11-2 for release in FY12.
- Army Reserve Command (The 99th Regional Support Command). ICA sought to provide guidance and advice on internal control issues. Each year the Command ICA disseminated guidance that would result in either numerous questions from the appointed Assessable Unit Managers (AUMs) or their ICAs. All of which required a one-on-one session with each individual. Consequently, the Command ICA realized that each visit was very similar to the previous. The Command ICA answered questions pertaining to the guidance, internal control issues, testing criteria and other relevant matters. The Command ICA established the very first ICA Working Group that consisted of all appointed ICAs and a number of AUMs who had not appointed an administrator. This forum provided the Command ICA with an opportunity to address all issues and/or concerns at once. This also allowed the Command ICA to reiterate current guidance on the preparation of the Annual Statement of Assurance, provide continuous support and situational awareness to the ICAs in accordance with AR 11-2. By establishing the very first ICA Working Group, the Command ICA monitored progress of each staff section's submission and ensured that issues and/or concerns, and material weaknesses were clearly identified. With the assistance of the Command ICA, section ICAs had the opportunity to develop local checklists for functions where current regulations do not provide an Internal Control Evaluation Checklist for use in evaluating key internal controls.

Description of Internal and External Audits/Inspections

Formal internal control evaluations of key internal controls must be conducted at least once every five years. Commanders/managers may require more frequent evaluation based on leadership

emphasis, personnel turnover, audit/inspection findings, change in mission, and so on. The ASA (FM&C) maintains a current inventory of functional areas on the ASA (FM&C) web site of areas where HQDA functional proponents have identified key internal controls as well as information on the governing Army Regulation and any suggested or required methods for conducting the evaluation.

HQDA functional proponents may identify an internal control evaluation process for use in evaluating key internal controls. All internal control evaluations will be conducted in one of two ways:

- Internal control evaluations: The HQDA functional proponent may develop an internal control evaluation and publish it as an appendix in the governing AR for use by managers in evaluating key internal controls. The evaluation identifies the key internal controls and provides managers a tool to evaluate the effectiveness of these controls. Commanders and managers may use an evaluation to conduct their internal control evaluations or, as an alternative, they can use an existing management review process of their own choosing, so long as the method chosen meets the basic requirements of an evaluation outlined in this paragraph.
- Existing management review processes: In many areas, existing management review processes may meet, or can be modified to meet, the basic requirements of an internal control evaluation. Some of these processes are unique to a specific functional area, while others are more generic, such as the use of local inspector general, IR personnel or the command review and analysis process. HQDA functional proponents may suggest an existing management review process for evaluating key internal controls; or they may require the use of a specific functional management review process, so long as it is an existing Army wide process and one for which they are the functional proponent. Unless the HQDA functional proponent requires the use of an existing Army-wide functional management review process, commanders and managers are free to choose the method of evaluation.

HQDA functional proponents, commanders, and AUMs can often take corrective or preventive action based on problems identified in IR, audit, and inspection reports. Such reports may address an internal control problem at only one installation, but managers throughout the Army can use these reports to identify potential problems in their own areas of responsibility and take timely preventative action.

Internal review, audit and inspection organizations ensure distribution of their reports to managers with primary and collateral interests at all reporting organizations. In addition, The Auditor General and Army IG organizations prepare summaries of internal control weaknesses identified in their reports. DODIG also publishes periodic summaries of internal control weaknesses identified in its reports and those of GAO. ASA (FM&C) periodically distributes these summaries to ICAs at reporting organizations in order to facilitate correction and mitigation of reported weaknesses and to ensure that managers can benefit from lessons learned at other activities. Finally, the Auditor General supports the development of the SA's annual statement of assurance by identifying potential Army material weaknesses for consideration by HQDA functional proponents.

Examples of internal and external methods of inspection and evaluation at the reporting organization level are provided below:

- MEDCOM used a variety of organizational evaluation and assessment methods to support the statement of assurance. It used an organizational inspection program, risk assessments, functional team reviews, audits, inspections, investigations, staff assistance visits, and special reviews to ensure adherence to regulations, directives, and other policies. We also used evaluations scheduled on assessable units Internal Control Evaluation Plans (ICEPs). Thus far during FY12, OTSG /MEDCOM personnel have completed 791 of the 1,573 evaluations scheduled on ICEPs.
- FORSCOM used reports, reviews and meetings at the assessable unit level that provided commanders and managers with the opportunity to continually assess controls. The following are examples of venues where internal controls were monitored throughout FORSCOM: Unit Status Reports (USR), Civilian Personnel updates, Material Readiness Reviews (MRR), Equipment Synchronization Meetings (ESM), Combined Acquisition Review Boards (CARB), Cost Management Review Boards (CMRB), Command Maintenance Evaluation and Training (COMET) reviews, Program Budget Advisory Committees (PBAC), Aviation Resources Management Survey (ARMS) reviews, and Quarterly Training Briefs (QTB). All applicable evaluations are conducted a minimum of once every five years. However, within FORSCOM Headquarters, there are several examples where the frequency is increased based on leadership emphasis and personnel turnover. Examples include but are not limited to: The Government Purchase Card (GPC), Travel Charge Card, Defense Travel System (DTS), and locally-developed FORSCOM Headquarters' property accountability evaluations, which are conducted annually; representation Funds of the Secretary of the Army is conducted every two years; and information management-related evaluations are conducted every three years.
- TRADOC:
 - Consideration of internal and external audits, local inspection programs, and independent review reports are incorporated into TRADOC's internal control program at the various levels of the command. Audits, inspections, assessments, and other independent reviews conducted by agencies including the Army Audit Agency, Government Accountability Office, TRADOC Internal Review and Audit Compliance, Inspector Generals, Criminal Investigation Directorate, Quality Assurance Accreditation visits, Command Inspection Program/Organizational Inspection Program, and the local internal review offices were accomplished across the command in which no material areas of weakness were identified.
 - Internal Review and Audit Compliance (IRAC) emphasized the importance of meeting internal review quality control standards throughout the year in monthly staff calls, meeting weekly with the Assistant Chief of Staff, and at least quarterly with the Deputy Commanding General/Chief of Staff. The director serves on DA's Internal Review Steering Group, as chairperson, and actively participates in identifying various ways of improving the review process. IRAC had an independent expert conduct an external peer review of quality controls for the review process for IRAC's overall organization and internal review support. The results provided assurance to the TRADOC

commander that IRAC continues to perform work in accordance with all applicable regulations

- AMC: Army Sustainment Command (ASC) Internal Review and Audit Compliance Office utilized a DA Internal Review (DAIR) database, developed to identify and track corrections of all internal and external audit findings. While higher headquarters elements are responsible for corrective actions on a number of the audit findings, the database provides an excellent tool for monitoring weaknesses within the ASC. The ASC Internal Review and Audit Compliance Office utilized a DAIR database developed to identify and track corrections of all internal and external audit findings. The database provided an excellent tool for monitoring weaknesses within the ASC.

(TAB A-3)

**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 Office of Management and Budget (OMB).

These guidelines assigned Department of Defense (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 (FMFIA) 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.

To complete the Army Assessment of Internal Control over Acquisition Functions OASA (ALT) we used the Template provided by OUSD (AT&L). An Army functional proponent organization was identified for every "Control Environment" element in the template.

Those functional proponents assigned appropriate Subject Matter Experts (SME) to complete the assessment. Those 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.

(TAB A-4)
MANAGERS' INTERNAL CONTROL PROGRAM AND RELATED
ACCOMPLISHMENTS

Assistant Secretary of the Army (Financial Management & Comptroller) (ASA (FM&C)):

Description of Issue: Army Managers' Internal Control Program (MICP) Computer-based Training.

Accomplishment: In July 2010, completed development of six computer-based training courses that pertain to the student's role in the Army MICP. The training courses are available through Army Knowledge Online (AKO) on the Army Learning Management System (ALMS) portal. All courses require students to register and complete an exam (70 percent pass/fail). Upon successful completion of each module, the students receive a generated certificate of completion. The six training courses are:

- Internal Control Administrators (ICA) Course
- Assessable Unit Manager (AUM) Course
- Senior Responsible Official (SRO) Course
- Managers Course
- Personnel Conducting Evaluations Course
- Internal Controls in Army Regulations Course

From October 1, 2011 to April 24, 2012, 8,434 Army personnel have completed the MICP computer-based training. A breakout is provided below:

Course Title	Total Personnel Trained (October 1, 2011-April 24, 2012)
Internal Control Administrators (ICA) Course	1,446
Senior Responsible Officials (SRO) Course	214
Assessable Unit Managers (AUM) Course	1,948
Managers' Course	2,350
Personnel Conducting Evaluations	1,702
Internal Controls in Army Regulations	<u>774</u>
Total	<u>8,434</u>

This training is available Army-wide at no cost. The tuition fee to attend a similar two-day vendor sponsored on-site MICP training course is approximately \$595. With the use of this computer-based training, the Army has realized a cost avoidance of about \$5 million (\$595 X 8,434). This potential cost avoidance does not factor in travel costs to/from the vendor sponsored on-site MICP training course.

Description of Issue: Review of the Managers' Internal Control Program at the Office of the Administrative Assistant to the Secretary of the Army.

Accomplishment: Conducted a review to ensure that the Office of the Administrative Assistant to the Secretary of the Army adequately implemented the Managers' Internal Control Program. Specific areas of the review included determining whether: assessable units developed internal control evaluation plans annually; assessable unit managers and internal control administrators received Managers' Internal Control Program training; internal control evaluations were conducted according to internal control evaluation plans; and annual statements of assurance were prepared adequately. The review will assist the organization in complying with guidance in Army Regulation 11-2 and meeting key requirements in support of the organizations' statement of reasonable assurance on internal controls.

Description of Issue: Reduction of Aged Anti-Deficiency Act (ADA) Cases

Accomplishment: Disseminated a December 29, 2011 memorandum, subject: Antideficiency Act Policy and Investigating Officer Training. This memorandum stressed the importance of command emphasis in preventing occurrence of ADA violations and identified recurring problems with engineering oversight and work classification. As of September 30, 2011, 11,485 fund certifiers/disbursing officers had received fiscal law training within the past three years (out of a population of 13,222). Despite the challenges of transition from a five year requirement to a three year requirement, this still reflects a compliance rate of 87 percent. Over time, the Army's success in training fund certifiers is expected to result in a significant decrease in the incidence of new violations. Conducted periodic face-to-face meetings between senior executives of ASA(FM&C) and those of funded activities with outstanding Antideficiency Act investigations throughout Fiscal Year 2012 (FY12). These additional internal controls resulted in the closure of nine formal and 41 preliminary investigations by October 1, 2011. As of April 30, 2012, six additional formal cases and 15 preliminary investigations have been closed.

Description of Issue: Theater Disbursing Operations.

Accomplishment: Provided technical assistance and guidance to six disbursing operations within the U.S. Central Command (USCENTCOM) Theater of Operations on discrepancies between the Finance Offices and the Treasury. We continue to monitor the Statement of Differences – Deposits, and analyze the Analysis of Unmatched Transactions (AUT) directly resulting in a reduction in dollars for first half of FY12 of approximately \$5 million or 33 percent for the AUT. Additionally, we continue to review and provide assistance with the Local Depository Accounts (LDAs). This directly assisted with the strategic initiative to reduce cash on the battlefield and thus U.S. operational cost. LDA balances were reduced by \$69 million within the first six months of FY12 for a reduction of 79 percent.

Description of Issue: Operational Support Teams (OST).

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 Pre-Deployment Training Exercise (PDTE) 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, vendor pay services, accounting, entitlements, and resource management) to deployed and deploying units. Thus far in FY12, the OST has trained 11 units and evaluated 5 units resulting in 331 Soldiers receiving either training and/or evaluation, in many cases both. The remainder of FY12 will continue to be busy as our OST will train and exercise an additional 19 units as well as other training events that will directly touch over 400 Soldiers. Additionally, the OST continues support as required to include systems implementation and training at the Financial Management School (FMS), taskers to help with real world exercises/missions U.S. Army Central (ARCENT) General Fund Enterprise Business System (GFEBS) Training and Implementation, Lucky Strike/Warrior, Joint Task Force-Bravo Honduras, Commercial Vendor Services/Deployable Disbursing System training in Central Command (CENTCOM), and a growing number of additional requirements.

Description of Issue: EagleCash Stored Value Card (ECSVC).

Accomplishment: The EagleCash Stored Value Card is a cash management tool designed to support U.S. military personnel deployed in combat zones and on peace-keeping missions around the globe. In FY12 the program continued to add value and improve controls through increased force protection, reduction of United States currency in theaters of operation, reduced number of Casual Payments (CPs), reduced Cash Collection Vouchers (CCVs), reduced accountability and losses of funds, reduced number of personal checks cashed (reducing float and processing), improved internal controls (as the system is 100 percent auditable), and reduced man-hour requirements through implementing standard industry automated best business practices. Other improvements and expansion of the program in FY12 have focused on the deployment of new automated kiosk models and new Point of Sale (POS) devices globally; the retrograde and closure of the Iraqi Operational theater (Operation New Dawn (OND)) through the Kuwait Equipment Depot (KED) which was established to manage the exodus and surge of OND and Operation Enduring Freedom respectively (regarding EagleCash equipment requirements); the continued implementation of new EagleCash products such as the EagleCash Agent Stored Value Card (ECAS) to meet unique battlefield requirements and further reduce cash demands in theater; and developing and coordinating new releases for EagleCash application software (for kiosk LAN projects and updated Laptop automation of card issuance capabilities) that will significantly improve operations, reporting and functionality.

Description of Issue: Banking.

Accomplishment: In the continental United States, banking officers continue to work with the on-base financial institutions and the banking trade organizations (Defense Credit Union Council and Association of Military Banks of America) to ensure compliance with the one bank, one credit union rule as prescribed by DODI 1000.11. This provides Soldiers and family members protection from unfair and deceptive practices of predatory lenders and allows installation commanders to work with the on-base financial institutions to provide and improve the products and services offered to personnel assigned to the installation. This partnership ensures that the on-base financial institutions maintain a lower average charge to the customers than their off-base counterparts on financial products: overdraft fees – 27 percent less, Non-Sufficient Funds (NSF) fees – 16 percent less and Non-account holder ATM fees – 8 percent less. The local Bank and Credit Union Liaison Officers (BLOs/CULO) are the key to identifying and addressing on-base issues. There have been four banks established on bases in Afghanistan and agreements established for delivery of currency

at other locations eliminating the need for convoys to pick up local currency. The use of electronic payments or transfers has provided a more secure environment for vendors, local nationals and third country nationals to conduct their banking transactions. Additionally, with the advent of EFT payments/transfers the ability to track and trace payments that exist for illicit or terrorist financing increases significantly from utilizing physical currency.

Description of Issue: Paper Check Conversion Over-the-Counter (PCC OTC)/Over the Counter Net (OTCnet).

Accomplishment: This E-Commerce product minimizes losses of funds due to bad checks, while promoting the Army goal toward a near cashless battlefield through its integration with the Eagle Cash Stored Value Card program. Separation of duties between the cashier and the disbursing agent provides maximum internal security; daily balance control between the disbursing agent and the deputy disbursing officer adding an additional layer of internal separation of duties. The PCC OTC system is operated in partnership with the U.S. Department of the Treasury, the Federal Reserve Bank of Cleveland and Citibank, with 24/7 technical and customer service support, providing global assistance to finance operations, mitigating any loss of fund caused by system or information needs. Deployment of OTCnet, the U.S. Department of Treasury replacement system for PCC OTC, began in October 2011. OTCnet is an online web based system and a key component of Treasury's Collection and Cash Modernization program. Deployment of the on/off line version of OTCnet continues throughout FY12 and is scheduled for completion prior to the decommissioning of CASHLINKII on December 31, 2012. To date in FY12, PCC OTC/OTCnet has processed 19,704 checks valued at \$46.1 million, with a collection rate of nearly 99 percent; reducing the cost to the Army for Defense Finance Accounting Service (DFAS) to collect bad checks from Soldiers pay and the amount of on hand cash requirements.

Description of Issue: International Treasury Services (ITS.gov).

Accomplishment: The E-Commerce product ITS.gov expanded significantly during FY12 increasing the number and value of electronic funds transfers for vendor payments globally, including within Operation Enduring Freedom and the USARPAC. ITS.gov was upgraded during FY12 to allow the automatic processing of Korean Won payment, initiating the migration from dependence on local financial institutions to retention of funds within the U.S. Department of the Treasury. The Office of Foreign Assets Control (OFAC) processing was enhanced; all Army items submitted through ITS.gov are cleared of OFAC requirements by the Federal Reserve Bank of New York prior to forwarding to the service provider. This enhancement not only eliminates any delay of funds delivery due to false positive matches, it also provides the processing endpoint an accurate online status description while OFAC research is being conducted. Through March 31, 2012, ITS.gov delivered 20,469 Electronic Funds Transfer payments totaling \$1.5 billion. These payments were made in local currency as well as U.S. Dollars, fostering the Army goals of reducing U.S. currency in Overseas Continental U.S. (OCONUS) theaters. The ITS.gov system is operated in partnership with the U.S. Department of the Treasury and the Federal Reserve Bank of New York.

Description of Issue: Joint Reconciliation Program (JRP).

Accomplishment: The JRP prescribes standard procedures for Army Resource Managers and their staff to use when conducting joint reconciliation/reviews. The review provides greater assurance of

auditability through the inspection of all recorded commitments, obligations, orders, earnings, disbursements, collections, accounts payable and accounts receivable. All abnormal balances are identified, researched and reported through Headquarters Department of the Army (HQDA) providing more accurate financial statements. Army triennial reviews are conducted three times each year in accordance with Department of Defense (DoD) regulations. The reviews focus on DoD and Army requirements along with current areas of concern. The reviews are conducted jointly with all stakeholders to include budget personnel, accounting personnel, contracting personnel, logistics personnel, and supporting DFAS personnel. The ASA (FM&C) provides a certification statement to the Office of Under Secretary of Defense (Comptroller) (OUSDC) after each phase of the review to attest to the correctness and completeness of it.

Description of Issue: Fund Balance with Treasury Reconciliation Tool.

Accomplishment: The Army has a long-standing problem in reconciling transaction activity in their Fund Balance with Treasury (FBwT) account. The appropriation balances recorded in the accounting records do not agree with the balances held at Treasury. As of March 31, 2012, the Treasury reported \$30 million more in FBwT than reported by the Army General Fund. The Army Financial Improvement Plan for FBwT includes a reconciliation tool that will conduct regular reconciliations between the Army General Funding accounting records and the FBwT. The Army has identified the Columbus Cash Accountability System (CCAS) as its FBwT reconciliation tool. CCAS, originally developed by the Air Force, is being modified to Army requirements and we expect to implement the pilot solution in March 2013.

Description of Issue: Military Equipment (Existence and Completeness).

Accomplishment: The Army will be utilizing the Accountable Property System of Record (APSR), Property Book Unit Supply Enhanced (PBUSE) to populate its financial statements in FY12. To support this effort, ASA (FM&C), Directorate of Accountability and Audit Readiness completed an asset record reconciliation between PBUSE and legacy information systems. ASA (FM&C) analyzed over 240,000 asset records between information systems. The effort identified asset record data anomalies and trends such as serial number format inconsistencies, unit acquisition cost and date variances, and potential duplicate records in PBUSE. In coordination with ASA (ALT), ASA (FM&C) consolidated the results into 168 program reports and delivered the reports to Army Program Executive Organizations (PEOs) and Program Managers (PMs) for review and validation of findings. This effort will result in a validated population of asset records residing in PBUSE, which represents over \$110 billion net book value of Army assets reported on its financial statements.

Description of Issue: Subsistence-in-Kind Obligations from Theater were Manually Uploaded on a Bi-Weekly Basis.

Accomplishment: The Army and the Defense Supply Center - Philadelphia (DSCP) have partnered to develop a every other day method for processing subsistence-in-kind, operational ration and premium transportation sales data from DSCP ordering systems Subsistence Total Order and Receipt Electronic System and Enterprise Business System to the financial accounting system. This eliminates the manual upload of sales data, improves the timeliness of obligations and provides edit checks for accurate stock and billing information.

Description of Issue: Single Sign On.

Accomplishment: Modified the Army Schedule and Reporting System (ASARS) and the Exhibit Automation System (EAS) to perform single sign on validating user credentials based upon their Common Access Card (CAC) input. All ASA (FM&C) hosted business applications have been modified to use single sign on via CAC.

Description of Issue: Defense Critical Infrastructure Program.

Accomplishment: Working with DFAS as a member of the Financial Service Sector Defense Critical Infrastructure Program Working Group. Continuing to survey financial system owners to identify and document systems that are financial mission area task assets and to determine if any of the task asset systems need to be identified as critical.

Description of Issue: Continue to Improve Financial Management (FM) Domain Governance Activities.

Accomplishment: Continuing to develop an internal understanding within the FM Domain Governance Boards to establish future operations and decision points, enabling the leveraging of the Board's authority to obtain faster and more comprehensive responses from the legacy system proponents, and increasing the systems propensity to step forward for meaningful communications.

Description of Issue: FM Domain Information Technology (IT) System Enterprise Architecture.

Accomplishment: Continuing to expand documentation of system attributes as they relate to the FM mission, the Business Enterprise Architecture and emerging End to End processes. We are directly engaged from a systems perspective with the efforts of the Financial Integrity and Audit Readiness Directorate with their efforts to set the conditions for achieving audit readiness.

Description of Issue: Continue to Improve Financial Management (FM) Domain Governance Activities.

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Description of Issue: DOD Investment Review Board (IRB) Review Activities.

Accomplishment: We have strengthened our knowledge of the underlying systems that must satisfy the IRB process, improved our review processes, and engage directly with the system managers to monitor and ensure activities relative to governance, benefits realization, and system replacement occur. We have strengthened our oversight role from a Domain perspective.

Description of Issue: Audit Readiness (Statement of Budgetary Resources).

Accomplishment: In FY11 and early FY12, as part of the Statement of Budgetary Resources (SBR) activities, the Army received an unqualified audit opinion on Appropriations received in August and a qualified audit opinion on GFEBS Wave 1 installations in November. It also documented processes, conducted testing, and identified corrective actions at GFEBS Waves 1 and 2 installations. Processes examined during the audits included fund receipt, distribution, and monitoring; contracts; TDY travel; and Reimbursable (inbound/outbound MIPRs) Transactions. Further actions are currently underway: implementation of corrective actions at GFEBS Wave 1 and Wave 2 sites; preparation for exam #2 (of GFEBS Waves 1 and 2 Sites) including system controls (access, configurable/process, and interface controls); documentation of end-to-end business processes; discovery and evaluation of military pay; and providing corrective action training to Waves 3-8b sites.

Description of Issue: Audit Readiness Team.

Accomplishment: GFEBS has a fully integrated process with an audit readiness team to validate remediation of completed POAM items. The Director and Program Manager are briefed weekly on high risk actions. Currently, 125 actions have been identified, of which 96 are auditor raised and 29 are GFEBS self-reported. 53 percent of actions are complete to date; 86 percent completion is targeted by the end of May 2012. To further the Army's implementation of the Chief Financial Officers (CFO) Act of 1990, we continued our work to refine the Army Financial Improvement Plan (FIP) to reflect the department's new priorities; existence and completeness of mission critical assets and assertion of the Statement of Budgetary Resources (SBR). The FIP is the Army's roadmap for meeting these requirements through improved business processes and systems. As these business processes improve, so too will the quality of the information vital to the Army's decision makers. It also includes actions required to correct previously identified internal control weaknesses. To ensure that the FIP is kept current, we continued to work closely and solicit updates on a quarterly basis with all stakeholders, as well as meet at the executive level (called the Army Audit Committee) to monitor progress, review action plans and update the FIP as required.

To execute this plan, the Army is implementing reliable internal controls across its business processes and systems. Audit Readiness Teams deploy to Army installations documenting business processes, testing existing internal controls, and communicating corrective actions to develop, improve or implement internal controls, and training personnel to embed audit readiness principles into daily operations. Army also has dedicated an audit readiness team that works cooperatively with the General Fund Enterprise Business System and Global Combat Supply System – Army (GCSS-Army) Program Management Offices to evaluate and establish appropriate manual and automated internal controls within the systems. In addition, ASA (FM&C) published the Army Commanders' Audit Readiness Checklist that is a resource for Commanders to use throughout their organizations to ensure their staff is executing the appropriate internal controls on a regular basis. The Checklist includes the same controls tested by the Audit Readiness directorate and external auditors, thereby ensuring the Army Commanders are integrating audit readiness into their business.

Assistant Chief of Staff Installation Management (ACSIM):

Description of Issue: Provide an Army-wide reporting capability to assess Army compliance against goals and directives defined by the Office of the Secretary of Defense, Army policy, Army leadership and Installation Geospatial Information and Services (IGI&S) program strategy. Information requires an assessment of data quality, system status, geospatial management capabilities and provide an asset portfolio of all geospatial data holdings.

Accomplishment: The Office of the Assistant Chief of Staff for Installation Management (OACSIM) (IGI&S) has implemented IGI&S Program Measures within the web-based Installation Status Report (ISR) Services (ISR-S) database collection module. By incorporating IGI&S measures into the existing ISR-S system, the IGI&S program was able to minimize the long-term burden on the installations by top loading information from source systems (i.e. Army Mapper), roll installation data entries over from one collection cycle to the next, and eliminate the need for untimely data calls. ISR-S/IGI&S completed a full cycle of quarterly assessments and an annual assessment of data compliance, geospatial assets, geospatial system status, and geospatial management. Data collection results provided pertinent information on the Army's geospatial asset portfolio that will yield several efficiencies in software maintenance and aerial imagery acquisition. Notable efficiencies were gained through the assessment of geospatial software utilization. These assessments were used as a basis to establish an Enterprise Licensing Agreement (ELA). The ELA generates a cost avoidance of about \$1 million and will also increase license availability to installation users. Aerial Imagery holdings were also assessed and used to define applicable refresh rates for installations and prioritize upcoming centralized flyovers. IGI&S Program Measure data will ensure the Army Geospatial Program continues to maximize cost avoidance while enhancing the geospatial accessibility across the Army.

Description of Issue: Inconsistent Reimbursable practices for Tenant Activities on Army Installations.

Accomplishment: Developed Guidance for Army Working Capital Funded (AWCF) Tenant Activities on Army Installations and Sites to improve lacking controls over what AWCF activities are suppose to reimburse on Army installations. The guidance was in response to issues that arose with the way certain installations were calculating and charging AWCF activities for reimbursement, and with out-dated support agreements with insufficient basis for reimbursement detail. The guidance will greatly improve internal controls over millions of dollars of reimbursements funding by AWCF activities each year.

Description of Issue: Identified a weakness in internal controls regarding the flow of funding in support of Army clinics on Army Materiel Command (AMC) installations.

Accomplishment: Instrumental in resolving the issue with lack of funding controls over how support for medical clinics on AMC installations was funded by coordinating a funding transfer between Installation Management Command (IMCOM) and U.S. Army Medical Command (MEDCOM) that enabled MEDCOM to begin controlling the funding command-wide, and reimbursing AMC for support of their clinics as needed. The stronger internal controls will ensure adequate installation support for the clinics in future years.

Description of Issue: U.S. Presidential Memo, subject: Federal Fleet Performance, May 24, 2011, directed several actions be taken to both right size and green the Army's Non-Tactical Vehicle (NTV) fleet, with emphasis on eliminating unnecessary or non-essential vehicles. Executive Order 13514, Federal Leadership in Environmental, Energy, and Economic Performance, directed agencies to use low greenhouse gas emitting vehicles including alternative fuel vehicles (AFV).

Accomplishment: In 2011 ACSIM aggressively moved forward implementing both directives. We reduced the size of the NTV fleet (80,670 vehicles) by 9.8 percent or 8,000 vehicles, while reducing the miles drive by 4.2 percent, resulting in reduced lease and fuel costs of \$12M. The vehicles replaced during FY12 were 21.8 percent more fuel efficient than those we retired. To date, over 74 percent of all light duty NTVs are AFVs and the Army has leased 800 low speed electric vehicles from GSA. For FY12, of the 10,757 vehicle replacements from GSA, 6,513 were either AFVs or hybrids. All considered, this placed Army first in DoD and fourth in the Federal government for alternative fuel consumption. ACSIM also applied more stringent enforcement of DoD and Army regulations that restrict the use of large size sedans and sport utility vehicles (SUV). This action resulted in improved miles per gallon (MPG) ratio of 4/11 (city/highway) for each vehicle downsized and an overall reduction of 5 percent in numbers of large size sedans and SUVs.

Description of Issue: The National Environmental Policy Act (NEPA) requires that all government actions be reviewed for environmental considerations. In theory, this is a relatively simple task to perform, but in reality, the nuances of Army mission, development, and the environment are difficult to combine. The Directorate of Public Works has struggled for years to improve the efficiency of their project review system, in regards to planning, execution, and NEPA review. We process projects through the Public Works Work Order Review System and once the project is funded, a Record of Environmental Consideration (REC) or Environmental Assessment (EA) is developed. The review of these NEPA documents is the Environmental Management Divisions (EMD) portion of the process that was previously one of the challenges in the overall process. Hand carrying documents to subject matter experts is not an efficient system for review and the review process was tedious, slow, and could handle only a limited number of documents per year.

Accomplishment: ACSIM Department of Public Works (DPW) created an Environmental Project Tracking Database system to review documents through EMD to expedite review, increase capabilities, and record our efficiencies. To expedite review, EMD personnel include a review timeline in their performance appraisals. Our process time fell from an average of two weeks to a mandatory five days. The electronic database also expedites the process and decreases time spent per project. For example, before database finalization in FY06, 144 environmental documents were reviewed and released, while in FY12 we processed 294 environmental documents.

Description of Issue: Fort Bragg. Soldiers pick up their administrative separation orders to get their clearing papers, and then proceed to clear Central Issue Facility (CIF). In many instances Soldiers cannot clear due to loss of equipment, delaying the Soldiers' separation. This causes the Transition Center (TC) to publish amendments to the orders changing the Soldiers' separation date.

Accomplishment: TC made the recommendation that CIF pre-clear those Soldiers who receive an administrative separation. This process requires a memorandum from the Commander requesting the pre-clearance due to the Soldiers administrative separation. CIF clears the Soldier and provides the separating Soldier with a zero balance report. The unit S-1 includes the zero balance report in

the Soldiers' separation packet upon submission to the TC. This process eliminates the need for amendments due to the delay in CIF out processing. Since implementation of the process the Transition Center amends less than 2 percent of the administrative separation orders.

Description of Issue: Enhancement of Fort Stewart's Military Training Mission- Prescribed Burning Program.

Accomplishment: Environmental Division, Forestry Branch regularly burns the training lands of Fort Stewart. Fort Stewart's burn program is the largest in DoD, and is instrumental in supporting the military training mission by reducing the number and intensity of wildfires on live-fire ranges and maneuver lands, as well as keeping these areas open for visibility and maneuver. Safety, including smoke management, is the number one priority of the Forestry Branch's prescribed burning program. Most areas are burned on a one to three year cycle, averaging 115,000 acres post-wide annually. Accomplishing this requires extensive weather analysis from national, state and local weather sources along with a burn prescription process for each burn conducted. Every effort is made using these processes to prevent smoke from impacting military and civilian populations, highways, hospitals, airports and other sensitive areas. In addition to supporting military training, burning improves and maintains threatened and endangered species habitat in accordance with applicable federal laws and regulations. As a result of the aggressive prescribed burning program on Fort Stewart within the past year, there has been no military training time lost due to wildfires despite the installation experiencing an exceptional drought.

U.S. Army Medical Command (MEDCOM):

Description of Issue: Research within DoD and Veterans Affairs (VA) while complementary can also have the potential for unnecessary overlap, particularly in areas such as rehabilitation, psychological health (PH), and traumatic brain injury (TBI), and effective processes were not in place to evaluate and coordinate research activities across the departments.

Accomplishment: Expanded the research portfolio reviews, previously limited primarily to Defense Health Program (DHP)-funded research, to include the VA research portfolio. The first of these joint review meetings was held in first quarter FY12 on the PH/TBI research portfolios and was considered extremely valuable by participants and review panelists from both departments.

Description of Issue: U.S. Army Medical Materiel Agency (USAMMA). No published processes existed that integrated the various components of the USAMMA MICP. The MICP components are: 1) Five-year Internal Control Evaluation Plan (ICEP), 2) Risk Vulnerability Assessments, 3) Internal Control Evaluations (ICE), 4) Commander's Statement of Assurance, 5) Material Weaknesses and Plans of Corrective Actions and Milestones, 6) associated training, and 7) integration of external audits (inspections, staff assistance visits, and other evaluations).

Accomplishment: The USAMMA Internal Control Administrator (ICA) team developed audits and compliance business- process maps that depict in graphical notation the internal business procedures for the USAMMA MICP—designed to improve understanding and facilitate communication, as well as to serve as the baseline for follow-on improvement actions. Clarified roles and responsibilities during each step in the process with corresponding RACI (responsible, accountable, consulted, and informed)—intended to facilitate performance collaborations (up, down, and across). Identified gaps, inefficiencies, and areas for improvement for audits and

compliance; recommended a way ahead—more work remains, but foundation is now in place. Updated associated organizational documents (e.g. USAMMA 10-1, Organization, Functions, and Processes Manual) and the USAMMA Intranet to reflect new and revised processes, roles and responsibilities, and other pertinent aspects (expected to embed MICP into various cornerstone documents at the organization).

U.S. Army Forces Command (FORSCOM):

Description of Issue: FORSCOM Audit Readiness effort

Accomplishment: FORSCOM focused on Audit Readiness by forming an Audit Readiness Cell within the G-8 Directorate. This Audit Readiness Cell, along with personnel from the Office of the Internal Review and the DCS, G-4, has performed substantial actions to prepare FORSCOM to meet the Army's timeline to assert SBR Audit Readiness by FY14. We have conducted on-site assistance and familiarization with 11 of our subordinate organizations. Personnel from the Audit Readiness Cell have attended every ASA (FM&C) Senior Assessment Team (SAT) training event and teleconference. We have ensured that Audit Readiness will receive command focus and support by including it in the FORSCOM Campaign Plan. Specifically, with our GFEBs Wave 1 & 2 sites, we have made every effort to ensure they are fully prepared for the Independent Public Accounting (IPA) audit in July 2012. Our focus on Audit Readiness allowed a deliberate and proactive approach in preparing organizations for Audit Readiness. GFEBs Wave 1 & 2 sites are better prepared to undergo ASA (FM&C) testing and evaluation.

Description if Issue: Army Reserve Soldier Readiness Program (SRP) processing requirements were not being met prior to units arriving at their scheduled SRP.

Accomplishment: Additional duty assignments were developed for coordinators: one for administrative matters and one for medical matters. They were responsible for coordinating with units prior to their Level I SRP. Coordinators also offered a subject matter expert (SME) point of contact for commanders. Large units received administrative and medical representatives on the team during the Level I event to act as observers. Additionally, these SMEs performed an After Action Review (AAR) with the unit to help ensure that they ordered appropriate medical services prior to the event. SRP Level II GREEN readiness classifications considerably improved after the implementation of the program. Additionally, the Level I process begins a working relationship with Army Reserve customers before they have their Level II event.

Description of Issue: Regional Support Command (RSC) use of an expensive and poor performing postal metering system.

Accomplishment: Army Reserve facilities throughout the 13-state Northeast Region were supported by Pitney Bowes for postal and shipping services. These contracts are costly and units were experiencing a high volume of customer care concerns. The 99th RSC spent \$382,232 a year to lease 189 meters, a total cost of \$1,146,696 for a three-year contract. The RSC conducted research to find a vendor that was more efficient and cost effective that also provided an Army approved software application. It was determined that a move to a commercial vendor would increase efficiency, reduce costs and eliminate multiple equipment issues. The RSC identified that Stamps.com would meet these requirements and switched the contract from Pitney Bowes to Stamps.com. Cost savings of approximately \$1 million was identified by transitioning to

Stamps.com, whose three-year contract totaled \$321,324. Implementation of a new postal application improved effectiveness and enhanced operational efficiencies of postal and shipping services.

U.S. Army Materiel Command (AMC):

Description of Issue: Stand Up of the ACC (Army Contracting Command) -New Jersey (NJ) Contracting Center.

Accomplishment: The ACC during FY11, in an effort to improve customer support, enhance workload distribution, and more effectively retain experienced acquisition workforce personnel across ACC, the mandated the realignment of ACC-Picatinny, certain elements of the Mission Installation Contracting Command (MICC) organization at Fort Dix, and a Northern Capital Region (NCR) Contracting Cell at Fort Dix, into the Army Contracting Command-New Jersey (ACC-NJ). The new ACC-NJ Contracting Center was established with organizational elements at both the Picatinny Arsenal, and Fort Dix, New Jersey locations. This realignment also included the continuing operations of the ACC HQ Virtual Contracting Enterprise Team at Fort Dix as well as the MICC Mission Contracting Office (MCO) at Fort Dix. The overall realignment of these ACC organizations allowed ACC to retain experienced personnel, eliminate the duplication of services, and gain efficiencies by maximizing existing available resources across the enterprise. The establishment of ACC-NJ was spearheaded by leaders from ACC-Picatinny and the ACC Contracting Center at Fort Dix, NJ, and was completed in five months. ACC-NJ was officially activated the ACC Executive Director on October 1, 2011. As a result of the realignment, there has also been a significant increase to the ACC-NJ mission by virtue of the addition of the following key customers to the ACC-NJ portfolio, Program Executive Officer (PEO)-Enterprise Information Systems (EIS), PEO Command, Control, Communications – Tactical (C3T), the USA Logistics Innovation Agency (LIA), and the Army Cyber Command.

Description of Issue: Contract Officer Representative (COR) Comprehension Training to TACOM Life Cycle Management Command (LCMC) CORs in order to fully prepare them for COR duties.

Accomplishment: From May 2011 to February 2012, ACC-Warren provided 24 sessions of ACC COR comprehension training to 609 students (CORs and potential CORs). This 3-day resident course was taught by ACC-Warren contracting personnel. Hands-on training introduced CORs to inspection basics, surveillance planning and COR file documentation (templates). The course also focused on development of effective Performance Requirements Summary (PRS), a skill which will assist our customers when developing their requirements for future contracts. Positive feedback from this training has been received from both our customers and contracting officers. For example, students were asked to record their level of knowledge of COR course topics prior to taking the class and after taking the class. The number of students who rated their knowledge as “Good” or “Excellent” in COR topics improved substantially, from 21 percent before the class to 81 percent after the class.

Description of Issue: The Tank Automotive Command (TACOM) established Lean Six Sigma (LSS) team was established to launch this course in our TACOM LCMC community. LSS techniques were used to develop additional site-specific modules to supplement the standard ACC curriculum.

Accomplishment: One cost-saving innovation was the development of a SharePoint team collaboration site (COR Resource Center) to post course materials and templates for COR classroom use (in lieu of hard-copy course books) and to serve as an up-to-date COR reference guide for students after class completion. LSS techniques such as Pareto charts and Pugh analysis of alternatives have also been used to identify future course improvements for FY12 and beyond. Most of our TACOM LCMC CORs are located at six major locations, but many are located at overseas or other non-ACC-Warren locations. A major challenge was to develop a process which can train a COR-nominee before they are appointed as CORs (just-in-time training). The LSS team developed metrics to measure this goal and achieved a 32 percent just-in-time rate as of January 30, 2012.

Description of Issue: The TACOM LCMC G-8 conflict of interest through the Defense Travel System (DTS) system.

Accomplishment: In June 2011, TACOM LCMC G-8 was tasked by the DoD to make sure that there are no conflicts of interest through the DTS system. The largest conflict of interest was some travelers and approvers that could approve orders and have access to profiles at the same time. We have done a complete audit of all DTS profiles within our DTS system for 60 employees to ensure that the only employees that have conflicts of interest within permission levels are not approvers and also that they are completely necessary in order to maintain the system and keep it running smoothly. At the time, we identified 46 employees out of 9,164 employees that were “justified” to have these conflicts of interest within the system. All employees that were justified in this matter had a “justification” letter drafted on their behalf, signed by our Deputy Chief of Staff for Resource Management and sent to AMC for approval. All were approved. In order to keep up with these standards, we monitor the system on a monthly basis to ensure that no other “un-justified” employees have permission.

Description of Issue: Improve fund control practices after TACOM receives supplemental funding for eight Sub Activity Groups (SAGs).

Accomplishment: The TACOM received Overseas Contingency Operations (OCO) and Reset funding in two unique Sub-Activity Groups (SAGs) that were dedicated solely for the execution of these supplemental resources. In FY12, we are receiving OCO and Reset funding under eight different SAGs. Many of these SAGs are also used for the execution of our Base Program. Since AMC specifically identifies Base versus Supplemental in the Funding Allowance Documents (FADs) that they send to us, we have to ensure that internal controls are in place so that Supplemental funding isn’t used to fund Base requirements in the shared SAGs. This led to unique reports, distributed to the Business Management organizations that separated our execution (program, allocation, commitments, and obligations) between Base and Supplemental in the shared SAGs.

Description of Issue: Logistics and Readiness Center. The closeout process for Customer 21 (AWCF) projects can be time consuming for both U.S. Army Communications-Electronics Command (CECOM) and Tobyhanna Army Depot (TYAD) personnel. The system process requires authorized funds and actual costs to be matched to the penny prior to the auto closeout phase being initiated. In some instances, authorized funds and actual costs could not be matched without assistance from a select few with special authorizations; thus, further complicating the process.

Accomplishment: The Billing Price Variance (BPV) allows the initiation of the auto close process without the manual efforts of matching authorized funds to actual costs. The BPV will automatically draw down or increase the authorized funds to the actual costs, based on a set limit, in order for the auto close process to be initiated. The variance was implemented for projects at a level of \$250 in September 2011. This was only implemented after years of coordination and requests for approval. As a result of the implementation, the projects with authorized funds to actual cost variance of \$250 or less can be closed out immediately upon completion of the work, thereby allowing manpower resources to focus their attention on execution of other workload and greater hands on support to their customers. In addition, those projects where funds and costs could not be matched are no longer stuck in a queue waiting to be closed by only a select few personnel. Any associated financial carryover due to untimely closeout is eliminated and the Logistics Modernization Program (LMP) system is kept cleaner with reduced open actions needing attention.

Office of Administrative Assistant to the Secretary of the Army (OAA):

Description of Issue: Currency of administrative publications.

Accomplishment: OAA reviewed the publishing process for Department of the Army administrative publications with the goal of improving the timeliness and quality of the publications, as well as program management. Army Publishing Directorate (APD) identified process and policy changes that reduce the time required to publish by approximately 50 percent. In addition, the five-year currency standard for administrative publications was written into enforceable policy. Better management reporting, as well as policy requiring approval of publishing actions at the Principal Official or Deputy Principal Official level, have increased the visibility of currency requirements and will reduce the number of publications more than five years old.

Description of Issue: APD publishing update subscription services.

Accomplishment: APD began offering an Army-wide subscription service—Army Publishing Updates—that announces the availability of new and revised Department of the Army publications and forms, and notifies subscribers of rescinded publications and forms. This service has increased to more than 3,300 subscribers. APD recently reformatted the service to add a Web posting date and an expanded title string, and now issues reports weekly instead of monthly.

Description of Issue: Improvements to airlift scheduling process.

Accomplishment: Identified and implemented improvements to the airlift scheduling process, which increased internal communications and service efficiency by more than 10 percent. The improved process enabled Directorate of Executive Travel (DET) to communicate the status of resources to other DoD airlift providers to become the largest secondary service provider (behind Vice Chief of Staff, Special Air Missions (SAM)) for all tier one and two leaders missions to preserve the Army's \$235 million inventory of SAM assets. Further, this increase in non-Army support was accomplished without negatively affecting DET's primary airlift support mission to the Army's top seven senior officials. DET accomplished 97 percent of all requests for support by the top seven senior officials (and 100 percent by the top four officials) on Army-dedicated assets despite the increased support to non-Army requirements.

Description of Issue: Response to fleet efficiencies directive.

Accomplishment: In response to the fleet efficiencies effort initiated by the Office of the President and the Secretary of Defense, the Pentagon Motor Pool increased the number of hybrid fuel-capable vehicles by 15 percent, for a total of 92 percent of its fleet assets. The largest procurement included five hybrid-fuel buses to replace five standard fuel vehicles for use on DoD shuttle routes in and around the National Capital Region. Five additional hybrid bus replacements are planned for lease during FY13.

Description of Issue: Master Planning Board process improvement.

Accomplishment: Real Estate and Facilities-Army (REF-A) implemented a two-week suspense for agencies to accept or reject offers of space. In the past, offers sometimes lingered for years, resulting in many request actions in an open disposition status. REF-A also imposed a limit of no more than two offers for each request for space. After the second declined offer, REF-A notifies requestors that their requests will be held in abeyance until further notice. This action alleviates the notion that unlimited space offerings are on the horizon. Accepted space helps REF-A optimize its leased space inventory.

Description of Issue: Accountability in planning Department of the Army conferences.

Accomplishment: The new conference guidance (Army Directive 2011-20) established policy for hosting conferences. It establishes tiered approval authority levels for conference requests commensurate with estimated conference costs and defines key requirements. The new conference policy emphasizes the need to instill fiscal restraint, requiring Army commands and organizations to conduct cost-benefit analyses, consider how to contribute to cost savings, and eliminate waste in conference planning. In addition, Army commands and organizations are now required to provide semiannual reports of approved conferences to the Administrative Assistant, the proponent for conference policy, as directed by the Secretary of the Army.

Description of Issue: In response to significant reductions in FY12 Army budget, OAA reduced 113 civilian spaces from the approved FY12 table of distribution and allowances (TDA). This effort, called the HQDA Civilian Workforce Reduction, required an out-of-cycle submission, and resulted in a cycle change number of 0412 for OAA TDAs. Changes were cleared by the Program Evaluation Groups by the financial management staff. The positions to be deleted were selected and the Executive Directors of each OAA organization agreed to them during an OAA offsite on May 23, 2011. The list from that decision brief was provided to the Force Structure Division (FSD) to guide the TDA documentation.

Accomplishment: FSD prepared the 0412 out-of-cycle submission within the initial 30-day limit, which included review and agreement by each organization in accordance with the guidance provided. The Schedule 8 prepared by Operating Agency 22 (OA 22) was submitted along with the TDAs to G-3 for processing and publication so that the FY13 update using the 0412 footprint could also be completed. However, in April 2011 we submitted a Schedule 8 for OAA's numbers (before the May 2011 decision brief) that made the initial out-of-cycle submission out of balance with the Program Budget Guidance. FSD closely coordinated with OA 22 and the Executive Directors to identify paragraphs and lines that required readjustment to balance the Program Budget Guidance.

While this event created new issues for the subsequent fiscal year TDAs (requiring a command implementation plan to return to the initial baseline established before submission of the first 0412 out-of-cycle submission using the May 2011 decision brief), FSD resubmitted the 0412 and 0113 TDAs, rebalanced to match the Program Budget Guidance in record time and beat the September 30, 2011 year-end target.

Arlington National Cemetery (ANC):

Description of Issue: The Department of Army Inspector General (DAIG) report, dated June 9, 2010, highlighted 76 findings; 61 of those deficiencies warranted the attention of the Army's senior leadership. The report made 101 recommendations for corrective actions. The main contributors to the state of ANC at that time were a lack of standards, a reliance on a number of ineffective business and operational practices, and ineffective implementation of business solutions. The organization still used typewriters to record critical information about veterans' interment services, and index cards held the record of burial for those laid to rest at ANC. The skills of the workforce were misaligned to organizational needs and training was inadequate to properly and effectively perform assigned duties. The workforce was demoralized and lacked direction. Perhaps most important was that effective rigor was not in place to maintain a standard of accountability befitting our veterans and their families.

Accomplishment: As a result of the DAIG's report, the Secretary of the Army John McHugh issued Army Directive (AD) 2010-14 to increase the oversight of the ANC. ANC was reassigned under the jurisdiction of HQDA and the position of Executive Director was created. This position reports directly to the Secretary of the Army. Public Law 111-339 was passed which required reports on the management of ANC by December 22, 2011. ANC's workforce has increased by 50 percent. Key positions have been filled with experienced and knowledgeable personnel to accomplish the mission. Standing Operating Procedures have been implemented and an internal assessment program has been developed. A Gravesite Accountability Task Force Team was established to get an accountability baseline of all gravesites and inurnment niches. ANC also re-validated contract requirements and reduced the total number of service contracts from 26 to 16.

Assistant Secretary of the Army (Acquisition, Logistics & Technology) (ASA (ALT)):

Description of Issue: Continuous Process Improvement (CPI).

Accomplishment: Since 2008, ASA (ALT) centrally managed an enterprise-wide business transformation program using a tailored LSS approach as the primary enabler of transformation. The program helped complete over 720 improvement projects, identified over \$23B in benefits and developed capabilities that institutionalized CPI in less than 4 years. The FY12 CPI/ILSS organizational maturity assessment clearly shows that engaged leaders directing transformational change, a workforce with CPI skills, and a clear focus on cost-saving targets are key ingredients to meeting future fiscal challenges. The organization's senior leader is responsible and accountable for execution of a fully compliant CPI/LSS program within their organization. All ASA (ALT) staff headquarters and reporting organizations must demonstrate improved performance each year, sustain a culture of continuous improvement, meet validated cost savings targets each year and proactively manage business process performance.

Program Executive Office--Ammunition (PEO AMMO):

Description of Issue: The USD (AT&L) issued guidance and sets forth ways to achieve productivity growth, i.e., do more without more. The guidance contains 23 principal actions to improve efficiency and productivity, organized into the five major areas. The guidance requires a "Should-cost" analysis of each major program justifying each element of program cost and showing how it improves annually by meeting other relevant benchmarks for value. PEO Ammunition validates "should-cost" for each program in the portfolio yearly during the Portfolio review process.

Accomplishment: PEO Ammo has embraced the Better Buying Power (BBP) initiative and has achieved a cost savings (avoidance) of close to \$3.9 billion over the Program Objective Memorandum (POM) years. The PEO has integrated these functions into day-to-day practices and processes and has used multiple means to inculcate a mindset of efficiencies.

Office of Deputy Assistant Secretary of the Army, Procurement (ODASA (P)):

Description of Issue: Resource Management

Accomplishment: Server consolidation provides a solution to standardize platforms across Army and achieve improved reliability, savings associated with regionalization of contracts, overall cost reductions in operations and maintenance, reduction in hardware, software, management, and training costs, reduction in software upgrade times, better network security, configuration control, and integration into the Army's future architecture. To date, ODASA (P) consolidated 120 sites, an increase of 72 sites from the last year report of 48 sites. Conducted monthly in-process review meetings to oversee the Army Response Team contract for performance and allocation of resources and Army Business Center for Acquisition Systems.

Description of Issue: e-Business Systems Oversight and Surveillance.

Accomplishment: The Office of Management and Budget (OMB) guidance requires DoD to provide annual certification and quarterly verification and validation of award data. On an annual basis, the DASA (P) must certify that Principal Assistant Responsible for Contracting (PARC) certified award data is complete and accurate. DASA (P) oversees the process and coordinates with the contracting offices concerning the data needed for reporting. Continued to provide and/or facilitate training, in addition to emphasizing and monitoring compliance with use of the following systems to ensure continuous improvements in implementation. LSS project was established in FY10 with a LSS-trained green belt as team member. The LSS project focused primarily on the management and execution of acceptance and resolution in a timely manner with the goal of significantly reducing the amount of late payment interest to vendors. The project completion was December 2011. Met regularly with Senior Command Officials to provide instruction and guidance, track database cleanup and reconciliation efforts, identify and overcome obstacles, share lessons learned (best practices) and initiate engineering change proposals to improve system use.

Description of Issue: Human Capital/Strategic Human Capital Planning.

Accomplishment: Contributed to realign and increase personnel authorizations within the Directorates in order to execute contracting functions more efficiently and effectively to achieve the intended results of ODASA (P) strategic plan and mission. Concept plan was approved and new billets are being filled as funding is provided. In support of “Grow the Acquisition Workforce Initiative”, an ODASA (P) Concept Plan was developed and received final approval for the Concept Plan, including the addition of 59 acquisition workforce positions. This will revitalize capabilities lost that were identified as critically needed by the Gansler Commission to improve the health of the Army contracting function; improve Army-wide fundamental compliance with and application of the Federal Acquisition Regulations (FARs), DoD FARs and Army FARs; and enable HQDA to reduce risky contract types, reduce poorly awarded contracts, improve contract management and oversight of service contracts.

Director Acquisition Support Center (ASC):

Description of Issue: Headquarters ASC Strategic Communications Division's – Improve ASC's Process for Online and Electronic Communication.

Accomplishment: U.S. Army Acquisition Support Center (USAASC) completed a LSS Black Belt project on improving online and electronic communications. This project successfully streamlined the process of executing electronic and online communications for a myriad of tasks including web postings, email blasts, Acquisition, Logistics, and Technology (AL&T) articles online (Access ALT) along with a cost avoidance in labor hours of the current process by 35 percent. The cost avoidance achieved by the project, approximately \$1.2 million over the Program Objective Memorandum (POM) years, along with the improved effectiveness of operations allows the USAASC Strategic Communication Division's Social Media Branch to more effectively link communication lines of effort with overarching ASA (ALT) and ASC organizational strategic objectives. The project eliminated manual request forms for Web, Print, and email marketing requests; it replaced these with an online automated “One Source Request System” that tracks the customer request, automatically sends updated materials for reviews/approval, and forwards completed items to customers. Other benefits include: Increased web activity from 20,000 hits per month to 40,000 hits per month; Web operations are now operating at 2,817 labor hours per year; Eliminated “waste” in process due to defects; two days is now the standard for completion of featured News Updates, and Access AL&T Articles; and three mouse clicks (four pages) is now the standard for off-navigation pages.

Assistant Secretary of the Army (Installations, Energy & Environment (ASA (IEE)):

Description of Issue: The Army Energy Initiatives Task Force (EITF) was established by the Secretary of the Army on September 15, 2011 to address the Army's energy security challenges. The EITF serves as the central management office for partnering with Army installations to implement cost-effective, large-scale, renewable energy projects and leveraging private sector financing. The task force is chartered to enable the Army to obtain energy that is more secure, sustainable, and affordable.

Accomplishment: The EITF's dedicated technical, business and acquisition resources are being used to implement a streamlined process for renewable energy project development. The EITF's central role ensures that projects can be evaluated consistently across the Army enterprise, and that

needed policies and guidance are quickly established to support development strategies. This approach will reduce project development timelines and result in a high value project pipeline to meet Army energy goals. To help streamline the project development cycle, the EITF employs up-front analysis and project validation based on eight major risk assessment factors. The EITF also leverages multiple acquisition approaches and partners, which include the U.S. Army Corps of Engineers (USACE), the Defense Logistics Agency (DLA) and other organizations to execute projects. The EITF has screened more than 180 Army and National Guard installations to identify sites that have the best potential for renewable energy development. The task force is actively working with over a dozen installations to review and provide feedback on renewable energy project proposals based on an enterprise-wide approach. With its central role within the Army, the EITF is well positioned to ensure that favorable project sites move to completion.

G-6/Chief Information Office (CIO)/U.S. Army Network Command (NETCOM):

Description of Issue: DoD Enterprise Email (EE) provides Non-Secure Internet Protocol Router Network (NIPRnet) and Secure Internet Protocol Router Network (SIPRnet) e-mail services to the Army using the Defense Information Service Agency (DISA) as the managed services provider. Enterprise E-mail (EE) improves operational information technology (IT) capability, enhances network security, scales down the IT footprint, standardizes platforms, and reduces operational costs. EE will serve 1.4 million NIPRnet users and 200,000 SIPRnet users.

Accomplishment: Total of 302,361 NIPRnet mailboxes and 36,304 Blackberries have successfully migrated to DoD Enterprise Email from legacy e-mail systems as of December 31, 2011, despite a 90-day operational pause in Calendar Year 2011. Fly-away support teams provided pre-migration assistance on posts, camps, and installations, and peak daily migration reached 6,772. CIO/G-6 and DISA developed a Service Level Agreement (SLA) for Enterprise E-mail. The SLA defines the responsibilities of DISA to implement, manage, and operate the DoD Enterprise E-Mail Service. The SLA stipulates service levels and respective reporting metrics for a variety of services, and it establishes business processes to address outages, interruptions, and updates. CIO/G-6, in cooperation with DISA, established the ability for the DoD Global Address List (GAL) to leverage Army Active Directory data. The GAL provides synchronized contact information for all 3.9 million users across the DoD, a capability that has not been available in the past. It was critical for Army data from local instances to be populated into the DoD GAL so the GAL is useful and functional. In cooperation with DISA, provided requirements and usability feedback on the creation and release of Self-Service portal (Defense Manpower Data Center's MilConnect site) that was developed to allow users to update attributes associated with each of their Common Access Cards (CACs) for use in the DoD EE system. This includes establishment of a preferred name (nickname), make changes to their phone number, their duty address, building and room number. The user performs CAC authentication, so the information changes are authoritative and non-repudiated. The user updates are populated within the EE GAL within 48 hours.

Description of Issue: Providing timely and easy to access Army technical guidance for the acquisition community that is aligned with LandWarNet Capability Sets (CS) time frames and with the Common Operating Environment (COE).

Accomplishment: The CIO/G-6 Army Architecture Integration Center spearheaded the development and implementation of the Army Technical Guidance Web Repository. This web-based repository of Technical Standards supports the current and 'End State' Network, including

the Common Operating Environment (COE), aligned with the LandWarNet Capability Sets (LWN CS) time frames. Most of these standards can be found in the DoD Information Technology Standards Registry (DISR) with each standard's status designated as "Mandated" or "Emerging". Other standards that are identified as "Non DISR", are still in the development stage, and are currently not in DISR, but are being recommended by the CIO/G-6 in order to achieve robust Network connections. The Technical Guidance Repository enables end-users to search for required standards and enables the materiel developers to build Standards Views, required by the Joint Capabilities Integrated Development System (JCIDS).

Description of Issue: Contractor Manpower Equivalents (CME) cleanup in FY14 Command Plan.

Accomplishment: During Calendar Years 2011 and 2012, NETCOM performed a survey of CMEs in the Network Enterprise Centers (NECs) as part of the effort to validate total manpower requirements for development of a NEC manpower model. The survey revealed that there were no CMEs in the NECs which were not documented on approved Tables of Distribution and Allowance (TDAs). Rather, the survey found 72 CME requirements and authorizations were excess (i.e. documented on TDAs but no longer valid). These 72 CME requirements and authorizations were turned-in to HQDA with the FY14 Command Plan (CPLAN).

U.S. Army Corps of Engineers (COE):

Description of Issue: Corps of Engineers Financial Management System (CEFMS) utilizes role-based access control for access and utilization of the system. Users executing transactions on the system electronically sign documents and authorize transactions through Public Key Infrastructure (PKI), utilizing the Common Access Card (CAC). This electronic signature capability validates the transaction level data, which is U.S. Standard General Ledger (USSGL) compliant, as the document is created within CEFMS.

Accomplishment: CEFMS provides for end-to-end business processing, containing the equivalent of numerous Enterprise Resource Plans (ERPs), from receipt of funds through to disbursements. The business process areas covered within CEFMS consist of: Funds Control/Management, Commitments, Obligations, Government Orders/Customer Orders(MIPRs), Accounts Payable, Accounts Receivable, Un-liquidated Obligation Tracking/Review, Travel, Timekeeping, Payroll, Reports Preparation. Within each business process, at the appropriate point of origin and processing, signatures are required by a "requestor", an "approver", and a "funds certifier". The order of executing business is predicated on the prior requirement, allowing CEFMS to facilitate internal controls within the system itself. In other areas, permission to access the screen and generate a report or initiate an action governed by the roles, which must be pre-approved by the user's supervisor. Reconciliation of the data maintained in the CEFMS ORACLE integrated database, from subsidiary level, to USSGL transaction level, to general ledger posting, is reconciled every 24 hours. This report reconciliation process executes at all levels; subsidiary, transaction level, and general ledger, on all production databases. CEFMS has been a significant contributor to the success of obtaining four consecutive CFO Unqualified Audit Opinions given the internal controls within the system, the access control roles which are utilized to provide for separation of duties, and the built in security.

Deputy Chief of Staff, G-8 (DCS, G-8):

Description of Issue: DCS G-8 is the proponent responsible for responding to the Congressional mandate in National Defense Authorization Act 2008 that directs the Director of the National Guard to certify receipt of equipment allocated to the Army National Guard from Army appropriations (Army's Equipping Transparency Initiative.)

Accomplishment: DCS, G-8 formed a General Officer Steering Committee in 2008 that continues to meet quarterly to review transparency issues and report results. In 2009 Army G-8 began to collect data to provide transparency of procurements from request to delivery. The initial pilot program involved 28 programs and a manual data collection process. Since this initial pilot, the effort has transitioned to an automated data-collection process using a low-cost Commercial Off-the-shelf (COTS) tool for data entry and reporting, using existing Army Equipping Enterprise System (AE2S) report systems. The number of programs increased from 28 to 116. Since the beginning of FY12 Army G-8 has been in full compliance with DOD implementation directives concerning procurement transparency. The G-8 staff conducts quality control reviews of the data and assesses the trends associated with the Congressional Budget Justification documents. In addition, the Directorate of Resources (DOR) has integrated the annual procurement reconciliation process with this effort to gain efficiencies and effectiveness. The quarterly reports and the associated auditable data continue to meet implementation requirements. In addition to the ongoing transparency effort, DOR established an audit procedure for procurement quantities and inventory data to ensure POM plan accuracy improved. Procurement data in support of POM 14-18 continues to be reviewed and revised to improve the Budget Estimate Submission and eventually the President's Budget.

Deputy Chief of Staff, G-4 (DCS, G-4):

Description of Issue: The DCS, G-4 experiences difficulty in determining the implementation status of recommendations from previous audits.

Accomplishment: G-4 has taken the Lean Six Sigma approach to streamline and improve the process of ensuring recommendations from audits were implemented or addressed. An internal tracking system is in place to track all outstanding unimplemented audits, keeping the DCS, G-4 updated on a quarterly basis.

Description of Issue: Ten years at war, while undergoing the largest organizational change since WWII and unprecedented modernization efforts, have left several gaps in property accountability and supply discipline that require correction. The gaps include such shortfalls as property book accuracy, junior leader training, mentoring of subordinates, and reestablishment of the Command Supply Discipline Program at all levels.

Accomplishment: The DCS, G-4 created a Property Accountability Task Force to focus on gaps in property accountability policy and TRADOC training in the area of property accountability and supply discipline, reestablished the Command Supply Discipline Program, and spearheaded the Army's Property Accountability Campaign. The Army's Property Accountability Campaign was solidified in Army Execution Order (EXORD) 259-10 and invigorates inventories, excess turn-in programs, and compliance inspections in order to improve asset visibility, supply discipline and adapt property accountability policies and processes. The EXORD directs Commanders to

reestablish their Command Supply Discipline Programs (CSDP) and report on inspection and training initiatives to revitalize a culture of supply discipline at every level. To assist the Commanders in their supply discipline efforts, the DCS, G-4 revised the Command Supply Discipline Program Checklist and removed 28 percent of the company commander tasks and re-distributed them to the battalion and brigade level. The intent of this redistribution of tasks was to remove some of the administrative burdens off the company commander and place them at the headquarters where a staff exists to assist, train, and inspect subordinate units. In addition, the DCS, G-4 worked with the Training and Doctrine Command (TRADOC) to implement property accountability training to the Non-Commissioned Officer (NCO) education system by the summer of FY12 to the fall of FY13. The property accountability programs of instruction are already in place at every Captains Career Course. This, coupled with training and mentoring at the unit level, will improve property accountability awareness and supply discipline in our junior officers and NCOs. The DCS, G-4 will continue to partner with Army Staff, ASA (ALT), Army Commands, Army Service Components Commands, Direct Reporting Units, Army National Guard (ARNG) to identify and close policy gaps and develop a viable strategic communication plan to further enhance property accountability and visibility across the Army. Finally, the DCS, G-4 has embedded the tenets of the Army's Campaign on Property Accountability within the Army Campaign Plan and briefs it quarterly to the Army's leadership.

Description of Issue: Many Soldiers arriving at their Initial Military Training (IMT) station are overweight, in poor physical condition, and in the habit of making poor nutrition choices with meals. The Soldier Fueling Initiative is designed to eliminate unhealthy meal choices during IMT in order to foster awareness and positive habits that will continue throughout a Soldier's military service.

Accomplishments: The DCS, G-4 is an active participant of a Tiger Team, chaired by TRADOC Deputy Commanding General for Initial Military Training (IMT), and executed by the staff of the Joint Culinary Center of Excellence (JCCoE), to foster nutrition improvements in Army dining facilities in order to improve Soldier capabilities and performance. The Tiger Team was a cooperative effort across Army commands and produced a final standard core menu, nutrition standards, and product standards supporting this initiative. These initial accomplishments were implemented in February 2011. A related food labeling initiative called "Go For Green" was executed in IMT dining facilities whereby each meal item had a red, amber, or green label to indicate a poor (red), intermediate (amber), or green (good) nutritional choice. The "Go for Green" initiative is being expanded to all Army dining facilities in order to reinforce good nutrition choices made during a Soldier's IMT, where almost no "red" entre choices were available. The DCS, G-4 will continue to remain actively engaged in this important initiative from a policy and process perspective.

Description of Issue: Conduct Responsible Drawdown operations from Iraq in order to meet the Presidential directives of having less than 50,000 U.S. forces in Iraq by August 31, 2010 and having all U.S. forces out of Iraq by December 31, 2011.

Accomplishments: The scope of the drawdown effort in Iraq has been huge with about 2.4 million pieces of equipment, worth about \$14.9 billion, already retrograded out of Iraq. We continue to successfully execute published orders detailing the processes and plans for the disposition and redistribution of all equipment in Iraq. The U.S. has met or exceeded all drawdown metrics in Iraq

while simultaneously building and sustaining war-fighter capabilities in Afghanistan. Several significant accomplishments included the following:

- Retrograded or redistributed over 30,000 pieces of rolling stock.
- Closed or transferred to the Government of Iraq 87 percent of U.S. bases.
- Closed 73 percent of the Supply Support Activities.
- Transferred nearly 24,500 pieces of equipment to the Government of Iraq in order to assist their security forces to attain minimum essential capability.
- Transferred 521 pieces of non-standard equipment, worth about \$9.9M, to state and local governments in the U.S.
- Transferring, selling, or loaning the Department of State about 2,800 pieces of equipment so the Department of State can successfully assume the mission in Iraq from the Department of Defense after December 31, 2011

The Army continues to work closely with the Government Accountability Office and U.S. Army Audit Agency to attain an independent assessment of the drawdown and leverage their observations to fine-tune existing processes and plans. We are committed to exercising our due diligence in redistributing equipment in Iraq to satisfy other equipment requirements. Finally, the DCS, G-4 continues to host the monthly Equipment Distribution Review Board (EDRB), co-chaired by the Vice Chief of Staff, Army (VCSA) and the Commanding General, Army Materiel Command. The objective of the EDRB is to provide a synchronized view across the Army Staff (ARSTAF), U.S. Central Command (CENTCOM), U.S. Army Central (ARCENT), the Office of the Secretary of Defense (OSD), and the Joint Staff (JS) of all Foreign Military Sales (FMS) cases with the focus to prioritize and resolve stakeholder or regulatory points of friction dealing with the disposition of equipment and related matters to our coalition partners.

Nation Guard Bureau (NGB):

Description of Issue: The Army and its components do not have component-level transparency or traceability of congressionally appropriated funds, through the delivery of procured equipment to units, allowing high risk of misallocation of equipment.

Accomplishment: The Materiel Programs Division has invested hundreds of man hours participating in the Army's Transparency and Traceability Enterprise General Officer Steering Committee (GOSC) and the Financial Synchronization Transparency IPT (Integrated Process Team) to establish the way forward for the Army and its components to achieve full transparency and traceability of the equipment procurement process. Progress has been made to identify necessary process changes in multiple and complex Army wide automated logistics and acquisition systems and to identify future checks and system improvements. Although the primary path forward is clear to the GOSC, continued emphasis and essential physical changes to existing software, hardware and standard operating procedures are required. This issue will remain a material weakness for the Army until FY14.

Description of Issue: New Equipment Fielding. In December 2009, the Deputy Chief of Staff, Operations declared a material weakness in our materiel fielding processes. We were receiving new equipment fielding without the proper documentation, including the material fielding plan and new equipment training plans. Lack of systematic processes caused us to be ineffective and inefficient, creating the potential for misplaced equipment.

Accomplishment: As a result of this weakness, the Chief of Staff formally appointed an Equipment Fielding Committee to review the process. As a result of their work a new Equipment Fielding Standard Operating Procedure (SOP) was developed to ensure all equipment is properly tracked, accounted for and distributed, greatly eliminating the potential for fraud, waste and abuse and enhancing unit readiness. Operations Orders are produced by the Deputy Chief of Staff, Operations for all new equipment fielding. This systematic process allows all parties involved to communicate, coordinate and cooperate, ensuring that units receive new equipment in a timely manner. Forty three new equipment systems were fielded in 2011 with an estimated value of over \$84 million.

U.S. Army Reserve Command:

Description of Issue: There was an absence of checks and balances to ensure that the number of phone lines currently billed match the total number of Full Time Staff that resulted in payment of unused phone lines.

Accomplishment: Due to the Base Re-alignment and Closure Act (BRAC), several facilities were closed, decommissioned, or downsized. The Information Management Office (IMO) found that the units could not determine or validate which lines needed to be terminated. As a result, the 99th RSC IMO continued to be billed and paid for unused telephone lines. In order to validate the used phone lines, IMO requested for phone rosters for each of the units serviced. IMO then compared the rosters against the unit Facility Report by Location, which represents the Required/Authorized strength for each Facility across the 13-state region, located on military installations. Due to this validation process, IMO were able to identify the phone lines and subsequently shut them off when no longer needed. Because of this process, Fort Devens was the first installation scrutinized. We found approximately 212 telephone lines no longer needed and immediately terminated them. This resulted in a cost savings of over \$120,000 annually for the command for this one location. The 99th RSC IMO will continue to assess other facilities and disconnect the unused lines that can potentially result in future savings to the government.

Provost Marshal General (PMG)/Criminal Investigation Command (CID):

Description of Issue: Enhancing Awareness and Fraud Detection

Accomplishment: The Major Procurement Fraud Unit (MPFU) needed to increase the awareness of Army contracting and acquisition personnel to assist in the identification of fraud, heighten reporting responsibilities and procedures, and develop local sources of information. During the fiscal year the Major Procurement Fraud Unit (MPFU) conducted numerous Fraud Awareness Briefings (FABs) that enhanced the targeted audiences' ability to recognize, detect and report allegations of fraud and corruption in Army acquisition programs. By virtue of the targeted audience, the FABs have resulted in more stringent contract management by acquisition personnel and earlier referrals of allegations of fraud to CID. Fraud Awareness Briefings have undoubtedly deterred some who would have committed or allowed the commission of fraud related crimes. Knowledge of fraud indicators assist contracting personnel to timely identify and report incidents of suspected fraud to investigative or audit personnel, in furtherance of the stated goals of senior Army and DoD leadership to reduce and/or eliminate vulnerabilities of fiscal programs to fraud.

Description of Issue: Force Protection

Accomplishment: The Force Protection Division acknowledged the need to improve internal controls for the U.S. Army Criminal Investigation Command (USACIDC) Force Protection Program. The division implemented a major initiative to revamp and refine the command's force protection program to improve internal and external aspects, and to improve compliance with Army and DoD regulatory requirements supporting protective service support missions, deployments and Overseas Contingency Operations. Actions taken include:

- Refined/enhanced the command's Protection Program, to include issuing procedural guidance in the areas of antiterrorism, physical security, continuity of operations, terrorist threats, funds management and emergency management.
- Implemented additional threat awareness initiatives, to include disseminating DoD, HQDA, and Headquarters Army North threat advisories; increased emphasis on formal operational security (OPSEC) training; coordinated foreign travel clearances, prepared force protection plans for group and individual OCONUS travel; and conducted travel threat briefings for 36 OCONUS travelers.
- Provided support to the HQDA Antiterrorism Awareness initiative. HQUSACIDC and subordinate units are active participants in the Army's overall mission to promote antiterrorism vigilance amongst USACIDC Soldiers, Civilians and Families.

(TAB A-5)

SUMMARY – ARMY INTERNAL CONTROLS OVER FINANCIAL SYSTEMS

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

The Army relies on financial systems operated and maintained by “service providers,” such as the Defense Finance and Accounting Service. Many of these service provider 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 own 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.

Army’s assessment of internal control over integrated financial management systems and proponent financial systems follows in this TAB.

ARMY INTERNAL CONTROLS OVER FINANCIAL SYSTEMS

Title and Description: Funds Control Module (FCM). Funds Control Module (FCM) is an interim feeder system to the existing accounting systems, Standard Army Finance System (STANFINS), Standard Operation and Maintenance Army Research and Development System (SOMARDS) and General Fund Enterprise Business System (GFEBS) until Global Combat support System-Army (GCSS-Army) is fully operational. Funds Control passes the financial data to the applicable accounting system. The accounting system continues to maintain the General Ledger.

Substantial Compliance Requirements	Reporting Entity	Auditor	Reason for Non-Compliance
1. System Requirements	Yes	Yes A-2008-0267-FFM	NA
2. Accounting Standards	Yes	Yes A-2008-0267-FFM	NA
3. USSGL at Transaction Level	Yes	Yes A-2008-0267-FFM	NA

FCM Federal Information Security Management Act (FISMA) Accreditation was issued on February 28, 2011 in accordance with DODI 8500.2 and was reviewed again on August 27, 2011. Funds Control received approval for the Authority to Operate (ATO) at the MAC II Sensitive level effective February 28, 2011 with an Accreditation Termination Date (ATD) of 20 September 2013. FCM conducts monthly Program Manager Reviews to ensure the program is on-track and in compliance with Command Maintenance Management Inspection (CMMI) procedures.

The FCM is a FFMIA fully compliant system. The USAAA has conducted two audits of the FCM. The first audit report was A-2005-0044FFG dated November 14, 2004. There were 173 applicable financial functional requirements. FCM passed the audit with no recommendations from USAAA. The second audit completed in September 2008 was requested by ASA (FM&C) to ensure continued compliance after Army-wide fielding was complete. Again, USAAA found FCM to be FFMIA compliant with no recommendations.

Funds Control continues to provide automated interfaces of supply transactions to the applicable accounting systems: Standard Army Finance System (STANIFNS), Standard Operation and Maintenance Army Research and Development System (SOMARDS) and General Fund Enterprise Business System (GFEBS). In addition a new FCM Data Warehouse has been developed to assist customers with queries and gather information on transactional status and information for reports that assist the resource managers and command representatives with financial reporting.

ARMY INTERNAL CONTROLS OVER FINANCIAL SYSTEMS)

Title and Description: General Fund Enterprise Business System (GFEBS). As an Integrated Financial Management System (IFMS), GFEBS is striving for substantial compliance with the Federal Financial Management Improvement Act (FFMIA):

- Federal system requirements
- Federal accounting standards, and
- U.S. Standard General Ledger (USSGL) at the transaction level

Compliance with Federal Financial Management Improvement Act			
Substantial Compliance Requirements	Reporting Entity	Auditor	Reason for Non-Compliance
System Requirements	Yes*	Yes* (USAAA)	N/A
Accounting Standards	N/A	N/A	Awaiting Independent Public Accounting (IPA) firm audit
U.S. Standard General Ledger (USSGL) at Transaction Level	N/A	N/A	Awaiting IPA audit

*Based on Attestation Report: A-2010-0187-FFM, dated September 14, 2010; preliminary testing for FFMIA gave GFEBS a substantial compliance rating in (September 2010) in conjunction with 1.4.0.

The General Fund Enterprise Business System (GFEBS) underwent additional FFMIA compliance testing by the USAAA from January 30, 2012 to March 30, 2012, between deployments of Wave 7 (October 2011) and 8a (April 2012). The PMO is currently addressing questions and conducting follow up actions on debt management requirements from the testing activities. GFEBS is also scheduled to perform a foreign national security and archiving demonstration the week of April 23, 2012. Measurable results and metrics will not be available until late June (3rd Quarter, Fiscal Year 2012 (FY12)).

General Fund Enterprise Business System is participating in additional audit readiness actions that span documentation (26), policy and process (25), and system changes (74). As of April 9, 2012, 125 actions have been identified in the GFEBS audit readiness Plan of Action & Milestones (POAM) with 96 actions raised by the auditors and 29 actions self-reported by the program. 53 percent of actions are complete to date and 86 percent completion is planned for the end of May 2012. GFEBS has a fully integrated process with the Audit Readiness team to validate remediation of completed POAM items.

Status of Audit Actions

Type	Not Started	In Progress	Complete	Total
Documentation	3	6	17	26
Policy/Process	2	4	19	25
System Change	15	28	31	74
Total	20	38	67	125

The Program has added 10 dedicated full-time equivalents to the team to support audit readiness as follows:

- High risk/large effort security actions
- Segregation of Duties/critical transaction related tasks, documentation of configurable controls
- Documentation of policies and operational procedures
- Technical support to assist with production data requests and implementation of Online Service System notes.

In FY11 and early FY12, as part of the Statement of Budgetary Resources (SBR) activities, the Army received an unqualified audit opinion on Appropriations received (August) and a qualified audit opinion on GFEBS Wave 1 installations (November). It also documented processes, conducted testing, and identified corrective actions at GFEBS Waves 1 & 2 installations. Processes examined during the audits included fund receipt, distribution, and monitoring; contracts; TDY travel; and Reimbursable (inbound/outbound MIPRs) Transactions.

Further actions are currently underway: implementation of corrective actions at GFEBS Wave 1 and & 2 sites; preparation for exam #2 (of GFEBS Waves 1 & 2 Sites) including system controls (access, configurable process, and interface controls); documentation of end-to-end business processes; discovery and evaluation of military pay; and providing corrective action training to Waves 3-8b sites.

GFEBS is expected to be fully fielded in July 2012. The Program is working to mitigate all high risk control failures by May 31, 2012 to support examination by an Independent Public Accounting Firm (IPA) in 4th Quarter FY12.

ARMY INTERNAL CONTROLS OVER FINANCIAL SYSTEMS

Title and Description: **Global Combat Support System – Army (GCSS-A).** The Global Combat Support System – Army (GCSS-A) completed an Army Benefits Update Briefing on 16 May 2012, including metrics using Deputy Chief Management Officer (DCMO) provided formats. GCSS-A received guidance on mapping to Business Enterprise Architecture (BEA) End to End (E2E) processes and stated objectives from DCMO.

Compliance with Federal Financial Management Improvement Act			
Substantial Compliance Requirements	Reporting Entity	Auditor	Reason for Non-Compliance
1. System Requirements	HQDA G-4	AAA	Under Review
2. Accounting Standards	HQDA G-4	AAA	Under Review
3. USSGL @ Transaction Level	HQDA G-4	DCMO	Compliant

ACTIONS TO ACHIEVE FFMIA COMPLIANCE

GCSS-A Increment 1 Full Fielding:

- Global Combat Support System - Army Increment 1 Full Fielding will take place between 4th Qtr, FY12 and 4th Qtr, FY17. Initial Operating Capability is planned for 4th Qtr, FY12.

GCSS-A Program:

- Is a single program with two components, the core GCSS-A Enterprise Resource Planning (ERP) Commercial off-the-Shelf (COTS) software, and the Army Enterprise System Integration Program (AESIP). The core GCSS-A ERP solution provides the system's enterprise hub services, centralized master data management and business intelligence/analytics.

GCSS-A System Requirements:

- Full Operational Capability (FOC) requires the core ERP software that provides functional services to the Army business enterprise and war-fighting mission areas. The FOC system is comprised of licenses to support the Army tactical systems users (168,000) of the system; enterprise hub services, centralized master data management and business intelligence/analytics, a complete suite of web servicing hardware, and ERP and enabling software at a primary and back up Continuity of Operations (COOP) site.

Compliance:

- The ERP software resides on web-servicing hardware residing at a Global Information Grid (GIG)-compliant facility at Redstone Arsenal with the military domain. GCSS-A shall implement the United States Standard General Ledger (USSGL) and provide an audit trail for source transactions. GCSS-A shall prevent exceeding a funding limit established by the funds distribution authority. GCSS-A shall be compliant with Conditions National Defense Authorization Act (NDAA) Certification Category A) as described in the Business Enterprise Architecture (BEA) Compliance Guidance, version 6.0, dated March 13, 2009. GCSS-A shall implement compliance of Standard Financial Information Structure (SFIS) and obtain Defense Business Systems Management Committee (DBSMC) approval for DoD SFIS Implementation Policy. GCSS-A shall accurately record internal transactions and make these available for reporting in near real-time in accordance with the DoD Chief Information Officer (CIO) Net Centric Data Strategy Memorandum, dated May 9, 2003.

ARMY INTERNAL CONTROLS OVER FINANCIAL SYSTEMS

Title and Description: Corps of Engineers Financial Management System (CEFMS).

Based on review of applicable guidelines and the Department of Defense Inspector General's Auditor's Report (No. DoDIG-2012-020 dated November 14, 2011) on USACE Civil Works Financial Statements, below attests that the Corps of Engineers Financial Management System (CEFMS) meets the objectives defined in DoDI 5010.40 for Internal Controls over Financial Systems (ICOFS).

Compliance with Federal Financial Management Improvement Act			
Substantial Compliance Requirements	Reporting Entity	Auditor	Reason for Non-Compliance
1. System Requirements	Yes	KPMG	n/a
2. Accounting Standards	Yes	KPMG	n/a
3. U.S. Standard General Ledger (USSGL) at Transaction Level	Yes	KPMG	n/a

The Corps of Engineers Financial Management System (CEFMS) routinely provides reliable and timely financial information for managing the day to day financial operations of the U.S. Army Corps of Engineers. The USSGL is integrated in CEFMS at the transaction level and used to produce reliable financial statements. CEFMS has imbedded internal controls to ensure data integrity and prevents fraud, waste and abuse through segregation of duties using role based controls. CEFMS has enabled U.S. Army Corps of Engineers (USACE) to successfully receive four CFO Audit Unqualified opinion from external, independent audit firms and those opinions have been endorsed by the Department of Defense Inspector General.

Significant Attributes of CEFMS:

- Electronic Access through Public Key Infrastructure, utilizing the Common Access Card
- Electronic Signature at the transaction level through Public Key Infrastructure, utilizing the Common Access Card
- Role Based Access Controls
- Validation of Electronic Signature at the transaction level
- USSGL Compliant at the transaction level
- Authority To Operate (ATO) on the Army network through February 17, 2014, DIACAP Certified
- Electronic Interfaces with 18 USACE Automated Information Systems
- External Electronic Interfaces with Non-Corps Customers/Systems, i.e., DFAS, SPS, TOP, WinIATS

ARMY INTERNAL CONTROLS OVER FINANCIAL SYSTEMS

(CEFMS: Continued)

- End to End Business Processing, funds receipt through disbursement and upward reporting, to include Funds Control/Management, Accounts Payable, Accounts Receivable, Unliquidated Obligation Tracking/Review, etc.
- Foreign Currency Disbursement Capability in YEN, WON, WURIO, DINAR, AFGANI, KRONE, RIYAL
- Electronic Funds Transfer, Check and IPAC Disbursement and Collection Capability
- Integrated Travel Order, Voucher and Settlement Processes for Temporary Duty and Permanent Change of Station
- Travel and Small Purchases Credit Card Program Capability
- 60 Production Databases, with Regional Management Capability provided through Interface with USACE Electronic Data Warehouse (EDW)
- Four consecutive CFO Unqualified Audit Opinions which include Systems Security Reviews

ARMY INTERNAL CONTROLS OVER FINANCIAL SYSTEMS

Title and Description: The Logistics Modernization Program (LMP). LMP is the Army Materiel Command (AMC) financial system of record for Army Working Capital Funds (AWCF). The LMP provides the accounting system solution and reporting capabilities required for AMC to conduct routine daily business transactions. The LMP receives data input directly through user interfaces as well as through various systems interfaces.

Compliance with Federal Financial Management Improvement Act			
Substantial Compliance Requirements	Reporting Entity	Auditor	Reason for Non-Compliance
1. System Requirements	No	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

* Integrated Financial Management System (IFMS)

Reason for Non-Compliance: The LMP is currently non-compliant due to new functionality in process of development, or has been developed, tested and implemented, but has not yet been demonstrated to meet FFMIA requirements. In addition, new FFMIA requirements have been identified which are in process of being scripted and tested to demonstrate compliance. This effort is being overseen by Army Audit Agency (AAA) personnel. Certain functionality required for full FFMIA compliance also remains as an unfunded requirement at this time (e.g. Budget Formulation) or awaiting DoD guidance (e.g. Debt Management, MOCAS entitlement function).

Actions to Achieve FFMIA Compliance: Through a comprehensive review process with AAA personnel 1244 requirements were deemed applicable to the Army Working Capital Fund (AWCF) to achieve full FFMIA compliance. AAA began FFMIA testing in May 2011 but determined the existing test scripts lacked sufficient documentation. Team LMP is currently in process of developing revised test scripts. In addition, not all scheduled new functionality was ready for the December 2011 release and has been rescheduled to be implemented with the August 2012 release. Review and testing of existing functionality and FFMIA requirements are scheduled to be completed by September 2013.

An additional note is that we are addressing the findings and recommendations of the DoDIG Procure to Pay draft report and initiating measures to strengthen internal controls over systems access and funds control. Requirements are being identified with the expectation that these can be implemented in FY13.

ARMY INTERNAL CONTROLS OVER FINANCIAL SYSTEMS

Title and Description: Planning Resource Infrastructure Development and Evaluation (PRIDE). The Army National Guard’s Installations Division recognizes that management is responsible for establishing and maintaining effective internal controls over financial systems (ICOFS) to meet the objectives of the Federal Finance Management Improvement Act (FFMIA). We are providing no assurance that, as of March 2, 2012, the Planning Resource Infrastructure Development and Evaluation (PRIDE) system’s internal controls are operating effectively.

PRIDE is an operational system used for ARNG lifecycle facility management. It is used by the National Guard Bureau (NGB), and the 50 States, 3 Territories, and the District of Columbia. There are existing controls within PRIDE which prevent unauthorized access, enforce segregation of duties, and protect data integrity; however, no testing has been performed to give us reasonable assurance on the effectiveness of system controls. FFMIA testing is dependent on the implementation of the General Fund Enterprise Business System (GFEBS) and Headquarters Installation Information System (HQIIS) interface.

As of July 2011, GFEBS is responsible for financial management system requirements for ARNG real property. Data requirements have been defined in a memorandum of understanding between GFEBS, The Assistant Chief of Staff for Installation Management (ACSIM), and ARNG-ILI. PRIDE requirements remain for real property operational functionality. ARNG-ILI has implemented a new real-time web services interface from PRIDE to report real property operational data to ACSIM’s HQIIS. HQIIS and GFEBS are now responsible for developing an interface so that ARNG real property data flows to GFEBS for general fund accounting. As of this statement, data requirements have not been confirmed and the interface between HQIIS and GFEBS is not in production. Until a systems interface is in place we are unable to confirm system requirements and fully test for FFMIA compliance.

If systems are not interfaced by 2nd Qtr FY13, a material weakness for non-compliance of the FFMIA will be considered for elevation to HQDA for correction.

Compliance with Federal Financial Management Improvement Act			
Substantial Compliance Requirements	Reporting Entity	Auditor	Reason for Non-Compliance
1. System Requirements	No	N/A	IFMS has been defined, but has not been fully implemented. PRIDE team is waiting on HQIIS to GFEBS system interface implementation.
2. Accounting Standards	No	N/A	IFMS has not been defined.
3. USSGL at Transaction Level	No	N/A	IFMS has not been defined.

Actions to Achieve FFMIA Compliance

ARNG-ILI has completed actions to implement web services to send real property operational data to HQIIS on a near real-time basis. Action is on GFEBS and HQIIS to develop an interface so there is an automated flow of data from PRIDE to GFEBS. Once the GFEBS and HQIIS Systems Interface Agreement (SIA) is complete and the interface is in production, testing can commence and actions can be taken to confirm FFMIA compliance. ARNG will re-coordinate with the Army Audit Agency (AAA) to restart the FFMIA compliance review process of PRIDE upon successful implementation of the complete PRIDE to HQIIS to GFEBS interface.

Army Financial Improvement Plan – PRIDE Tasks		
Due Date	Task	Owner
4th Qtr FY12 (Dependant on HQIIS and GFEBS)	A.) Obtain final SIA from HQIIS and GFEBS confirming PRIDE data requirements. B.) Obtain AAA certification that PRIDE complies based on the current version of the DFAS Blue Book and JFMIP	ARNG
1st Qtr FY13 (Dependant of HQIIS and GFEBS)	Conduct FFMIA compliance audit on PRIDE Web and provide report on the system compliance	AAA

ARMY INTERNAL CONTROLS OVER FINANCIAL SYSTEMS

Title and Description: Headquarters Installation Information System (HQIIS). Federal Financial Management Improvement Act of 1996, in an effort to improve financial management throughout the government, mandated that all financial and financial feeder systems use the U.S. Standard General Ledger, be transactional based, and comply with all Federal accounting financial system standards. Each system must have an independent third party validate that the system is compliant.

The Headquarters Installation Information System is a financial feeder system that serves as the Real Property reporting platform to OSD and Secretary of the Army. The system reached production Initial Operational Capability (IOC) in September 2010. Development to Full Operational Capability (FOC) is not projected until September 30, 2015.

On March 14, 2012 a Real Property and Installations Lifecycle Management (RPILM) Investment Review Board (IRB), chaired by, Assistant Deputy Under Secretary of Defense for Installations and Environment (ADUSD(I&E)) recertified HQIIS. The IRB confirmed that the HQIIS Program Manager will continue to provide quarterly system updates to the Director, Business Enterprise Integration (BEI) Directorate, OSD.

Because HQIIS has not reached FOC, USAAA has not conducted an audit. However, FM&C Audit Readiness Team is currently reviewing requirements documentation, data loading procedures, and web service specifications. Results have not been forwarded.

Compliance with Federal Financial Management Improvement Act			
Substantial Compliance Requirements	Reporting Entity	Auditor	Reason for Non-Compliance
1. System Requirements	No	No	System is still being developed.
2. Accounting Standards	No	No	System is still being developed.
3. USSGL at Transaction Level	No	No	System is still being developed.

ARMY INTERNAL CONTROLS OVER FINANCIAL SYSTEMS

Title and Description: Integrated Facilities System (IFS). The Federal Financial Management Improvement Act of 1996, in an effort to improve financial management throughout the government, mandated that all financial and financial feeder systems use the U.S. Standard General Ledger, be transactional based, and comply with all Federal accounting financial system standards. Each system must have an independent third party validate that the system is compliant. US Army Audit Agency issued Audit Report A-2006-0066-FFM, dated March 8, 2006.

The Integrated Facilities System is a financial feeder system that provides necessary financial information relative to real property. In FY05, with a net book value over \$15 billion, real property was the third largest asset reported on the Army's balance sheet.

USAAA observed user testing and obtained supporting documentation to validate the testing results for 242 fully applicable and nine partially applicable financial functional requirements for the Integrated Facilities System. They determined that the Integrated Facilities System was substantially compliant with the Federal Financial Management Improvement Act of 1996.

USAAA found the test environment secure and well controlled. The responsibility for the tests and results of the tests remained outside the control of the program manager and the system developer. This provided assurance that there was appropriate independence between those conducting the tests, the program manager, and the system developer in order for USAAA to rely on the conclusions drawn from the test results.

USAAA made no recommendations in subject report, because their conclusions were positive. USAAA discussed the results and conclusions with representatives from the Office of the Assistant Chief of Staff for Installation Management and the Assistant Secretary of the Army (Financial Management and Comptroller), and all concurred.

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

ARMY INTERNAL CONTROLS OVER FINANCIAL SYSTEMS

Title and Description: Army Environmental Database Restoration (AEDB-R) and Compliance Clean -Up (AEDB-CC). The Federal Financial Management Improvement Act of 1996, in an effort to improve financial management throughout the government, mandated that all financial and financial feeder systems use the U.S. Standard General Ledger, be transactional based, and comply with all Federal accounting financial system standards. Each system must have an independent third party validate that the system is compliant. US Army Audit Agency issued Audit Report A-2006-0066-FFM, dated March 8, 2006.

The AEDB-R and AEDB-CC systems collect, manage and store site specific environmental cost estimates for future clean-up and restoration efforts. These systems share the same architecture and are used exclusively to support the planning efforts of the environmental management mission. They were not intended or designed to interface with financial systems that conduct transactions with the US General Ledger. However, these systems do contain a portion of the environmental liability data that is reported on a segment of the Army's financial statements.

Currently the environmental liability data used to support the Army's financial statements is extracted from these AEDB-R and AEDB-CC and submitted manually. The Audit Report A-2006-0222 found both AEDB-R and AEDB-CC to be substantially compliant with the Federal Financial Management Improvement Act of 1996. The audit recognized that these databases are non transactional, however it recommended they be upgraded to provide interface that enables Assistance Chief of Staff Installation Management (ACSIM) to submit the environmental liability data electronically.

ACSIM is in the process of upgrading its corporate environmental business data system and plans to incorporate the functionality of AEDB-R and AEDB-CC into that future enterprise system. The design phase is underway and includes consideration of all required interfaces. The completion of that system is currently estimated to be FY14.

Compliance with Federal Financial Management Improvement Act (AEDB-R)			
Substantial Compliance Requirements	Reporting Entity	Auditor	Reason for Non-Compliance
1. System Requirements	Yes	Yes	N/A
2. Accounting Standards	Yes	Yes	N/A
3. USSGL at Transaction Level	N/A	N/A	N/A

Compliance with Federal Financial Management Improvement Act (AEDB-CC)			
Substantial Compliance Requirements	Reporting Entity	Auditor	Reason for Non-Compliance
1. System Requirements	Yes	Yes	N/A
2. Accounting Standards	Yes	Yes	N/A
3. USSGL at Transaction Level	N/A	N/A	N/A

(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 #
None		

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>Category: Military Pay</u>				
Reporting Accurate Obligations for the PCS Program	FY 2010	2nd Qtr FY 2013	2nd Qtr, FY 2014	B-2-1
<u>Category: Contract/Procurement</u>				
Oversight of Service Contracts	FY 2006	2nd Qtr, FY 2012	3rd Qtr, FY 2013	B-2-4
Expeditionary Contracting	FY 2007	3rd Qtr, FY 2014	4th Qtr, FY 2014	B-2-8
<u>Category: Supply Operations</u>				
Financial Reporting of New Equipment In-Transit	FY 2008	3rd Qtr, FY 2012	4th Qtr, FY 2016	B-2-14

Corrected Weaknesses Identified During All Periods:

Title	Year First Reported	Page #
None		

(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 Permanent Change of Station (PCS) Program. An automated solution does not currently exist to obligate PCS orders when issued (DoD Financial Management Regulation 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 Anti-deficiency Act (ADA) violations. An ongoing Lean Six Sigma (LSS) project is working to provide an interim solution to the material weakness until the Integrated Personnel and Pay System-Army (IPPS-A) solution is fielded in Fiscal Year (FY) 2015 / 2016.

Functional Category: Military Pay

Senior Official in Charge: Mr. J. Arthur Hagler

Pace of Corrective Action:

Year Identified: Internally in FY 2008 and elevated to a Departmental level material weakness in FY 2010.

Original Target Date: October 2008

Target Date in Last Year's Report: 2nd Quarter (Qtr), FY 2013

Current Target Date: 4th Qtr, FY 2013 with U.S. Army Audit Agency (USAAA) Exam Attestation Review Verification in 1st Qtr, FY 2014. Report SBR audit ready 2nd Qtr, FY 2014.

Reason for Change in Date(s): The LSS project designed to address this material weakness has taken longer than anticipated due to the complexity of the orders issuing systems, processes and system certifications. In addition, it was determined that a systems solution could not be pursued due to conflict with the IPPS-A development per their Requirements Document.

Validation Process: USAAA must audit the Military Personnel Army (MPA) account to determine whether procedures and systems have been put in place to rectify the above weakness. This occurs six months following the correction date to allow time for sufficient data to be measured through the improved process.

Results Indicator: The Army will develop a process capable of obligating PCS orders when issued and be able to reconcile disbursements with obligations.

Source(s) Identifying Weakness: MPA

1. Major Milestones to Include Progress to Date:

A. Completed Milestones:

<u>Date:</u>	<u>Milestone:</u>
2nd Qtr FY 2008	Establishment of LSS project.
3rd Qtr FY 2008	Completion of Analyze Phase of Project
2nd Qtr FY 2009	Completion of Pre-Pilot Test at Fort Belvoir Using Resource Management Tool
2nd Qtr FY 2010	Completion of Overseas Contingency Operations Temporary Change Station Beta Test – Budget Module
2nd Qtr FY 2011	Establishment of Council of Colonel and General Officer Steering Committee Governance structure for PCS system development.
2nd Qtr FY 2011	LSS team developed system Course of Actions for Army Staff leadership. Developed a business case analysis.
1st Qtr FY 2012	Stakeholder business process mapping and documentation
2nd Qtr FY 2012	To-Be Mapping complete (DRAFT)
2nd Qtr FY 2012	USAAA Kickoff Meeting

B. Planned Milestones (Fiscal Year 2012):

<u>Date:</u>	<u>Milestone:</u>
3rd Qtr FY 2102	Memorandum of Agreement (MOA)
3rd Qtr FY 2012	End-to-end process mapping completion
4th Qtr FY 2012	Create Pilot Study Plan
4th Qtr FY 2012	Cost-Benefit Analysis on Non-System course of action
4th Qtr FY 2012	Non-System Approval

C. Planned Milestones (Beyond Fiscal Year 2012):

<u>Date:</u>	<u>Milestone:</u>
4th Qtr FY 2013	Development of Memorandum of Intent Memorandum of Understanding/Memorandum of Intent migration into Non-System Solution Pilot Study Implementation Standard Operating Procedures and Program of Instructions Change Management Plan Final Gap and Issues Resolution Training Prepare Walk through Review Execute Walk through Review

2nd Qtr FY 2014 Assertion Review
USAAA Exam Attestation Review. Report out – SBR Audit
Ready

Office of Secretary of Defense (OSD) or Headquarters Department of the Army (HQDA) Action Required: Support process change and funding of interim solution.

Point of Contact: Ms. Valerie Alexander, SAFM-BUP-M, 703-692-8255

TAB B-2

Uncorrected Material Weakness Identified During Prior Periods:

Title and Description of Material 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 Assurance Statement. Subsequent review by the Senior Level Steering Group in conjunction with the Army Audit Agency (AAA) 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 representatives (CORs), weak requirements justification, and improper use of contractor labor.

Functional Category: Contract/Procurement

Senior Official in Charge: Mr. Kim D. Denver, DASA (P)

Pace of Corrective Action:

<u>Year Identified:</u>	FY 2006
<u>Original Target Date:</u>	4th Qtr FY 2010
<u>Target Date in Last Year's Report:</u>	2nd Qtr FY 2012
<u>Current Target Date:</u>	3rd Qtr FY 2013

Reason for Change in Date(s): Results of field data submission did not substantiate sufficient implementation to initiate AAA validation.

Validation Process: Office of Deputy Assistant Secretary of Army, Procurement (ODASA (P)) validates implementation through recurring reports that identify weaknesses and corrective actions, and has begun to use an automated system called the Virtual Contract Enterprise COR module that captures the same information. AAA validates results after ODASA (P) verifies acceptable implementation

Results Indicators: Review contract files to verify compliance with current policy: CORs are trained and appointed, surveillance plans 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 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 the review of recent audit organization reports and the conclusions found related to contract administration of

service contracts, and annual review results developed by the Army Commands (ACOM) and DASA (P) PMR teams.

Source(s) Identifying Weakness:

- ACA Director's FY05 Annual Assurance Statement
- DoDIG 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
- AAA 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	ODASA (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 Assistant Responsible for Contracting (PARC) 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 begins to collect COR training metrics.
3rd Qtr FY 2007	Establish method of obtaining service metrics from ACOM review authority. Conduct discussions with PARCs. ASA(ALT) approved ASSP process metrics; FY 2006 metrics on services collected and assessed.
2nd Qtr FY 2008	U.S. Army internal review (IR) reported COR compliance results with previously issued guidance to ASA (ALT).

3rd Qtr FY 2008	U.S. Army IR reported that local contracting offices failed to demonstrate sufficient progress to eliminate the material weakness.
4th Qtr FY 2008	Target date revised from 4th Qtr Y09 to 2nd Qtr, FY12.
1st 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 the staffing documents to release the new AR for the management and oversight of service contracts to the Army Publishing Directorate.
3rd Qtr FY 2009	Issued policy requiring reporting to the ODASA (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.
4th Qtr FY 2010	Issued new Army Regulation (AR) 70-13.
1st Qtr FY 2011	Issued revised COR guidance in October 2010.
1st Qtr FY 2011	Developed surveillance plan resources for service acquisitions at various dollar thresholds and issued in October 2010.

B. Planned Milestones (Fiscal Year 2012):

<u>Date:</u>	<u>Milestone:</u>
1st Qtr FY 2012	Monitor field progress in appointing properly trained CORs.
1st Qtr FY 2012	Monitor field progress in incorporating surveillance plans in contracts and having CORs use to monitor contractor performance.
2nd Qtr FY 2012	Monitor field progress in appointing properly trained CORs.

2nd Qtr FY 2012	Monitor field progress in incorporating surveillance plans in contracts and having CORs use to monitor contractor performance.
3rd Qtr FY 2011	Make determination whether material weakness is properly stated. If not, then determine if current material weakness can be closed without AAA audit, then properly restate material weakness and open a new material weakness.
2nd Qtr FY 2012	Issue DASA (P) memo to HCAs/PARCs requiring their plans to attain compliance by September 30, 2012 with monthly status reporting.
2nd Qtr FY 2012	Issue DASA(P) memo directing use of COR tool, status of deployment and date certain for full deployment and implementation.
2nd Qtr FY 2012	Establish policy in Army Federal Acquisition Regulations (AFAR) that contracting officers will not release any solicitation for services, unless the requiring activity has provided an acceptable quality assurance surveillance plan and nominated the requisite number of CORs
3rd Qtr FY 2012	Begin compliance assessment using data drawn from the COR tool; compliance threshold is not less than 90 percent across the Army contracting community.
4th Qtr FY 2012	Army contracting community attains compliance threshold as indicated by data pulled from the COR tool.
4th Qtr FY 2012	Commence audit.

C. Planned Milestones (Beyond Fiscal Year 2012):

<u>Date:</u>	<u>Milestone:</u>
2nd Qtr FY 2013	AAA reports results.
3rd Qtr FY 2013	Close-out material weakness.

OSD or HQDA Action Required: AAA agreement with DASA (P).

Point of Contact: Mr. Steve Jaren, ODASA(Procurement), 703-617-0438.

TAB B-2

Uncorrected Material Weakness Identified in Prior Periods:

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

Functional Category: Contracting/Procurement

Senior Official in Charge: Mr. Kim D. Denver, DASA (P).

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>	3rd Qtr FY 2014
<u>Current Target Date:</u>	4th Qtr FY 2014
<u>Reason for Change in Date(s):</u>	N/A

Validation Process:

- Unit self-inspection conducted using Army Federal Acquisition Regulation Supplement AFARS, Appendix BB Management Control checklists.
- Compliance review with procedures and management controls conducted by Independent Review and Procurement Management Review (PMR).
- United States Army Audit Agency (USAAA) validates results.

Results Indicators: Success is defined as the effective implementation of the procedures and management controls that work effectively for expeditionary contracting operations. Also defines the training and maturity of the Army's expeditionary contracting workforce by achieving sub-task milestones. 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	GAO	AAA	SIGIR
1. Failure to follow longstanding 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 GAO-07-145		One report in 2006: Lessons Learned Report 2: Contracting and Procurement
2. Failure to systematically collect and distribute lessons learned.	Two reports from 2004 to 2007 (both also included in subject areas 1 and 2): GAO-04-854 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:

<u>Date:</u>	<u>Milestone:</u>
4th Qtr, FY 2007	Form the Army Contracting Task Force (ACTF) (co-led by the ASA (ALT) Military Deputy and AMC Executive Deputy Command Director) with participants from a wide range of Army staff elements and contracting operations.
4th Qtr, FY 2007	Assign new leadership and increase staff.
4th Qtr, FY 2007	Establish reach-back capability to manage active contracts.
1st Qtr, FY 2008	Develop internal controls for optimal contract management and surveillance.
1st Qtr, FY 2008	Established increases engagement of Defense Contract Management Agency (DCMA) in performing contract management and oversight support through the Kuwait Logistics Support Office.
2nd Qtr, FY 2008	Establish Contracting Officer's Representative (COR) training.
2nd Qtr, FY 2008	Disband ACTF and formed the Army Contracting Campaign Plan Task Force to work ACTF findings.
3rd Qtr, FY 2008	Implement internal controls for optimal contract surveillance.
3rd Qtr, FY 2008	Contracting Operations Review team conducts independent verification of compliance with internal control procedures.
3rd Qtr, FY 2008	Contracting Operations Review team reports management control review results.
2nd Qtr, FY 2009	Updated the Management Control Evaluation Checklist and published it in the AFARS Appendix BB.

3rd Qtr, FY 2009	Established the Operational Contracting Support and Policy Directorate to manage and oversee Operational and Expeditionary Contracting Operations worldwide
3rd Qtr, FY 2009	Established the Army Operational Contract Support Working Group as a forum to discuss operational contract support issues with key stakeholders
1st Qtr, FY 2010	Developed and G-3/5/7 issued an Execution Order on COR requirements for all deploying units, increasing COR fill from 38 percent to 92 percent in theater.
3rd Qtr, FY 2010	Developed and the Vice Chief of Staff issued a memo to all Commanders emphasizing COR training requirements
3rd Qtr, FY 2010	Continue to have unit conduct self-inspections to validate use of Management Control Evaluation Checklist.
3rd 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 team conducts compliance review of individual subtasks.
4th Qtr, FY 2010	Ongoing process of review teams providing results.
1st Qtr, FY 2011	Army Contracting Command (ACC) issues Expeditionary Contracting Strategy to address quality assurance and oversight in deployed environment. Funding started for the Army Contingency Contracting Command's Enhanced Contract Management Concept (ECMC) (fielding through 2014) that can provide Contingency Contract Administration Support (CCAS).
3rd Qtr, FY 2011	USACE issues 51C Construction/Architect and Engineering Contracting Proficiency Guide.
3rd Qtr, FY 2011	ACC begins hiring Contract Administration (CA) and QA personnel authorized in ECMC.

4th Qtr, FY 2011

DASA (P) policy letter dated Jun 8, 2011 requesting ACC, ECC and USACE quarterly submission of reports and status on expeditionary contracting material weakness corrective actions.

B. Planned Milestones (Fiscal Year 2012):

Date:

Milestone:

1st Qtr FY2012

Chief of Staff, Army (CSA) directed additional growth of 315 Active duty 51-C soldiers through 2013, to ECC and USACE. Will increase active duty force structure to approx 1,006 Soldiers authorized.

3rd Qtr FY2012

Quarterly review completed. 51- C Officer Certification GREEN. All 235 soldiers assigned are certified w/in 24 mos. More relevant Accreditation Standards will increase 51-C Non-commissioned Officer (NCO) availability for Contingency Operations.

4th Qtr FY2012

ACC, ECC and USACE provide quarterly status updates on their material weakness corrective actions.

C. Planned Milestones (Beyond Fiscal Year 2012):

Date:

Milestone:

1st -3rd Qtr, FY 2013

ACC, ECC and USACE provide quarterly status updates on their material weakness corrective actions.

1st -3rd Qtr, FY 2013

Review and assess corrective actions and IR and PMR validation of sub-task completion for accuracy and completeness

3rd Qtr, FY 2013

Request USAAA on validation audit. Complete the staffing for additional 315 soldiers.

2nd Qtr, FY 2014

USAAA validation audit commences.

2nd Qtr, FY 2014

Complete the hiring of 352 ECMC civilians.

3rd Qtr, FY 2014

USAAA provides audit results.

3rd Qtr, FY 2014

Close material weakness.

4rd Qtr, FY 2014

Complete fielding of Army Contingency Contracting Officers and Non-Commissioned Officers in the Active and Reserve Components.

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

Point of Contact:

Name: Mr. Arthur Rivera
Office Address: ODASA(Procurement)
ATTN: SAAL-PK
2800 Crystal Drive, 4th Floor
Arlington, VA 22202
Commercial Phone: 703-617-0387

Uncorrected Material Weakness Identified During Prior Periods:

Title and Description of the Material Weakness: Army Material Weakness on New Equipment In-Transit

Description of Issue: Equipment issued to units by program and product managers during total package fielding (TPF) is not consistently processed as a receipt in the Army logistics information management systems. When the units gain the equipment by other transactional entries, the in-transit transaction remains open which results in the Army overstating it's on hand equipment inventory and the value of our capital assets in the quarterly financial statements.

Accomplishment: The DCS, G-4 in coordination with the Assistant Secretary of the Army Acquisition, Logistics, and Technology (ASA (ALT)) conducted a value stream mapping and process improvement event for in transit reporting. The improved process worked successfully in the Commodity Command Standard System, but it was necessary to refocus our study to the enterprise environment with the successful deployment of the Logistics Modernization Program (LMP). Financial reporting will require implementation of Item Unique Identification (IUID) equipment tracing. While Property Book and Unit Supply-Enhanced (PBUSE) have implemented IUID, LMP implementation is not scheduled for completion until FY 2015. Current monitoring has found additional issues that are being mapped to identify the gaps.

Functional Category: Supply Chain

Component: Army

Senior Official in Charge: Mr. Michael B. Cervone, Acting Director of Supply.

Pace of Corrective Action:

<u>Year Identified:</u>	FY 2008
<u>Original Targeted Correction Date:</u>	3rd Qtr, FY 2010
<u>Targeted Correction Date in Last Year's Report:</u>	3rd Qtr, FY 2012
<u>Current Target Date:</u>	4th Qtr, FY 2016

Reason for Change in Date(s): Revised target date based on newly identified gaps.

Validation Process: The U.S. Army Audit Agency (USAAA) will conduct the validation.

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, September 25, 2007.

Major Milestones in Corrective Action:

Completed Milestones:

<u>Date</u>	<u>Milestone</u>
1st Qtr, FY 2011	LMP TPF document creation/generation developed/fielded LCMCS.
1st Qtr, FY 2012	LMP TPF document creation/generation developed and fielded to the LCMCs.

Planned Milestones (Beyond Fiscal Year 2012):

<u>Date</u>	<u>Milestone</u>
1st Qtr, FY 2013	Analysis expanded to include new equipment in-transits for non TPF shipments. Analysis underway to understand and correct non-compliant transactions that occurred during the transition to LMP. Analyzing current data pull; assessing sustainment needs based on recent discovery.
4th Qtr, FY 2015	Monitor closures based on newly identified gaps in process and introduction of new retail Property Accountability System, Global Combat Support System-Army (GCSS-A).
2nd Qtr, FY 2016	Request AAA Audit
4th Qtr, FY 2016	USAAA validates closures of weakness for the in-transit equipment transactions.

OSD or HQDA Action Required: N/A

Point of Contact: Carol Kornhoff, 703-692-9584

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

Identified During Prior Periods

None

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

Identified During the Period

None

**THIS TAB IS RESERVED FOR OSD USE
ONLY**

(TAB D-1)

LISTS OF ALL ARMY UNCORRECTED AND CORRECTED MATERIAL WEAKNESSES

Internal Controls Over Financial Systems (ICOFS)

General Fund Uncorrected Weaknesses Identified During the Period:

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

General Fund 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	4th Qtr FY 2015	4th Qtr FY 2015	D-2-1

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: 4th Qtr FY 2015

Current Target Date: 4th Qtr FY 2014

Reason for Change in Date(s): N/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 2010 Army General Fund Financial Statements (November 9, 2010); 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	Deploy Wave 3 of General Fund Enterprise Business System (GFEBS) to 29 organizations
Completed	Deploy Wave 4 of General Fund Enterprise Business System (GFEBS) to 25 organizations
Completed	Begin General Fund Enterprise Business System (GFEBS) Wave 1 examination 1
Completed	Deploy Wave 5 of General Fund Enterprise Business System (GFEBS) to 22 organizations
Completed	Deploy Wave 6 of General Fund Enterprise Business System (GFEBS) to 2 organizations
Completed	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)
Completed	Deploy Wave 7 of General Fund Enterprise Business System (GFEBS) to 9 organizations
Completed	Deploy Wave 8 of General Fund Enterprise Business System (GFEBS) to all remaining organizations
Completed	Full deployment of General Fund Enterprise Business System (GFEBS) (Army OM&S Financial Improvement Plan WBS 3.1.16.6)
Completed	Begin General Fund Enterprise Business System (GFEBS) Waves 1& 2 examination 2

B. Planned Milestones (Beyond FY 2012):

1st Qtr FY 2013	Begin General Fund Enterprise Business System (GFEBS) Statement of Budgetary Resources (SBR) examination 3
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(TAB D-2)
**ARMY GENERAL FUND UNCORRECTED WEAKNESS(ES) STATUS OF
CORRECTIVE ACTIONS**

1st Qtr FY 2014	Begin General Fund Enterprise Business System (GFEBS) Statement of Budgetary Resources (SBR) examination 4
1st Qtr FY 2014	Assert Army GF Statement of Budgetary Resources (SBR)
1st Qtr FY 2015	Deploy Wave 2 of Global Combat Support System – Army (GCSS-A) to all remaining organizations
4th Qtr FY 2015	Correct remaining identified Financial Management Systems deficiencies

(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 Systems (ICOFS)

Working Capital Fund Uncorrected Weaknesses Identified During the Period:

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

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	4th Qtr FY 2015	4th Qtr FY 2015	E-2-1

Corrected Weaknesses Identified During All Periods:

Title	Year First Reported	Page #
N/A		

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. The Army Working Capital Fund systems do not collect and record financial information as required by U.S. GAAP. The financial and nonfinancial feeder systems do not contain the required system integration to provide a transaction-level audit trail for the amounts reported in the proprietary and budgetary general ledger accounts. The Government Accountability Office, DOD Office of Inspector General, and U.S. Army Audit Agency continue to issue audit reports that identify significant data integrity and system integration problems, questioning whether the Logistics Modernization Program (LMP) system will record transaction-level data correctly to support the 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: 4th Qtr FY 2015

Current Target Date: 4th 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 2010 Army Working Capital Fund Financial Statements (November 9, 2010); Army Financial Improvement Plan

AWCF UNCORRECTED WEAKNESS(ES) STATUS OF CORRECTIVE ACTIONS

Major Milestones to Include Progress to Date:

A. Completed Milestones:

<u>Date:</u>	<u>Milestone:</u>
Completed	LMP to replace Commodity Command Standard System-Logistics (CCSS-L) (Army GE Financial Improvement Plan, WBS 3.4.3)
Completed	Logistics Modernization Program (LMP) to replace Commodity Command Standard System-Financial (CCSS-F) (Army GE Financial Improvement Plan, WBS 3.4.2)
Completed	Full deployment of Logistics Modernization Program (LMP) (Army Inventory Financial Improvement Plan, WBS 3.1.12.23)

B. Planned Milestones (Fiscal Year 2011):

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

C. Planned Milestones (Beyond Fiscal Year 2011):

<u>Date:</u>	<u>Milestone:</u>
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)
1st Qtr FY 2012	Logistics Modernization Program (LMP) Standard Financial Integration Structure (SFIS) compliance review
1st Qtr FY 2015	Deploy Wave 2 of Global Combat Support System – Army (GCSS-A) to all remaining organizations
4th Qtr FY 2015	Correct remaining identified Financial Management Systems deficiencies

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

Working Capital Fund Weaknesses Identified During Prior Periods

N/A



REPLY TO
ATTENTION OF

DEPARTMENT OF THE ARMY
ASSISTANT SECRETARY OF THE ARMY
FINANCIAL MANAGEMENT AND COMPTROLLER
109 ARMY PENTAGON
WASHINGTON DC 20310-0109

SAFM-FOA

JUL 5 2012

MEMORANDUM FOR Chairman, Department of Defense Senior Assessment Team

SUBJECT: Office of Management and Budget Circular A-123, Appendix A, Internal Control Over Financial Reporting Assessment Results

1. References:

a. Fiscal Year 2012 Financial Improvement and Audit Readiness (FIAR) Guidance, December 15, 2011.

b. Internal Control over Financial Reporting and Financial Systems Statement of Assurance Reporting Requirements, May 3, 2012

2. The Army conducted an internal review of the effectiveness of the Army internal controls over financial reporting for the Financial Improvement Plan (FIP) assessable units identified in the May 2012 FIAR Plan Status Report and related financial systems. The May 2012 FIAR Plan Status Report provides information pertaining to the Army accomplishments and identifies the schedule for the Army FIP assessable units that are currently under evaluation.

3. The assessment was conducted in compliance with OMB Circular No. A-123, Appendix A, and the December 2011 DoD FIAR Guidance under the oversight of the Army Senior Assessment Team (SAT). The Army SAT is designated to provide oversight in maintaining complete records of the assessment documentation. Based on the results of this assessment, the Army is able to provide no assurance that the internal controls over financial reporting assessable units as of June 30, 2012, were operating effectively.

4. The Army also conducted an internal review of the effectiveness of the internal controls over the financial systems. The Army is able to provide no assurance that the internal controls over the financial systems as of June 30, 2012, are in compliance with the Federal Financial Management Improvement Act and OMB Circular A-127.

5. The Army also asserts that the material weaknesses and non-conformances identified below and related corrective actions and remediation plans for bringing the systems into substantial compliance included in Enclosure 1 are supported by the detail included in section 3 of the Army FIP as of June 30, 2012.

- **Material Weaknesses:**

Army General Fund:

<i>Fund Balance With Treasury</i>	<i>3rd Quarter FY2014</i>
<i>Inventory (Operating Materials and Supplies)</i>	<i>1st Quarter FY2014</i>
<i>General Property, Plant and Equipment</i>	<i>1st Quarter FY2014</i>
<i>Environmental Liabilities</i>	<i>1st Quarter FY2015</i>
<i>Intragovernmental Eliminations</i>	<i>2nd Quarter FY2014</i>
<i>Accounting Adjustments</i>	<i>2nd Quarter FY2013</i>
<i>Statement of Net Cost</i>	<i>3rd Quarter FY2014</i>
<i>Abnormal Account Balances</i>	<i>2nd Quarter FY2013</i>
<i>Accounts Receivable</i>	<i>3rd Quarter FY2014</i>
<i>Accounts Payable</i>	<i>3rd Quarter FY2014</i>
<i>Statement of Budgetary Resources</i>	<i>3rd Quarter FY2014</i>
<i>Reconciliation of Net Cost of Operations to Budget</i>	<i>3rd Quarter FY2014</i>
<i>Contingency Payment Audit Trails</i>	<i>1st Quarter FY 2013</i>

Army Working Capital Fund:

<i>Statement of Budgetary Resources</i>	<i>2nd Quarter FY2015</i>
<i>Inventory</i>	<i>3rd Quarter FY2015</i>
<i>General Property, Plant and Equipment</i>	<i>2nd Quarter FY2015</i>
<i>Intragovernmental Eliminations</i>	<i>1st Quarter FY2015</i>
<i>Accounting Adjustments (Other Accounting Entries)</i>	<i>2nd Quarter FY2015</i>
<i>Statement of Net Cost</i>	<i>1st Quarter FY2015</i>
<i>Accounts Payable</i>	<i>1st Quarter FY2015</i>
<i>Reconciliation of Net Cost of Operations to Budget</i>	<i>1st Quarter FY2015</i>
<i>Abnormal Account Balances</i>	<i>2nd Quarter FY2015</i>

- **Corrected Material Weaknesses:**

None

6. Enclosure 1 identifies each material weakness and current corrective action target date. I have included a crosswalk of the Army's ICOFR material weaknesses to the DoD material weaknesses in Enclosure 2. Although DoD identified non-appropriated fund (NAF) budget authority as a weakness, the Army did not identify NAF budget authority as an ICOFR material weakness because this activity was not assessed. We will assess NAF budgetary authority in Fiscal Year 2013 and report a material weakness if so determined by the Army SAT.

SAFM-FOA

SUBJECT: Office of Management and Budget Circular A-123, Appendix A, Internal Control Over Financial Reporting Assessment Results

7. My point of contact for the Army OMB Circular A-123, Appendix A program is Mr. James J. Watkins at (703) 601-0512 or james.j.watkins.civ@mail.mil.

A handwritten signature in black ink that reads "Mary Sally Matiella". The signature is written in a cursive style with a large initial 'M'.

Dr. Mary Sally Matiella, CPA

2 Encls
as

**FUND BALANCE WITH TREASURY (GENERAL FUND)
SUMMARY OF CORRECTIVE ACTION PLAN**

First Year Reported: 2008

Original Target Date: 2nd Qtr FY 2012

Target Date on Prior Year SOA: 2nd Qtr FY 2014

Status: Slipped

Current Target Date: 3rd Qtr FY 2014

Description of Weakness: Inability to reconcile collections and disbursements at the detailed transaction level with the records of the Department of the Treasury.

Corrective Action: A joint Army/Defense Finance and Accounting Service (DFAS) team is developing an auditable Fund Balance with Treasury reconciliation process, to include implementation of internal controls that ensure reconciling differences are resolved appropriately.

Impediments: The current process employs multiple legacy systems and processes, creating numerous reconciliation points. Consequently, the reconciliation process may not lend itself to an automated solution.

Enclosure 1

**OPERATING MATERIALS & SUPPLIES (GENERAL FUND)
SUMMARY OF CORRECTIVE ACTION PLAN**

First Year Reported: 2008

Original Target Date: 2nd Qtr FY 2015

Target Date on Prior Year SOA: 3rd Qtr FY 2015

Status: On Track

Current Target Date: 1st Qtr FY 2014

Description of Weakness: 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 cannot produce financial transactions using a compliant U.S. Government Standard General Ledger.

Corrective Action: Full deployment of the General Fund Enterprise Business System and Global Combat Support System-Army (GCSS-A) provide the required general ledger processing capability. Additional corrective actions are required to ensure physical inventories are conducted and properly documented.

Impediments: Slippage in the GCSS-A deployment schedule may directly impact Army's ability to resolve the noted weakness. Maintenance of historical data may be a costly endeavor providing little value in managing the Army's appropriations.

**GENERAL PROPERTY, PLANT, AND EQUIPMENT (GENERAL FUND)
SUMMARY OF CORRECTIVE ACTION PLAN**

First Year Reported: 2008

Original Target Date: 2nd Qtr FY 2012

Target Date on Prior Year SOA: 2nd Qtr FY 2015

Status: On Track

Current Target Date: 1st Qtr FY 2014

Description of Weakness: General Property, Plant, and Equipment (GPP&E) are not recorded at acquisition or historical cost and do not include all costs needed to bring these assets to a form and location suitable for their intended use.

Corrective Action: The Army is working with the Office of the Under Secretary of Defense (Comptroller) to develop a methodology to report GPP&E values providing useful and reliable information. The Army is currently evaluating and implementing internal controls to ensure that GPP&E assets are accurately recorded and managed in the accountable property systems of record; and ensuring that financial accountability systems for all Military Table of Equipment unit property books comply with the Federal Financial Management Improvement Act of 1996.

Impediments: The Army may not have documentation sufficient to support recorded values and may need to employ alternate valuation methods.

**ENVIRONMENTAL LIABILITIES (GENERAL FUND)
SUMMARY OF CORRECTIVE ACTION PLAN**

First Year Reported: 2008

Original Target Date: 1st Qtr FY 2012

Target Date on Prior Year SOA: 1st Qtr FY 2015

Status: On track

Current Target Date: 1st Qtr FY 2015

Description of Weakness: The Army has not properly estimated and reported its environmental liabilities.

Corrective Action: The Army is implementing systems, processes, and controls to ensure the accuracy of site level liability data for the processes used to report environmental liabilities. Automated systems currently in development will manage, track, and report environmental liabilities by project, which will address current impediments to an auditable outcome.

Impediments: None at this time.

**INTRAGOVERNMENTAL ELIMINATIONS (GENERAL FUND)
SUMMARY OF CORRECTIVE ACTION PLAN**

First Year Reported: 2008

Original Target Date: 4th Qtr FY 2011

Target Date on Prior Year SOA: 1st Qtr FY 2015

Status: On track

Current Target Date: 2nd Qtr FY 2014

Description of Weakness: The Department of Defense (DoD) is unable to collect, exchange, and reconcile buyer and seller Intragovernmental transactions, resulting in adjustments that cannot be verified. This is primarily because the majority of the systems within DoD do not allow the capture of buyer-side information for use in reconciliations and eliminations. The 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.

Corrective Action: The Army has fully deployed the General Fund Enterprise Business System (GFEBS) and the Standard Financial Information Structure as a means to identify and reconcile intragovernmental trading partner transactions.

Impediments: Since many DoD and Army systems do not capture trading partner data at the transactional level, deploying GFEBS alone may not be sufficient to resolve this weakness.

**ACCOUNTING ADJUSTMENTS (GENERAL FUND)
SUMMARY OF CORRECTIVE ACTION PLAN**

First Year Reported: 2008

Original Target Date: 4th Qtr FY 2011

Target Date on Prior Year SOA: 1st Qtr FY 2015

Status: On track

Current Target Date: 2nd Qtr FY 2013

Description of Weakness: During FY 2011, the Defense Finance and Accounting Service (DFAS) processed \$14.6 billion in unsupported journal voucher adjustments to prepare the Army's General Fund financial statements.

Corrective Action: The Army fully deployed the General Fund Enterprise Business System (GFEBS) in FY 2012. Full deployment of GFEBS will enable the Army to submit a General Fund trial balance directly to DFAS using the Standard Financial Information Structure. This will reduce the need for DFAS to process unsupported accounting adjustments.

Impediments: GFEBS alone may not be sufficient to resolve this weakness. Documentation policies will need to be in place and operating effectively to ensure an auditable outcome.

**STATEMENT OF NET COST (GENERAL FUND)
SUMMARY OF CORRECTIVE ACTION PLAN**

First Year Reported: 2008

Original Target Date: 4th Qtr FY 2011

Target Date on Prior Year SOA: 1st Qtr FY 2015

Status: On track

Current Target Date: 3rd Qtr FY 2014

Description of Weakness: 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 Department of Defense (DoD) strategic and performance plans required by the Government Performance and Results Act.

Corrective Action: The Army will report the Statement of Net Cost in accordance with programs described in the DoD strategic and performance plans. The Army has fully deployed the General Fund Enterprise Business System and will ensure that the system's capabilities are functioning properly.

Impediments: None at this time.

**ABNORMAL ACCOUNT BALANCES (GENERAL FUND)
SUMMARY OF CORRECTIVE ACTION PLAN**

First Year Reported: 2008

Original Target Date: 1st Qtr FY 2012

Target Date on Prior Year SOA: 1st Qtr FY 2015

Status: On track

Current Target Date: 2nd Qtr FY 2013

Description of Weakness: In FY 2010, the Defense Finance and Accounting Service did not detect, report, or take action to eliminate the abnormal balances included in the Army General Fund accounting records. 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.

Corrective Action: Full deployment of the General Fund Enterprise Business System enables the Army to detect and correct abnormal balances through routine general ledger tie point reconciliations and other processes.

Impediments: Abnormal balances may continue with interface partners.

**ACCOUNTS RECEIVABLE (GENERAL FUND)
SUMMARY OF CORRECTIVE ACTION PLAN**

First Year Reported: 2008

Original Target Date: 4th Qtr FY 2011

Target Date on Prior Year SOA: 1st Qtr FY 2015

Status: On track

Current Target Date: 3rd Qtr FY 2014

Description of Weakness: Inability to document accounts receivable at the detail transaction level, mismatches between entitlement systems and accounting systems, noncompliance with policies and procedures regarding referrals to the Debt Management Office of the Department of Treasury, and inability to age debts and assess interest.

Corrective Action: Implementation of the General Fund Enterprise Business System (GFEBS) enables audit of receivables to source transaction posting to the general ledger. GFEBS also provides the ability to age receivables and assess interest.

Impediments: Feeder systems performing entitlement activity may not be able to provide data necessary to properly account for all receivables.

**ACCOUNTS PAYABLE (GENERAL FUND)
SUMMARY OF CORRECTIVE ACTION PLAN**

First Year Reported: 2008

Original Target Date: 2nd Qtr FY 2012

Target Date on Prior Year SOA: 1st Qtr FY 2015

Status: On track

Current Target Date: 3rd Qtr FY 2014

Description of Weakness: Lack of integration between contracting, entitlement, payment, and accounting systems prevents the Army from properly recording and reporting accounts payable.

Corrective Action: The General Fund Enterprise Business System (GFEBS) provides the ability to record payables upon receipt of goods and services. GFEBS also integrates many of the contracting, entitlement, payment, and accounting functions.

Impediments: Non-integrated contracting and entitlement systems may not provide required information to properly record and report accounts payable.

STATEMENT OF BUDGETARY RESOURCES (GENERAL FUND)
SUMMARY OF CORRECTIVE ACTION PLAN

First Year Reported: 2008

Original Target Date: 4th Qtr FY 2011

Target Date on Prior Year SOA: 1st Qtr FY 2015

Status: On track

Current Target Date: 3rd Qtr FY 2014

Description of Weakness: The Army accounting systems do not provide or capture data needed for obligations incurred, or prior-year obligations incurred, or prior-year obligations recovered, in accordance with the Office of Management and Budget Circular No. A-11, "Preparation, Submission and Execution of the Budget."

Corrective Action: The Army is conducting installation-level audit readiness work to implement effective internal controls over the budget distribution, execution, and reporting processes. The Army has fully deployed the General Fund Enterprise Business System and will ensure that the system's capabilities are functioning properly.

Impediments: None at this time.

**RECONCILIATION OF NET COST OF OPERATIONS TO BUDGET (GENERAL FUND)
SUMMARY OF CORRECTIVE ACTION PLAN**

First Year Reported: 2008

Original Target Date: 4th Qtr FY 2011

Target Date on Prior Year SOA: 1st Qtr FY 2015

Status: On track

Current Target Date: 3rd Qtr FY 2014

Description of Weakness: Due to limitations in the legacy system environment, the Army cannot accurately represent the relationship between budgetary obligations incurred and Statement of Net Cost.

Corrective Action: Integrated capabilities of the General Fund Enterprise Business System will enable the Army to represent relationships between budgetary obligations incurred and Statement of Net Cost.

Impediments: None at this time.

**CONTINGENCY PAYMENT AUDIT TRAILS (GENERAL FUND)
SUMMARY OF CORRECTIVE ACTION PLAN**

First Year Reported: 2009

Original Target Date: 2nd Qtr FY 2009

Target Date on Prior Year SOA: 1st Qtr FY 2012

Status: Slipped

Current Target Date: 1st Qtr FY 2013

Description of Weakness: The maintenance of substantiating documents by certifying and entitlement activities creates significant challenges in tracing audit trails for support of financial statements.

Corrective Action: The Army implemented recommendations from audit reports A-2009-0173-ALL, A-2010-0062-ALL, and A-2011-0067-ALL to close this material weakness. The Army will follow up with the U.S. Army Audit Agency to validate that the recommendations have been implemented.

Impediments: No known impediments to implementing the corrective action plan.

**SUMMARY OF STATEMENT OF BUDGETARY RESOURCES
(WORKING CAPITAL FUND)
CORRECTIVE ACTION PLAN**

First Year Reported: 2009

Original Target Date: N/A

Target Date on Prior Year SOA: 2nd Qtr FY 2015

Status: On Track

Current Target Date: 2nd Qtr FY 2015

Description of Weakness: The Defense Finance and Accounting Service (DFAS) relies on un-auditable crosswalks and other processes when using budget execution data obtained from legacy systems to prepare the Statement of Budgetary Resources.

Corrective Action: Full implementation of the Standard Financial Information Structure (SFIS) in the Logistics Modernization Program (LMP) will enable the Army to submit a trial balance directly to DFAS and eliminate the need to rely on current un-auditable processes when preparing the Statement of Budgetary Resources.

Impediments: The LMP environment continues to rely on legacy business processes and systems that may not enable an auditable outcome without significant corrective actions.

**SUMMARY OF INVENTORY (WORKING CAPITAL FUND)
CORRECTIVE ACTION PLAN**

First Year Reported: 2008

Original Target Date: 2nd Qtr FY 2015

Target Date on Prior Year SOA: 3rd Qtr FY 2015

Status: On Track

Current Target Date: 3rd Qtr FY 2015

Description of Weakness: 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 cannot produce financial transactions using the U.S. Government Standard General Ledger.

Corrective Action: Full deployment of the Logistics Modernization Program (LMP) provides the required general ledger processing capability. Additional corrective actions are needed to ensure required physical inventories are conducted and properly documented, and LMP processes are stable.

Impediments: Ability to reconcile and document actions necessary to correct abnormal balances resulting from legacy system data conversions.

**SUMMARY OF GENERAL PROPERTY, PLANT AND EQUIPMENT
(WORKING CAPITAL FUND)
CORRECTIVE ACTION PLAN**

First Year Reported: 2008

Original Target Date: 1st Qtr FY 2011

Target Date on Prior Year SOA: 2nd Qtr FY 2015

Status: On Track

Current Target Date: 2nd Qtr FY 2015

Description of Weakness: General Property, Plant and Equipment are not recorded at acquisition or historical cost and do not include all costs needed to bring these assets to a form and location suitable for their intended use.

Corrective Action: The Army is working with the Office of the Undersecretary of Defense (Comptroller) (OUSDC) to develop a methodology to report General Property, Plant and Equipment values providing useful and reliable information. Army is currently evaluating and implementing internal controls to ensure General Property, Plant and Equipment assets are accurately recorded and managed in the property systems of record; and ensuring financial accountability systems for all Military Table of Equipment unit property books comply with the Federal Financial Improvement Act of 1996.

Impediments: Army may not have documentation sufficient to support recorded values, and may need to employ alternate valuation methods.

**SUMMARY OF INTRAGOVERNMENTAL ELIMINATIONS
(WORKING CAPITAL FUND)
CORRECTIVE ACTION PLAN**

First Year Reported: 2008

Original Target Date: 4th Qtr FY 2011

Target Date on Prior Year SOA: 1st Qtr FY 2015

Status: On Track

Current Target Date: 1st Qtr FY 2015

Description of Weakness: DOD and Army are unable to collect, exchange and reconcile buyer and seller intragovernmental transactions, resulting in adjustments that cannot be verified.

Corrective Action: Army will fully deploy the Logistics Modernization Program (LMP) and the Standard Financial Information Structure (SFIS) as a means to identify and reconcile intragovernmental trading partner transactions.

Impediments: Since many DOD and Army systems do not capture trading partner data at the transactional level, deploying LMP alone may not be sufficient to solve this weakness.

**SUMMARY OF ACCOUNTING ADJUSTMENTS (OTHER ACCOUNTING ENTRIES)
(WORKING CAPITAL FUND)
CORRECTIVE ACTION PLAN**

First Year Reported: 2008

Original Target Date: 4th Qtr FY 2011

Target Date on Prior Year SOA: 1st Qtr FY 2013

Status: Slipped

Current Target Date: 2nd Qtr FY 2015

Description of Weakness: During fiscal year 2010 DFAS processed \$14.9 billion in unsupported journal voucher adjustments to prepare the Army's general fund financial statements.

Corrective Action: The Logistics Modernization Program (LMP) will be compliant with the Standard Financial Information Structure (SFIS) enabling the Army to submit a trial balance directly from LMP to DFAS and eliminating the need for unsupported adjustments.

Impediments: We anticipate some level of journal voucher processing in the LMP environment. Documentation policies will need to be in place and operating effectively to ensure an auditable outcome.

**SUMMARY OF STATEMENT OF NET COST (WORKING CAPITAL FUND)
CORRECTIVE ACTION PLAN**

First Year Reported: 2008

Original Target Date: 4th Qtr FY 2011

Target Date on Prior Year SOA: 1st Qtr FY 2015

Status: On Track

Current Target Date: 1st Qtr FY 2015

Description of Weakness: 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.

Corrective Action: Army will report the Statement of Net Costs in accordance with programs described in the DOD Strategic and Performance Plans.

Impediments: None at this time.

**SUMMARY OF ACCOUNTS PAYABLE (WORKING CAPITAL FUND)
CORRECTIVE ACTION PLAN**

First Year Reported: 2008

Original Target Date: 2nd Qtr FY 2012

Target Date on Prior Year SOA: 1st Qtr FY 2015

Status: On Track

Current Target Date: 1st Qtr FY 2015

Description of Weakness: The Army relies on unsupported adjustments processed by DFAS to report accounts payable balances. These adjustments were required to account for undistributed disbursements and intragovernmental accounts payable.

Corrective Action: Army is implementing an upgrade for constructive receipts in the Logistics Modernization Program (LMP) that targets correction of the Accounts Payable accounting and reporting issues. Additional steps that will solidify correction of this weakness include actions to clean up legacy balances, elimination of record data types (RDTs), correction of trading partner data, and full usage of Wide-Area Work Flow (WAWF).

Impediments: Continued reliance on non-integrated contracting and entitlement processes and systems.

**SUMMARY OF RECONCILIATION OF NET COST OF OPERATIONS TO BUDGET
(WORKING CAPITAL FUND)
CORRECTIVE ACTION PLAN**

First Year Reported: 2008

Original Target Date: 4th Qtr FY 2011

Target Date on Prior Year SOA: 1st Qtr FY 2015

Status: On Track

Current Target Date: 1st Qtr FY 2015

Description of Weakness: In FY 2010, the Army could not reconcile information reported in Note 21 with the Army Working Capital Fund's Statement of Net Cost without preparing \$2.3 billion in unsupported adjustments to the general ledger accounts to force costs to match obligation information.

Corrective Action: The Army has identified a need for an interim solution to perform tie point analysis between the budgetary and proprietary accounts. Such analysis will aid in identifying the postings and business processes that are creating the unsupported adjustments. These system and process improvements will help address this weakness.

Impediments: The system change request to implement tie point analysis in LMP is an unfunded requirement for FY 2012.

**SUMMARY OF ABNORMAL ACCOUNT BALANCES
(WORKING CAPITAL FUND)
CORRECTIVE ACTION PLAN**

First Year Reported: 2009

Original Target Date: 1st Qtr FY 2012

Target Date on Prior Year SOA: 1st Qtr FY 2013

Status: Slipped

Current Target Date: 2nd Qtr FY 2015

Description of Weakness: In FY 2010, the Army Working Capital Fund Industrial Operations and Supply Management activities (limit-level) reported 81 abnormal account balances, valued at \$2.1 billion, including 33 accounts for \$1.6 billion in the Logistics Modernization Program (LMP) environment. The abnormal balances in LMP are caused by incorrect general ledger attributes.

Corrective Action: Full implementation of the Standard Financial Information Structure (SFIS) in LMP will correct the abnormal balances caused by incorrect general ledger attributes. The remaining abnormal balances will be manually reconciled and corrected.

Impediments: Ability to document manual corrections.

**CROSSWALK OF ARMY'S INTERNAL CONTROL OVER FINANCIAL REPORTING (ICOFR)
MATERIAL WEAKNESSES TO DEPARTMENT OF DEFENSE (DoD)
MATERIAL WEAKNESSES**

Army ICOFR Material Weakness as of FY 2012	End-to-End Business Process and DoD Material Weakness *
N/A	Budget-to-Report: Budgetary Authority (Non-Appropriated)
Statement of Budgetary Resources (General Fund (GF)) (WCF)	Budget-to-Report: Budgetary Authority (Appropriated) Hire-to-Retire <ul style="list-style-type: none"> • Civilian Pay • Military Pay Order-to-Cash <ul style="list-style-type: none"> • Accounts Receivable • Reimbursable Work Orders – Performer Procure-to-Pay <ul style="list-style-type: none"> • Contracts • MILSTRIP Orders • Reimbursable Work Orders – Grantor • Transportation of People
Fund Balance with Treasury (GF)	Budget-to-Report: Fund Balance with Treasury
<ul style="list-style-type: none"> • Accounting Adjustments (GF) • Other Accounting Entries (WCF) • Statement of Net Cost (GF) (WCF) • Abnormal Account Balances (GF) (WCF) • Accounts Receivable (GF) • Accounts Payable (GF) (WCF) • Reconciliation of Net Cost of Operations to Budget (GF) (WCF) 	Budget-to-Report: Financial Reporting
Intragovernmental Eliminations (GF) (WCF)	Budget-to-Report: Intragovernmental Eliminations
<ul style="list-style-type: none"> • General Property, Plant, and Equipment (GF) (WCF) 	Acquire-to-Retire <ul style="list-style-type: none"> • Military Equipment • General Purpose Equipment

**CROSSWALK OF ARMY'S INTERNAL CONTROL OVER FINANCIAL REPORTING (ICOFR)
MATERIAL WEAKNESSES TO DEPARTMENT OF DEFENSE (DoD)
MATERIAL WEAKNESSES**

Army ICOFR Material Weakness as of FY 2012	End-to-End Business Process and DoD Material Weakness *
	<ul style="list-style-type: none"> • Real Property
<ul style="list-style-type: none"> • Environmental Liabilities (GF) 	Environmental Liabilities
<ul style="list-style-type: none"> • Inventory (WCF) • Operating Materials & Supplies (GF) 	Plan-to-Stock <ul style="list-style-type: none"> • Inventory • Operating Materials & Supplies
Contingency Payment Audit Trails (GF)	Not applicable
Not applicable	Hire-to-Retire: Healthcare Liabilities

* Provided by the Office of the Under Secretary of Defense (Comptroller)