FEDERAL MANAGERS'
FINANCIAL INTEGRITY ACT

FY 2013
STATEMENT OF ASSURANCE

DEPARTMENT OF THE ARMY

SECRETARY OF THE ARMY
WASHINGTON

INFO MEMO

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AUG 26 2013

FOR: SECRETARY OF DEFENSE

FROM: John M. McHugh, Secretary of the Army

SUBJECT: Fiscal Year 2013 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). I provide a qualified statement of assurance that the Army's internal controls, in effect for the fiscal year ending September 30, 2013, met FMFIA objectives except for the six 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 through C.

- Although we continued to make progress in improving internal controls over financial reporting for the General and Working Capital funds I provide no assurance that as of June 30, 2013, the Army's internal controls for financial reporting were operating effectively. This assessment is based on the auditor's inability to render an audit opinion; numerous uncorrected actions identified in our financial improvement plan; and 13 weaknesses associated with the General Fund and 10 weaknesses associated with the Working Capital Fund. Our Fiscal Year 2013 (FY13) Internal Controls over Financial Reporting Statement of Assurance (TAB C) 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 no assurance that internal control over financial systems were operating effectively.

- For Army Civil Works Funds, I am providing an unqualified statement of assurance based on the unqualified audit opinion achieved in FY12.

Attachments
As stated

SUBJECT: Fiscal Year (FY) 2013 Statement of Assurance on Internal Controls as Required Under the Federal Managers' Financial Integrity Act of 1982

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TAB A-1

FY13 Army Audit Agency Attestation Report

DEPARTMENT OF THE ARMY
U.S. ARMY AUDIT AGENCY
OFFICE OF THE AUDITOR GENERAL
6000 6TH STREET, BUILDING 1464
FORT BELVOIR, VA 22060-5609

SAAG-ZA 26 August 2013

MEMORANDUM FOR Secretary of the Army

SUBJECT: Review of the Army's Compliance with the Federal Managers' Financial Integrity Act (Project A-2013-FMR-0176.000), Attestation Report: A-2013-0138-FMR

1. The U.S. Army Audit Agency reviewed the Army's actions to comply with the requirements of the Federal Managers' Financial Integrity Act of 1982 and DOD Instruction 5010.40 (Managers' Internal Control Program Procedures). 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. The Army provided a qualified statement of assurance for its FY 13 operational internal controls and statements of no assurance for its financial reporting and financial systems. Though senior leadership remained committed to ensuring that the Managers' Internal Control Program (MICP) was correcting material weaknesses, reporting organizations had significant challenges complying with key operational and financial internal controls. To increase the Army's assurance about its system of internal controls in future years, organizations must take significant action to improve their compliance with the key controls.

3. Army leaders demonstrated their commitment by:

- Continuing to demonstrate leadership and emphasize training and process execution in daily operations.

- Conducting quarterly meetings of the Senior-Level Steering Committee/Senior Assessment Team to review ongoing program issues and to work toward correcting previously reported material weaknesses in Army-level nonfinancial operating, financial reporting, and financial systems.

- Maintaining a user-friendly accountability and audit readiness Army Knowledge Online site with valuable information on internal control self-assessments and on improving controls for audit readiness. The site won the bronze "2012 Best of AKO" award.

- Taking positive action to assess and improve internal controls essential for successful audits of the FY 14 General Fund Statement of Budgetary Resources and all FY 17 Army financial statements. For example, the Army directed headquarters organizations, commands, and direct reporting units to use the Commanders' Audit Readiness Checklist to make sure these controls were in place and operating and to report checklist results to the Army Audit Committee.

- Employing internal audit capabilities to identify and correct internal control weaknesses. Almost 67 percent of the audits we performed were requested by senior leaders. This helped our Agency focus on high-risk areas and provide Army leaders with strong recommendations for improvement.

- Continuing to work to implement recommendations in a timely manner. As of 26 July 2013, Army organizations reported 215 unimplemented Army Audit Agency recommendations—a 33-percent decrease from the 319 unimplemented recommendations reported as of 13 July 2012. Of these 215 recommendations, only 47 exceeded their originally agreed-to target dates for implementing corrective actions by 6 months or more. Our Agency also periodically notifies you and your principal leaders of overdue unimplemented recommendations to maintain a sharp focus on this area.

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

- Providing computer-based MICP training to key Army internal control personnel, enabling them to identify and access needed training more easily. More than 19,000 personnel have had training since the program's inception in July 2010—3,800 personnel more than the Army reported last year.

- Identifying, reporting, and monitoring material weaknesses. During FY 13, the Army reported 31 uncorrected material weaknesses (6 operational, 23 financial reporting, and 2 financial system weaknesses). The directorate continued to actively monitor the status of these weaknesses and to assist material weakness owners in ensuring timely resolution.

- Sampling transactions each month to test controls that are key to financial statement audit readiness and making recommendations to implement or improve internal controls. As of August 2013, the directorate employed 199 contractor personnel (including 44 certified public accountants) to conduct this testing.

4. Although leadership at all levels demonstrated their commitment to ensuring that the Army's system of internal controls was in place and working, organizations sometimes had significant challenges complying with internal control processes and procedures. Our review of the Army's compliance with key internal controls through regularly scheduled audits showed that fewer than half of the controls we evaluated were in place and operating. Through the Commanders' Audit Readiness Checklist, organizations self-reported that many controls weren't in place or working. Additionally, the Exam 2 of the Army's Statement of Budgetary Resources by an independent public accounting firm identified issues in complying with existing internal controls. Details follow:

- About 42 percent of controls our Agency evaluated during our 155 audits with reports issued 1 July 2012 through 30 June 2013 were in place and operating. In our previous four assessments, we reported similar results, ranging from 53 percent to 40 percent. The process by which we select audits is based on assessing high-risk areas in which there's a greater likelihood of internal control weaknesses. Therefore, we can't make an overall conclusion on the status of internal controls Armywide. However, these percentages show that Army organizations are still challenged in ensuring that key internal controls are in place and operating.

- During FY 13, Army commanders completed and submitted self-evaluations of internal control effectiveness using the Commanders' Audit Readiness Checklist. The Accountability and Audit Readiness Directorate briefed results of these evaluations to senior leaders, including the Army's Audit Committee. The evaluations showed that some commanders recognized that not all controls were

working. Other commanders may have been too positive in assessing their control environment because the Army's monthly internal control testing showed control weaknesses across many commands.

- The Exam 2 of the Army's Statement of Budgetary Resources by an independent public accounting firm identified issues in complying with existing internal controls. The firm identified weaknesses in journal voucher processing, supporting documentation, and GFEBS general information technology controls.

- The Army's process for identifying and developing solutions to internal controls for financial reporting and financial systems could also be strengthened. Guidance from the Office of Management and Budget and the Army requires an annual assessment of these internal controls by reporting organizations to determine the level of assurance. The Army's assessment reflected evaluations of internal controls conducted by DOD's Inspector General as part of its annual audit of the Army's financial statements. The Army expects to resolve the financial weaknesses identified in these evaluations through new financial systems it has or will deploy. However, it could improve assurance by periodically testing key financial controls, much as it does for key operational controls, and by developing corrective action plans that detail specific tasks to be accomplished.

5. We also provided input on updating internal control-related content in various Army regulations and continued to provide recommendations to help the Army develop solutions to various issues. Specifically:

- We reviewed 36 regulations and determined that functional proponents could better meet requirements in AR 11-2 (Managers' Internal Control Program) by ensuring that regulations include the terminology or format provided in the regulation as well as a process to evaluate whether key internal controls are in place and being used as intended. Seventeen regulations had statements that addressed internal controls, but they didn't use the correct terminology. Three regulations didn't include processes to examine whether controls were in place and being used as intended. We communicated these needed improvements to the responsible Army functional proponents.

- We continued to make recommendations during our audits to strengthen controls not in place or not fully operating. To have a fully effective control environment, our recommendations need to be implemented in a timely way.

6. Although significant opportunities for improvement exist, we didn't 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. During FY 14, we'll continue to review compliance with operational and financial controls and provide you with an assessment of compliance by Army organizations.

Randall L. Exley

RANDALL L. EXLEY
The Auditor General

DESCRIPTION OF THE CONCEPT OF REASONABLE ASSURANCE AND HOW THE EVALUATION WAS CONDUCTED

Guidelines for the Evaluation

Army senior leaders evaluated the system of internal accounting and administrative controls in effect during the fiscal year ending September 30, 2013, 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 2013 (FY13), 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 FY13 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.

- The 1st quarter 2013 Army Audit Committee was the first time the Assistant Secretary of the Army (Financial Management and Comptroller) (ASA (FM&C)) chaired the meeting. Members of the audit committee are now at the Assistant Secretary of the Army (ASA) and Deputy Chief of Staff (DCS) levels.

- Developed and implemented the Commander's Audit Readiness Checklist which requires commanders to report on the status of control effectiveness, testing results, and corrective action implementation.

- Maintained an Army Internal Control Web site, an Internal Control portal on Army Knowledge Online (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 Under Secretary of Defense (Comptroller) to ensure the Managers' Internal Control Program include 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.

- 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 the end of FY12, DTS had 1 million Army travelers registered, processed over 2 million DTS travel claims with a dollar value of $2.1 billion. We continue to monitor and enforce DTS usage through the Joint Reconciliation Process. 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 orders, reduce centrally billed accounts (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 578,000 individually billed accounts (IBA) for which the cardholder has liability for payment and 2,676 CBA for which the government has

liability for payment. CBA are primarily used for transportation expenses, group travel, and by travelers who do not qualify for an IBA. From January 1, 2012 through December 31, 2012, the travel card program vendor processed over 11.4 million transactions, with a total value of over $2.1 billion, against the travel card accounts. During this period, Army organizations received $15.3 million dollars in rebates.

- o Continued to improve the interfaces between financial and logistical systems. The Funds Control Module (FCM) is fully deployed throughout the Army. The FCM, a Federal Financial Management Improvement Act (FFMIA) compliant system provides an automated end-to-end interface of supply requisitions to the accounting system. Improvements have included implementing changes to process KYLOC (Kentucky Location) Army Direct Ordering (ADO) for theater clothing and Hazardous Material transactions in support of Army Central Command's (ARCENT) conversion to GFEBS. FCM implemented changes to assign the specific element of resource (EOR) 3240 for hazardous material transactions, providing GFEBS and the users the ability to easily identify obligations for hazardous materials. Funds Control supports the Global Combat support System-Army (GCSS-Army) data conversion from existing accounting systems into GCSS-Army by participating in workgroups and teleconferences to determine the best course of action for converting Department of Defense Activity Address Codes (DODAACs) that are used in Standard Army Retail Supply Systems (SARSS) and non-SARSS systems.

- o Office of the Secretary of Defense (OSD) and Army Anti-deficiency Act (ADA) Program 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 of investigations and manage the conduct of the ADA investigations.

- Strong "Tone at the Top" support for the Manager's Internal Control Program was also demonstrated throughout the Army. Here are some examples:

  - o Office of the Surgeon General/Medical Command (OTSG/MEDCOM) continued to stress the need for command and management emphasis of the MICP at all levels in FY13. Through memorandums and staff meetings, Commanders solicited support from all key personnel and managers to make the Managers' Internal Control Program (MICP) first-rate without exception. The OTSG/MEDCOM Chief of Staff issued memorandums to leaders of OTSG/MEDCOM subordinate organizations for preparing Statements of Assurance on Internal Controls, and Internal Control Evaluation Plans and Risk Assessment Plans, October 25, 2012. The memorandums helped illustrate the OTSG/MEDCOM leadership involvement in the MICP and the emphasis they place on the program at all organizational levels.

- 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.

- U.S. Army Training and Doctrine Command (TRADOC), issued an internal control memorandum, dated November 21, 2012, to TRADOC's principal commanders, commandants, and key staff officers at the HQ staff offices, major subordinate commands (MSCs), TRADOC schools and activities. The memorandum stressed the responsibility for senior leaders to operate and assess an effective internal control program aimed at reducing error rates, and the detection and correction of fraud, waste, abuse, and mismanagement of resources. Guidance was provided to the commanders and commandants of the TRADOC schools and activities for preparing their FY13 feeder statements and the requirement to document their process and methodology for the standards applied. Further emphasis was placed on their active involvement in the entire internal control process coupled with prompt reporting and resolution of any weaknesses and areas of concern identified. Senior leaders were directly involved in the evaluation of internal controls. 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.

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:

- Office of the Surgeon General/Medical Command (OTSG/MEDCOM)

- o 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). During FY13, OTSG/MEDCOM personnel have completed 1,010 of the 1,908 evaluations scheduled on ICEPs.

- Assistant Secretary of the Army, Acquisition, Logistics and Technology (ASA (ALT)) Program Executive Office Ground Combat Systems (PEO GCS).

  - o 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:

  - o 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.

  - o 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.

  - o 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:

  - o 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 e-mail 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.

- U.S. Army Forces 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.

Identification of Assessable Units

- Assessable units reporting directly to HQDA (direct reporting organizations) are identified in regulation AR11-2, Army Managers' Internal Control Program, and updated when reorganization requires.

- 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 AR 11-2. Responsibilities are defined for all levels of implementation. Some examples of implementation follow:

- 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 FY13 supporting feeder statements were received from all 45 Army reporting organizations. In turn, reporting organizations also require feeder statements from their subordinate assessable units. For example, U.S. 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 FY13 assurance statements with documented evidence of internal control training completed by their activities. The following is a summary of internal control training initiatives for FY13:

- 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 FY13 DoD Managers' Internal Control Conference, November 2012, Washington, DC. Participated in the FY13 Office of the Administrative Assistant to the Secretary of the Army Managers' Internal Control Workshop, December 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.

- Initiated daily, weekly, and monthly teleconferences with representatives from all Army Commands (ACOMs), HQDA staff, Defense Finance and Accounting Service (DFAS), OSD, and other key stakeholders to identify, issues, develop corrective actions and disseminate latest internal control requirements, regulatory, policy, or statutory changes and updates and address all questions, concerns and/or issues impacting the Army.

- Throughout FY 2012 and 2013, ASA(FM&C) personnel developed, in coordination with the Army Learning Management System (ALMS), an internal control computer-based training (CBT) program. A new Internal Control Administrator "Refresher Course" was added and went live in early March 2013. The CBT consists of seven courses that pertain to the student's role in the Army MICP: 1) Internal Control Administrator; 2) Internal Control Administrator Refresher; 3) Assessable Unit Manager; 4) Senior Responsible Official; 5) Army Manager; 6) Personnel Conducting Evaluations and 7) Internal Controls in Army Regulations. All courses require students to register and complete an exam (70 percent pass/fail). Upon successful completion, the student receives a generated certificate of completion. Since July 26, 2010, 19,196 personnel have successfully completed the training. This training is available Army-wide at no cost through AKO on the ALMS portal.

- OTSG/MEDCOM. MICP training was made mandatory, depending on the MICP role of personnel within each organization. OTSG also included MICP training in the Army's Digital Training Management System during FY13. 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 8,615 training events in FY13) 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 Assessable Unit Managers (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, 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.

- Army Materiel Command (AMC): Trained a total of 8,448 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, 2013 for 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.

- Assistant Chief of Staff Installation Management (ACSIM) and Installation Management Command (IMCOM) established aggressive MICP training to ensure all personnel are aware of and understand their roles and responsibilities, how to apply them in daily operations, and understand the incremental responsibilities for using the Army's standardized evaluations or acceptable alternative reviews for day-to-day guidance and periodic formal application. A total of 10,232 personnel completed MICP training during FY13.

- Army Test and Evaluation Command (ATEC): Through the use of formal, in-house, desk-side and other methods of training, a total of 86 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 FY13 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.

- The OTSG/MEDCOM uses various management control tools to accomplish the mission. The "Balanced Scorecard" management control tool is used, but its use has shifted from command-wide operations to mostly financial. The shift was prompted by our emphasis in the Army Medicine 2020 Campaign Plan (synchronized with the Army's Ready and Resilient Campaign Plan) where metrics are used as Measures of Effectiveness (MOEs) and Measures of Performance (MOPs) to monitor and assess the execution of the plan, management's performance in the execution of the plan, determine if we are accomplishing our objectives, and ultimately improve mission performance.

- SharePoint Portal. AMC created an integrated master schedule (IMS) to direct, manage and control the Logistics Information Warehouse (LIW) project. This project increased reliability and dependability of strategic supply chain metrics by inclusion of non-Enterprise Resourcing Plan (ERP) data into LIW. 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). 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:

- The TRADOC 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.

- 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 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. FY13 guidance was distributed on October 17, 2012.

- All Army regulations are required to identify key internal controls. ASA (FM&C) 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."

- 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 FY13 to ensure assessable units have the most current information when developing their Internal Control Evaluation Plans (ICEPs).

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. 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. 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. MEDCOM also used evaluations scheduled on assessable units Internal Control Evaluation Plans (ICEPs). During FY13, OTSG /MEDCOM personnel have completed 1,010 of the 1,908 evaluations scheduled on ICEPs.

- 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

MANAGERS' INTERNAL CONTROL PROGRAM AND RELATED ACCOMPLISHMENTS

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

Description of Issue: Improvement of Internal Controls throughout Department of the Army.

Accomplishment: 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 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 (both operational and those the auditors identify each year during their annual review of the Army's financial statements). 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.

We are focused on the Department's audit readiness efforts and continue work to correct financial reporting material weaknesses. To that end, we have taken initiative to work directly with our Enterprise Resource Planning (ERP) developers to ensure we build compliant general ledgers and place tight controls around the journal voucher and adjustment processes for our financial reports. The Army has fully resourced and is executing a comprehensive audit readiness plan to achieve the Office of the Undersecretary of Defense, Comptroller's (OUSD(C)) priorities of focusing on the SBR and the existence and completeness of mission critical assets. Additionally, the plan will enable Army to achieve Congressionally-mandated audit readiness requirements by September 2017. More importantly, Army's plan is designed to sustain an auditable environment. Army's approach to audit readiness is aligned with the deployments of ERP financial management systems. The approach focuses heavily on training and developing Army personnel across all business processes in order to support and sustain audit readiness. Army also has dedicated an audit readiness team that works cooperatively with the General Fund Enterprise Business System (GFEBS) 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 September 2012, the Secretary of the Army released a memorandum requiring all of the headquarters organizations, commands, and direct reporting units to evaluate their internal control environment and submit a checklist accounting for the status of each control in the control catalogs by December 14, 2012. The checklist included the same controls now tested by the Audit Readiness directorate on a monthly basis and external auditors for milestone exams. The checklist and monthly testing results have been reported to the Army Audit Committee, made up of headquarters principal officials to hold Army Commanders accountable for integrating audit readiness into their business.

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

Accomplishment: In July 2010, development of six computer-based training courses that pertain to the student's role in the Army MICP was completed. The training courses are available through Army Knowledge On-line 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 seven training courses are:

- Internal Control Administrators (ICA) Course
- ICA Refresher Course (New – March 20, 2013)
- Assessable Unit Manager (AUM) Course
- Senior Responsible Official (SRO) Course
- Managers Course
- Personnel Conducting Evaluations Course
- Internal Controls in Army Regulations Course

From July 26, 2010 to March 1, 2013, 19,196 Army personnel have completed the MICP computer-based training. A breakout is provided below:

Course Title	Total Personnel Trained (July 26, 2010-March 1, 2013)
Internal Control Administrators (ICA) Course	3,678
Senior Responsible Officials (SRO) Course	487
Assessable Unit Managers (AUM) Course	5,391
Managers' Course	4,257
Personnel Conducting Evaluations	3,761
Internal Controls in Army Regulations	1,622
Total	**19,196**

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. During the period April 25, 2012 to March 1, 2013, 3,837 personnel completed the MICP computer-based training.

Description of Issue: Fund Balance with Treasury Reconciliation.

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, 2013, the unreconciled amount between the Treasury and Army General Fund was $167.3 billion. Army completed the functional development of its automated reconciliation tool, Army Fund Balance with Treasury Tool (AFT), in March 2013 and has begun initial operational capability with the tool reconciling Army detail disbursing transactions with the Treasury's Cash Accountability Reporting System beginning with Fiscal Year (FY) 2013 data. Unmatched transactions are identified, grouped into categories and forwarded to the appropriate DFAS directorate to reconcile the differences.

Army's Financial Improvement Plan for FBwT projects full operational capability with the AFT by June 30, 2013.

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 audit ability 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. Starting with 2nd quarter FY 2013, the Army tri-annual review will become a quarterly requirement to ensure our obligations are accurate and increase the effectiveness of our financial operations. The reviews focus on Department of Defense (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 Defense Finance & Accounting Service (DFAS) personnel. The Assistant Secretary of the Army (Financial Management and Comptroller) (ASA(FM&C)) provides a certification statement to the OUSD(C) after each phase of the review to attest to the correctness and completeness of the reviews.

Description of Issue: Data Cleansing and Migration.

Accomplishment: In order to continue Army's efforts to reach milestones for the Status of Budgetary Resource requirements by 2014 and comply with the Department of Defense Inspector General (DoDIG) recommendation to develop a detailed plan to mitigate the use of legacy systems, the Army issued the GFEBS Legacy Data Conversion Plan on May 10, 2012. In March 2013, we updated the associated timelines, business rules and roles of various agencies. We have currently reduced the unliquidated obligation (ULO) balance for FY 2008, 2009, 2010, 2011, and 2012 by 60 percent since March 2012.

Description of Issue: Documentation of Eligibility for Entitlements.

Accomplishment: The Government Accountability Office (GAO) determined Army does not have an efficient or effective process or system for providing supporting documents for Army military payroll. In addition, the GAO also determined the Army's military pay audit readiness efforts would not ensure supporting documents are centrally located and readily available, nor any periodic review of those documents to ensure the accuracy of the documentation. Army has completed discovery efforts of the Military Pay process and is currently conducting tests of controls and limited substantive testing. The narratives and flowcharts were sent to Office of the Secretary of Defense (OSD) in early March. Army prepared a letter directing units to begin scanning pay-related documents into the Interactive Personnel Electronic Records Management System (iPERMS). This letter is currently in coordination and is to be signed by The Secretary of the Army. In addition, units will conduct an annual audit of each soldier's records in iPERMS. Any missing or updated documents are to be scanned into iPERMS. Army also developed a listing of Key Supporting Documents that would provide sufficient evidence of eligibility for entitlements and special pay. The list of Key Supporting Documents was vetted with the U. S. Army Audit Agency and the OSD Financial Improvement and Audit Readiness office to determine if the listed documents provide sufficient audit evidence.

Description of Issue: Quarterly Financial Statements.

Accomplishment: In accordance with Office of Management & Budget (OMB) requirements, we will continue to produce quarterly financial statements and publish an annual statement for the U.S. Army Corps of Engineers Civil Works fund, the Army's General Fund and Working Capital Fund for FY 2013. We will continue quarterly joint reviews with our service provider, DFAS, to review the accuracy and completeness of the Army's financial statements and explanatory notes. These reviews ensure that we adequately identify the business events that led to major fluctuations between reporting periods, that manually collected financial data is accurate and complete, and that required disclosures are included in the notes to the statements.

Description of Issue: Financial Reporting Efforts.

Accomplishment: We are focused on the Department's audit readiness efforts and continue work to correct financial reporting material weaknesses reported. To that end, we have taken the initiative to work directly with the developers for our Enterprise Resource Plans (ERPs) (Logistics Modernization Program (LMP), General Fund Enterprise Business System (GFEBS), and Global Combat Support System-Army (GCSS-A)) to ensure we build compliant general ledgers, place tight controls around the journal voucher and adjustment processes, and execute corrective actions for other general ledger related issues. In addition, we continue concerted efforts to ensure the ERPs are Standard Financial Information Structure (SFIS) and Federal Financial Management Improvement Act (FFMIA) compliant; key components for the systems to be audit ready. We have achieved a 97 percent SFIS compliance rating for GFEBS. We worked tirelessly with LMP and were able to submit its first SFIS compliant trial balance in December 2012. The actions we're taking in these areas will help address the longstanding financial material weaknesses related to Financial Management Systems, Abnormal Account Balances, and Accounting Adjustments.

Description of Issue: Audit Readiness Training.

Accomplishment: We have developed a suite of training modules covering general audit readiness concepts and specific internal control execution for business processes. To date more than 16,000 Army Soldiers and civilians have been trained at 182 locations. We continue to roll out audit readiness training via the ALMS so that training is accessible to all Army personnel anytime at no cost.

Description of Issue: Army Knowledge Online.

Accomplishment: The Army Audit Readiness site on Army Knowledge Online (AKO) is another key source of information for the audit readiness community, with up to 8,000 visits a month. The site provides users with the latest news and updates on audit readiness and a variety of resources such as control catalogs, business process flows and narratives, briefings to staff at all levels, and the quarterly Army Financial Improvement Plan (FIP) Report Newsletter.

Description of Issue: Reduction of Aged Antideficiency Act (ADA) Cases

Accomplishments: Conducted periodic face-to-face meetings between senior executives of OASA(FM&C) and those of funded activities with outstanding Antideficiency Act investigations

throughout FY 2013. The purpose of these meetings was to reinforce Army and DoD guidance and metrics, while facilitating a climate at the highest echelons of command that supports enhanced internal controls; addresses root causes that contribute to ADA violations; and provides a forum to identify and attack impediments to completion of investigations on time. These additional internal controls resulted in the closure of ten formal and 27 preliminary investigations by October 1, 2012. As of March 31, 2013, an additional 16 preliminary investigations have been closed. Intensively tracked ADA cases via the Triannual Joint Reconciliation Program video teleconferences.

Description of Issue: Improve Compliance with the ADA Reporting

Accomplishments: Maintained an ADA Investigation Manual on the ASA(FM&C) homepage. This manual provides a one-stop reference with quick and easy access to other ADA-related references. Users of the website can find additional guidance and information for preventing, processing and reporting ADA violations, as well as links to information and guidance on Army and DoD ethics and fiscal stewardship requirements. On March 29, 2013, the Deputy Assistant of the Army (Financial Operations) (DASA-FO) spoke at the Comptroller Accreditation and Fiscal Law Course conducted by the Army Judge Advocate General's Legal Center and School at the Army Management Staff College. Disseminated the 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 -- indicators of weaknesses that must be addressed. Aggressively tracked fiscal and appropriations law training metrics. As of March 31, 2013, 17,988 fund certifiers/disbursing officers had received fiscal law training within the past three years. Despite the challenges of transition from a five year requirement to a three year requirement, this still reflects a compliance rate of 93 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.

Description of Issue: Audit Readiness Testing for Operating Agency (OA) 22.

Accomplishment: Provided support to OA 22 regarding preparation for audit readiness as related to the Army's Financial Improvement Program. OA 22 supports over 70 fund centers, including HQDA activities. The effort included reviewing the adequacy of supporting documentation for sample GFEBS transactions to assist in the overall evaluation of the adequacy of internal controls and support for the Statement of Budgetary Resources. The test results will help identify actions needed by OA 22 to prepare for audit readiness.

Description of Issue: Review of FY 2006 Office of the Assistant Chief of Staff for Installation Management (ACSIM) Military Interdepartmental Purchase Request

Accomplishment: At the request of personnel within ACSIM, a review of the controls and circumstances surrounding the receipt of invoices against closed-year funds for a Municipal Service Partnership project was conducted. The review found that the questioned billings against closed year funds were valid (with adjustments). This condition was caused by incorrect information entered into Wide Area Workflow, delays in the billing process, and insufficient monitoring of invoice payments. Suggested controls included using the Tri-annual Review process to assist in identifying such situations and monitoring of contract payments.

Description of Issue: Processing of Personnel Removals and Similar Personnel Actions.

Accomplishment: At the request of Army Budget Office personnel, a review regarding processing of personnel removal and similar personnel actions was conducted. The review found: general guidance which was subject to interpretation, coordination among the various parties involved with the review was generally poor, and some cases took at least a year to resolve. Suggested actions included: developing written guidance detailing specific documentation required to affect various types of adverse personnel actions, initiating a Lean Six Sigma project to examine the processes used to effect adverse personnel actions, and developing metrics to track timeliness.

Description of Issue: Defense Travel System (DTS) Travel Review - Southern Command (SOUTHCOM)

Accomplishment: As a result of an allegation, performed a review of a traveler's vouchers covering an extended period of time. Although the traveler claimed expenses totaling $50,281 only $24,732 was substantiated. This condition was associated with the use of partial payments in DTS. The nature of this condition was discussed with the Defense Travel Management Office which indicated a plan to eliminate partial payments in the Next Generation Travel System.

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 FY 2012 and the first quarter FY 2013 of approximately $3 million or 10 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 $13 million for FY 2012 and the first quarter FY 2013 for a reduction of 62 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 Mission Rehearsal Exercise (MRE) 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. Our teams also developed and began training deploying units on the Army's new GFEBS. Thus far in FY 2013, the OST has trained nine units and exercised two units resulting in 138 soldiers receiving either training and/or evaluation, in many cases both. The remainder of FY 2013 will continue to be busy as our OST will train and exercise an additional 12 units as well as supporting other training events such as the Joint Contracting Readiness Exercise (JCRX-13) and Diamond Saber that will directly touch over 800 soldiers. The OST continues support as required to include systems implementation and training at the Financial Management School (FMS) to help with real world exercises/missions.

Some of these missions include: U.S. Army Central (USARCENT) GFEBS training and implementation, Joint Task Force-Bravo, Honduras personnel training, Commercial Vendor Services/Deployable Disbursing System training in Central Command (CENTCOM), and other train the trainer type events for Financial Management (FM) units worldwide.

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

Accomplishment: The EagleCash™ Stored Value Card is a cash management tool designed to support military personnel deployed in combat zones and on peace-keeping missions around the globe. In FY 2013 the program continued to add value and improve controls through increased force protection, reduction of U.S. currency in theaters of operation, reduced number of Casual Payments (CPs), reduced Cash Collection Vouchers (CCVs), 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 FY 2013 have focused on the deployment of new releases for EagleCash™ application hardware (laptops) and software in compliance with Army Gold Master 7 (AGM7) migration time lines that will bring significant improvements to internal controls, automation capabilities, reporting and streamlined financial management operations abroad. Additional program improvements will focus on adding local area network (LAN) functionality to the EagleCash™ kiosk to expedite settlement of card holder transactions and provide more secure transmission to CONUS and a new secure Web portal through the U.S. Department of the Treasury Web Application Infrastructure (TWAI) for delivery of encrypted transaction files.

Description of Issue: Banking

Accomplishment: In the U.S. 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. Within contingency operations, 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 and increase the stability of host nation banking systems. 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. The Overseas Military Banking Program contract source selection was completed, realizing a 25 percent reduction in costs to the Army while providing continued operations of 42 overseas Military Banking Facilities (MBFs) and 174 Automated Teller Machines (ATMs).

Description of Issue: Over the Counter Channel Application (OTCnet)

Accomplishment: This E-Commerce product minimizes losses of funds due to dishonored checks, while promoting the Army goal toward a near cashless battlefield through its integration with the EagleCash™ Stored Value Card program. Deployment of OTCnet, the U.S. Department of the Treasury's replacement system for PCC OTC, began in October 2011 and was completed in December 2012. OTCnet is a key component of the Treasury's Collection and Cash Modernization

program, as the application is fully auditable. Separation of duties between the cashier and the disbursing agent provide maximum internal controls and security. The OTCnet application is operated in partnership with the U.S. Department of the Treasury, the Federal Reserve Bank of Cleveland, and Citi. Technical and customer service support is available 24/7, providing global assistance to finance operations, mitigating any loss of funds caused by system or information needs. Through the end of calendar year 2012, OTCnet has processed 39,000 checks for $81 million at Army locations, with a collection rate of 99 percent; reducing the cost to the Army for Defense Finance Accounting Service (DFAS) to collect dishonored checks from a soldier's pay and the amount of cash on hand requirements.

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

Accomplishment: The E-Commerce product ITS.gov continues to significantly increase the number and value of electronic funds transfers for vendor payments and deposits to Local Depositary Accounts (LDA) globally, including within Operation Enduring Freedom. ITS.gov expanded the automatic processing of Korean Won payments, migrating from dependence on local financial institutions to retention of funds within the U.S. Department of the Treasury. Army DFAS central disbursing has incorporated additional organizations to fund paying agents through Western Union as opposed to treasury checks, increasing auditability and efficiency of getting funds to the end user. 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. In FY 2012 ITS.gov delivered 40,913 electronic funds transfer payments totaling over $3.259 billion for Army DSSNs. 78 percent of these payments were made in local foreign currencies, fostering the Army goals of reducing U.S. currency in Overseas Continental U.S. (OCONUS) theaters and increasing the auditability of payments. 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: Pay Support Provided to Wounded Warriors

Accomplishment: The Army in partnership with DFAS, National Guard and Army Reserve has continued to provide military and travel pay support to Wounded Warriors and their family members. We continue to train financial management specialists from the Warrior Transition Unit (WTU) and Community Based Warrior Transition Unit (CBWTU) on a resident platform the fundamentals of military pay, travel pay and Wounded Warrior pay account maintenance. We also conducted structured training teleconferences with the WTUs and CBWTUs' financial management specialists to assist them in their daily finance functions, provide new changes to pay, policies and procedures and resolve complex pay inquiries. In FY 2012, we conducted Organizational Inspection Program (OIP) at the WTUs; overall, the WTUs received a 74 percent green rating. We re-inspected the WTUs that did not receive a green rating on their first OIP within six months of the initial OIP. We reviewed and managed more than 98,000 Wounded Warrior accounts for pay and allowances accuracy and timeliness. We continue to meet or exceed the standard three-day travel payment turnaround time for Wounded Warriors and their family members. Family members were provided immediate access to travel fund advances using the Family Support Debit Card Program. There are 12 sites offering family members this program. In FY 2012, more than $662,000 was advanced to 1,599 family member card holders using the Family Support Debit Card. The Army

Financial Management Command and Defense Finance and Accounting Service have provided training, technical support and services, resulting in continuous improvement in the overall pay support to Wounded Warriors and their family members. The financial management specialists in the WTUs and CBWTUs continue to provide the one-on-one human dimension service and are the focal members to an effective pay support to Wounded Warriors and their families.

Description of Issue: GFEBS Miscellaneous Payments

Accomplishment: The command spearheaded a revised process to decentralize miscellaneous payments approval/certification in GFEBS. This program replaced sending manually certified vouchers with little to no back-up to DFAS for approval with use on on-line electronic certification in GFEBS. To ensure proper controls and strengthen audit trails, an edit was established requiring any invoice for payment must be supported by an attachment for the substantiating documents. In addition, policy was established which requires the DD 577 certifier appointment be attached directly to the provisioning for this role in the GRC. Since the Army began the phased deployment of this process in April 2012, use of the new process has climbed to 97 percent as of February 2013.

Description of Issue: Military Pay and Expenditure Accounting in GFEBS

Accomplishment: The command is orchestrating the systems development and process changes required to move the accounting for the three Army military pay appropriations worth $60 billion from Standard Financial Systems (STANFINS) to GFEBS in order to improve the accounting and support an auditable Statement of Budgetary Resources. In conjunction with this, the development of the capability to perform the Treasury expenditure reporting and related accounting is also being added to GFEBS. These are two of the three remaining functions in STANFINS which must be moved to complete the replacement of STANFINS. By moving the expenditure reporting, not only can military payroll disbursements be accounted for; but it facilitates moving away from over-aged in-transits and cross disbursing have significantly impacted on the auditability of the Army's financial statements.

Description of Issue: Special Review Office (SRO) Activities

Accomplishment: SRO conducted 33 oversight reviews for the Army's sensitive activity community during 2012. These inspections have expanded from various CONUS sites to Germany, Honduras, and Saudi Arabia. SRO has also implemented oversight responsibility for the U.S. Debit Card Program for four brigades of the Army Criminal Investigation Command as well as SOUTHCOM . U.S. Army Central Command and Special Operations Command are inspected by SRO for their special mission funding which uses the Eagle Cash Stored Value Card. In addition to performing on-site evaluations, the SRO also serves as the official repository for classified and sensitive financial documents. As part of their on-going quality assurance and oversight responsibility, SRO reviews these financial documents every month using a 25 percent sample.

Description of Issue: Enhanced virtual machine management

Accomplishment: Upgraded VMWare's Vsphere and VCenter management software. The Vsphere software allows us to effectively virtualize our business application servers. This enhances our ability to rapidly reestablish our business application services in the event of physical system failure. If a physical server should fail, the virtual server can be rapidly brought back up on a

different physical machine with minimal impact to the customer or loss of data. VCenter allows us to better control our virtual systems and provides us the capability to work with the Defense Critical Infrastructure Network (DCIN) and the Information Technology Agency to have our business systems mirrored at the remote Contingency Operations (COOP) site for rapid recovery in case of disaster.

Description of Issue: System Accreditation

Accomplishment: Successfully revalidated the Tenant in Good Standing status for the ASA (FM&C) Local Network, the Integrated Resource Management Information System (IRMIS), the Exhibit Automation System (EAS) and the Automated Schedule and Reporting System (ASARS), as required by the Defense Information Assurance Certification and Accreditation Program (DIACAP) and AR 25-2. All systems are compliant with all Information Assurance Vulnerability Alerts (IAVA), meet the configuration requirements in the DISA and Army Security Technical Implementation Guidelines, and pass a comprehensive vulnerability scan annually.

Description of Issue: Defense Critical Infrastructure Program

Accomplishment: Continued working with DFAS as a member of the Financial Service Sector Defense Critical Infrastructure Program Working Group. We are surveying owners of financial system 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: Audit Readiness Team

Accomplishment: GFEBS has a fully integrated process with an audit readiness team to validate remediation of completed plan of action and milestones (POAM) items. As of March 25, 2013, 227 actions have been identified in the GFEBS audit readiness POAM encompassing results from Exams 1, 2 and internal results from Exam 3. Sixty-three percent of actions are complete to date and 85 percent completion is planned for the end of May 2013. GFEBS has a fully integrated process with the Audit Readiness team to validate remediation of completed POAM items.

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

Accomplishment: Examination 2 in support of Audit Readiness was completed with an exit briefing provided to leadership March 14, 2013. As a result of the examination it was identified that Army had three material weaknesses in the areas of Journal Voucher Processing; Supporting Documentation and GFEBS General IT Controls. In addition, it was recognized that the Army "knows what it needs to do" to achieve full audit readiness. Army is proactively working on issues, has shown the identification of key controls and gaps in the assertion and is making progress in refining populations. As a result of the examination it was also stated that supporting sample amounts were accurately recorded within the general ledger. GFEBS was fully fielded in July 2012. The Program is working to mitigate all high risk control failures by May 31, 2013 to support examination by an Independent Public Accounting Firm (IPA) in 4th Quarter FY 2013.

Chief Information Office (CIO)/G-6

Description of Issue: Ensure the development and delivery of architecture guidance and products to support the Network Mission Area (NMA) and the Business Mission Area (BMA).

Accomplishment: Through its cloud computing architecture initiative, the CIO/G6 provided a focal point for assessing alignment of current to mid-term Army cloud computing efforts with federal/DoD guidance and implementation, such as the Joint Information Environment and the DoD Cloud Strategy. Through collaboration among internal stakeholders representing a broad set of initiatives and work efforts that contribute to or depend on the Army's transition to cloud computing to deliver capabilities, the CIO/G6 initiated the development of an Army cloud computing guiding vision statement and strategy. This effort helped to focus the Army-wide Cloud Summit held in June and co-hosted by ASA (ALT), G-3/5/7, Training and Doctrine Command and CIO/G-6. Future activities will identify architectural products needed to support the NMA or other major decision-making processes. Cloud computing will enable the Army to provide reliable, safe and cost-effective IT services that increase mission effectiveness.

As the representative for BMA enterprise infrastructure management and technical support for all Army enterprise resource planning systems within the Army Business Council (ABC), the CIO/G-6 supported all ABC integrated product team meetings and ABC one/two-star and three-star working groups. This involved assisting the Army Enterprise Systems Integration Program in enterprise resource planning (ERP) integration efforts, such as Army supply chain capability integration, ERP data exchange metrics and compliance, achieving a clean financial audit opinion by 2017 and the Army Logistics Automation Strategy. The Army Logistics Automation Strategy effort will modernize logistics processes and systems, and fully integrate the Logistics Information Warehouse for operational and strategic business analytics, corporate visibility and accountability of critical resources, and support to modular Army units.

Network Enterprise Technology Command (NETCOM)

Description of Issue: Standard Budgetary Resources (SBR) Training.

Accomplishment: The Army's Audit Compliance initiative is gaining momentum across all Commands. However, at the global NETCOM, fielding procedures made knowledge of program requirements "choppy." In October 2012, NETCOM received the Commander's Audit Readiness Checklist, which required the Commanding General to certify that all audit readiness internal controls had been implemented across all of NETCOM. While HQ NETCOM had received training during initial fielding, some subordinate units still had not been trained in the processes. To meet the broad requirements within a relatively short timeframe, the Accounting Team developed an audit readiness training program and brought in all of the Signal Commands (Theater) and some of their Brigades to train on each internal control requirement and supporting documentation. These units were able to take this information back to their Commands and build a viable audit readiness program to fulfill audit readiness requirements.

Description of Issue: Security-Related Internal Controls for Information Management (IM), Information Assurance (IA) and Physical Security (PHYSEC).

Accomplishment: The CONUS-Theater Network Operations and Security Center (C-TNOSC) has made great strides during the past four years. The C-TNOSC has shown considerable improvement in preparation for and performance in external audits and inspection, in particular the Cyber Command Readiness Inspection. This success is directly related to the internal controls described in AR 25-2, Information Assurance, to include conducting risk analyses and vulnerability assessments of C-TNOSC systems, instituting countermeasures, risk mitigations and risk acceptance, documenting security policies and processes, and ensuring that all changes are reviewed and approved prior to implementation.

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

Description of Issue: Basic Allowance for Subsistence (BAS) Pay for Soldiers Participating in Field Training.

Accomplishment: OPMG/CID are Table of Distribution and Allowances (TDA) organizations and typically the Soldiers assigned do not participate in field training exercises requiring subsistence support. In rare instances where field training would require subsistence support, Commanders are fully aware of the requirement and will initiate the process to collect BAS for meals provided. ACC conducted an OIP of the 15th Military Police Brigade (MP BDE), 17-19 Oct 12, which included a checklist of military pay and entitlements areas. The requirement for established controls for a DA Form 4187 to be submitted to finance for collection of BAS for government-provided meals during performance of field duty through pay collection/deduction for Soldiers who receive full BAS (with no meal deduction) was inspected. It was confirmed that Soldiers assigned to the 15th MP BDE had not performed field duty.

Description of Issue: Law Enforcement (LE) Manning Requirements.

Accomplishment: The Installation LE Requirements Project 2 (ILERP2) was implemented to empirically measure LE manning requirements based on LE calls for service. The project was started in 2010 with a model developed by the Center for Army Analysis and validated by the United States Army Manpower Analysis Agency (USAMAA). The OPMG worked closely with Installation Management Command (IMCOM) to take the new requirements, compare current authorizations and identify manpower overages and shortages. The team then developed a customized slotting template, which was used to insert MP Soldier Skill Set Utilization (S3U) against the new requirements. Application of the S3U where possible lowered civilian employee requirements and increased MP skill sets. This gap analysis was then cross-leveled over a three year planning period to move Department of the Army Civilian Police (DACP) to meet optimal manning across the range of installations based on the Army Protection Priority List. The Office of the Deputy Chief of Staff, G-3/5/7 approved the resulting recommendations on April 4, 2013. IMCOM is developing Schedule 8s to reflect the revised manning and will be implemented off-cycle FY 2014. Other benefits of this project were the standardization of the LE TDA job titles, agreement on DACP and MP positions and cost avoidance. This action supports recommended updates submitted to AR 570-4, Manpower Utilization, Chapter 6-12, and Military Police.

Description of Issue: Army Transition from Wartime to Peacetime.

Accomplishment: The Army is faced with the daunting challenge of transitioning a military engaged in over 11 years of war to one that will have to reset and prepare for military operations in

a challenging and unpredictable future security environment, fundamentally changing how it does business. The MP Corps must be organized, trained and equipped to conduct missions who enable the Joint Force and the Army of 2020 to conduct unified land operations while retaining its flexibility and versatility to support installation policing and corrections missions. Our proposed solution is a force modernization strategy focused on the MP Soldier and Organizations. The MP Force 2020 Strategic Plan seeks to enhance the professionalism of the total MP Force, by developing MP that are recognized professional experts in policing, investigations, and corrections. Through the integration of MP Corps functions we can develop adaptive leaders to manage enhanced MP capabilities and thereby better protect Army communities at home and support Army operations abroad. To monitor the implementation and progress of the 26 identified objectives, the Operational Management Meeting process was established to coordinate staffing efforts, gain senior leadership validation and approval for objective implementation and then to monitor the future progress of implemented objectives.

Deputy Chief of Staff, G-4

Description of Issue: Army Regulation states that Army Commands (ACOM), Army National Guard Bureau (ARNG), United States Army Reserve Command (USARC), Army Service Component Command (ASCC), and Direct Reporting Units (DRU) will report compliance to the applicable Life Cycle Management Command (LCMC). Commands would report compliance via mail or electronic mail to Program Manager/Item Managers. The previous reporting process made compliance tracking difficult. The effectiveness of Safety of Use (SOU) risk mitigation efforts was unknown.

Accomplishment: The G-4 led a Lean Six Sigma (LSS) project to improve Safety of Use (SOU) compliance. Team members of the core group consisted of Army Materiel Command (AMC), Aviation and Missile Command (AMCOM), Tank and Automotive Command (TACOM), Communications Electronics Command (CECOM), FORSCOM, and Training and Doctrine TRADOC. The team analyzed the current compliance process for challenges and identified that the process was insufficient for reporting and tracking compliance. The Army system currently in use for tracking Modification Work Orders (MWO) within the Materiel Management Information System (MMIS) was determined to be the right platform to improve SOU reporting and compliance. By employing MMIS as the platform for SOU reporting and compliance, tracking the Soldier implementing the corrective actions stays within a system that he is familiar with and already using on a regular basis. The MMIS familiarity and accessibility will increase SOU compliance and risk mitigation. By utilizing the established MMIS platform the programming expenses were minimized and the training requirement was nominal. A benefit of the MMIS is the standardization of the process across the field to ease Soldier reporting and Program Managers/Item Managers recording the compliance results. MMIS is available from the Army Senior Leadership levels to the junior Soldier executing the SOU solution. Every subscriber to the MMIS has the ability to track SOU distribution and message compliance to assure the risk mitigation measures employed. Effective 1 October 2011, MMIS became the Army's compliance tool for all ground safety and maintenance messages. The G-4 will continue to monitor SOU compliance.

Description of Issue: Property Accountability is the responsible stewardship of the resources entrusted in our care by the American taxpayer. It is positive control of Army property through accurate records, thereby contributing to auditability, a congressionally mandated requirement. The Army is challenged in property accountability after a decade plus of operational

deployments, while undergoing the largest organizational change since WWII, unprecedented modernization efforts and rapid fielding to satisfy unique operational requirements. Inaccurate property accountability can lead to reduced readiness and increased waste. The high volume of inventory adjustments, property lateral transactions, and property brought to record as found on installation reported through the Army Campaign on property accountability is indicative of systemic problems in establishing and maintaining property accountability.

Accomplishment: Published All Army Activities (ALARACT) message in May 2012 revising the Army Campaign on Property Accountability with new metrics to better measure the health of property accountability across the Army. New metrics and reporting format established to monitor Army progress to ensure all materiel and supplies are on an accountable record and excess is properly identified and returned to the supply system. The Army established a formal governance structure to provide guidance and direction to the Property Accountability Campaign. The structure includes the property accountability General Officer Steering Committee (GOSC) chaired by the G-4 and includes senior leaders from all the Army Commands, Army Service Component Commands and Direct Reporting Units and a Property Accountability Council of Colonels (PA CoC) chaired by G-4. The PA GOSC provides semi-annual update to the Chief of Staff of the Army (CSA) and Vice Chief of Staff of The Army (VCSA) during the Strategic Readiness Updates, thereby demonstrating the Army's commitment to improving our stewardship of Army Property. The PA CoC is responsible for 21 improvement action plans to address functional gaps that fit broadly into the following five recommendation categories: 1) Correct Property Book records to establish existence and completeness for equipment in unit possession; 2) Invigorate a culture of stewardship; 3) Provide Soldiers with right skills and tools to execute Command Supply Discipline Program (CSDP); 4) standardize and streamline property accountability policy; and 5) Standardize processes for acquiring and recording property. The PA CoC launched the Property Accountability and Command Supply Discipline Website as a one stop resource center for training, references and guidance for PA and CSDP execution. PA CoC created two new certificate producing courses for Commanders and Soldiers on property accountability and CSDP available on ALMS. The PA CoC developed Strategic Communication plan for Property Accountability to reinforce message on the importance to PA and CSDP. Communication products include videos on Sustain Net, Pre-Command Course talking points, Army Stand-To article and quarterly CSA/VCSA "GOMO Sends" notes.

Description of Issue: Develop a process to determine annual Organizational Clothing and Individual Equipment (OCIE) sustainment requirements in the Central Issue Facilities (CIF).

Accomplishments: In the area of OCIE, the Army Materiel Command (AMC) Central Management Office (CMO) and Office, Deputy Chief of Staff, G-4 worked with the RAND Corporation to establish Requisition Objectives (RO) and Requisition Order Points (ROP) to manage all Army OCIE through the CIF. To date, the AMC CMO in partnership with RAND has implemented RO/ROP levels at all CONUS and OCONUS CIFs. Germany and Korea RO/ROP input files are currently being maintained by RAND. All Centrally Managed CONUS RO/ROP are maintained by the CMO as of Sep 2012. The CMO controls the funds spent on OCIE, maintains total asset visibility and ability to cross-level inventory, and provides disposition instructions on all excess assets and laterally distributed on-hand OCIE. Units continue to retain unit OCIE budget for unit supply requirements. The Soldier now retains specialty OCIE during a permanent change of station. The significant change of Soldiers retaining OCIE has reduced the workload and inventory at the CIF and decreased the amount of time the Soldiers spend receiving and turning in OCIE

during relocation. We are continually improving the business process for the improvement of the Army Total Life Cycle Systems Management of OCIE assets.

Chief of Engineers / U.S. Army Corps of Engineers (COE)

Description of Issue: The Army needs facilities that are more sustainable, more energy efficient, conserve water, and provide a better working environment (Europe District (NAU)).

Accomplishment: This year, NAU was awarded the first Leadership in Energy and Environmental Design (LEED) Silver certification of a U.S. facility in Germany. LEED, established by the U.S. Green Building Council, is an internationally recognized program for the design, construction and operation of high performance green buildings. The project, a 285,000-square-foot Army Europe headquarters building named the General Shalikashvili Mission Command Center (Shali MCC), achieved LEED certification for energy use, lighting, water and material use as well as incorporating a variety of other sustainable strategies. The LEED certified buildings use less energy and water and save the Army and the taxpayers' money. The facility also reduces greenhouse gas emissions and contributes to a healthier environment for Soldiers and Civilians working in the building and for NAU's host nation community. In addition to the LEED Silver certification, the district also obtained its first German Passivhaus Institut (PHI) certification for the Urlas townhouses in Ansbach, Germany this summer. The ultra low-energy Passivhäuser, or Passive Houses are the first set of U.S. government homes worldwide to receive PHI certification. Benefits include an anticipated $120,000 savings per year in an energy costs for the Shali MCC building which is 18percent better than a non LEED certified building of the same size. Other benefits include an anticipated savings of 1.3 million gallons of water per year, 98 percent of the construction waste from this project was diverted from a landfill, more than 55 percent of the materials used to construct this building were harvested or recovered within 500 miles of the constructions site, 100 percent of the wood building components are Forest Stewardship certified, and low emitting materials were used throughout the project. Benefits of the Passive houses allow up to 90 percent energy savings compared to stock houses, efficient use of the sun, internal heat sources, and heat recovery, and use passive cooling techniques to affordably keep residents comfortable.

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

Description of Issue: The Under Secretary of Defense, Acquisition, Logistics & Technology (USD (AT&L)) issued guidance and sets forth ways to achieve productivity growth, i.e., do more without more. The Better Buying Power 1.0 guidance, containing 23 principal actions across five major areas and the BBP 2.0 guidance containing 36 principal actions across seven major areas, directs improvement in efficiency and productivity. 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. Program Executive Office (PEO) Ammunition validates should-cost for each program in the portfolio yearly during the Portfolio review process described on Page 3, Item 9 in the Reasonable Assurance Section of this document.

Accomplishment: PEO Ammo has embraced the tenets of the Better Buying Power (BBP) initiative and has achieved a cost savings/avoidance of over $5B over the Program Objective Memorandum (POM). The PEO has integrated these functions into our day-to-day practices and processes and has used multiple means to inculcate a mindset of efficiencies. PEO Aviation used

numerous tools and techniques to implement internal control program and processes. They include Lean Six Sigma, Better Buying Power Initiatives, and other systems to streamline processes and reduce risk.

Description of Issue: Lean Six Sigma (LSS) Project--PM Utility Project Office Common Engine Program project Retaining High Powered Serviceable T700-GE-700 and T700-GE-701C/D Aircraft Engines.

Accomplishment: The completion of this LSS project enabled PEO Aviation to identify $206M validated cost avoidance FY 2011 - 2015 by reusing 700 engines from MEP upgrade with units desiring replacement engines, transferring MWO -701D engines to appropriate aircraft, and swapping -701 Apache Basic engines for the 1701D engines removed from aircraft entering Apache BLK II/III upgrade program with no negative impact to risk based on engine torque factors. This successful LSS project was awarded the "2012 Acquisition, Logistics, and Technology Continuous Performance Improvement Award". In addition, the Project was nominated for the Army wide annual "2012 Army Lean Six Sigma Excellence Award" by the Department of the Army.

Description of Issue : Accurate and Timely Congressional Responses

Accomplishment: Improved the quality and timeliness of responses to Congressional inquiries. Ten external Congressional inquiries were fully staffed, complete and submitted on time. Supported Congressional testimony prep for Army leadership, continually communicated with PEO EIS workforce regarding Congressional activities that impacted programs, and established clear lines of responsibility between the PEO and ASA (ALT) for providing information to the Congressional audience within the framework of the established Army construct.

Description of Issue: Process efficiencies within Joint Attack Munition Systems (JAMS) Project Office and Product lines.

Accomplishment: The JAMS Project Office has been a leader in implementing LSS across the JAMS Product lines. To date, JAMS has completed 34 LSS projects and is currently working on 24 other projects. The combined cost savings/avoidance of all JAMS LSS projects from FY10-FY18 is approximately $193,633,453. JAMS' performance far outpaces the performance of other Project Offices in the PEO which makes up more than 50 percent of the LSS cost savings in PEO MS. The success of the JAMS LSS program has been recognized by ASA (ALT) numerous times. In FY 2012, JAMS was one of five Army organizations nominated for the ASA (ALT) Continuous Process Improvement (CPI) Award. The project responsible for this nomination was a Rapid Improvement Event on the M299 Circuit Card Repair Process which is anticipated to save $20M.

Description of Issue: Processing of Foreign Military Sales-Administrative (FMS-Admin) Funds in the GFEBS.

Accomplishment: Deputy Assistant Secretary of the Army (Defense Export & Cooperation) (DASA (DE&C)) is predominately funded with FMS-Admin funds. This fact makes the DASA DE&C office slightly different from the rest of ASA (ALT). To alleviate some of the burden on the ASA(ALT) financial management staff, the DASA DE&C office, working in GFEBS, took over the management of all FMS funded efforts; as well as managing the lesser amount of appropriated funds received by DASA DE&C. This included managing funds for supplies (obtained our own

credit card), reviewing and approving all DASA DE&C travel in DTS as well as covering payroll. This was a very large uphill learning event for the financial management staff within DASA DE&C. Included considerable training in GFEBS, DTS and the Government Purchase Card (GPC), as well as a lot of hours expended to establish the DASA DE&C office within GFEBS. Efforts are under control and DASA DE&C is preparing to ensure all documentation and processes are managed in preparation for the Army's audit in FY 2014.

Description of Issue: There was no centralized system to track Army Acquisition Community (AAC) Help Desk inquiries (trouble tickets); the manual process lacked consistent communication, was labor-intensive, workload was not easily tracked to include identification of types of inquires and duplication of efforts; finally, there was a lack of standardization and control of the inquiry process. Also, contractors were working outside their lane by addressing AAC Helpdesk tickets which resulted in payments of over $200,000 per year for non-standardized Helpdesk services.

Accomplishment: Using LSS and breakthrough innovation, improved the Army Acquisition Community inquiries process: Developed a new automated system, Workforce Management Inquiry System, which enabled a standardized process to retrieve all community inquires. It also helped to reduce manual tracking of inquires; removed non-value added linkage which addressed the contractor issue; leveraged automation by replacing the labor intensive manual logging and tracking; reduced inquiry response times from three days to two days; the improvements netted a cost avoidance of about $713,000 (FY 2013-FY 2018, 2 percent inflation).

Deputy Chief of Staff, G-1

Description of Issue: Professional Military Education (PME)/Functional and Warrant Officer Basic and Candidate School Training Resource Arbitration Panel (TRAP) Actions. To ensure the most effective use of existing program and resources for training program changes requested through "year of execution" PME/Education Functional and Warrant Officer Basic and Candidate School TRAP Actions.

Accomplishment: As the HQDA TRAP lead for PME/Functional and Warrant Officer Basic and Candidate School TRAP actions the Training Requirements Division was able to save the Army $47.075M through cost avoidance by performing detailed TRAP analysis, coordination with requesting agencies to maximize the utilization of existing program, and through the coordination with the Army Staff (ARSTAF), IMCOM, AMC, and Training and Doctrine Command's TRAP Action Officers to find more efficient solutions for resource requirements and/or constraints. The purpose of the analysis was to determine the ability of the training base to support a requested increase of 18,961 training seat requirements in formal PME/Functional and Warrant Officer Candidate and Warrant Officer Basic Course TRAPs. Through this analysis and with ARSTAF and TRADOC's coordination it was determined that 1,552 (8 percent) of the requirements were identified as being 'required' and supportable at a final cost of $8.510M, an 82 percent savings from the original $57.408M cost estimates.

Description of Issue: Lack of declaring a Material Weakness over failing to collect Basic Allowance for Subsistence (BAS) in Field Training. This issue had been reported by AAA two previous times without action being taken.

Accomplishment: As a result of increased awareness of the Internal Control processes and responsibilities, the Plans and Resources Directorate came to the conclusion that a Material Weakness should be reported. Consequently, the Secretary of the Army issued guidance to all Army commands to adhere to the requirement to collect BAS for government provided meals during field duty in order to achieve audit readiness by 2017.

Deputy Chief of Staff, G-2

Description of Issue: Coordination and oversight of the ARCENT Lost of Funds investigation.

Accomplishment: The Army G-2 as the proponent of the regulatory guidance AR 381-141 that oversees the use of Intelligence Contingency Funds (ICFs) has provided proper instructions on the collection actions and recoupment of lost or unaccounted funding received. As a result of our actions and involvement we were able to assist the ARCENT investigating officer on the recovery of $19,000 unaccounted for by a Class A Agent. Since this is a case of significant confidentiality, we are not able to disclose all pertinent information associated with the situation. New internal controls were recommended by the Army G-2 to be implemented at ARCENT to prevent such situations from happening in the future. We will provide follow-up audits in the future to ensure all internal controls and recommendations were implemented and working as designed.

Arlington National Cemetery (ANC)

Description of Issue: As of June 2010, ANC had a lack of formal Standing Operating Procedures (SOPs) to ensure accountability of remains at all times.

Accomplishment: We have put in place a robust chain of custody that exceeds industry standards and allows the workforce to precisely record today's burials so that the records of the individual, the marker commemorating them and the location within the cemetery are consistent and accurately reflected in a new automated management system. Each burial is recorded in an auditable, authoritative database and certified upon completion of the service. Chain of custody of remains is established upon receipt and maintained throughout the burial. Burial containers are recorded digitally and attached to the record of interment. Each record is certified by the Cemetery Representative who conducted the service and weekly 5 percent of the services conducted are checked for quality assurance to ensure all required actions were completed in a timely manner. The geographical location of the burial is established through the geospatial mapping system. The gravesite is verified using three adjacent known locations to ensure accurate and positive verification of the burial.

Army National Guard / National Guard Bureau (ARNG/NGB)

Description of Issue: The Information Management and Reporting Center (iMARC) system was identified as having systemic issues in validating incentive eligibility in accordance with regulatory guidance. Manual eligibility and payment eligibility verification of incentive contracts resulted in fraud, waste and abuse. The AAA report recommended 15 faults surrounding initial eligibility verification and payment processing verification. Over 5,000 Exception to Policy (ETP) requests resulted from manual processing through iMARC.

Accomplishment: Implementation and fielding of the Guard Incentive Management System (GIMS) for all SRIP Incentive Programs. The GIMS was developed with the intention of meeting AAA recommended corrections that were identified for iMARC. Four functional areas were discerned to meet the intent of improving iMARC: Issue the Contract; Establish Control; Monitor Eligibility; and, Process Payments.

Description of Issue: There were numerous means of information flowing from ARNG-RMC-F to States Staffs, and not all personnel received the same information.

Accomplishment: Accounting has been reorganized with Staff Accountant managing USPFOs by Regions. The reorganization is developing a streamlined organization for accountability and support. Weekly teleconferences are held between NGB-ARC-F, DFAS AMC and USPFO personnel, covering a myriad of issues such as current trends, accounting job cycle and job scheduling, and Staffs of the States, GFEBS performance and GFEBS error resolution information. The teleconferences ensure the Supervisory Accounting Technicians are aware of upcoming suspenses, issues, systems problems and/or changes. RMC-F has reinforced an AFCOS CAPS-W/DTS pre-validation to ensure all payments have an obligation recorded in GFEBS before the disbursement is released. RMC-F monitors interfund bills to ensure aged bills with errors are worked and cleared in a timely manner. Additional scorecards have been implemented this FY covering GFEBS IDOCs, Action Correction Dashboard errors, Unmatched Disbursements, Unmatched Collections, in addition to scorecards covering timeliness of submission for disbursing bridges and correction of BEIS errors. The Accounting scorecards are produced to insure USPFOs are meeting the DA Goals requirement.

Description of Issue: Statement of Budgetary Resources Audit Readiness Training and Sustainment.

Accomplishment: The mission of the ARNG Comptroller Division is to provide SBR audit support for the States, ARNG Headquarters, and NGB, to posture the ARNG for audit testing and successfully achieve an unqualified audit opinion for the Statement of Budgetary Resources by 2014, and all financial statements by 2017. This mission complies with Congressional and Secretary of Defense Directives by obtaining an unqualified audit opinion by establishing an ARNG dedicated audit readiness team to sustain the enduring requirement to remain auditable. The ARNG audit readiness team will be referred to as the SBR Integrator Team. The SBR Integrator Team will provide training, conduct in-depth analysis of audit failures and identify success, develop ARNG job aids, examine processes and provide suggestions for improving business processes that allow for better internal controls, provide end-user assistance in conducting research and finding the data that passes the audit test, verify data samples meet the audit standards and ensure a timely upload of data into Army's database. This will enable the ARNG to sustain an auditable environment while developing and implementing standardized processes that establish strong internal controls; which will comply with Army's monthly testing and an Independent Public Accountant (IPA) audit opinion.

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

Description of Issue: Professional partnerships.

Accomplishment: Beginning in August 2012, the Army Multimedia and Visual Information Directorate (AMVID) worked with several organizations to leverage its capabilities. The Army Photo Division began a partnership with the Joint Task Force - Armed Forces Inaugural Committee at Fort McNair to provide a dedicated team of photographers to support the 57th Presidential Inauguration. For the first time in over a decade, Army Photo personnel assisted with planning to determine equipment, location, and personnel support for the inauguration and parade.

Description of Issue: Risk mitigation in the face of fiscal uncertainty memorandum issued by the Deputy Secretary of Defense required each Military Service to take immediate steps to reduce expenditures and conduct detailed planning in the event of budgetary cuts.

Accomplishment: The Army Conference Management team required conference approval authorities of Army Commands, Army Service Component Commands, Direct Report Units, and HQDA Principal Officials to deliberately reevaluate previously approved but not yet executed conferences and reduce, cancel, or proceed with them consistent with the Deputy Secretary of Defense guidance. As a result, the team saw a reduction in attendance from 5,701 to 143 and total cost savings of $6.5 million for attendance at non-DoD conferences. In accordance with follow-on Army policy, the team established a process to ensure that Army personnel hosted or attended only conferences deemed to be "mission critical."

Description of Issue: Expansion of MICP mandated areas.

Accomplishment: Information Technology Agency (ITA) continued to mature and established baseline elements for program and project management, internal governance, knowledge management, enterprise architecture, performance management, capital planning and investment control, and process and standardization. Each of these divisions was engaged in the development, coordination, and implementation of agency-wide standards and processes in their respective areas. They developed standard methodologies and practices to initiate and implement projects, an effort that will provide better control over the variables involved in execution and result in reduced risk and increased knowledge of status and schedule. ITA also developed metrics to measure progress in continuous efforts and improve visibility of and communication between directors and their division chiefs. Tracking metrics will provide accountability for ensuring that strategic measures are met and ITA customers are receiving the levels of service agreed to.

Description of Issue: Information technology.

Accomplishment: ITA's front office stood up a senior leadership hotel suite and seven hotel stations in the Pentagon, room ME872. The hotel provides an alternate worksite for senior leadership, preventing the loss of work capabilities and therefore helping to ensure continuity of operations. The functions include the Unified Client, Voice over Internet Protocol, video teleconference, and teleconference. ITA acquired the furniture from the Logistics Services Washington reutilization unit, which minimized the expenses associated with the project. This site also provides an alternate site for a continuity of operations event.

Description of Issue: The Pentagon required the implementation of a wireless network device in five common areas of the Pentagon reservation so that users could access internal resources and the Internet with Government-furnished portable devices.

Accomplishment: ITA designed, developed, and implemented a secure infrastructure that allows all Pentagon tenants with access to the ITA Pentagon Virtual Private Network to use mobile network services in the Pentagon Library and Conference Center, the Main Concourse Food Court, the Center Courtyard and Café, the Metro Entrance, and Badge Office. The coverage area totals approximately 250,000 square feet, and can support as many as 2,000 simultaneous users up to speeds of 300 megabytes a second. At the request of the White House, ITA briefed its design to all Cabinet offices. DoD also implemented ITA's design at the Mark Center. The enterprise wireless design allows for potential expansion to Pentagon office tenant locations and wireless service at the Secret processing level.

U.S. Army Forces Command (FORSCOM)

Description of Issue: Not all FORSCOM organizations were receiving training and first-hand experience in their roles to support Audit Readiness and monthly testing.

Accomplishment: FORSCOM undertook a significant effort in Audit Readiness planning and execution in FY 2013. An Audit Readiness Working Group (ARWG) was established early in FY 2013, consisting of representation from the Deputy Chief of Staff (DCS) G-8, G-4, and the Internal Review office. A contract support team was brought on to augment the staff with additional manpower and Audit Readiness expertise. An execution order (EXORD) was written that codified the roles and responsibilities for commanders and staff that outlined the FORSCOM Audit Readiness Plan for FY 2013. On-site Audit Readiness training was delivered to all subordinate commands with follow-on supplemental Statement of Budgetary Resources (SBR) and Military Equipment/General Equipment (ME/GE) testing efforts. All of FORSCOM's Corps, Division, and Major Subordinate Commands, to include all 55 FORSCOM fund centers, received "hands-on" training on all control activities. FORSCOM is better positioned to support the Independent Public Accountant (IPA) Exam III and ASA (FM&C)'s SBR assertion scheduled for June 2014. The FORSCOM staff has begun to understand what sustainment efforts need to be in place to maintain auditability beyond full financial statement audit in FY17.

U.S. Army South (ARSOUTH)

Description of Issue: Financial Improvement and Audit Readiness.

Accomplishment: The ARSOUTH incorporated Audit Readiness requirements during MICP training from the initial deployment of training provided by the HQDA Audit Readiness team in January of 2012. We provided guidance and refresher training during the reporting year to internal control administrators (ICA)/coordinators, who are the conduit within assessable units for the assessment and testing of SBR KCOs, using the Army Commander's Audit Readiness Checklists. Results of these assessments were used to prepare the Commander's assessment provided to ASA (FM&C) on 14 December 2012. Areas requiring corrective actions due to lack of documentation across the command were tracked and Directives or SOPs implemented for improvement of processes. Continued partnership with Internal Review personnel and functional area Program Managers provided the ICA with required information to focus on areas needing improvement.

Description of Issue: Army Data Center Consolidation Program.

Accomplishment: The ARSOUTH G-6 participated in the Army Data Center Consolidation Program to assist the Army in cutting overall operating costs. Through consolidation, ARSOUTH has reduced expenses associated with operating a data center that was locally administered on site. Software and hardware implementation policies of the past had already set the stage that allowed the command to quickly meet the intent of the Presidential and DoD mandates to consolidate operations in an approved data center. ARSOUTH has operated under a consolidation best business practice philosophy since its move to San Antonio, allowing the command to focus on its mission rather than operating data centers. For information assurance reasons, the Conference of the American Armies was the sole exception that the command administered within a stand-alone data center. That system which resided on a commercial Internet Service Provider network has since migrated from the ARSOUTH data center to a commercially hosted environment, bringing ARSOUTH into full compliance with the intent of DoD's mandate 2 years ahead of schedule.

Description of Issue: Compliance with Executive Orders 13548 and 13518, increase representation of individuals with disabilities in the workforce and assist wounded veterans in re-entering civilian life.

Accomplishment: A command policy outlining policies and responsibilities for the hiring of individuals with disabilities and wounded veterans was developed. The proactive policy provides for a selective placement program and mandatory inclusion of individuals with disabilities in 'who may apply' when job vacancies are announced. In addition to competitive recruitment hires, the three non-competitive programs used to place severely disabled Soldiers and college students with disabilities are the Warrior Transition Unit (WTU) employment services, the Veteran's Administration (VA) Non Paid Work Experience Program and the Department of Defense's Workforce Recruitment Program for college students with disabilities. Additionally, EEO sponsored a briefing to 16 Veteran's Administration case managers to promote the command's efforts to increase awareness and hiring of warriors in transition; a Disabilities Discussion Forum was coordinated with speakers from the Office of Personnel Management and the WTU. As a result of these initiatives, eight requests to place Soldiers from VA, the WTU and students from the Workforce Recruitment Program were received and being worked at the end of the reporting year.

U.S. Military Academy (USMA)

Description of Issue: Gift funds used for travel in DTS and for purchases using the Government Purchase Card (GPC) are not properly charged against the Army Gift Fund account in GFEBS.

Accomplishment: To mitigate this issue, the Directorate of Academy Advancement (DAA) initiated procedures to execute gift funds outside of GFEBS for gift funded travel, transportation, and government purchase cards. Before this was initiated DAA conducted a thorough review with all departments and activities, the USMA G-8, IRAC, travel office, and the Mission and Installation Contracting Command (MICC) Government Purchase Card office. All agencies concurred with these new procedures. DAA briefed these procedures on 15 February 2013 to all impacted departments and activities. A total of 87 personnel attended this briefing. This is a temporary mitigation. If the DTS/GFEBS interface is not fixed in FY14, USMA will report as a material weakness.

Description of Issue: Assessment of Statement of Budgetary Resources Key Control Objectives.

Accomplishment: In FY 2013, ASA(FM&C) mandated commands to examine standardized key control objectives (KCO) supporting the Statement of Budgetary Resources (SBR) and internal controls over non-financial operations and financial reporting. On 28 November 2012, USMA Superintendent submitted the Army Commanders' Audit Readiness Checklist to HQDA. In conducting the review for the Annual Statement of Assurance, this checklist was updated based on the latest processes implemented at the command, updates and current SBR KCO structure provided by HQDA. The updated assessment identifies which key control objectives were in place (11), not in place (15) or not applicable (11) and developed corrective action plans for those KCOs not in place. The Army is continuously refining KCOs and the command is actively engaged to keep abreast of changes. The USMA G-8 also participates in the Army's monthly audit readiness sessions for current practices and information. Based on current assessment, USMA can provide reasonable assurance that key controls are in place for eleven SBR items out of the forty-one total controls. USMA substantiated the presence of controls in the areas of TDY (3) and reimbursable inbound controls (1), particularly the AO Travel Voucher portion of SBR 12.04 Invoice Voucher Approval, and 18.01, Reimbursable Agreement Budget Analyst Review through the success of four audit samples during audit readiness sample testing performed by ASA (FM&C) since July 2012.

U.S. Army Materiel Command (AMC)

Description of Issue: Logistics Modernization Program (LMP).

Accomplishment: Throughout 2012 the DCSRM, G-8, continued to provide resource support for the LMP system. LMP is an Enterprise Resource Planning (ERP) system based on Systems, Applications, and Products in Data Processing (SAP) platform that provides integrated national level logistics, acquisition and financial management for the Army Working Capital Fund (AWCF). Resource management personnel worked closely with personnel from the DFAS, ASA(FM&C), LMP Project Office, and Computer Science Corporation (CSC) to develop the requirements and design for a number of major projects during the year, to include: the Standard Disbursing Initiative (SDI), a Treasury-directed initiative to modernize their disbursing systems; Local Vendor Pay (LVP), an effort to bring certain entitlement processes into LMP and move closer to meeting Federal Financial Management Improvement Act (FFMIA) requirements; and the Standard Financial Information Structure (SFIS), a DoD Business Modernization initiative. We also began planning for the implementation of the Government-wide Treasury Account Symbol Adjusted Trial Balance System (GTAS), a Treasury initiative and Single Line of Accounting (SLOA), a DoD initiative. In addition, we responded to and began corrective action on the findings of a DoD Inspector General (DODIG) audit on the LMP procure-to-pay process and an AAA audit on the LMP downward obligation process, as well as continuing to resolve the issues identified by the OSD during an informal review of the AWCF financial statements. Resource management personnel supported addition workshops on LMP Internal Work Performed (IWP), Unmatched Disbursements (UMD's), and the Purchasing Release Strategy. We analyzed the root causes and identified solutions for a variety of high profile problems that created a significant number of rejects in LMP and issued policies or procedures for the proper recording of Hazardous Waste, the prohibition of using non-standard shipment numbers, the proper method of accounting for AWCF funded Military Labor, the proper recording of contracts with advances or prepayments, and the requirement for an advance for AWCF reimbursable orders providing services to non-Federal entities. We continue to work with personnel from the Defense Logistics Agency (DLA) to reduce the number of unmatched disbursements associated with the Integrated Prime Vendor (IPV) program.

Description of Issue: Negotiated Costs Savings

Accomplishment: Army Contracting Command-New Jersey (ACC-NJ) realized substantial costs savings for their customers during FY 2012. Non-competitive proposals during this period totaled $366,620,026. As the result of thorough evaluations and by utilizing best practices allowed under the procurement laws, regulations and policies available to them, ACC-NJ Contracting Officers negotiated these proposals down to $307,830,550 realizing a total savings of $56,994,574 for our customers. ACC-NJ utilizes a customer reimbursable agreement with our major customers as a supplement to the declining OMA funding. In a time when mission was increasing, but funding was decreasing it became apparent that another source of funding was necessary. In FY 2012, the customer reimbursable portion of the ACC-NJ budget was $5,853,800. This cost was easily recaptured as a result of the Workload Performance Measurements resulting in savings of just under $57M and an actual cost per dollar obligated of $0.008.

Description of the Issue: Inexperience workforce and a shortage of readily trained 1102 contracting employees. The workforce is composed of 46 percent personnel with less than five years of contracting experience. This requires more stringent oversight by senior contracting personnel and a robust training program to fulfill the needs of the organization.

Accomplishment: Throughout FY 2012, ACC-Aberdeen Proving Ground (APG) completed 41,996 contracting actions with a total obligation of $15.5 Billion and 19 percent of this amount was awarded to small businesses. To maintain the contract specialist (1102 series) employee base and meet the demands of this workload, ACC-APG hired 21 interns in fiscal year 2012. In February 2012, the organization conducted a five-week in-house classroom training program known as Intern Institute. With close to one-third of the workforce in the intern program, classroom instruction includes such varied topics as regulations and fiscal policy to effective writing, ethics and meeting a Soldier. The curriculum is designed around practical exercises and hands-on experiences, providing opportunities for individual and group accomplishments. The Institute's primary instructors are experienced senior-level ACC-APG personnel who provide interns with the opportunity to interact with upper-management in a relaxed environment while developing skills that will benefit them throughout their careers. Contracting officers relay real-world analysis and application experiences to a motivated class of professional adult learners. Technically, the interns continue to be functionally proficient and become contributing members of their teams at an accelerated rate.

Description of Issue: Black Belt Project, Improve Property Management.

Accomplishment: In September 2012, a LSS project was chartered by the Business Management Division to study the property management process. Seven major tasks related to property management were studied, with general improvement opportunities identified. In November 2012, ACC- Warren (WRN) Property Management experts conducted a formal process review with the ACC G-4 property book officer (PBO). As a result, several non-value-added steps were removed and the process was streamlined from 27 hand-receipt holders to one PBUSE hand receipt holder. A new Property Management Policy and Process SharePoint page is being developed to clearly state the responsibilities of division and group chiefs in safeguarding property. The process will be completed by the third quarter of FY 2013.

Description of the Issue: No Comprehensive Property Management Program in ACC. Currently, there is no auditable program established to furnish, account for, manage, and dispose of Government Property, which includes Government Furnished Property and Contractor Acquired Property. This has resulted in limited visibility and accountability of Army assets on contract. Progress to correct this deficiency has been severely hampered due to the lack of tools, standardized procedures and policies, training, and proper manning. This results in inherent risk to contract operations supporting the Warfighter, the potential loss of Government Property, and the lack of audit readiness.

Accomplishment: A Property Branch has been established at ACC HQ, and two Industrial Property Management Specialists (1103 series) were hired to start the program. A Community of Practice (CoP) was established linking all property administrators from across the command. An IPT was formed included members of this CoP. The IPT attended a working meeting 7-14 January 2013, to begin to establish this program. The IPT drafted a Charter, Stakeholder Analysis, and Communication Plan to establish the Property Program. The IPT will meet the objectives of the charter to include Process Mapping, Process Description, Tools, Policy, Performance Objectives, PMR Tool Kit, Training, and Manning to standardize processes and effect cultural change in all contract property environments to include the expeditionary operations. The IPT will address providing and administering property from all stakeholder perspectives. The IPT also drafted a proposed schedule for this initiative, with major milestones occurring monthly through the completion of the project, estimated in February 2014.

Description of the Issue: Logistics Support Activity (LOGSA) Support to Afghanistan and Operation Enduring Freedom (OEF). The Soldier Support Center provides strategic, operational, and tactical customers in the Area of Responsibility (AOR) and across the Army and several DOD organizations with products and services required for successful logistics planning and management of the Operation Enduring Freedom (OEF) Drawdown mission. As the theater operations continue to draw down, equipment needs to be retrograded and then reset as a result of deployments. No single automated process captures the turn-in or lateral transfer of equipment in theater. The Soldier Support Center created the Theater Provided Equipment Planner (TPE-P) to function in these gaps by automating theater's processes to vet lateral transfer, redistribution, and disposition decisions for non-mission essential TPE.

Accomplishment: As a result of using TPE-P, the theater was able to pull equipment from Iraq, Kuwait, and Afghanistan and ensure it was returned to the right place at the right time. This process streamlined the reset process and provided cost savings by ensuring equipment was moved to the closest place where it was needed to go, ensuring equipment was returned to the correct location rather than requiring multiple transportation actions. During 2012, TPE planner was utilized for 214,000 pieces of equipment in Afghanistan with a total value of $7.3 billion.

Weekly Afghanistan TPE and ORG On-Hand Equipment Data Analysis – resolved United States Forces Afghanistan (USFOR-A) and HQ AMC need for accurate, timely, periodic information on Afghanistan Rolling and Non-Rolling Stock TPE and Organization (ORG) on-hand equipment details for OEF Drawdown strategic and operational logistics planning and management to include data required for depot and field level reset and readiness planning.

Weekly Afghanistan Supply Support Activity (SSA) On-Hand Asset Data Analysis – resolved USFOR-A and HQAMC need for accurate, timely, periodic information on Afghanistan SSA on-hand asset details for OEF Drawdown strategic and operational logistics planning and management.

Customized/Special Weekly LOGSA TPE Planner Process Performance Report and Data Support Package – resolved USFOR-A, First Theater Support Command (1st TSC), 401st Army Field Support Brigade (AFSB), AMC Responsible Reset Task Force (R2TF), Life Cycle Management Command's (LCMC) need for accurate, timely, periodic information on the processing of Rolling and Non-Rolling stock TPE nominated by Units as excess to their requirements. Report provides AOR organizations with information on cycle times for theater vetting levels, LCMC planner level, and the LCMC provider level as well as projected turn-in to Retrograde Property Assistance Team (RPAT) and Defense Logistics Agency (DLA) Disposition Sites (DS) and percentage of what LCMC equipment items have predetermined disposition versus manual disposition.

Description of Issue: Establishment of Requisition Objective/Reorder Point (RO/RPO) to determine quantities for weekly requisition.

Accomplishment: The OCIE Central Management Office (CM0), in conjunction with RAND, Established a Requisition Objective/Reorder Point (RO/RPO) process that uses demand date to determine appropriate items and quantities of items to requisition on a weekly basis. The CMO worked with PM installation Support Module Central Issue Facility (PM ISM CIF) to make appropriate automation changes and the CMO developed its own management tools to be able to review and approve requisitions. The benefits of the new process are: $30 million/Year savings is the cost of OCIE replenishment; improved funds control; and improved control over which requisitions go to wholesale (Defense Logistics Agency) versus what could be filled out of Army-owned stocks ($123 million cost avoidance in FY 2012).

U.S. Army Testing and Evaluation Command (ATEC)

Description of Issue: Execution of LSS program.

Accomplishments: From the period 1 May 2012 to 30 Apr 2013, total projects completed were 208; total financial benefits was $538.4M ($267.5 million in cost avoidance and $270.9 million in cost savings); total certifications were one Master Black Belt, 27 Black Belts, 18 Green Belts. The HQ LSS Team received the 2012 Army LSS Excellence Award (LEAP) for Organizational Deployment, recognizing ATEC's outstanding LSS effort in transforming its business processes in 2012. In addition, Redstone Test Center received the Non-Enterprise Level (Black Belt) Project Team LEAP Award for its Aviator Training Hour Reduction project. The HQ LSS Team organized and conducted six in-house Black Belt training classes during 2012 resulting in 115 newly trained LSS practitioners across the command. The ATEC LSS Team worked to revise the ATEC 1-11 Continuous Process Improvement (CPI) policy to focus the command on achieving business results versus training and certifying belts. The new policy also focused on Quick Wins versus traditional Define, Measure, Analyze, Improve, Control (DMAIC) belt certification projects that can take years to complete. The team created a Just Do It toolkit and a Rapid Improvement Event toolkit that allowed non trained personnel to complete Quick Wins and achieve faster results than traditional DMAIC projects.

Description of Issue: Test Efficiencies.

Accomplishment: The ATEC LSS Team has led the initiative with the Army Evaluation Center, in cooperation with Assistant Secretary of the Army for Acquisition Logistics and Technology, Training and Doctrine Command, Director of Operational Test and Evaluation, and Developmental Test and Evaluation, to review 21 major acquisition programs which identified over 149 opportunities for more efficient and effective testing. Test efficiencies were found by combining tests, utilizing modeling and simulation, reducing the test scope/duration, eliminating low value/risk tests, modifying requirements, changing/consolidating test locations, streamlining test procedures, and/or leveraging alternate data sources. As of February 28, 2013ATEC has identified efficiencies that saved their Program Executive Offices/Program Managers $70 million in test costs and eliminated an estimated 118 months from the test schedules.

Description of Issue: Review of all publications to determine applicability to the mission and functions due to reorganization.

Accomplishment: ATEC has reviewed 258 publications resulting in 171 that have been revised/rescinded/published. This is a huge task at hand and is still ongoing with 72 publications remaining to be reviewed and updated. The publications program is considered one of the Commanding Generals highest priorities and is closely monitored through his monthly review and analysis meetings. Current publications are critical to the mission and functions command-wide.

U.S. Army Europe (USAREUR)

Description of Issue: LSS program.

Accomplishment: Continued an award-winning LSS program that supported USAREUR's internal controls. The LSS program used trained black- and green-belt personnel and a formal improvement methodology to help safeguard USAREUR resources. During FY 2013, USAREUR completed several projects that saved millions of dollars (through cost savings and cost avoidance realized over seven years) and provided significant operational benefits. The 21st Theater Sustainment Command (TSC) LSS program was awarded the "2012 Army LSS Organizational Deployment Award" in the subordinate organization category. The 21st TSC was also recognized as one of two "2012 Army LSS Project Team Award" winners in the green-belt project category, competing against over 800 projects. Currently, there are 45 active black- and green-belt projects that will produce additional financial and operational benefits during FY 2013.

Description of Issue: On March 4, 2013, the Secretary of the Army issued a memorandum on basic allowance for subsistence (BAS) during field duty, which reemphasized the requirement to recoup BAS during field training. BAS is intended to provide meals for the military member only, and is not intended to cover the cost of meals for Family members. Military members may not be provided meals or rations during field duty on behalf of the Government while entitled to BAS for the same period of service.

Accomplishment: The 266th Financial Management Center (FMC) issued Policy Letter 17, which established procedures for processing, validating, and recouping meals provided during field duty in USAREUR. Since the letter was published, the number of meals payment recoupment during field duty has increased greatly to over $44,000.

Description of Issue: Multiple personnel data resources have conflicting or duplicative data that slow staff actions concerning manpower authorizations.

Accomplishment: The USAREUR Manpower Execution Branch (MEXB) and Knowledge Management Division collaborated to design the USAREUR Manning Database (UMD). The UMD is an automated "faces-to-spaces" program that uses the Army's official authorization documents and USAREUR approved over-hires. The UMD aligns the civilian incumbent against the correct unit identification code (UIC), paragraph, and line number. The UMD provides a single source document for all headquarters USAREUR manpower authorizations (military, civilian, contractors, over-hires, and other personnel) that support the headquarters mission. It provides real-time access to data and facilitates senior leader information in critical manpower decisions. Additionally, the UMD is utilized in the reconciliation of civilian personnel end strength between the Defense Civilian Personnel Database System (DCPDS) maintained by the Civilian Human Resources Agency-Europe (CHRA-E) and the GFEBS maintained by DFAS. As errors are discovered between DCPDS and GFEBS, corrective actions are taken immediately.

Description of Issue: GFEBS users were completing transactions inconsistently and sometimes without all the required documentation.

Accomplishment: The USAREUR G-8 instituted an internal practice of creating an attachment list to outbound MIPR purchase requests (PRs). As part of this process, a copy of each signed and approved DD Form 448 (MIPR) is attached to the GFEBS transaction at the time of Level-4 processing (funding). The signed DD Form 448-2 (MIPR acceptance) is later attached to the outbound MIPR-PR on receipt. Level-5 officials have been instructed not to release outbound MIPR-PRs until they verify that the DD Form 448-2 is attached. This process has aided financial integrity and improved audit readiness by keeping all relevant source and justification documents attached to the financial transactions, and by ensuring MIPR-PR transactions within GFEBS are not released before receipt of the completed DD Form 448-2. This process has been adopted as a USAREUR best practice.

Office of the Assistant Chief of Staff for Installation Management (ACSIM)

Description of Issue: Child, Youth, and School Services (CYSS) Employment and Operations Process

Accomplishment: Pursuant to abuse allegations at a child development center and the subsequent discovery of mismanagement of criminal background checks (CBC) and other operational deficiencies, OACSIM and Installation Management Command (IMCOM), in coordination with other Army organizations, took the following actions between December 2012 and the present: Reassigned IMCOM CYSS subject matter experts to operate the affected child development center; participated in the Secretary of the Army (SECARMY) Working Group for the Safety and Well Being of Children and Youth chaired by ASA(M&RA); conducted a comprehensive review of CBC procedures, to include a self-reported installation review and participation in USAAA and DAIG reviews; conducted regular CYSS updates with SECARMY and the Commander, IMCOM; published an operations order updating CBC and adjudication procedures; revised reporting procedures for incidents occurring in Army CYSS programs; and updated CYSS items for the organization inspection process.

Installation Management Command (IMCOM)

Description of Issue: Installation-Level Audit Readiness Mission (**Fort Rucker**)

Accomplishment: Since August 2009, the Secretary of the Army and ASA (FM&C) have issued numerous action memorandums, tasks, and guidance regarding audit readiness, but haven't consolidated the information for end-users at the installations to understand and execute the mission. In order to achieve installation-wide dissemination and understanding of the installation's role in the Army's audit readiness mission, the Internal Review Office issued Fort Rucker OPORD 12-08193, which summarized audit readiness goals, responsibilities, and expectations for units/organizations at both command and tenant levels across the garrison. The Internal Review also developed an AKO website to provide audit readiness resources and status reports, and initiated overview training for audit readiness POCs in the units/organizations. As a result, visibility of audit readiness has greatly increased at Fort Rucker and 64 unit/organization audit readiness POCs had received overview training as of October 2012.

Description of Issue: Service Contract Costs (**Fort Belvoir**)

Accomplishment: Through use of quarterly Service Acquisition Review Boards, and direct interaction with contracting officer representatives, directors, program managers, and local military contracting office (MCO) staff, Fort Belvoir achieved non-pay cost savings of $1.2 million in FY 12 and 1st Quarter FY 13 by declining to exercise option years, canceling non-critical requirements, re-scoping performance work statements (PWS) to reduce contracted service efforts, and re-competing post-wide custodial requirements. Fort Belvoir also worked closely with the DPW base operation requirement managers and MCO staff to update technical requirements and develop a comprehensive PWS in support of a contract solicitation with a new base year and four option years. Annual cost savings for the new post-wide custodial contract will be $2.4 million, which is a 43 percent reduction in cost from prior contract.

TAB B

LISTS OF UNCORRECTED AND CORRECTED MATERIAL WEAKNESSES

Uncorrected Weaknesses Identified During the Period:

Title	Targeted Correction Date	Page #
Category: Resource Management/Military Pay		
Collection of Basic Allowance for Subsistence Pay during field training	CY 2015	B-1
Category: Resource Management		
Audit Readiness of Second Destination Transportation	FY 2017	B-3

Uncorrected Weaknesses Identified During Prior Periods:

Title	Year First Reported	Correction QTR/FY Date Per Last Annual Statement	Correction QTR/FY Date Per This Annual Statement	Page #
Category: Supply Operations				
Financial Reporting of New Equipment In-Transit	FY 2008	4th Qtr, FY 2016	4th Qtr, FY 2016	B-5
Category: Contract Administration/Procurement				
Oversight of Service Contracts	FY 2006	3rd Qtr, FY 2013	1st Qtr, FY 2014	B-8
Expeditionary Contracting	FY 2007	4th Qtr, FY 2014	4th Qtr, FY 2014	B-10
Category: Resource Management/Military Pay				
Reporting Accurate Obligations for PCS Program	FY 2010	2nd Qtr FY 2014	3rd Qtr, FY 2014	B-12

Corrected Weaknesses Identified During All Periods:

Title	Year First Reported	Page #
None		

STATUS OF UNCORRECTED OPERATIONAL MATERIAL WEAKNESSES

Uncorrected Weakness Indentified During the Period

Local ID#: DAG1-2013-001

IC Reporting Category: Comptroller and Resource Management

Title and Description of Material Weakness: "Collection of Basic Allowance for Subsistence (BAS) Pay for government provided meals during field duty". Army Audit Agency (AAA) cited the lack of collection of the cost of meals provided to soldiers during field training exercises. This applies only to soldiers collecting BAS. The AAA reported this issue in 2005, 2010 and 2012.

First Year Reported: FY 2013.

Target Correction Date: 31 December 2015.

Corrective Action Summary: Affected commands will include information in TAB B of their ASOA regarding progress they have made and plan to put internal controls in place to satisfy the requirement of AR 11-2 and the Secretary of the Army's 4 March 2013 memorandum. AAA will conduct a follow-up audit.

Corrective Action Plan:

DATE	MILESTONE
4 March 2013	DAPE-PR coordinated the issuance of Memorandum, Secretary of the Army, subject: Audit of Basic Allowance for Subsistence Pay for Soldiers participating in Field Training
Date TBD	Updating AR 37-104-4, Military Pay and Allowances Policy, 8 June 2005, with an internal control test question list
30 May 2013	Affected commands will include information in Annex B of their Annual Statements of Assurance regarding progress they have made and plan to make in putting internal controls in place to satisfy the requirement of AR 11-2 and the Secretary of the Army's 4 March 2013 memorandum
30 June 2013	PRC review of ASOAs to monitor progress
4Q FY13	Provide summary of progress to the Director, DAPE-PR and the Deputy G-1, for their input to the ASA, FM&C Senior Leader Steering Group (SLSG)
Beyond CY13	Each quarter provide summary of progress to the Director, DAPE-PR and the Deputy G-1, for their input to the ASA, FM&C Senior Leader Steering Group (SLSG) until the Material Weakness is determined to have been corrected

CY15	Coordinate with ASA, FM&C and the AAA to ensure a follow-on audit is conducted to monitor progress and ultimately validate if the Material Weakness has been addressed.

Validation process: Commands with soldiers receiving meals in the field shall address their progress in implementing controls over this function. AAA has indicated they will conduct a follow up audit.

OSD or HQDA Action Required: ASA, FM&C (FO) shall provide copies of ASOAs to HQDA G-1 Plans and Resources Directorate who monitors the progress in this area.

Point of Contact: LTC Preston O. Fahie, DCS G1, Plans and Resources Directorate, 703-692-6883.

STATUS OF UNCORRECTED OPERATIONAL MATERIAL WEAKNESSES

Uncorrected Weakness Indentified During the Period

Local ID #: DAG4-01

IC Reporting Category: Comptroller and Resource Management

Title and Description of Material Weakness: Audit Readiness of Second Destination Transportation (SDT). Hundreds of Transportation Account Codes (TAC) are involved. Major problems exist with how field activities assign TACs resulting in substantial fluctuations in financial accounts. Primary SDT Audit Readiness Problems: 1) Documentation nonexistent in GFEBS; 2) Bulk obligations with multiple invoices and transactions; 3) Communication between systems; 4) Non-Army transactions. Shipper/transportation level systems are not integrating well, either to the third party payment system (Syncada), or directly to the financial systems (GFEBS), so the documentation is lost. Purchase requests, purchase orders, and invoices (bulk in Syncada); documentation nonexistent in GFEBS; sampling did not specify a singular shipment or multiple shipments; DFAS consolidated invoices from Syncada. Documentation to approve; no documentation within GFEBS demonstrating the approval authority for shipment (e.g. Requisition and Invoice/Shipping Document); Receiving Report.

First Year Reported: FY13

Target Correction Date: FY17

Corrective Action Summary: Initiated Discovery Phase to analyze processes and determine stakeholder requirements and inputs. Corrective actions requires coordination and support of all services (Army, Navy, Air Force, Marine Corps) as transportation modes, invoice payments, and overall accountability of resources cross multiple automated systems among the various services. Corrective action will require OSD-led Tiger Team with participation of all services.

Detailed Corrective Action Plan:

Date	Task Description	OPR	Status
2nd Qtr, FY 13	Problem Identified between G-44D and G-48	G-4	Completed
3rd Qtr, FY 13	GO/SES meeting with ASA (FM&C) and Army G-4	G-4, ASA (FM&C)	Completed
3rd Qtr, FY 13	Briefed Senior Leaders	G-4	Completed
3rd Qtr, FY 13	Open Communication with Marine Corp, Navy and OSD about MW	G-4, ASA (FM&C)	Ongoing
3rd Qtr, FY 13	Prepared MW Statement	G-4	Completed
4th Qtr, FY 13	Determine Way Ahead	OSD	Open

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

OSD or HQDA Action Required: Action is required at OSD level. Resolution will require cross-service agreement. Suggest issue resolution will require establishment of an OSD-led Tiger Team. HQDA must participate in the joint review of the issue, identification of proposed resolution and development of system interfaces to resolve this issue for the Army.

Point of Contact: HQDA G-4 Transportation Functional Representative, LTC Seth Gladstone, 703-614-4016; Mr. Gene Thomas, 703-614-1029; Resource Management Representative, Ms Eva Walton, 703-614-4239.

STATUS OF UNCORRECTED OPERATIONAL MATERIAL WEAKNESSES

Uncorrected Weakness Indentified During Prior Periods

Local ID: DAG4-02

IC Reporting Category: Supply Operations

Title and Description of the Material Weakness: Army Material Weakness on New Equipment In-Transit Reporting. 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 wholesale in-transit transaction remains open, which results in the Army overstating its on-hand equipment inventory and the value of our capital assets in the quarterly financial statements. The Office of the Deputy Chief of Staff (ODCS), G-4 in coordination with the Assistant Secretary of the Army (Acquisition, Logistics and Technology (ASA (ALT)) researched the Life Cycle Management Command (LCMC) document number transactions for Program Manager (PM) pushed major end items to improve the in-transit visibility reporting through the Logistics Information Warehouse (LIW). ODCS, G-4 provided comments to the Department of the Army Pamphlet DA PAM 700-142-1, Instructions for Materiel Release, Fielding, and Transfer for the instructions for materiel fielding and transfer. In addition, ODCS, G-4 participated in the Total Package Fielding (TPF) requirements for Logistics Modernization Program (LMP) and GCSS-Army resulting in improving the TPF functionality within the Enterprise Resource Planning (ERP) systems.

First Year Reported: FY 2008

Target Correction Date: 4th Qtr FY 2016

Corrective Action Summary: Monitor closures based on newly identified gaps in process and introduction of new retail Property Accountability System (GCSS-A). Monitor the implementation of IUID in the tactical and national Property Accountability systems (Required to demonstrate and sustain existence and completeness). Complete re-mapping the financial process for in transits from LMP and Property Book Unit Supply Enhanced (PBUSE)/GCSS-Army to GFEBS. Test the financial reporting of equipment from LMP/DSS and PBUSE/GCSS-Army to GFEBS. USAAA validates closure of weakness for the financial reporting of equipment in transit of major end item new equipment fielding.

Corrective Action Plan:

Date	Task Description	OPR	Status
Jan-08	USAAA closed the Financial Reporting of Equipment In-Transit, Audit Report AA 96-156, Material Weakness and DA-G4 re-scoped a New Material Weakness to focus on Total Package Fielding In-Transits.		Background
4th Qtr FY 08	Developed flowchart detailing Equipment In-Transit Process; revised AR 710-2 to include metrics for closeout of in-transit records; modified Command Supply Discipline Program Checklist to Include the metrics.		Background
2nd Qtr FY 09	Process retesting (Tollgate Control – Transition Brief: 19 October 09) Apr 09 submitted ECP for PBUSE to pull D6S (Receipt Documents); converted to DRA and inputted into DAS to Feed CCSS to close open transactions; actions being Input into LMP to ensure closure of in-transit transactions. Initial pilot test results show an improvement from 16% Closure rates to 90% closure rates.	G-4	Completed
2nd Qtr FY 10	Request USAAA validation and closure following Tollgate Review.	G-4	Completed
3rd Qtr FY 10	AAA conducted entrance brief with key players for audit validation. AAA could not close the weakness based on their findings: lateral transfer process not demonstrated in LMP; lateral transfer process barely demonstrated in CCSS; financial statement process not addressed.	AAA	Completed w/o resolution
1st Qtr, FY 11	LMP TPF document creation/generation developed and fielded to the LCMCs.	AMC/Army G-4	Completed
2nd Qtr, FY 11	Develop internal control process for validation of manual closure of LMP TPF documents. Investigate design for an automated fix.	AMC/Army G-4	Completed

3rd Qtr, FY12	Revised milestones with target date 3rd Qtr, FY 10 changed to 3rd Qtr, FY 12.	AMC/Army G-4	Completed
4th Qtr, FY 12	Map and compare the TPF and Non-TPF process flow between LMP, DSS, SARRS and PBUSE/GCSS-Army. Research closure of aged in-transits in LMP	ASA-FMC/AMC	Completed
1st Qtr, FY 13	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.	Army G-4	Completed
4th Qtr, FY 14	Monitor closures based on newly identified gaps in process and introduction of new retail Property Accountability System (GCSS-Army)	AMC /Army G-4	Open
4th Qtr, FY 15	Monitor the implementation of IUID in the tactical and national Property Accountability systems (Required to demonstrate and sustain existence and completeness)	AMC/Army G-4	Open
3nd Qtr, FY 15	Complete re-mapping the financial process for in transits from LMP and PBUSE/GCSS-Army to GFEBS.	AMC/.Army G-4	Open
1st Qtr, FY 16	Test the financial reporting of equipment from LMP/DSS and PBUSE/GCSS-Army to GFEBS.	ASA-FMC/AMC Army G-4	Open
2ndQtr, FY 16	Request AAA Audit	Army G-4	Open
4th Qtr, FY 16	USAAA validates closure of weakness for the financial reporting of equipment in transit of major end item new equipment fielding.	AAA	
	Targeted Correction Date: 4th Qtr FY 16		

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

OSD or HQDA Action Required: Continue funding for ERP development and fielding.

Point of Contact: DCS G-4, Carol Kornhoff, 703-692-9584

STATUS OF UNCORRECTED OPERATIONAL MATERIAL WEAKNESSES

Uncorrected Weakness(es) Indentified During Prior Periods

Local ID#: DASA-PP-07-001

IC Reporting Category: Contract Administration

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 (FY05) Assurance Statement. Subsequent review by the Senior Level Steering Group in conjunction with the AAA revealed that oversight of service contracts should be disclosed as an Army-wide material weakness. Specific elements of this weakness include poorly trained CORs, weak requirements justification, and improper use of contractor labor.

First Year Identified: FY 2006

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

Current Target Date: 1st Qtr, FY 2014

Reason for Change in Date(s): Current AAA audit scheduled to start April 2013 with report scheduled to be complete October 2013.

Corrective Action Summary/Plan:

Date:	Milestone:
1st Qtr, FY 2011	Issued revised COR guidance in October 2010.
3rd Qtr, FY 2011	Made determination that material weakness is properly stated. AAA Audit is required to close the weakness.
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	Issued DASA(P) memorandum to HCAs/PARCs requiring their plan to attain compliance with monthly status reporting by 30 September 2012.
2nd Qtr, FY 2012	Issued DASA(P) memorandum directing use of the VCE COR tool March 2012.

3rd Qtr, FY 2012	Began compliance assessment using data reported from the VCE COR tool.
3rd Qtr, FY 2013	Commence AAA Audit.
4th Qtr, FY 2013	Establish policy in AFARS 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 qualified CORs.
1st Qtr, FY 2014	AAA reports audit results.
1st Qtr, FY 2014	Closeout material weakness.

OSD or HQDA Action Required: AAA concurrence/validation with DASA (P).

Point of Contact: Ms. Gail Foley, 703-617-0466.

STATUS OF UNCORRECTED OPERATIONAL MATERIAL WEAKNESSES

Uncorrected Weakness(es) Indentified During Prior Periods

Local ID#: DASA-PP-07-002

IC Functional Category: Contract Administration

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 Warfighters. 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.

Year Identified: FY 2007

Target Date in Last Year's Report: 4th Qtr, FY 2014

Current Target Date: 4th Qtr, FY 2014

Corrective Action Summary/Plan:

Date:	Milestone:
1st Qtr, FY 2011	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 requesting quarterly submission of ACC, ECC and USACE reports on expeditionary contracting material weakness corrective actions in a format showing sub-tasks and internal review results.

1st Qtr, FY 2012	CSA directed additional growth of 315 Active duty 51C soldiers through 2013, to ECC and USACE. Increase the active duty force structure to approx 1,211 soldiers authorized. Currently 817 On-hand.
3rd Qtr, FY 2012	Quarterly certification review. 51C Officers & NCOs Certification GREEN. 99% of the Officers and 89% of the NCOs assigned are certified w/in 24 mos. More relevant Accreditation Standards will increase 51C NCO availability for Contingency Operations, approximately 101 NCOs accredited.
3rd Qtr, FY 2013	IR/PMR teams conduct compliance reviews and provide quarterly ACC, ECC and USACE results.
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.
4th Qtr, FY 2014	USAAA provides audit results.
4th 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 DPAP on a quarterly basis of Army progress.

Point of Contact: MSG Rodney Smith, 703-617-0442.

STATUS OF UNCORRECTED OPERATIONAL MATERIAL WEAKNESSES

Uncorrected Weakness Indentified During Prior Periods

Local ID: DAFM-01

IC Reporting Category: Comptroller and Resource Management

Description of Material Weakness:
A solution does not currently exist to obligate active duty military PCS orders when issued (Department of Defense 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 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 solution is fielded.

Year Identified: Internally in FY 2008 / DA-level material weakness in FY 2010.

Target Date in Last Year's Report: 2nd Qtr, FY 2014

Current Target Date: 3rd Qtr, FY 2014 Army Audit Agency (AAA) Attestation.

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 process. Funding constraints have slowed system enhancement efforts for the Automated Fund Control Orders System (AFCOS) and delayed hiring of a contract staff to administer the "to-be" process.

Corrective Action Summary/Plan:

Date:	Milestone:
1st Qtr FY 2012	Stakeholder business process mapping and documentation
2nd Qtr FY 2012	To-Be Mapping complete (DRAFT)
3rd Qtr FY 2012	Pilot to confirm orders log procedures
4th Qtr FY 2012	Gap & Issue Analysis complete
4th Qtr FY 2012	To-be process mapping complete (FINAL)
4th Qtr FY 2012	Cost-benefit analysis and system selection (AFCOS)
1st Qtr FY 2013	Begin AFCOS system modification
2nd Qtr FY 2013	Execution Order (EXORD) on inclusion of standard document number on PCS orders
2nd Qtr FY 2013	Memorandum of Agreement migration into non-system solution (AFCOS)
3rd Qtr FY 2013	Feasibility assessment of military manpower support
4th Qtr FY 2013	Implementation plan complete

4th Qtr FY 2013	Begin pilot for pre-assertion review: Standard Operating Procedures and Programs of Instruction Change Management Plan Final Gap and Issues Resolution Training Prepare Walk Through Review Execute Walk-through Review
1st Qtr FY 2014	Execute assertion review
2nd Qtr FY 2014	USAAA execution of examination attestation
3rd Qtr FY 2014	USAAA examination attestation report
4th Qtr FY 2014	Statement of Budgetary Resources-Audit Ready

OSD or HQDA Action Required: Support process change and funding of interim solution.

Point of Contact: Michael Fulton, SAFM-BUP-M, 703-693-2661.

TAB C

FY13 Statement of Assurance on the Effectiveness of Internal Control over Financial Reporting and Financial Systems

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

REPLY TO
ATTENTION OF

SAFM-FOA

JUL 10 2013

MEMORANDUM FOR Chairman, Department of Defense Senior Assessment Team

SUBJECT: Fiscal Year 2013 Statement of Assurance on the Effectiveness of Internal control over Financial Reporting and Financial Systems

1. References:

a. Fiscal Year 2013 Reporting Requirements, Statement of Assurance on the Effectiveness of Internal control over Financial Reporting and Financial Systems, April 15, 2013

b. Fiscal Year 2013 Financial Improvement and Audit Readiness (FIAR) Guidance, March 2013.

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 2013 FIAR Plan Status Report and related financial systems. The May 2013 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 March 2013 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, 2013, 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, 2013, 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 2 of the Army FIP as of June 30, 2013.

- **Material Weaknesses:**

	Target Date:
Army General Fund:	
Fund Balance with Treasury	*3rd Quarter FY2014*
Inventory (Operating Materials and Supplies)	*1st Quarter FY2014*
General Property, Plant and Equipment	*4th Quarter FY2014*
Environmental Liabilities	*1st Quarter FY2015*
Intragovernmental Eliminations	*3rd Quarter FY2014*
Accounting Adjustments	*3rd Quarter FY2014*
Statement of Net Cost	*3rd Quarter FY2014*
Abnormal Account Balances	*3rd Quarter FY2014*
Accounts Receivable	*3rd Quarter FY2014*
Accounts Payable	*3rd Quarter FY2014*
Statement of Budgetary Resources	*3rd Quarter FY2014*
Reconciliation of Net Cost of Operations to Budget	*3rd Quarter FY2014*
Contingency Payment Audit Trails	*1st Quarter FY2014*
Army Working Capital Fund:	
Fund Balance with Treasury	*1st Quarter FY2015*
Statement of Budgetary Resources	*2nd Quarter FY2015*
Inventory	*3rd Quarter FY2015*
General Property, Plant and Equipment	*2nd Quarter FY2015*
Intragovernmental Eliminations	*1st Quarter FY2015*
Accounting Adjustments (Other Accounting Entries)	*2nd Quarter FY2015*
Statement of Net Cost	*1st Quarter FY2015*
Accounts Payable	*1st Quarter FY2015*
Reconciliation of Net Cost of Operations to Budget	*1st Quarter FY2015*
Abnormal Account Balances	*2nd Quarter FY2015*

- **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.

7. My point of contact for the Army OMB Circular A-123, Appendix A program is Mr. Thomas C. Steffens at (703) 601-0512, or Thomas.c.steffens2.civ@mail.mil.

Mary S. Matiella

Dr. Mary Sally Matiella, CPA

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Army General Fund
Budget-to-Report (Fund Balance with Treasury)
Summary of Corrective Action Plan

FIP Related Assessable Unit: ***Budget-to-Report (Fund Balance with Treasury)***

First Year Reported: *2008*

Original Target Date: 2nd Qtr FY 2012

Status: On Track

Target Date on Prior Year SOA: *3rd Qtr FY 2014*

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 Summary: 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 myriad legacy systems and processes, creating numerous reconciliation points. Consequently, the reconciliation process may not lend itself to an automated solution.

Enclosure 1

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Army General Fund
Plan-to-Stock (Operating Materials & Supplies)
Summary of Corrective Action Plan

FIP Related Assessable Unit: ***Plan-to-Stock (Operating Materials & Supplies)***

First Year Reported: *2008*

Original Target Date: 2nd Qtr FY 2015

Status: On Track

Target Date on Prior Year SOA: *1st Qtr FY 2014*

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 Summary: Full deployment of the General Fund Enterprise Business System and Global Combat Support System-Army (GCSS-A) provides the required general ledger processing capability. Additional corrective actions are required to ensure that 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.

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Army General Fund
Acquire-to-Retire (General Property, Plant, and Equipment)
Summary of Corrective Action Plan

FIP Related Assessable Unit: ***Acquire-to-Retire (General Property, Plant, and Equipment)***

First Year Reported: 2008

Original Target Date: *2nd Qtr FY 2012*

Target Date on Prior Year SOA: *1st Qtr FY 2014*

Status: Slipped

Current Target Date: *4th 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 Summary: 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.

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Army General Fund
Environmental Liabilities
Summary of Corrective Action Plan

FIP Related Assessable Unit: ***Environmental Liabilities***

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 Summary: 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.

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Army General Fund
Budget-to-Report (Intragovernmental Eliminations)
Summary of Corrective Action Plan

FIP Related Assessable Unit: ***Budget –to-Report (Intragovernmental Eliminations)***

First Year Reported: *2008*

Original Target Date: 4th Qtr FY 2011

Status: Slipped

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

Current Target Date: *3rd 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 Summary:

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.

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Army General Fund
Budget-to-Report (Accounting Adjustments)
Summary of Corrective Action Plan

FIP Related Assessable Unit: ***Budget-to-Report (Accounting Adjustments)***

First Year Reported: *2008*

Original Target Date: 4th Qtr FY 2011

Status: Slipped

Target Date on Prior Year SOA: *2nd Qtr FY 2013*

Current Target Date: *3rd Qtr FY 2014*

Description of Weakness: During FY 2012, the Defense Finance and Accounting Service (DFAS) processed $110.9 billion in unsupported journal voucher adjustments to prepare the Army's General Fund financial statements.

Corrective Action Summary: 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.

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Army General Fund
Budget-to-Report (Statement of Net Cost)
Summary of Corrective Action Plan

FIP Related Assessable Unit: ***Budget-to-Report (Statement of Net Cost)***

First Year Reported: 2008

Original Target Date: 4th Qtr FY 2011

Status: On Track

Target Date on Prior Year SOA: *3rd Qtr FY 2014*

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 Summary: 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.

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Army General Fund
Budget-to-Report (Abnormal Account Balances)
Summary of Corrective Action Plan

FIP Related Assessable Unit: ***Budget-to-Report (Abnormal Account Balances)***

First Year Reported: *2008*

Original Target Date: 1st Qtr FY 2012

Status: Slipped

Target Date on Prior Year SOA: *2nd Qtr FY 2013*

Current Target Date: *3rd Qtr FY 2014*

Description of Weakness: 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 Summary: 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.

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Army General Fund
Budget-to-Report (Accounts Receivable)
Summary of Corrective Action Plan

FIP Related Assessable Unit: ***Budget-to-Report (Accounts Receivable)***

First Year Reported: *2008*

Original Target Date: 4th Qtr FY 2011

Status: On Track

Target Date on Prior Year SOA: *3rd Qtr FY 2014*

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 Summary: 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.

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Army General Fund
Budget-to-Report (Accounts Payable)
Summary of Corrective Action Plan

FIP Related Assessable Unit: ***Budget-to-Report (Accounts Payable)***

First Year Reported: *2008*

Original Target Date: 2nd Qtr FY 2012

Target Date on Prior Year SOA: *3rd Qtr FY 2014*

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 Summary: 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.

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Army General Fund
Budget-to-Report (Statement Of Budgetary Resources)
Summary of Corrective Action Plan

FIP Related Assessable Unit: ***Budget-to-Report (Statement Of Budgetary Resources)***

First Year Reported: *2008*

Original Target Date: 4th Qtr FY 2011

Target Date on Prior Year SOA: *3rd Qtr FY 2014*

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, 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 Summary: 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.

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Army General Fund
Budget-to-Report (Reconciliation Of Net Cost Of Operations To Budget)
Summary of Corrective Action Plan

FIP Related Assessable Unit: ***Budget-to-Report (Reconciliation Of Net Cost Of Operations To Budget)***

First Year Reported: *2008*

Original Target Date: 4th Qtr FY 2011

Target Date on Prior Year SOA: *3rd Qtr FY 2014*

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 the Statement of Net Cost.

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

Impediments: None at this time.

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Army General Fund
Contingency Payment Audit Trails
Summary of Corrective Action Plan

FIP Related Assessable Unit: ***Contingency Payment Audit Trails***

First Year Reported: *2009*

Original Target Date: 2nd Qtr FY 2009

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

Status: Slipped

Current Target Date: *1st Qtr FY 2014*

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 Summary: The Army implemented recommendations from audit reports (A-2009-0173-ALL, A-2010-0062-ALL, A-2011-0067-ALL, and A-2012-0049-MTE) 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.

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Army Working Capital Fund
Budget-to-Report (Fund Balance with Treasury)
Summary of Corrective Action Plan

FIP Related Assessable Unit: ***Budget-to-Report (Fund Balance with Treasury)***

First Year Reported: *2013*

Original Target Date: 1st Qtr 2015

Status: On Track

Target Date on Prior Year SOA: *N/A*

Current Target Date: 1st Qtr 2015

Description of Weakness: The Army Working Capital Fund is currently unable to reconcile its detailed transaction-level disbursements and collections with the Department of the Treasury records.

Corrective Action Summary: The Defense Finance and Accounting Service is currently working to implement a Fund Balance with Treasury reconciliation tool that will enable them to perform this transaction-level reconciliation and ensure that any reconciling differences are appropriately resolved.

Impediments: (The timeline to implement the Fund Balance with Treasury reconciliation tool has not been defined.)

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Army Working Capital Fund
Budget-to-Report (Financial Reporting -Statement of Budgetary)
Summary of Corrective Action Plan

FIP Related Assessable Unit: ***Budget-to-Report (Financial Reporting -Statement of Budgetary Resources)***

First Year Reported: *2009*

Original Target Date: N/A

Status: On Track

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

Current Target Date: *2nd Qtr FY 2015*

Description of Weakness: The Defense Finance and Accounting Service (DFAS) personnel made $147.7 million in adjustments to the budgetary accounts because the accounting systems did not correctly record budgetary transactions.

Corrective Action Summary: Full implementation of the Standard Financial Information Structure (SFIS) in the Logistics Modernization Program (LMP) was complete in fiscal year 2013; however additional corrective actions are needed to identify and resolve the root cause of the unsupported adjustments to the accounts impacting 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.

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Army Working Capital Fund
Plan-to-Stock (Inventory)
Summary of Corrective Action Plan

FIP Related Assessable Unit: ***Plan-to-Stock (Inventory)***

First Year Reported: 2008

Original Target Date: *2nd Quarter FY 2015.*

Target Date on Prior Year SOA: *3rd Quarter FY 2015*

Status: On Track

Current Target Date: *3rd Quarter FY 2015*

Description of Weakness: Current inventory balances reported are unreliable as not all inventory is maintained within LMP at moving average cost (MAC); MAC for inventory reported in LMP does not accurately reflect the historical cost of inventory; and control procedures do not effectively provide assurance that inventory recorded in the financial statements exists and is complete.

Corrective Action Summary: Analysis of root causes for MAC fluctuations must be performed. Once root causes have been identified, control procedures must be developed and implemented around transactions or processes identified as root causes. Additional corrective actions are needed to ensure required physical inventories are conducted and properly documented.

Impediments: None

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Army Working Capital Fund
Acquire-to-Retire (General Property, Plant and Equipment)
Summary of Corrective Action Plan

FIP Related Assessable Unit: ***Acquire-to-Retire (General Property, Plant and Equipment)***

First Year Reported: 2008

Original Target Date: 1st *Quarter FY 2011.*

Target Date on Prior Year SOA: *2nd Quarter FY 2015*

Status: On Track

Current Target Date: *2nd Quarter 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. GFEBS is not currently configured to interface with LMP; recorded assets in GFEBS do not accurately reflect ownership based on SFFAS 6; and supporting documentation is not available to validate the current recorded costs.

Corrective Action Summary: The Army is working with the Office of the Undersecretary of Defense (Comptroller) (OUSD(C)) to develop a methodology to report General Property, Plant and Equipment values providing useful and reliable information. Analysis of ownership of assets must be performed according to relevant accounting principles. Controls over GPP&E must be implemented to ensure retention of key supporting documentation and accurate recording of assets.

Impediments: Lack of available documentation will require implementation of SFFAS 35 after a determination of ownership has been made.

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Army Working Capital Fund
Budget-to-Report (Financial Reporting - Intragovernmental Eliminations)
Summary of Corrective Action Plan

FIP Related Assessable Unit: ***Budget-to-Report (Financial Reporting –Intragovernmental Eliminations)***

First Year Reported: *2008*

Original Target Date: 4th Qtr FY 2011

Status: On Track

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

Current Target Date: *1st Qtr FY 2015*

Description of Weakness: DOD and Army were unable to collect, exchange, and reconcile buyer and seller intragovernmental transactions, resulting in adjustments that were not verifiable.

Corrective Action Summary: The Army Working Capital Fund needs to identify trading partner information at the transaction level to facilitate the intragovernmental eliminations.

Impediments: Many DOD and Army systems do not capture trading partner data at the transactional level, which impacts AWCF ability to reconcile intragovernmental transactions.

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Army Working Capital Fund
dget-to-Report (Financial Reporting/Accounting Adjustments—Other Accounting Entries)
Summary of Corrective Action Plan

FIP Related Assessable Unit: ***Budget-to-Report (Financial Reporting /Accounting Adjustments—Other Accounting Entries)***

First Year Reported: *2008*

Original Target Date: 4th Qtr FY 2011

Status: On Track

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

Current Target Date: *2nd Qtr FY 2015*

Description of Weakness: During fiscal year 2012 DFAS processed unsupported journal voucher adjustments to force amounts to agree with other sources of information and records used in preparing the Army Working Capital Fund financial statements.

Corrective Action Summary: Additional corrective actions are needed to determine the root cause of the unsupported journal vouchers prepared by DFAS.

Impediments: None.

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Army Working Capital Fund
Budget-to-Report (Financial Reporting - Statement of Net Cost)
Summary of Corrective Action Plan

FIP Related Assessable Unit: ***Budget-to-Report (Financial Reporting -Statement of Net Cost)***

First Year Reported: 2008

Original Target Date: 4th *Quarter FY 2011.*

Status: On Track

Target Date on Prior Year SOA: *1st Quarter FY 2015*

Current Target Date: *1st Quarter 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 Summary: DOD strategic and performance goals should be aligned to AWCF's mission. A methodology for allocation of net costs and revenue must be determined to align those costs and revenue to the mission.

Impediments: None

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Army Working Capital Fund
Budget-to-Report (Financial Reporting -Accounts Payable)
Summary of Corrective Action Plan

FIP Related Assessable Unit: ***Budget-to-Report (Financial Reporting -Accounts Payable)***

First Year Reported: *2008*

Original Target Date: 2nd Qtr FY 2012

Status: On Track

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

Current Target Date: *1st Qtr FY 2015*

Description of Weakness: The Army Working Capital Fund's systems do not track intragovernmental transaction by customer at the transaction level. As a result, the Army Working Capital Fund relies on unsupported adjustments processed by DFAS personnel to report account payable balances. Additionally, LMP cannot generate an accounts payable upon acceptance of goods until they actually arrived at their final destination.

Corrective Action Summary: The Army Working Capital Fund is implementing an upgrade for constructive receipts in the Logistics Modernization Program (LMP) that targets correction of the Accounts Payable accounting and reporting issues. The Army Working Capital Fund also needs to identify trading partner information at the transaction level to facilitate the intragovernmental eliminations and proper reporting of accounts payable.

Impediments: Army systems don't capture trading partner data at the transaction level.

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Army Working Capital Fund
Budget-to-Report (Financial Reporting -Reconciliation of Net Cost of Operations to Budget)
Summary of Corrective Action Plan

FIP Related Assessable Unit: ***Budget-to-Report (Financial Reporting -Reconciliation of Net Cost of Operations to Budget)***

First Year Reported: *2008*

Original Target Date: 4th Qtr FY 2011

Status: On Track

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

Current Target Date: *1st Qtr FY 2015*

Description of Weakness: In FY 2012, the Army Working Capital Fund could not reconcile information reported in Note 21 with the Statement of Net Cost without preparing $557.1 million in unsupported adjustments to the general ledger accounts to force costs to match obligation information.

Corrective Action Summary: 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.

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Army Working Capital Fund
Budget-to-Report (Financial Reporting -Abnormal Balances)
Summary of Corrective Action Plan

FIP Related Assessable Unit: ***Budget-to-Report (Financial Reporting -Abnormal Balances)***

First Year Reported: *2009*

Original Target Date: 1st Qtr FY 2012

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

Status: On Track

Current Target Date: *2nd Qtr FY 2015*

Description of Weakness: In FY 2012, the Army Working Capital Fund activities (limit-level) reported 19 abnormal account balances, valued at $161.9 million. Army Working Capital Fund and Defense Finance and Accounting Service personnel used the 19 abnormal balances to compute the amounts reported on the Balance Sheet for such items as General Property, Plant, and Equipment; Inventory; Intragovernmental Accounts Payable; and Intragovernmental Other Assets. In addition, the posting accounts used to develop the proprietary trial balances in the Logistics Modernization Program system contained at least 542 abnormal account balances valued at $63.5 billion. The roll-up of limit-level account balances to produce amounts on the financial statements hid abnormal account balances in posting accounts.

Corrective Action Summary: An Abnormal Trial Balance workshop was held and a plan of action and milestones (POAM) is being developed to identify the tasks, resources, and timeframe required to address the abnormal balances in LMP.

Impediments: Abnormal balances that were brought over from the prior system of record which have not been fully researched to determine what caused these abnormal balances. LMP posting logic has been customized/tailored to account for unique business transactions creating abnormal balances in certain point accounts.

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Army General Fund
ICOFS General Fund Enterprise Business Systems (GFEBS)
Summary of Corrective Action Plan

FIP Related Assessable Unit: ***General Fund, Internal Controls Over Financial Systems (ICOFS) – Financial Management Systems - General Fund Enterprise Business Systems (GFEBS)***

First Year Reported: *2008*

Original Target Date: *2nd Qtr, FY 2014*

Status: (On *Track/*Slipped*) *On Track*

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

Current Target Date: *2nd Qtr, FY 2014*

Description of Weakness: As a result of independent audit examination activities, an internal control weakness was identified in the GFEBS FISCAM General IT Controls in areas of user access processes, segregation of duties as well as configuration management, contingency planning and backup processes and audit logging activities.

Corrective Action Summary: A detailed plan of corrective action and milestones has been put in place to track and monitor progress on corrective action in support of the areas identified. Activities identified within the plan of action consist of over 227 separate detailed actions of which 63% were completed as of the end of March 2013. An additional 9% is on track for completion by 31 May 2013; another 16% by 30 June 2013. The remaining activities are scheduled for completion in 1st Qtr, FY 2014 with all remaining actions being completed by 2nd Qtr, 2014

Impediments: Resource constraints on all teams as well as complexities of corrective action are challenges that have necessitated resolution activities into 2nd Qtr, 2014. Resolution activities past FY 2013 may impact available data for successful testing in support of the Statement of Budgetary Resources Audit in FY 2014.

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Army Working Capital Fund
ICOFS *Logistics Modernization Program (LMP)*
Summary of Corrective Action Plan

FIP Related Assessable *Unit: Army Working Capital Fund (AWCF), Internal Controls Over Financial Systems (ICOFS) – Financial Management Systems – Logistics Modernization Program (LMP)*

First Year Reported: 2008

Original Target Date: *2nd Qtr, FY 2014*

Status: (On *Track/*Slipped*) *On Track*

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

Current Target Date: 3rd Qtr, FY 2015

Description of Weakness: As a result of independent audit examination FIAR Discovery activities, an internal control weakness was identified in the AWCF FISCAM General IT Controls in areas of user access processes, segregation of duties as well as configuration management, contingency planning and backup processes and audit logging activities.

Corrective Action Summary: A detailed Plan of Action & Milestones is being used to monitor progress on corrective action in support of the areas identified. Activities identified within the plan of action consist of over 176 separate detailed actions of which 19% were completed as of 15 June 2013, 33% of the tasks are in-process, and the remainder of the FISCAM are targeted to be complete by 2nd Qtr, 2014. Additional actions to address Financial Statement Material Weaknesses including Inventory, are targeted to be completed by 3rd Qtr, FY 2015

Impediments: Resource constraints due to competing priorities with GAO, DoDIG, and AAA. Corrective Actions which require policy updates have externally driven schedules. Auditability-impacting system change requests are being estimated and must be scheduled on the Integrated Program Master Schedule.

Army General Fund
ICOFS *Global Combat Support System – Army (GCSS-Army)*
Summary of Corrective Action Plan

FIP Related Assessable Unit: ***General Fund, Internal Controls Over Financial Systems (ICOFS) – Financial Management Systems – Global Combat Support System – Army (GCSS-Army)***

- Not Applicable – No Materiel Weaknesses identified by GCSS-Army at this time.
- System is still under review for FFMIA compliance by the Army Audit Agency (AAA).
- System is certified SFIS 9.0 Compliant by OSD, DCMO.
- System is certified BEA 10.0 Compliant by Army OBT.

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Army ICOFR Material Weakness as of FY 2013	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)) (Working Capital Fund (WCF))	**Budget-to-Report:** Budgetary Authority (Appropriated) **Hire-to-Retire** • Civilian Pay • Military Pay **Order-to-Cash** • Accounts Receivable • Reimbursable Work Orders – Performer **Procure-to-Pay** • Contracts • MILSTRIP Orders • Reimbursable Work Orders – Grantor • Transportation of People
Fund Balance with Treasury (GF)	**Budget-to-Report:** Fund Balance with Treasury
• 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
General Property, Plant, and Equipment (GF) (WCF)	**Acquire-to-Retire** • Military Equipment • General Purpose Equipment

Enclosure 2

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Army ICOFR Material Weakness as of FY 2013	End-to-End Business Process and DoD Material Weakness *
General Property, Plant, and Equipment (GF) (WCF)	**Acquire-to-Retire** • Military Equipment • General Purpose Equipment • Real Property
Environmental Liabilities (GF)	Environmental Liabilities
• Inventory (WCF) • Operating Materials & Supplies (GF)	**Plan-to-Stock** • 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)