



SECRETARY OF THE ARMY
WASHINGTON

INFO MEMO

08-28-15 14:31 OUT

FOR: SECRETARY OF DEFENSE

FROM: John M. McHugh, Secretary of the Army

A handwritten signature in black ink, appearing to read "John M. McHugh", is written over the "FROM:" line and extends into the "SUBJECT:" line.

SUBJECT: 2015 Statement of Assurance on Internal Controls as Required Under the Federal Managers' Financial Integrity Act of 1982

- The Army is responsible for establishing and maintaining effective internal controls to meet the objectives of the Federal Managers' Financial Integrity Act (FMFIA). TAB A provides specific information on how the Army conducted the assessment of operational internal controls, in accordance with Office of Management and Budget (OMB) Circular A-123, *Management's Responsibility for Internal Control*, and provides a summary of the significant accomplishments and actions taken to improve the Army's internal controls during 2015.
- The Army is able to provide a qualified statement of reasonable assurance that operational internal controls of the Army meet the objectives of FMFIA based on the five unresolved material weaknesses described in TAB B. These weaknesses were found in the internal controls over the effectiveness and efficiency of operations and compliance with applicable laws and regulations, as of the date of this memorandum. Other than these material weaknesses, internal controls were operating effectively.
- The Army conducted an internal review and assessment of the effectiveness of the internal controls over the integrated financial management systems. Based on the results of this assessment, the Army is able to provide a qualified statement of reasonable assurance that the internal controls over the integrated financial management systems as of June 30, 2015, are in compliance with the Federal Financial Management Improvement Act and OMB Circular A-123, Appendix D, based on the three material weaknesses noted in TAB C.
- The Army also conducted its assessment of the effectiveness of internal controls over financial reporting in accordance with OMB Circular A-123, Appendix A, Internal Control over Financial Reporting (ICOFR). Based on the results of this assessment, the Army is able to provide a qualified statement of reasonable assurance that the internal controls over financial reporting as of June 30, 2015, were operating effectively, based on the 23 material weaknesses noted in TABs D-E. The Fiscal Year 2015 Schedule of Budget Activity (SBA) audit has resulted in the Army being better informed of the challenges associated with remediating these material weaknesses; therefore, targeted remediation dates have been adjusted accordingly. The Army continues to show progress in strengthening the internal control environment through leadership involvement, monthly testing events, and audit readiness training efforts. The ICOFR assessment is based upon a review of key control objectives supporting the Statement of Budgetary Resources. For Army Civil Works Funds I am able to provide an unqualified statement of assurance based on the unmodified audit opinion achieved in Fiscal Year 2015.

SUBJECT: 2015 Statement of Assurance on Internal Controls as Required Under the Federal
Managers' Financial Integrity Act of 1982

Attachments:
As stated

Prepared by: Mr. Thomas C. Steffens, 703-601-0512

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TAB A-1

The Auditor General's Assessment

U.S. Army Audit Agency

MICP 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

1 September 2015

MEMORANDUM FOR RECORD

SUBJECT: Loss of Access to Audit Documentation

1. On 21 May 2015, we experienced an information technology malfunction that has prevented us from accessing supporting audit working papers and audit-related documentation for the period 18 June 2014 to 20 May 2015. No data was lost or compromised, but we cannot access the files with audit documentation that were created during this timeframe.
2. Documentation (or a portion thereof) associated with the attached report was affected by this information technology malfunction and became inaccessible after our audit work was completed. Agency policies and procedures are designed to ensure that all of our audits are conducted in accordance with generally accepted government auditing standards. However, due to this information technology failure, we cannot access the documentation supporting our work to demonstrate that we fully complied with those standards for this audit. Therefore, we modified the Scope and Methodology section of this report so readers would be aware of the loss of access to audit documentation and the effect on this report.
3. If you have any questions concerning the report, please contact the appropriate audit division as listed on the transmittal memo in the report.

A handwritten signature in cursive script, reading "Randall L. Exley", is positioned above the typed name.

RANDALL L. EXLEY
The Auditor General



DEPARTMENT OF THE ARMY
U.S. ARMY AUDIT AGENCY
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6000 6TH STREET, BUILDING 1464
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SAAG-ZA

2 September 2015

MEMORANDUM FOR Secretary of the Army

SUBJECT: Review of the FY 15 Army's Managers' Internal Control Program (Project A-2015-FMR-0144.000), Attestation Report: A-2015-0094-FMR

1. We reviewed the implementation of the FY 15 Army's Managers' Internal Control Program (MICP). The Federal Managers' Financial Integrity Act of 1982 and DoD Instruction 5010.40 require the program. An attestation review is substantially less in scope than an examination, the objective of which would be an expression of opinion on the implementation and sufficiency of the Army's MICP. Accordingly, we do not express such an opinion.

2. Nothing came to our attention during our review that caused us to believe that the Army didn't continue its efforts to successfully implement the program. Senior Army leadership remained committed to a program that facilitated the establishment and maintenance of effective internal controls, assessment of areas of risk, and correction of material weaknesses. In FY 15, the Army provided qualified statements of assurance over its operational internal controls, financial reporting, and financial systems. However, reporting organizations had significant challenges complying with key operational and financial internal controls. To increase the Army's assurance in its system of internal controls in future years, organizations must take significant action and maintain focus on improving their compliance with key controls.

3. Army leaders demonstrated their commitment by:

- Conducting quarterly meetings of the Senior-Level Steering Committee/Senior Assessment Team to review ongoing program issues and to work toward correcting previously reported Army-level material weaknesses concerning nonfinancial operations, financial reporting, and financial systems.
- Holding quarterly meetings of the Army Audit Committee to review results of monthly testing and exams related to audit readiness as well as providing updates to the Vice Chief of Staff, Army to discuss testing results and needed corrective action plans with all Army principal commands.

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SUBJECT: Review of the FY 15 Army's Managers' Internal Control Program (Project A-2015-FMR-0144.000), Attestation Report: A-2015-0094-FMR

- Maintaining an Army Internal Control portal on Army Knowledge Online and an email network of commands and Headquarters, DA Internal Control Administrators to provide internal control information and guidance, and address issues in a timely manner.
- 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.
- Taking action to assess and improve internal controls essential for successful audits of the FY 15 General Fund Schedule of Budgetary Activity and all FY 17 Army financial statements. For example, the Army conducted monthly testing of controls and transactions for the Schedule of Budgetary Activity and existence and completeness of equipment.
- Employing internal audit capabilities to identify and correct internal control weaknesses. They continued to request that the Army Audit Agency conduct audits of areas of concern.
- Continuing to work to implement recommendations in a timely manner. As of 29 July 2015, Army organizations reported 224 unimplemented Army Audit Agency recommendations—a 23-percent increase from the 182 unimplemented recommendations reported as of 9 July 2014. Of these 224 recommendations, only 45 exceeded their originally agreed-to target dates for implementing corrective actions by 6 months or more. We periodically notify 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 affect positively 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.
- Identifying, reporting, and monitoring material weaknesses. During FY 15, the Army reported 31 uncorrected material weaknesses (5 operational, 23 financial reporting, and 3 financial system weaknesses). The directorate continued to

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actively monitor the status of these weaknesses and assist material weakness owners in ensuring timely resolution. The Army closed one material weakness during the year for reporting accurate obligations for the Permanent Change of Station Program.

- Providing periodic updates to the Army Audit Committee and to the Vice Chief of Staff, Army during Strategic Readiness Updates.
- Sampling monthly test controls that are essential to financial statement audit readiness as well as recommendations to implement or improve internal controls.
- Requiring the use of the Army Commanders' Audit Readiness Checklist to assess and report in the Annual Statement of Assurance the effectiveness of control activities over the Statement of Budgetary Resources and existence and completeness of assets.

4. Although senior Army leadership remained committed to a program that facilitated the establishment and maintenance of effective internal controls, assessment of areas of risk, and correction of material weaknesses, some activities and organizations demonstrated challenges complying with internal control processes and procedures. During FY 15, Army activities continued to struggle to achieve the goal of successfully passing 95 percent of the Statement of Budgetary Activity related control tests. Our review of the Army's compliance with key operating and financial internal controls through regularly scheduled audits showed that about 39 percent of the controls we evaluated were in place and operating.

- We performed audits at two organizations during the past year and the objectives for each audit were specifically to review efforts to become audit ready and review implementation of the MICP. Both organizations continued to struggle with becoming audit ready with an average pass rate of 73 percent, below the goal of 95 percent. The organizations struggled most often with insufficient review of documentation before submission, missing documentation, and documentation that didn't support transactions. Our review of the implementation of the MICP identified that one organization had incomplete supporting documents necessary for its annual statement of assurance and couldn't support whether its key personnel completed mandatory MICP training.

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- About 42 percent of operational and financial controls we evaluated during our 106 audits (with reports issued 1 July 2014 through 30 June 2015) were in place and operating. In our previous five review attestations, we reported that the percentage of internal controls that were in place and operating ranged from 39 percent to 48 percent. Since many of the audits we perform are requests from Army leaders based on their concerns or from our risk analysis, there's a greater likelihood of internal control weaknesses in these areas. Therefore, we can't make an overall conclusion on the status of internal controls Armywide from these audits. However, these percentages show that there are still challenges for Army organizations in ensuring that key internal controls are in place and operating.

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 69 regulations and determined that functional proponents could better meet requirements in AR 11-2 (Managers' Internal Control Program) by ensuring their 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.
- We noted and communicated needed improvements for regulations with statements that addressed internal controls. Seventeen didn't use the correct terminology and 11 didn't include processes to examine whether controls were in place and being used as intended.

6. We performed this audit following the standard policies, procedures, and practices prescribed by our internal guidance. These policies, procedures, and practices are designed to ensure all Agency audits meet generally accepted government auditing standards (GAGAS) promulgated by the Government Accountability Office. However, due to an information technology failure on 21 May 2015, we cannot access the documentation supporting our audit work to demonstrate that we fully complied with GAGAS. Because we can't demonstrate that we fully complied, this attestation does not meet GAGAS. The attestation documentation was not destroyed or compromised; it is inaccessible. Based on our professional judgment, the work performed was sufficient to support the results in this report.

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7. 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.

A handwritten signature in cursive script that reads "Randall L. Exley".

RANDALL L. EXLEY
The Auditor General

Our Mission

To serve the Army's evolving needs by helping senior leaders assess and mitigate risk, and by providing solutions through independent internal auditing services, for the benefit of Army Soldiers, Civilians, and Families.



We at the Army Audit Agency Serve Proudly Because. . .



. . .defending the security of the U.S. and our Allies is central to protecting our way of life and our freedom.

. . .thousands of Soldiers have already sacrificed or are continuing to risk THEIR lives on battlefields like Iraq and Afghanistan and in dangerous training exercises to protect OUR lives and freedoms.

. . .Army civilians—including our own Agency auditors—and contractors have also risked, and continue to risk, their lives by deploying to theaters of war to support our Warfighters.

. . .our efforts to make programs and policies more effective and efficient and to fight fraud and save funds benefit the Soldiers, civilians, families, and Army leaders we serve.

. . .every dollar of waste and fraud we help Army avoid can be used to better train, equip, logistically support, and protect our Soldiers in combat, give them a technological edge on the battlefield, help keep them safe, and bring them home sooner.

. . .every efficiency we help the Army achieve helps provide our Soldiers' families with the high-quality housing, health care, and other support they deserve while our Soldiers are deployed.

. . .our efforts protect the Army's reputation and credibility, enabling it to argue more effectively for needed resources.

. . .what we do for our Soldiers and civilians, their families, and our Army, we do for ourselves, our families, and our Nation.

To Suggest or Request Audits

To suggest or request audits, contact the Strategic Audit Planning Office of the Principal Deputy Auditor General at 703.545.5882 or email usarmy.pentagon.hqda-aaa.mbx.audit-requests1@mail.mil.

Additional Copies

We distribute each report in accordance with the requirements of Government Auditing Standards, GAO-12-331G, December 2011. To obtain additional copies of this report or other U.S. Army Audit Agency reports, visit our Web site at <https://www.aaa.army.mil>. The site is available only to military domains and the U.S. Government Accountability Office. Other activities may request copies of Agency reports by contacting our Audit Coordination and Follow-up Office at 703.614.9439 or sending an email to usarmy.pentagon.hqda-aaa.mbx.aaa-acfo@mail.mil.

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**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, 2015, 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.

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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 2015 (FY 2015), 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 MICP at all levels within the Army. Here are some examples for Headquarters, Department of the Army (HQDA):
 - o 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 FY 2015 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

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on-going internal control issues and worked toward correcting previously reported material weaknesses by developing a sound and jointly agreed upon action plan.

- o Working with the 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.
- o Army Audit Committee was established and Assistant Secretary of the Army (Financial Management and Comptroller) (ASA (FM&C)) chaired the meeting. The levels of members of the audit committee are at the Assistant Secretary of the Army (ASA) and Deputy Chief of Staff (DCS). Briefed the Vice Chief of Staff, Army (VCSA) quarterly at the Strategic Readiness Update on monthly audit readiness test results and correction actions. The VCSA directed each Commander to acknowledge the test results and provide specific corrective actions for monthly Statement of Budgetary Resources (SBR) test failures.
- o Continued implementation of the Commander's Audit Readiness Checklist which requires commanders to report on the status of control effectiveness, testing results, and corrective action implementation.
- o 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 (ICA) to provide internal control information and guidance, and address issues in a timely manner.
- o Continued coordination with the Office of the Under Secretary of Defense (Comptroller) to ensure the MICP 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.
- 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.
- o Established the Single Army Financial Enterprise (SAFE) Control Catalog of internal controls over financial systems. On 17 October 2014, a baseline of internal controls over financial systems was established and published using the General Fund Enterprise Business System (GFEBS) Statement of Budgetary Resources controls. On 16 December

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2014, master data controls were also added to the SAFE Control Catalog. On a monthly basis, manual controls published by the Audit Readiness Directorate (ODASA-FO) are integrated with GFEBS system controls.

- o The Deputy Assistant Secretary of the Army (Financial Operations) (DASA(FO)) and the Deputy Assistant Secretary of the Army (Financial Information Management) (DASA(FIM)) continue to co-chair a weekly Federal Information System Controls Audit Manual (FISCAM) status meeting. During each meeting, the DASA-FO and the DASA-FIM monitor the resolution the external independent public accountant and internal audit readiness findings.
- 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. The FCM continues support to 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) used in the Standard Army Retail Supply System (SARSS) and non-SARSS systems. GCSS-Army is expected to be at full operational capability by September 2016.

- o The GCSS-Army leadership is addressing deficiencies identified by an independent public accounting firm. The leadership's remediation plans include: 1) a weekly 100 percent review emergency firefighter role identification log; and 2) a monthly application security review of internal controls related to user accounts and role validation.
- o Briefed the Vice Chief of Staff, Army (VCSA) quarterly at the Strategic Readiness Update on monthly audit readiness test results and corrective action plans. The VCSA directed each Commander to acknowledge the test results and provide specific corrective actions for monthly Statement of Budgetary Resources (SBR) test failures.
- o Held two Internal Review Steering Group meetings. Emphasized the importance of controls by sharing external audit reports that addressed internal control weaknesses.
- Strong "Tone at the Top" support for the Manager's Internal Control Program was also demonstrated throughout the Army. Here are some examples:
 - o The Auditor General distributed a message to all Agency personnel emphasizing the importance of the internal control program. The message reminded staff that safeguarding and protecting assets and information is the job of all Army personnel.
 - o The Executive Director, Arlington National Cemetery (ANC), has made it a top priority to make sure we have a clear Mission and Vision for today and the future. ANC has developed the Program Lines of Effort to communicate the importance of ANC and the path forward as we prepare for ANC Beyond 2025. The Executive Director ensures that processes and procedures are implemented to ensure ANC sustains and continues building on progress made. ANC holds Quarterly Town Hall meetings to administer

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mandatory training, discuss topics of importance and to inform the entire workforce of what is going on in the life of the cemetery.

- o The Deputy Chief of Staff (DCS), G-4 published in-depth strategic logistics guidance providing expectations and guidelines for logistics operations, strategy and resource operations. The detailed guidance serves as a foundation to the G-4 Directorates in the execution of their respective mission requirements and internal controls.
- o Corps of Engineers Financial Management System (CEFMS) has enabled the United States Army Corp of Engineers (USACE) to obtain seven consecutive Civil Works Financial Statement Unmodified Audit opinions from external, independent audit firms. Each of the unmodified audit opinions were endorsed by the Department of Defense Inspector General. During the course of the audit, the independent public accounting firm did identify a significant deficiency in the area of Financial Management Systems. The significant deficiency was remediated before the audit report was published. Thus, USACE leadership continues to demonstrate an enduring commitment to strong internal controls over CEFMS.
- o The Chief, National Guard Bureau, Senate Armed Service on April 8, 2014, stressed the importance of internal controls by stating; “We are currently doubling our efforts that we remain good stewards of the taxpayer’s money. Despite having an already lean headquarters we have followed the Secretary of Defense’s directive to decrease our headquarters staff by 20 percent. We are completing a major overhaul of our contracting process through a number of steps, to include a revamped organizational structure to provide greater senior leadership oversight, improved formal training, an internal contract inspection program, and a rewritten National Guard Acquisition Manual. We will continue to actively advance our methods of increased accountability as we hold ourselves to the highest standards of fiscal ethics and integrity”.
- o The Army National Guard (ARNG) Chief of Staff, approved memorandum, dated 4 November 2014, titled ARNG Audit Readiness Update, *FY15*, distributed to Chiefs of Staff of all States, Puerto Rico, the U. S. Virgin Islands, Guam, and the District of Columbia. It highlights to ARNG’s leaders how the ARNG Financial Improvement and Audit Readiness (Financial Improvement and Audit Readiness (FIAR)) team will support them in achieving auditability. This team provides audit readiness testing information and assist in the review of documents before submission to Army and to the Independent Public Accountant (IPA). In addition, the ARNG FIAR team completes analysis of tests and test results, coordinates policy updates, reconciles conflicting information, and conduct training to implement audit readiness controls into daily processes.
- o Internal controls were emphasized within the Office of the Chief of Chaplains (OCCH) in three major areas: The Strong Bonds Program, AR 165-1 Chapter 14 Chaplain Resource Management, and OCCH Statement of Budgetary Resources (SBR) Audit Training. Reconciliation of the Strong Bonds focused on accounting for events each quarter through an overlapping audit review by OCCH and IMCOM G-9. OCCH updated Chapter 14, Chaplain Resource Management to employ new systems that apply increased management controls and fiscal oversight. OCCH conducted SBR Audit

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Training with active requirements and submitted the results for independent inspection. Leaders in all three areas continued to emphasize the responsibility of stewardship in financial and non-financial resources. Operating Agency 22 (OA22) conducted the Joint Review process on all financial systems validating success in each category. Suggestions from the Joint Review continue to be implemented.

- o The Chief Information Officer/G-6 (CIO/G-6) continues to demonstrate strong support for the internal control process, in compliance with AR 11-2 and Government Accountability Office (GAO) standards. In addition, leadership exercises oversight of the MICP through a network of internal controls administrators (ICAs) and assessable unit managers (AUM). ICAs advise directors on the internal controls process, monitor program compliance, provide training, distribute program guidance and assist AUMs in meeting internal control standards.
- o During FY 2015, CIO/G-6 implemented and continued several strategic initiatives to plan and/or provide initiatives supporting the CIO/G-6 mission to lead LandWarNet modernization, with an innovative and empowered workforce; to build an affordable and sustainable network able to connect our forces at all echelons; and to ensure that our leaders have the right information at the right time in order to make the best possible decisions.

As a result, the Army has placed very high priority on key network modernization priorities including network transport infrastructure, enterprise services; and Cybersecurity in order to enable a globally responsive and regionally aligned Army. Organized into Lines of Effort, the CIO/G-6 focused on; providing signal capabilities to the force, enhancing Cybersecurity capabilities, increasing network throughput and ensuring sufficient computing infrastructure, delivering enterprise services to the tactical edge and strengthening network operations.

The desired outcomes of the Army CIO/G-6 Lines of Effort include:

- Signal forces structured, trained and equipped to enable decisive action across the full range of military operations with joint force and unified action partners.
 - A resilient network and information environment that assure survivability against highly sophisticated cyber adversaries.
 - A secure, resilient and versatile global network infrastructure that gives the Army, including regionally aligned forces and unified action partners, the full range of military and business operational advantages across all joint operational phases.
 - A global environment that offers integrated and timely access to relevant information, services and applications at the point of need.
 - A resilient, protected, multi-tiered and rapidly configurable network that enables an information advantage for Army and Joint missions in cyberspace, supports Soldier requirements, and is responsive to the commander throughout all phases of operations and in all environments.
- o Office Chief of Staff, Army (OCSA) Division Directors provided necessary guidance through periodic memoranda, messages, staff meetings, and other media relaying special and specific guidance and highlighting areas of command emphasis. Annual internal control guidance and published training requirements provided specific leadership

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emphasis in executing the OCSA MICP. The Combat Readiness Center (CRC) Commanding General (CG) provides the primary means of leadership emphasis. However his Executive Group, consisting of the Chief of Staff and four Executive Directors provide the day to day supervision to ensure compliance with his vision and intent. Throughout the course of the year, the CG and Command Sergeant Major, share the CRC's Mission, Vision and capabilities with senior leaders throughout the Army.

- o The Administrative Assistant to the Secretary of the Army (AASA) set the “tone at the top” by ensuring that Executive Directors and Directors continue to focus on audit readiness efforts by leveraging their employees’ expertise to develop process and program efficiencies to ensure that internal controls are in place, monitored regularly, and modified as necessary to maximize their effectiveness. Collectively, OAA directors led the agency by cultivating an environment where internal controls are a normal part of their everyday business processes. Supervisors are required to train and educate nonsupervisory employees of their responsibilities to remain vigilant about the use of resources and expenditures for all programs and processes, including high-risk, high-visibility, and command-emphasized areas. The following are ongoing leadership initiatives within OAA: ongoing facilitation of communications up and down the chain of command; periodic testing, monitoring, and enforcement of the internal control evaluation process to reinforce a culture of compliance and ensure employees understand the expectation that they immediately report potential control deficiencies to senior management; and continual emphasis on using internal controls developed by the functional proponents of Army regulations as minimal guidelines for developing and implementing effective internal controls in those functional areas.
- o Deputy Commanding Officer (DCO), U. S. Army Criminal Investigation Command (USACIDC), distributed a memorandum on 28 February 2015 to the USACIDC staff and subordinate units that iterated his firm support of the Army’s Internal Control Process and encouraged every command member to actively participate in this structured approach to formally evaluating internal controls. The DCO also stressed that internal control applies to all USACIDC functional areas, not just financial management. The annual Statement of Assurance, as described by the DCO, provides a unique opportunity to inform the Army leadership of the extraordinary work our Soldiers, civilians, and contractors accomplish daily. The DCO concluded that every command member’s support is essential to the success and credibility of the Internal Control Process.
- o Office of the Surgeon General/U. S. Army Medical Command (OTSG/MEDCOM) continued to stress the need for command and managerial emphasis of the MICP. Through memorandums, staff meetings and training, Commanders emphasized to key leaders and managers the importance of supporting the MICP to truly make it effective and yield results. Through these efforts, OTSG/MEDCOM leaders have set a “tone at the top” that now strengthens the most important component of the internal controls, the “control environment.” This is evidenced by the issuance of memorandums to OTSG/MEDCOM staff and subordinate organizations for preparing Statements of Assurance on Internal Controls, 11 December 2014, and Internal Control Evaluation Plans and Risk Assessment Plans, 3 October 2014.

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- o U. S. Army Africa (USARAF) released a memorandum to directorates on 8 February 2015 outlining the importance of an effective MICEP and providing command emphasis and guidance. Details of the program were released in an Operation Order (OPOD) dated 11 December 2014 as well as addressed at various weekly staff meetings.
- o Army Materiel Command (AMC) Major Subordinate Commands (MSC) issued Command Emphasis memorandums to personnel emphasizing good stewardship of government resources. The Commanders empowered employees to practice effective and efficient internal controls to accomplish their mission and embed audit readiness in their daily business functions.
- o Early in FY 2015, the Deputy Chief of Staff, U. S. Army South (USARSOUTH), addressed all staff directorates, deputies and subordinate commands, asking all to pay particular attention on how FY 2015 funding was executed, procuring proper authorizations, Staff Judge Advocate review and complete supporting documentation conducive to solid audit trails. Leadership oversight and involvement with internal controls, implementing and monitoring corrective actions, was addressed as critical for a successful audit of the Statement of Budgetary Resources and Existence and Completeness (SBR/E&C).
- o U. S. Army Test and Evaluation Command (ATEC) Commanders and directors are held accountable for applying the U.S. Government Accountability Office standards for internal controls in the Federal Government and effectively managing programs to accomplish the mission. The command has established policies and directives in place that incorporate required business practices and internal controls for financial, administrative, and operational programs. The ATEC Commander's Corner website was developed to communicate information across the command. The site contains CG's personal messages to the workforce on ATEC mission priorities, strategic direction, Army initiatives and priorities, news, and events. Commander's Operations Order was issued to ensure compliance with Army Audit Readiness Program efforts and initiatives for the SBR and Existence and Completeness (E&C) of assets.
- o Military District of Washington (MDW) instituted a command policy on internal controls which addresses the commanders' responsibility for maintaining effective controls as well as emphasizing the benefits of an effective internal control process. An internal control Standard Operating Procedure (SOP) has been developed to lay out the detailed processes and procedures used in this command to maintain an effective internal control process. In addition to being sent directly to the staff and Major Subordinate Commanders (MSC), the policy is posted on the Portal for easy access.
- o U. S. Army North Atlantic Treaty Organization (USANATO) leadership concentrated on increasing awareness of internal controls through automation of internal control processes and tools, improved communications, sharing best practices among assessable units, and training. The intent was to increase awareness and strengthen internal controls within each work unit. Assessable Unit Managers (AUM) issued guidance memorandums emphasizing the significance of effective internal controls and sound stewardship of the command's resources. The memorandums stressed the importance of performing internal control evaluations, identifying problems, and taking corrective actions as key elements of a

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successful program. ICAs posted memorandums in common areas and ensured distribution to geographically separated organizations for maximum exposure. USANATO also distributed the memorandums to all subordinate commands and staff. To emphasize the significance of internal controls, staff posted pictures and articles of internal control failures on unit bulletin boards and on the MICP website.

- o U.S. Army Training and Doctrine Command (TRADOC) 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, SOPs, training, town hall meetings, staff meetings, newsletters, mentoring programs, process working groups, Inspector General Inspections, Army Commanders' Audit Readiness Checklist and staff assistance visits.
- o Through "tone-at-the-top" guidance and messages, U. S. Army Europe (USAREUR) ensured that subordinate leaders were equally committed to improving internal controls and consistently displayed command support for the MICP. On 4 February 2015, the Commanding General, USAREUR, issued a memorandum emphasizing internal controls as a leadership responsibility. Also, USAREUR published Army in Europe (AE) Circular 11-2, Army Managers' Internal Control Program Annual Statement of Assurance, for the FY 2015 MICP reporting period. This detailed guidance provided information for commanders and senior officials on the preparation and submission of their FY 2015 Annual Statement of Assurance (ASOA). AE Circular 11-2 provides specific guidance on the format and content of the MICP Annual Statement of Assurance (ASOA) for FY 2015 and FY 2016. The circular also emphasizes the need for USAREUR leadership to support the program and provides an overview of the MICP and how it works in the command. Throughout FY 2015, USAREUR continually provided leadership emphasis on internal controls by discussing the MICP at staff meetings, senior forums, and council-of-colonels meetings; issued memorandums; and incorporated responsibility for internal controls in AUM performance standards according to AR 11-2. The USAREUR G-8, as the Senior Responsible Official (SRO), ensured members understood the responsibilities of their positions. On 14 January 2015, the USAREUR SRO issued a memorandum to USAREUR Major Subordinate Commands (MSC) and HQ USAREUR staff principals to reemphasize the importance of the internal control program. Leaders at all levels promoted and emphasized compliance with guidance related to functions and activities under their supervision. The Deputy Chief of Staff, G6, issued a memorandum on Stewardship and the Army Internal Control Process. Because of this emphasis, no material weaknesses were identified for FY 2015. Management interest on regulatory compliance and effective internal controls has been incorporated into daily activities and compliance has been inspected continuously.
- o U. S. Army Pacific (USARPAC) Commanding General issued a memorandum on 16 May 2014 to all Major Subordinate Commanders, Principal Staff, and Special Staff on the USARPAC FY2015 MICP. The memorandum emphasized the accountability, responsibility, and importance of effective internal controls.
- o In November 2014, the Superintendent, U. S. Military Academy (USMA) issued guidance to assessable units emphasizing leader intent to ensure an effective FY 2015 MICP. Along

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with leadership emphasis on safeguarding government resources against fraud, waste, and abuse, the guidance directed leaders to include an internal control standard for all managers and ICAs in their performance agreements.

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 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) used a variety of organizational evaluation and assessment methods to support the statement of assurance. OTSG/MEDCOM used an organizational inspection program (OIP), risk assessments, functional team reviews, audits, inspections, investigations, staff assistance visits, and special reviews to ensure adherence to regulations, directives, and other policies. In the OIP, OTSG/MEDCOM incorporated assessments of the MICP. OTSG/MEDCOM also used evaluations scheduled on assessable units' Internal Control Evaluation Plans (ICEP) to support their assessment of reasonable assurance. Thus far during FY 2015, OTSG/MEDCOM personnel have completed 1182 of the 2043 evaluations scheduled on ICEPs at various echelons of command.
- The U. S. Army Corps of Engineers (USACE) formed a Risk Assessment Board (RAB) working group. Comprised of volunteers from assessable units across USACE and chaired by the MICP Program Manager, members serve as advisors to the Program Manager on USACE MICP effectiveness and efficiencies in the context of risk and in accordance with Office of Management and Budget (OMB), GAO, DoD, and Army Guidance. The RAB discusses improvements for the USACE Managers' Internal Control Program process to recommend to the USACE SRO with a goal of improving USACE MICP components, management, and reporting.
- The Office, Chief of Staff, Army (OCSA), established the Army Safety Coordinating Panel (ASCP) General Officer Steering Committee to oversee Army safety and occupational health strategic planning, initiatives, performance, and risk management continues synchronization with the Army vision. The panel continues to identify opportunities for integrating safety, occupational health, and risk management, while providing oversight in coordination of action plans that support Director of Army Staff and the Deputy Assistant Secretary of the Army for Environment, Safety and Occupational Health (DASA (ESOH)). Combat Readiness Center (CRC) Directors responsible for internal controls are also required to periodically assess and update their risk management program within their areas of expertise and to apprise the Command Executive Directors of any necessary revisions. To ensure the Chief of Staff and Secretary of the Army's guidance of having qualified safety directors at the Senior Army Headquarters and Command levels are followed, the CRC participated in rating candidates and selecting a Senior Army Safety Director; the Director of Safety for the Army Materiel Command.

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Communication Framework

- Headquarters, Department of the Army maintains a strong communication network through:
 - o Maintaining an Army Internal Control website, an Internal Control portal on Army Knowledge On-line (AKO), and an e-mail network of Commands and HQDA ICA's 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 MICP 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 FORSCOM maintained an e-mail network for all FORSCOM ICA's 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.
 - o U. S. Army Test and Evaluation Command (ATEC) Commander's Corner website was developed to communicate information across the command. The site contains CG's personal messages to the workforce on ATEC mission priorities, strategic direction, Army initiatives and priorities, news, and events.
 - o The ODCS, G-3/5/7 continuously communicates information up and down the ODCS, G-3/5/7 directorates, as well as, laterally throughout the entire organization through a variety of formats, strategic plans, policies and procedures, doctrines and directives, instructions and memorandums. The process and the structure for reporting and preparing the Internal Control Statement of Assurance contribute greatly to the upward communication of issues and weaknesses within the organization. ODCS, G-3/5/7 includes Internal Control emphasis and training for all personnel assigned to the ODCS, G-3/5/7 through the organization's orientation process. This ensures that, as personnel enter service within the organization, they have the information necessary to channel any material internal control issues up through the organizational leadership.

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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:

- o OASA(FM&C) maintained a framework for pinpointing responsibility and accountability to achieve Federal Managers Integrity Act objectives. OASA(FM&C) established and maintained a network of ICAs to:
 - o Distribute Internal Control guidance and requirements.
 - o Provide training, instructions, and assistance to managers.
 - o Provide status of reported internal control weaknesses.
 - o Identify positions warranting inclusion of internal control responsibilities within job performance standards.
 - o Disseminate information on weaknesses (e.g., audits, inspections, and the media).
 - o Keep leadership advised to ensure a sound basis for the annual statement of assurance.

Reliance upon Subordinate Certification Statements

In FY 2015 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 Materiel Command's Headquarters Staff and Major Subordinate Commands (MSC) 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 FY 2015 assurance statements with documented evidence of internal control training completed by their activities. The following is a summary of internal control training initiatives for FY 2015:

- Office of the Assistant Secretary of the Army (Financial Management and Comptroller) (OASA (FM&C)):

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- o Held monthly meetings with material weakness sponsors to ensure progress towards resolution. Continued to hold quarterly 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.
- o As of December 2014, the Army had trained over 25,000 personnel on Audit Readiness.
- o 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.
- o Initiated daily, weekly, and monthly teleconferences with representatives from all Army Commands (ACOM), HQDA Principal Officials, 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.
- o Throughout FY 2015, ASA (FM&C) personnel continued use of the MICP computer-based training (CBT). 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 26 July 2010, 70,281 personnel have successfully completed the training. This training is available Army-wide at no cost through AKO on the ALMS portal.
- Army Materiel Command (AMC) provided Managers' Internal Control Program training through a variety of means, classroom, desk side briefings, local MICP conference, electronic briefing charts and ALMS. A large majority of the electronic briefing chart training is provided through the AMC Total Employee Development (TED) system. Additional training was offered through workshops for additional training on the Annual Statement of Assurance.
- 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 implementing an effective internal control program in all areas. TRADOC ICAs provided desk-side assistance/training for commanders and other managers in their organizations, as well as one-on-one sessions for existing ICAs and as personnel turnover dictated. Over 7,000 personnel, different levels and capacities, including Senior Responsible Officials (SRO), Assessable Unit Managers (AUM), ICAs, attended developmental training.

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- USAREUR used numerous methods to conduct MICP training which included desk-side and telephonic briefings, PowerPoint presentations, and e-mail updates. All briefings included leadership emphasis, detailed reviews of the Internal Control Evaluation Program (ICEP), the FY 2015 Managers' Internal Control Program Annual Statement of Assurance and program overview, one-on-one discussions about unit-specific issues with the Managers' Internal Control Program, instruction on the revised HQDA computer-based training within the Army Learning Management System, and a thorough review of MICP documents needed to prepare the FY 2015 Annual Statement of Assurance. For personnel who could not attend the command ICA sponsored training, the information was posted to the USAREUR MICP SharePoint web portal. Material posted included training presentations; ASOA guidance; the USAREUR ICEP; relevant DoD Inspector General, U. S. Army Audit Agency, and GAO studies; and several MICP references.
- The USACE leveraged the ALMS through AKO for role-based training. Along with ALMS, various training resources exist including graduate school and private sector courses. Role-based training was accomplished in accordance with Department of the Army (DA) guidance throughout USACE. Each ICA maintains a file of certificates and a training roster to document training within their Assessable Unit. The USACE Program Manager enhanced an existing briefing, encapsulating key points from the Army training information, and posted it to the MICP SharePoint site for use across USACE in case other training methods were unavailable or impractical. All annual training for Detroit, MI District (including Internal Controls), for example, is scheduled into particular days solely devoted to mandated training for the entire District. This ensures District compliance and takes advantage of cost and manpower efficiencies created by handling all training in a set period of time. Training execution this year was impressive. In addition to the leadership demonstrated by ICAs across USACE to ensure required training was accomplished, the Jacksonville, FL District (SAJ) ICA again trained over 800 people, virtually all District employees, to ensure everyone understood the importance of the MICP.

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 DCS, G-4 established internal controls via its Information Technology (IT) Portfolio Management. The internal control efforts included accounting for logistics systems in use across the Army, setting approved standards for the transformation of Army logistics systems, and providing reasonable assurance that obligations and costs comply with logistics transformation guidance and all applicable laws and regulations. Logistics Domain actions fall under the Office of Business Transformation (OBT) and Army Business Council (ABC) governance process.
- The U. S. Forces Command (FORSCOM). The Commander's Financial Management Health Report (FMHR) establishes the framework for the U. S. Army Forces Command (FORSCOM) Internal Controls over Financial Reporting (ICOFR) Program and provides commanders with the knowledge and understanding required to enforce fiscal standards

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within their organizations through visibility, accountability, transparency, oversight and control of their financial information. The FMHR provides a monthly assessment of the command's overall financial readiness and is one more tool to assist in achieving full auditability. The 49 metrics within the FMHR assist commanders to objectively and reliably measure progress against the Army's overall financial performance goals. Further, the FMHR helps commanders understand what is transpiring in the financial systems on a given day and the risks "not met" metrics pose to audit readiness and the overall financial health of the command. The FMHR allows commanders to take deliberate action where and when appropriate within the systems to improve combat readiness, maximize buying power, improve internal controls and to move toward unqualified auditable financial statements. This will ensure the public's continued trust and confidence in FORSCOM's ability to be exceptional stewards of taxpayers' dollars. The FMHR is a risk-based reporting tool comprised of two weighted categories: Auditability Risk and Current Year Funds Risk.

- The U. S. Army Europe (USAREUR) continued an award-winning Lean Six Sigma (LSS) program that supported USAREUR's internal controls. The LSS program trained black and green-belt personnel and deployed a formal improvement methodology to help safeguard USAREUR resources. During FY 2015, USAREUR completed 58 projects that saved millions of dollars (through cost savings and cost avoidance) and provided significant operational benefits.
- The Assistant Chief of Staff for Information Management (ACSIM) holds quarterly status update meetings with the directorates to ensure regular review, analysis, and leadership emphasis in the areas of employee travel, conferences, and IT contracts. Additionally, the ACSIM holds monthly Performance Management Update (PMU) meetings with OACSIM leadership and subject matter experts to ensure ongoing review, analysis, and leadership emphasis for budget and personnel actions, Lean Six Sigma (LSS) projects, audit recommendations, information technology compliance, and MICP. These meetings ensure all directorates and divisions within the organization are working efficiently and effectively, and using good and accepted management control practices in these areas.
- Arlington National Cemetery's statement of reasonable assurance is based on Standing Operating Procedures and overarching programs such as our Annual Campaign Plan and Organizational Inspection Program. These controls help ANC, a U.S. Army Direct Reporting Unit, comprised of Arlington National Cemetery and the U.S. Soldier's and Airmen's Home National Cemetery, monitor and ensure what needs to happen is actually happening every day. To fall in line with ANC's Vision to be America's Premier Military Cemeteries; National Shrines; Living History of Freedom; and Where Dignity & Honor Rest in Solemn Repose and ANC's Outcomes of Honor, Remember and Explore, the Campaign Plan has five Campaign Objectives. Within the Campaign Objectives, ANC has 34 Major Objectives which encompass the different business areas of ANC. The Campaign Plan provides visibility to critical mission areas across the workforce. Each office has areas within the Campaign Plan which are monitored and reported to the Executive Director on a quarterly basis. Each office is required to assess their progress and project whether they will be red, amber or green for the current period and beyond to 2015. As a supplement to the Campaign Plan, ANC developed the Organization Inspection Program (OIP). This program assists managers in evaluating their respective areas for compliance, consistency, and adherence to the controls outlined in the program. The OIP covers daily controls that are in

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place, which are primarily executed in the Burial Operations and Resource Management arenas. The areas highlighted in the OIP are also captured and made visible in the Campaign Plan. Certification under this program is done on a DA Form 11-2.

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:

- o The ASA(FM&C) issued a memorandum to OASA(FM&C) SRO's detailing the requirement to include an explicit statement of responsibility in performance agreements of personnel with internal control responsibilities.
- o Army North (ARNORTH) SRO and AUMs were designated in accordance with AR 11-2, which emphasized the importance of the MICP and stressed the criticality of their involvement in the program. The responsibility for internal controls is included in the SRO's and AUMs performance agreement and is evaluated in the annual appraisal process.
- o AMC included explicit statements of internal control responsibilities in performance agreements for the AUMs, ICAs and SROs.
- o FORSCOM ensured the military and civilian managers who meet the criteria outlined in Army Regulation 11-2 had explicit internal control responsibilities in their performance agreements.
- o The Assistant Secretary of the Army for Acquisition Logistics and Technology (ASA(ALT)) ensures statements of responsibility are in the performance standards of all managers and personnel with specific responsibility for internal control. Managers are evaluated accordingly to emphasize the importance of those internal control responsibilities to ensure that accountability is maintained.

Mangers' Internal Control Program Instruction/Regulations

- Assistant Secretary of the Army (Financial Management and Comptroller):
 - o FY 2015 annual guidance on the preparation of the annual statement of assurance was distributed to all 45 direct reporting organizations on November 3, 2014. The FY 2015 guidance included detailed guidance on Statement of Budgetary Resources, Existence and Completeness audit readiness checklists.
 - o All Army regulations are required to identify key internal controls. ASA (FM&C) reviewed all Army regulations to ensure the provisions on AR 11-2, MICP, are met. Also, ASA(FM&C) provided the Army Publishing Directorate, Office of the Administrative Assistant to the Secretary of the Army, with internal control guidance

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and comments for distribution to all functional proponents updating or writing Army regulations. Regulation writers are also provided the opportunity to complete the Army MICP computer-based training "Internal Controls in Army Regulations."

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:

- o 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.
- o 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.

The 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.

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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 Secretary Army's annual statement of assurance by identifying potential Army material weaknesses for consideration by HQDA functional proponents.

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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 the Department of the Army.

Accomplishment: To further the Army's implementation of the Chief Financial Officers Act of 1990, ASA (FM&C) continued our work to refine the Army Financial Improvement Plan (FIP) to reflect the department's new priorities; existence and completeness (E&C) of mission critical assets and assertion of the Statement of Budgetary Resources (SBR). The FIP is the Army's roadmap for meeting these requirements through improved business processes and systems. As these business processes improve, so too will the quality of the information vital to the Army's decision makers. It also includes actions required to correct previously identified internal control weaknesses (both operational and those the auditors identify each year during their annual review of the Army's financial statements). To ensure the FIP is kept current, ASA (FM&C) continues to work closely with stakeholders and solicit updates on a quarterly basis, as well as conduct executive level meetings (called the Army Audit Committee) to monitor progress, review action plans, and update the FIP as required.

The ASA (FM&C) is focused on the Department of the Army's (DA) audit readiness efforts and continue work to correct financial reporting material weaknesses. To that end, it has taken initiative to work directly with our Enterprise Resource Planning (ERP) developers to ensure to 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 Undersecretary of Defense (Comptroller's) priorities of focusing on the SBR and the E&C of mission critical assets. Additionally, the plan will enable Army to achieve Congressionally-mandated audit readiness requirements by September 2017. More importantly, the Army's plan is designed to sustain an auditable environment.

The 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 to support and sustain audit readiness. To execute this plan, the Army is implementing reliable internal controls across its business processes and systems. Audit Readiness Teams deploy to Army installations documenting business processes, testing existing internal controls, and communicating corrective actions to develop, improve or implement internal controls, and training personnel to embed audit readiness principles into daily operations. To date more than 25,000 Army Soldiers, Civilians, and Contractors have been trained. The Army also has a dedicated audit readiness team that works cooperatively with the General Fund Enterprise Business System (GFEB) and Global Combat Supply System – Army (GCSS-Army) Program Management Offices (PMO) to evaluate and establish appropriate manual and automated internal controls within the systems.

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

Accomplishment: Since July 2010, ASA (FM&C) has completed development of seven CBT courses that pertain to the student's role in the Army MICP. 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 and continuing professional education credit. The seven training courses are:

1. Internal Control Administrator
2. Internal Control Administrator Refresher
3. Assessable Unit Manager
4. Senior Responsible Official
5. Army Manager
6. Personnel Conducting Evaluations
7. Internal Controls in Army Regulations

Since July 2010, a total of 70,281 personnel have successfully completed the training. This training is available Army-wide at no cost through Army Knowledge Online (AKO) on the Army Learning Management System (ALMS) portal. In fiscal year (FY) 2013, the DASA (FO) mandated minimum training requirements for personnel with internal control responsibilities. Due to the mandated minimum training requirements issued by the DASA (FO), we have seen a substantial increase in personnel completing the CBT. From 1 March 2014 to 1 March 2015, a total of 20,386 personnel completed the MICP CBT. A breakout is provided below:

Course Title	Total Personnel Trained (26 July 2010-1 March 2015)
Internal Control Administrators (ICA) Course	9,379
Internal Control Administrators (ICA) Refresher Course	4,277
Senior Responsible Officials (SRO) Course	1,462
Assessable Unit Managers (AUM) Course	13,335
Managers' Course	14,914
Personnel Conducting Evaluations	16,204
Internal Controls in Army Regulations	<u>10,710</u>
Total	70,281

Description of Issue: Reconciling Army Fund Balance with Treasury.

Accomplishment: The Army has a long-standing material weakness in reconciling the Fund Balance with Treasury (FBwT) at the detail level where transactional activity recorded in the accounting systems reconcile to the detail transactions recorded at Treasury. In addition, journal vouchers prepared by the Defense Finance and Accounting Service (DFAS) - Indianapolis to balance the Army's FBwT account with Treasury are not supported by substantiating documents.

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Army completed the functional development of its automated reconciliation tool, Army Fund Balance with Treasury Tool (AFT), in March 2013 and began reconciling Army disbursing and collection transactions at the detail level from the ERP accounting systems with the Treasury's Cash Accountability Reporting System beginning with FY 2013 data. In April 2015, Army began reconciling the detail accounting data from Legacy accounting systems with Treasury retroactive to FY 2013. This will account for 100 percent inclusion of the detailed transactions reported in Army accounting systems.

Effective 1 June 2015, DFAS-Indianapolis began using the AFT to support the monthly Fund Balance with Treasury reconciliation at the detail transaction level, meeting Treasury reconciliation guidelines. Army will conduct an Examination of the Army Fund Balance with Treasury reconciliation tool beginning 3rd quarter FY 2016 in preparation for the FY 2018 Army assertion of audit readiness for all full financial statements.

Description of Issue: Quarterly/Annual Financial Statements.

Accomplishment: In accordance with Office of Management and Budget requirements, we produced quarterly financial statements and published two annual statements, one for the U.S. Army Corps of Engineers Civil Works Fund, and a combined document for the Army's General Fund and Working Capital Fund for FY 2014. We continued quarterly joint reviews with our service provider, DFAS, to review and submit compliant financial statements and explanatory notes. These reviews ensure we adequately identify the business events which lead to major fluctuations between reporting periods, manually collect financial data which is adequately supported and include required disclosures in the notes to the statements. In September 2014, our FY 2013 Annual Financial Statement (Army General Fund and Working Capital Fund) received the Gold Award from the League of American Communication Professionals.

Description of Issue: Internal Controls over Financial Reporting Army General Fund and Army Working Capital Fund Material Weaknesses.

Accomplishment: We are focused on the Department's audit readiness efforts and continue work to correct financial reporting material weaknesses reported in the Annual Statement of Assurance. To that end, we are working directly with our ERP program offices (Logistics Modernization Program (LMP), GFEBs, and GCSS-Army) to ensure we:

- build USSGL compliant general ledgers
- post federal Generally Accepted Accounting Principles (GAAP) compliant accounting transactions
- document system posting logic
- determine root causes for journal vouchers, adjustments, and abnormal balances
- place tight controls around the journal voucher and adjustment creation, review and approval processes (in Army financial systems and Defense reporting systems)
- execute corrective actions for other general ledger related issues

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In addition, we continue concerted efforts to ensure the ERPs are Standard Financial Information Structure (SFIS), Federal Financial Management Improvement Act (FFMIA), and Government-wide Treasury Account Symbol (GTAS) compliant. These are key requirements necessary for the systems to be audit ready. An Independent Public Accountant (IPA) continues to assist us in data cleansing efforts designed to provide the data integrity necessary for a successful audit. The actions we are 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: Implementation of Audit Command Language Audit Exchange.

Accomplishment: We continue to make progress toward implementing the Audit Command Language (ACL) Audit Exchange platform as a comprehensive solution for extracting, compiling, and analyzing the Army's financial data. The ACL platform is now partially operational and functions as a repository for financial and management data originating from a variety of sources. A preliminary set of ACL analytics has been used to examine the Army's financial data and identify anomalies that may be indicative of control weaknesses or failures.

Description of Issue: Review of Operating Agency (OA) 22 Travel Records With Centrally Billed Account Charges.

Accomplishment: In response to concerns from the Army Travel Card Program Manager, our office performed a review of OA22 travel records where travel expenses were charged to a centrally billed account. The review identified two organizations were improperly charging travel expenses to centrally billed accounts. The results of the review were reported to the Army Travel Card Program Manager so he could instruct the affected organizations to implement more effective internal controls involving the use of centrally billed accounts.

Description of Issue: Reduction of Aged Antideficiency Act Cases.

Accomplishment: Our office conducted periodic face-to-face meetings between senior executives of OASA (FM&C) and those of funded activities with outstanding Antideficiency Act (ADA) investigations throughout this reporting period. The purpose of these meetings was to reinforce Army and Department of Defense (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 timely completion of investigations. These additional internal controls resulted in the closure of six formal and 17 preliminary investigations by 1 October 2014. As of 2 February 2015, one additional formal and two preliminary investigations were closed.

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Description of Issue: Training of Army's Internal Review Personnel.

Accomplishment: Our office managed Army-wide training requirements and allocations for Internal Review personnel attending U.S. Army Audit Agency (AAA) courses. Courses included Basic, Intermediate, and Advanced Auditing as well as courses in Detecting and Investigating Fraud, Report Writing, and Peer Review. These courses help ensure the Internal Review community is sufficiently trained to conduct internal reviews. Properly trained personnel are critical to performing the Internal Review functions.

Description of Issue: Implementation of Audit Recommendations.

Accomplishment: Our office has worked to improve the tracking and implementation of audit recommendations. Through this evaluation process, we were able to affect the implementation of most delinquent unimplemented recommendations. The remaining unimplemented recommendations are on-track to be completed with realistic target dates.

Description of Issue: Defense Travel System.

Accomplishment: Continued to provide Army support for sustainment and operations of the Defense Travel System (DTS). This system is used by each Army Soldier and Civilian who performs temporary duty (TDY) travel and local travel. As of 31 March 2015, DTS had over \$1.1 million (M) Army travelers registered, processed over 1.7 million DTS travel claims with a dollar value of over \$1.6 billion (B). We continue to monitor and enforce DTS usage through the Joint Reconciliation Process. DTS is used as a tool to automate and streamline the Army's TDY travel process, and in concert with the GFEBS, enable prevalidation of travel orders, reduce centrally billed accounts (CBA) prompt payment act interest, and reduce unmatched disbursements. We are proactively involved in the Defense Travel Improvement Board, the Defense Travel Steering Committee, and various other work groups to enhance DTS usability, seek system improvements, and assist in developing requirements for Next Generation travel software.

Description of Issue: Army Travel Charge Card Program.

Accomplishment: 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 643,000 individually billed accounts (IBA) for which the cardholder has liability for payment and 2,756 CBA for which the government has liability for payment. CBAs are primarily used for transportation expenses, group travel, and by travelers who do not qualify for an IBA. As of 31 March 2015, the travel card program vendor processed over 15.6M transactions with a total value of over \$2.3B against the travel card accounts. During this period, Army organizations received over \$21.6M dollars in rebates.

Description of Issue: Joint Reconciliation Program.

Accomplishment: The Joint Reconciliation Program (JRP) prescribes standard procedures for Army Resource Managers and their staff to use when conducting the quarterly joint reconciliation/reviews over Army funds. The JRP provides greater assurance of auditability through the inspection of all recorded commitments, obligations, orders, earnings, disbursements, collections, accounts payable and accounts receivable. All abnormal balances are identified, researched, and reported through Headquarters, Department of the Army (HQDA) providing more accurate financial statements. The reviews are conducted jointly with all stakeholders to include budget personnel, accounting personnel, contracting personnel, logistics personnel, and supporting DFAS personnel. The ASA (FM&C) provides a certification statement to the Office, Under Secretary of Defense (Comptroller) (OUSD(C)) asserting to the correctness and completeness of the reviews. ODASA (FO) made several positive changes in FY 2015 to include a new, robust standard operating procedure document, standardized GFEBS variants and queries, and fully integrated the ERP systems (GFEBS, GCSS-A and LMP) into the program. Additionally, the ODASA (FO) developed a training program for the JRP and conducts training on site with the command HQs.

Description of Issue: Operational Support Teams.

Accomplishment: The Operational Support Teams (OST) were created to provide standardized, unit-level technical training and assistance to deploying and deployed Army Financial Management (FM) units. OSTs provide on-site or remote training and assistance in Continental United States (CONUS)/Outside the Continental United States (OCONUS) operating environments to both the active and reserve components. The objectives of the OSTs are to assist, train, and provide a Mission Rehearsal Exercise (MRX) for units on financial management systems and Core 1 and Core 2 level competencies. The OST teams provide valuable financial training across the spectrum of financial operations (disbursing, vendor pay services, accounting, entitlements, internal controls, and resource management) to deployed and deploying units. Our teams continue to train and exercise deploying units on the Army's GFEBS. For FY 2015, the OST will train Soldiers from 11 FM units, and conduct exercises for 4 FM units and 174 Soldiers who will receive either training and/or evaluation.

Other events in FY 2015 include training for FM personnel filling key roles at Joint Task Force-Bravo (Honduras), United States Military Training Mission (Saudi Arabia), and United States Southern Command (SOUTHCOM). In addition, the OST will provide Commercial Vendor Services training and exercises for the annual Diamond Saber exercise that directly touches over 500 Soldiers. Finally, 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.

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Description of Issue: Military Pay (Mil Pay) and Expenditure Accounting in GFEBs.

Accomplishment: The command continues to move forward with system development, testing and business process reengineering for the accounting of the Military Personnel Appropriations (MPA) in GFEBs. Phase 1, which included the Defense Joint Military Pay System-Active Component, was deployed in March 2015. Phase 2, which will include the Defense Joint Military Pay System-Reserve Component, will be implemented the 4th quarter of FY 2015. The Military Pay Phase 1 effort also includes the reporting of all travel and vendor payment expenditures for Disbursing Station Symbol Number (DSSN) 5570. This will substantially decrease the reliance on Standard Army Financial Systems (STANFINS) and enable the superior accounting capabilities of GFEBs in support of auditability.

Description of Issue: Theater Disbursing Operations.

Accomplishment: Provided technical assistance and guidance to three disbursing operations within the U.S. Central Command (USCENTCOM) Theater of Operations on discrepancies between the Finance Offices and Treasury. We continue to monitor the Statement of Differences - Deposits and the Analysis of Unmatched Transactions (AUT) directly resulting in a reduction in dollars for FY 2014 and the 1st quarter FY 2015 of approximately \$2.1M from the previous report. Additionally, we continue to review and provide assistance with the Local Depository Accounts (LDA). This effort directly assisted with the strategic initiative to reduce cash on the battlefield and the U.S. operational cost. LDA balances were decreased by \$5.6M for FY 2014 and the 1st quarter FY 2015 from the previous year.

Description of Issue: Pay Support Provided to Wounded Warriors.

Accomplishment: The Army, in partnership with DFAS, National Guard, and U.S. 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 Units (WTU) and Community Based Warrior Transition Units (CBWTUs) in a resident course platform on 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 and operations; provide updates to pay, policies, and procedures; and resolve complex pay inquiries.

In FY 2014, we conducted the Organizational Inspection Program (OIP) at 21 WTUs. Overall, the WTUs received a 67 percent Green rating. Since the inception of the DFAS Wounded Warrior Pay Management Program, we have reviewed and managed more than 101,000 accounts for pay and allowances accuracy and timeliness. In travel pay, 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 were nine Army sites that offered Family member services from this program. In FY 2014, more than \$96,000 had been advanced to Family members. The U.S. Army Financial Management Command (USAFMCOM) and DFAS have provided continuous oversight, training, technical and system support and services to personnel

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that supported Wounded Warriors. The financial management specialists in the WTUs and CBWTUs continue to provide the one-on-one human dimension; they are the focal members to an effective, real-time pay support to Wounded Warriors and their Families.

Description of Issue: EagleCash™ Stored Value Card.

Accomplishment: The EagleCash™ Stored Value Card (ECSVC) remains a cutting edge, relevant cash management tool designed to support U.S. military personnel deployed in combat zones and on peace-keeping missions around the globe. In FY 2015, the program continued to add value and improve controls through increased force protection, reduction of United States currency in theaters of operation, reduced number of Casual Payments (CPs), reduced Cash Collection Vouchers (CCVs), improved accountability, 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 industry standard best business practices. Other improvements and expansion of the program in FY 2015 have focused on the piloting and deployment of new EagleCash™ components and hardware that bring significant improvements to internal controls, automation capabilities, remote operational capabilities, reporting, and streamlined financial management processes abroad, and in CONUS. Updated Army Gold Master Operating Systems were implemented on all program kiosks further advancing capabilities and expanding LANWARNet connectivity options for our war fighters. This updated functionality further enhanced security, transmission, and settlement procedures on the battlefield. Work continues to focus on establishing a single Stored Value Card (SVC) solution with cross-service interoperability. The migration to a single platform will ultimately reduce costs, ensure compatibility and create operational efficiencies. Accomplishing a long awaited milestone, in FY 2015 the program launched a new Stored Value Card Web Portal allowing for more efficient management and administration of the program and transaction processing. The USAFMCOM received approval and authority for the hiring and management of the EagleCash™ Sustainment Team personnel, previously managed by U.S. Treasury Fiscal Service. This transition of personnel and sustainment mission brings much more flexibility and allows for more effective management of the team and resources. Lastly, the EagleCash™ program continues to retrograde operations across Afghanistan and is focused on additional warfighting financial management capabilities in other contingency environments across U.S. Army Europe and U.S. Army Pacific. This program supports exercises and operations while maintaining operational excellence across the broad spectrum of operations in Honduras, Iraq, Jordan, Kosovo, Kuwait, Qatar, Saudi Arabia, and the United Arab Emirates.

Description of Issue: Over the Counter Channel Application.

Accomplishment: The Over the Counter Channel Application (OTCnet) minimizes the loss of funds due to dishonored checks, while promoting the Army's goal toward a near cashless battlefield through its integration with the EagleCash™ Stored Value Card program. OTCnet is a key component of the Treasury's Collection and Cash Modernization program as the application is fully auditable. Segregation of duties between the cashier and the disbursing agent provide maximum internal controls and security. OTCnet is operated in partnership with the U.S. Department of the Treasury and Citi. Technical and customer service support is available 24/7, providing global assistance to finance operations, mitigating any loss of funds caused by

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system or information needs. In OCONUS during 1st quarter FY 2015, OTCnet processed 3,000 checks in the amount of \$6M with a collection rate of 99 percent. This reduced the amount of cash on hand requirements and the cost to the Army for DFAS to collect dishonored checks from a Soldier's pay.

Description of Issue: International Treasury Services.

Accomplishment: The International Treasury Services (ITS.gov) continues to support Commanders as an electronic payment tool, commonly used to fund Limited Depository Accounts (LDA) and fulfill Commercial Vendor Service (CVS) payments, which can be made in multiple currencies in nearly 200 countries. In 1st quarter FY 2015, ITS.gov delivered 4,000 LDA and CVS Electronic Funds Transfer payments totaling \$300M for OCONUS Army Disbursing Stations. Additionally, 97 percent of all CVS payments to Afghanistan were made in local currency, fostering the Army goals of reducing U.S. currency and supporting U.S. Central Command's fragmentary orders. The Army provides a foreign bank account allotment service to assist OCONUS Soldiers and Department of the Army Civilians (living off post) with paying for living expenses such as rent and utilities. This allotment service primarily assists overseas locations without a Community Bank presence. ITS.gov supports the Army's foreign bank account allotment service by delivering allotments to enrollees' foreign bank accounts; usually providing a favorable foreign conversion rate versus currency conversion at a brick and mortar location. In 1st quarter FY 2015, ITS.gov delivered 4,000 foreign allotment payments to 10 different countries, totaling \$9M. ITS.gov is operated in partnership with the U.S. Department of the Treasury and the Federal Reserve Bank of New York. ITS.gov is a fully auditable system.

Description of Issue: Army Banking Program.

Accomplishments: The Army Banking Program has implemented the Installation Status Report (ISR) for the Installation Management Command (IMCOM) Commanders to improve management of their on-post banks and credit unions. Out of 59 Army posts with financial institutions, 47 IMCOM Commands now have standardized metrics to review and assess their own banking programs in accordance with the DoD Regulation Volume 5, Chapter 34 and Department of Defense Instruction (DoDI) 1000.11. The categories for this fiscal year focuses on the one bank, one credit union rule, liaison officers training requirements, Operating Agreements, and financial education. The Banking Program also continues to manage the Electronic Funds Transfer (EFT) and other cash payments in the CENTCOM Theater. Thus far, accurate and timely payments continued to resonate due to sustainment of the EFT Assistance Center's strong relationship with the Army's foreign banking partners. For the Overseas Military Banking Program (OMBP), the Army has continued to reduce the cost to run the program budget by 10 percent compared to 2014. In addition to force restructure in Europe, the program continues implementation of new investment strategies, which increases revenue and decreases costs for the Army, while maintaining 35 Military Bank Facilities and 149 ATMs.

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Description of Issue: ABO is concurrently executing through two financial control systems (GFEBS and Program Budgeting Accounting System (PBAS))

Accomplishments: Command execution is monitored regularly and formal reviews are conducted at quarterly intervals. In addition, ABO monitors and compares the two financial control systems (GFEBS and PBAS) and follows standard operating procedures to track financial information. Additionally, this year's budget execution in a Continuing Resolution, new appropriation late in the year, and reductions under the Bipartisan Budget Act drives more frequent reviews across all appropriations, and with senior Army leaders.

Description of Issue: Reporting Accurate Obligations for the Permanent Change of Station Program.

Accomplishment: A solution did not previously exist to record individual orders when issued, obligate individual orders with a reliable cost estimate (RCE), and reconcile disbursements with obligations. It was extremely difficult to ensure adequate funds were available to cover disbursements after fiscal year end close. As a result, the Army's Permanent Change of Station (PCS) program was identified as a high risk area to incur ADA violations. A Lean Six Sigma (LSS) project was established to provide an interim solution to the material weakness until the Integrated Personnel and Pay System-Army (IPPS-A) and GFEBS solutions are fully operational for the PCS program. AAA audit report was released in September 2014 validating the process. The SLSG/SAT voted to close the material weakness.

Description of Issue: Virtual System Upgrade.

Accomplishment: Upgraded to the latest Virtual System Upgrade server software in compliance with Information Technology Agency (ITA) standards for live mirroring at the alternate site to improve timeliness of access should we experience a failure at the main site.

Description of Issue: System Accreditation.

Accomplishment: Successfully revalidated our Tenant in Good Standing status for our Local Network, the Integrated Resource Management Information System, the Exhibit Automation System, and the Automated Schedule and Reporting System, as required by the Defense Information Assurance Certification and Accreditation Program and AR 25-2. We are required to keep our systems compliant with all Information Assurance Vulnerability Alerts, ensure they meet the configuration requirements in the Defense Information Systems Agency (DISA) and Army Security Technical Implementation Guidelines, and pass a comprehensive vulnerability scan annually. We successfully complied with all requirements to continue our status as a trusted member on the Pentagon Unclassified Network.

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

Accomplishment: The Financial Management Domain continues to effectively execute the quarterly Executive Governance Board (EGB) to establish policy and procedures, operations, and decision points. This board serves as a formal process to leverage information and communication across the ASA (FM&C), the Office of Business Transformation (OBT), and DFAS. The primary focus points of the EGB are: Portfolio Management, Enterprise Architecture, and Data Management.

Description of Issue: Financial Management Domain Enterprise Architecture.

Accomplishment: The Financial Management Domain (FMD) continues to improve enterprise architecture management maturity standing through increased use of the architecture to achieve FMD objectives. The FMD Information Technology System Enterprise Architecture supports efforts to document the financial management mission through the Business Enterprise Architecture, Business Process Reengineering and emerging End-to-End processes. The FMD is implementing its capability management plan, which helps the Army identify additional capabilities that will support the transition to the target environment. The FMD continues to develop the target environment and execution timeline of systems retiring. This allows for cost saving opportunities to be realized. We are directly engaged with the Financial Integrity and Audit Readiness Directorate efforts to achieve audit readiness goals.

Description of Issue: Configuration Management.

Accomplishment: GFEBs has updated the release management plan to include processes and procedures of transport management within O&S activities; implemented procedures to ensure documentation and change approvals are captured; and mapped Transport review board actions to associated change requests and/or remedy tickets.

Description of Issue: Superuser Privilege Management.

Accomplishment: GFEBs has significantly limited the Superuser access (those that begin with FXX). GFEBs also updated the Superuser Privilege Management (SPM) guide to better define non-limited SPM identifications (those not beginning with FXX).

Description of Issue: Audit Readiness Team.

Accomplishment: GFEBs has a fully integrated process with an audit readiness team to validate remediation of completed (POAM items). To date, 258 actions have been identified in the GFEBs audit readiness POAM between internal and external exams. Of these, 232 actions are complete. All remaining actions are scheduled to be completed within FY 2015.

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Description of Issue: Lack of a Centralized Repository for General Fund Controls.

Accomplishment: On 17 October 2014, a baseline of internal controls over financial systems was established and published using GFEBS Statement of Budgetary Resources controls.

Description of Issue: Audit Readiness Training.

Accomplishment: The Army developed a suite of training modules covering general audit readiness concepts and specific internal control execution for business processes. To date more than 25,000 Army Soldiers, Civilians, and contractors have been trained at over 130 locations. We continue to roll out audit readiness training via the ALMS and Defense Connect Online (DCO), so that training is accessible to all Army personnel.

Description of Issue: Army Knowledge Online.

Accomplishment: The Army Audit Readiness site on AKO is another key source of information for the audit readiness community, with up to 6,300 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.

The Auditor General

Description of Issue: Security Assistance Visit and Education Program.

Accomplishment: The Security Branch implemented a Security Assistance Visit and Education (SAVE) program designed to strengthen internal controls related to security procedures at Agency field offices. As part of this program, the Security Branch plans to visit each Agency field office once every three years beginning in FY 2015, and visit each Agency Sensitive Compartmented Information Facility annually. During the SAVE visits, security branch personnel review several areas at each field office: information security, physical security, operations security, antiterrorism, and personnel security. The security branch also provides training tailored to each office, as well as recommendations on how to improve security measures.

Description of Issue: TeamMate Electronic Working Paper Module.

Accomplishment: In FY 2012, the Agency implemented the TeamMate electronic working paper module. While initial TeamMate training was provided in FYs 2012-2013, the workforce requested additional training to aid in their understanding and familiarity of the system. The Agency continues to make reviewing the audit process—from initial planning to final report—a high priority to identify ways to maximize resources, streamline project management, and reduce delivery time. In FY 2014, the Agency developed a TeamMate electronic working papers training course focused on improving auditor skills in documenting audit evidence in the TeamMate system. The TeamMate administrators provided the training to Agency audit staff during the 12-month reporting period of May 2014 to April 2015.

Assistant Chief of Staff for Installation Management (ACSIM)

Description of Issue: Management Decision Package Reviews.

Accomplishment: The OACSIM continued to improve the Management Decision Package (MDEP) requirements and resourcing process. OACSIM hosted Installations Program Evaluation Group (II PEG) MDEP stakeholder training sessions to detail roles, responsibilities, and expectations of MDEP managers, command points of contacts (POC), and other action officer Installation Management stakeholders. These training sessions set the conditions for Program Objective Memorandum (POM) 2017-2021 development. OACSIM also conducted requirements and resource validation through Resource Validation Team reviews of Installation Management services and programs. This review of requirements provided an essential balance of risks and resources to a portfolio of programs directly supporting Soldiers, Families, and Civilians.

Description of Issue: MDEP Manager Requirements Determination Tools.

Accomplishment: For POM 2017-2021, OACSIM provided tools to assist MDEP managers and functional proponents in determining defensible critical requirements. These tools provide standardization and add mathematical rigor to the requirements determination process. The tools include an inflation factor guide, civilian pay rates, cost estimating relationships, demographic data, and data call templates. The tools have been posted to the Deputy Assistant Secretary of the Army for Cost and Economics (DASA(CE)) Cost and Performance Portal for Army-wide use. In the future, OACSIM plans to complete a Training; Travel; Supplies and Equipment cost factor; and a risk assessment framework that will help articulate risks and impacts of various levels of funding.

Description of Issue: II PEG Installation Management Data Integrity Project (IMDIP).

Accomplishment: OACSIM has made significant progress as part of an OBT-led team toward improving internal controls over financial execution data integrity and accuracy. The team is on track for improving strategic and operational decision-making; enhancing risk mitigation capabilities; strengthening resourcing and requirements justification; and supporting financial transparency and audit readiness. The team will develop a more refined and effective data structure that integrates programming and budgeting to execution and aligns with Army's strategic initiatives. The results will fully integrate the installation management portfolio and standardize the installation management service cost model. The proposed new installation management financial data structure will include services, processes, and service cost templates. In February 2014, a multi-functional Army workgroup was charged with identifying the changes required across Doctrine, Organization, Training, Materiel, Leadership and Education, Personnel, Facilities, and Policy (DOTMLPF-P) to manage the Planning Programming, Budget, Execution, and Reporting (PPBE-R) of installation management programs effectively in the Army ERP environment. During the discovery and analysis phase, the workgroup mapped and evaluated the end-to-end IMDIP process and identified disconnects between the Army's programming and budget systems and the linkage to Army ERP systems, as well as key vulnerabilities within the supporting ERP business processes that lays the foundation for cost and

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execution data. On 12 December 2014, the PPBE-R 2-Star governance committee approved a portfolio of DOTMLPF-P solutions to integrate Installation Management programming, budgeting, and execution.

Description of Issue: Support Agreements.

Accomplishment: OACSIM initiated an Army-wide Support Agreements Manager (SAM) Working Group and Community of Practice. The purpose of the group is to streamline support agreement processes as an important internal control over the significant reimbursable work accomplished annually across the Army installation management enterprise. As a means toward rejuvenating this process and preparing for potential changes in DoD and Army policies, the working group will obtain Army-wide input and advice for evolving policies, procedures, and best practices, expanding SAM training, and serving as a venue for resolving unique SAM-related issues. The group will also better posture the Army to implement the DoD Invoice Processing Platform (G-Invoicing).

Description of Issue: Cost Management.

Accomplishment: OACSIM has fully engaged with and become an integral member of the new DASA (CE)-led Cost Management Steering Group (CMSG) initiative. The CMSG initiative will enhance internal controls by developing best business practices, sharing information and lessons learned, establishing cost managed organizations, and using cost management capabilities and methods to inform resource decision making. As part of this evolving effort, OACSIM provided feedback to the CMSG as an OACSIM stakeholder organization, in regards to the enterprise's top 10 cost management challenges and issues. The top 10 challenges and issues will include business process areas, capability gaps, system issues, training, etc. OACSIM solicited feedback on enterprise-wide issues and challenges to bring to the CMSG for roundtable discussion.

Description of Issue: Department of Defense Inspector General Army Real Property Audit.

Accomplishment: In September 2014, the Army asserted to the existence and completeness and rights and obligations of its real property inventory. This assertion was preceded by eight months of selected sample testing and review of OACSIM real property internal controls and ASA(FM&C) control activities. During the months leading up to assertion, General Officer level video teleconferences with all the land holding commands were conducted evaluating the monthly testing results and the review of internal controls and control activities. The Installation Management Community was fully engaged in audit readiness preparation and the results were evident in the Department of Defense Inspector General (DoDIG) Real Property Examinations, which followed from December 2014 through March 2015. Audit preparations are ongoing with the focus shifting to asset valuation with the Army expecting to assert to its real property valuation by September 2016.

Installation Management Command (IMCOM)

Description of Issue: FedEx Official Mail Processing.

Accomplishment: The Official Mail & Distribution Center (OMDC) is one of two out bound FedEx official mail processing points providing support to the 1st Armored Division and Fort Bliss. Effective 22 April 2014, a new process was implemented to manage official mail by transitioning the responsibility for processing FedEx official mail to units and agencies by using the Transportation Account Code (TAC) process. This new process eliminated additional postage funds, equipment leases, and supply costs, and decreased man-hours needed to manage official mail. With the new process, units and agencies request a TAC code from their respective budget analyst, which then accurately tracks mail expenditure and contents.

Description of Issue: U.S. Army Garrison, Kwajalein Atoll Installation Management Responsibilities.

Accomplishment: The Secretary of the Army (SA) directed the transfer of installation management responsibilities at U.S. Army Garrison, Kwajalein Atoll (USAGKA) from Space Missile Defense Command (SMDC) to IMCOM in April 2012. The vital assets on USAGKA provide strategic flexibility and unique defense capabilities. Many critical Kwajalein facilities are in poor condition, with risks to mission increasing from moderate to high, as the gap between resources and requirements increase. IMCOM Headquarters G-5 provided a staff-coordinated response to OACSIM for a congressional inquiry on the long-term management of USAGKA, including a facility investment strategy. IMCOM Headquarters G-5 also established an All Things Kwajalein workgroup to review and develop plans of action and milestones to address USAGKA support requirements and AAA findings and recommendations, address current contract issues, and develop an acquisition strategy for the new multiyear contract. Additionally, IMCOM Headquarters G-5 facilitated and participated in two Community of Interest meetings that generated more than 30 takeaways with the objective of improving base operations on USAGKA.

Army National Military Cemeteries

Description of Issue: Custody of Remains. Maintained accuracy and relevance of existing Standing Operating Procedures (SOPs) to ensure accountability of remains at all times.

Accomplishment:

- Maintained our robust chain of custody that exceeds industry standards and allows the workforce to record today's burials precisely so that the records of the individual, the marker commemorating them and the location within the cemetery are consistent and accurately reflected in an 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

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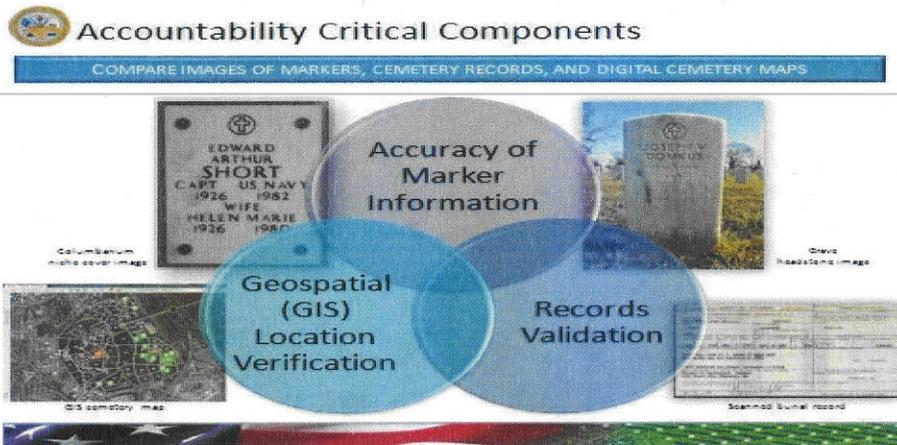
conducted the service and weekly five percent of the services conducted are quality assurance checked to ensure all required actions were completed in a timely manner.

- 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.

Description of Issue: Validation of Gravesites and Inurnment Niches. As an ongoing effort, there was a requirement to reconcile and verify the accuracy of all the gravesites and niches.

Accomplishment:

- Our efforts continue to focus on ensuring an accountable data set of all gravesites with a deliberate, transparent, documented process that includes implementing corrective actions to resolve commemoration errors identified during the accountability effort. The effort is centered on three critical components: ensuring available dispositive records support the individual interred or inurned, validating the grave marker is consistent with available records, and making certain the marker location is accurately recorded in our new geospatial mapping system.



- This tremendous undertaking has involved review of almost 276K gravesites to date. A final phase of this accounting process continues today due to the complexity and fidelity of the data. We have also focused time and resources on resolving highly complex cases, completing corrective actions for markers or records, when needed, as identified through the accountability process.
- To continue the transformational efforts of Arlington National Cemetery, we have created a web-based environment to reflect all burials, complemented with photos of each gravesite once markers are placed and points of interest in the cemetery. As our accountability effort completes, we are publicly sharing the data and providing a “virtual-visit” capability for all interested in honoring those who rest at Arlington National Cemetery.

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- Going forward we will finalize our review of the remaining records and complete our transition to the Arlington National Cemetery system of record. Our accounting process has been an integral part of identifying Arlington National Cemetery as the Army's Center of Excellence for cemetery management.

Description of Issue: Maintain/Refine Financial Management Business Processes. Proper documentation does not exist for financial transactions occurring prior to 1 October 2011. This presents an audit concern as the transactions occurred using no year funding.

Accomplishment: Arlington National Cemetery has established SOPs to ensure procedures and practices are in place to support financial transactions, our business process, and the Army's audit readiness efforts. Work is still underway to develop checklists, training the workforce, and implement self-testing.

Army National Guard (ARNG)

Description of Issue: Contracting Officer Representative Duties.

Accomplishment: The duties of Contracting Officer Representative (COR) are widespread and encompass several requirements to ensure accountability of fund, and adherence to policy, regulations, and statutes for the management of assigned contracts. To ensure internal controls are maintained and to mitigate risks within contract administration, several methods were established for guidance and awareness of contracts and their activities.

We established several spreadsheets to view the activities of each contract (i.e., amount, vendor, contract personnel, performance period, burn rate, etc). SOPs are being established for contracting personnel in- and out-processing procedures and other contracting duties. Training requirements are recorded with date of training and due dates for future requirements. In addition, certificates are electronically filed for easy access and validity when required. A more fervent communication between the COR, the AMO office, and the Contracting Officer has been established for guidance, awareness, and future acquisition strategy requirement. Ensure all contracting documents are submitted into the Virtual Contracting Enterprise system for transparency.

Description of Issue: GFEBS Daily Status of Funds Report. In support of the audit readiness initiative across the DoD, the MDEP managers inside the Division conduct a daily Status of Funds (SOF) report through GFEBS.

Accomplishment: Completing daily SOF reports brings ARNG into compliance with GAAP. Additionally, allows the MDEP managers to not only know the up to the minute execution status of the funds that they manage, but also allows for early detection of possible spending violations. This allows for the prevention of, rather than reaction to, possible ADA violations.

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Description of Issue: Reserve Component Manpower System Enhancements. Operating system enhancements were needed to improve data quality based on field requests and as required per DoD Directive 7730.54.

Accomplishment: Developed policies and procedures to support Reserve Component Automation Systems (RCAS) for the ARNG. Managed 22 RCAS Engineering Changes Proposal (ECP) and System Problems of varying degrees of difficulties. Monitored and prioritized 1437 data fields, which were key to bringing the States and Territories to 100 percent functionality of RCAS 7.08. Coordinated and collaborated with the IPPS-A Functional Management Branch and accurately completed the analysis, documentation, and validated over 500 Unit Personnel System/Command Management System data fields and 700 Military Personnel Office Orders data fields for future RCAS functionality and systems integration with IPPS-A.

Description of Issue: Standard Installation/Division Personnel System. Operating system enhancements were needed to improve data quality based on field requests and as required per DoD Directive 7730.54.

Accomplishment: Reviewed policies and procedures to support Standard Installation/Division Personnel System (SIDPERS) for the ARNG in 54 States and Territories. Coordinated over 42 ECPs with the vendor, resulting in the successful implementation of SIDPERS Releases 1.15 and 1.17. The releases doubled the data quantity transfer from ARNG to Defense Management Data Center (DMDC) and improved quality to 99 percent.

Description of Issue: Financial Improvement and Audit Readiness. Financial Improvement and Audit Readiness of the Tennessee ARNG in preparation of Financial Statement audits.

Accomplishment: The Tennessee ARNG has consistently improved its audit readiness preparation ensuring reasonable assurance of an overall accountability of Federal assets. The Internal Review division monitors, provides feedback workshops, and conducts quality assurance reviews of testing samples to ensure a high-level of improvement and readiness within functional areas. This has resulted in the Tennessee ARNG achieving an 88 percent overall passing rate.

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

Description of Issue: Obtaining Greater Efficiency and Productivity in Defense Spending. The Under Secretary of Defense (Acquisition, Technology, and Logistics (USD (AT&L))) issued guidance and sets forth ways to achieve productivity growth, i.e., do more without more. The Better Buying Power (BBP) 2.0 guidance containing 36 principal actions across seven major areas, and the latest BBP 3.0 guidance containing 33 principal actions across eight major areas, directs improvement in efficiency and productivity, as well as achieving dominant capabilities through technical excellence innovation. 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. The Program Executive Officer (PEO) Ammunition validates should-cost for each program in the portfolio yearly, during the Portfolio review process.

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Accomplishment: PEO Ammunition has embraced the tenets of the BBP initiative and has achieved a cost savings/avoidance of \$5.87B over the POM (see summary chart below). 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 Ammunition held a meeting with all key leaders and updated mission, vision and goals. It also identified areas where efficiencies can be gained in the preparation and staffing of documents. The PEO Ammunition vision, mission and priorities are linked to the Army and ASA(ALT) mission and priorities and consistently address efficiencies addressed in each of these areas. Each employee was provided a pocket sized quick reference guide and efficiency performance objectives were added to the support forms for the military program managers (PMs) and to the contribution plans of the key civilian leaders.
- We instituted a quarterly meeting where each PM presented his cost saving initiatives to implement BBP into our day-to-day processes. This accomplishes two objectives.
 - It requires the Program Managers (PM) to manage and report each cost saving initiative as if it were a project - with cost, schedule, and performance goals that the PMs are accountable to achieve.
 - It facilitates extremely valuable cross-pollination of ideas between PMs.

- Finally, there are numerous other ways that BBP has been integrated into our business and program management processes:
 - Establishment of PEO Ammunition Portfolio Review (modeled after the Vice Chief of Staff of the Army portfolio review) to seek out redundancy in the portfolio, and to dialogue with the user community about cost saving possibilities associated with requirements de-scoping.
 - Incorporation of BBP initiative status in program reviews and R&A meetings.
 - Special staff review of all acquisition plans and acquisition strategy reports to ensure competition, affordability, and should-cost are adequately addressed.
 - Issuance of new policies addressing travel and conference attendance to institutionalize cost savings in these areas.
 - Establishment of a monthly teleconference between PEO Ammunition, U.S. Army Research Development and Engineering Center, and Joint Munitions Command senior executives to pursue efficiency initiatives that cross the JM&L Life Cycle Management Commands (LCMC).



PEO Ammo BBP Summary



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Assistant Secretary of the Army
(Acquisition, Logistics and Technology)

Description of Issue: Internal Controls over Financial Reporting.

Accomplishment: PEO Aviation’s financial reporting controls were operating effectively and no material weaknesses were found in the design or operation of the above-referenced financial statement segments. All known funding documents, including administrative obligation documents for all out-of-house contracts, have been transmitted to DFAS for recording and to ensure that the monetary amounts reserved for each are accurate and supportable. Existing controls help ensure that all known outstanding obligations/de-obligations identified to documents written by the project management office (PMO). Un-liquidated obligations are routinely coordinated with DFAS and contract management organizations for prompt resolution. All current/expiring years appropriated funds are tracked and reported to the PEO Aviation Business Directorate. Numerous internal controls used within the internal fund accounting and administrative control system provide assurance that appropriated funds are effectively safeguarded against waste, loss, unauthorized use, or misappropriation and that obligations and costs comply with applicable law. Most importantly, there have been no violations of appropriations and obligation laws and policies.

Description of Issue: Army Audit Readiness Objectives and the Statement of Budgetary Resources/Existence and Completeness Control Activities.

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Accomplishment: PEO Enterprise Information Systems (EIS) achieved Army Audit Readiness objectives and the SBR/E&C control activities by using standardized GFEBS reports IAW the PEO EIS and Army Audit Readiness Report SOP thus avoiding a negative assurance statement and not affecting the Balance Sheet, nor creating ADA violations. This is evidenced by the PM offices successful participation in random sample testing conducted by Army auditors, thereby affirming effective implementation of the internal control program.

Description of Issue: Program Executive Office Enterprise Information Systems did not have any Audit Readiness metrics developed or tracked for the operational and systems subsets.

Accomplishment: The Internal Review Team (IRT) has developed metrics for the operational arena based on data from known standards. The standards come from ASA (FM&C). In addition, the IRT will work with the programs to establish baselines and develop more comprehensive metrics to measure the effectiveness and/or efficiency of the Enterprise Resource Planning systems (ERPs), which will allow for a meaningful trend analysis in the future.

Assistant Secretary of the Army (Installations, Energy and Environment) (ASA(IE&E))

Description of Issue: Energy Initiatives.

Accomplishment: The former Energy Initiatives Task Force (EITF) became a permanent office established by SA effective 1 October 2014.

Building on the EITF's former successes, the Office of Energy Initiatives (OEI) has 14 projects completed, under construction, or in the procurement process with a potential of over 340 megawatts (MW) Alternating Current (AC) of generation capacity. All projects are privately financed, will contribute to installation energy security, and will be priced at or below conventional grid parity.

In September 2014, the OEI (then-EITF) and the Defense Logistics Agency Energy (DLA Energy) awarded a contract to ReEnergy Holdings, LLC at Fort Drum, NY, to supply energy to the installation through an onsite biomass facility. The biomass plant provides energy security to Fort Drum in addition to delivering 100 percent of the installation's energy requirement. The 20-year deal was commemorated at a signing ceremony held at Fort Drum on 30 October 2014.

In November 2014, the OEI published the final *Army Guide: Developing Renewable Energy Projects by Leveraging Private Sector Finance*. The OEI developed this Guide to provide an overview of the principles, tools, and processes used to pursue renewable energy projects leveraging private sector finance. This Guide is intended for Army Installation Directorate of Public Works staff and energy managers, but should also help inform other stakeholders about the Army's project development and approval processes.

In December 2014, the Army awarded a Notice of Intent to Award to SunPower Corporation for a solar project at Redstone Arsenal, AL (RSA). The project will provide approximately 18,000 megawatt-hours (MWh) annually to RSA. This is the first large-scale renewable energy project to utilize the USACE-Huntsville's Multiple Award Task Order Contract (MATOC) vehicle.

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Also at Redstone Arsenal, the OEI with the U.S. Army Corps of Engineers (USACE)-Huntsville released a Request for Proposals (RFP) on 24 October 2014 for a renewable Combined Heat and Power plant that will supply steam and electricity to RSA as well as providing energy security. The project is sized at 25 MW AC for the electricity portion. The RFP closed in January 2015 and the project is currently in source selection.

In December 2014, the 18 MW solar project at Fort Huachuca, AZ, became operational. The Fort Huachuca solar facility is a joint effort between the OEI, Fort Huachuca, Tucson Electric Power, and developer E.ON Climate and Renewables utilizing the General Services Administration (GSA) Area-wide contract vehicle. The solar array currently provides approximately 20 percent of the installation's annual electricity requirement and will supply 25 percent when fully completed. A ribbon cutting event was held on 11 February 2015. This is currently the largest solar project in the DoD.

The OEI and DLA Energy continued efforts to award a final contract to Ameresco, Inc., for a 15 MW AC solar project at Fort Detrick, MD. The contract was awarded on 13 March 2015, and a groundbreaking event was held on 1 April 2015. All electricity from the solar photovoltaic (PV) facility will be purchased at a cost equal to or less than current power costs and consumed by Fort Detrick. The solar PV system is being designed as "microgrid-ready" so that it may contribute to the overall energy security of the installation.

The OEI, in cooperation with Georgia Power, received approval for three 30 MW solar projects utilizing the GSA Area-wide contract vehicle, one each at the three Army installations in Georgia: Fort Stewart, Fort Gordon, and Fort Benning. Once operational, 18 percent of the energy the U.S. Army consumes in Georgia will be generated on-site by renewable sources. A groundbreaking event was held on 17 April 2015 for the Fort Benning project, 14 May 2015 for the Fort Gordon project, and 15 May 2015 for the Fort Stewart project.

The OEI continues to maintain a robust pipeline of renewable energy projects and is making great progress toward the Army's commitment to deploy 1 gigawatt of renewable energy by 2025. All OEI projects are reviewed and approved by the Realty Governance Board with the records of decisions maintained.

Description of Issue: Army Energy Security and Sustainability.

Accomplishment: Over the last year, the Army has made significant strides in energy and sustainability initiatives to support mission effectiveness. Army installations support our Soldiers through the provision of critical missions to train, equip, mobilize, deploy, recover, and reset our forces while simultaneously caring for Soldier Families and expanding support services. The Army's energy and sustainability program is focused on providing cost-effective solutions that enhance mission effectiveness.

The Under Secretary of the Army (USA) and Vice Chief of Staff, Army (VCSA) signed the Army Energy Security and Sustainability (ES2) Strategy on 1 May 2015. This Strategy presents the Army's strategic roadmap to foster a more adaptable and resilient force that is prepared for a

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future defined by complexity, uncertainty, and rapid change. The Strategy aims to enhance the Army's current and future capabilities, readiness, and performance by building on ability to effectively employ energy, water and land resources in supporting all aspects of operations through effective system design and integrating resource considerations into behaviors and decision processes.

Historically, the Army is the largest user of facility energy in the Federal government. In 2014, the Army reduced its energy intensity by 15.2 percent from its FY 2003 baseline, a 1 percent reduction from FY 2013. Despite the increased use of training simulation facilities and other high energy intensive buildings and functions related to the mission, total energy consumption of subject buildings was reduced by more than one trillion British thermal units (BTU).

The Army continued to leverage private financing in 2014 by awarding 19 Energy Savings Performance Contract (ESPC) task orders with \$333M in investment, 10 Utility Energy Services Contract (UESC) projects for \$15M of investments, and executed \$43.5M in Energy Conservation Investment Program (ECIP) funding for 11 projects at eight installations with a projected annual cost savings of \$3.0M and an annual energy savings of \$137B BTUs.

The Army nearly doubled the percentage of renewable electricity from 2013 and is producing or procuring 11.3 percent of its electricity from renewable energy sources compared to 7.1 percent in FY 2013. The Army has over 350 renewable energy projects producing electricity and will continue to develop both small- and large-scale projects.

In 2014, the Army's petroleum consumption in fleet vehicles was 38.4 percent below its FY 2005 baseline. Since FY 2011, the Army has reduced its total fleet size by 15,000 vehicles. The current fleet consists of 30,500 alternative fuel and high efficiency vehicles. In 2014, the Army received recognition from the Department of Energy for its work to improve energy efficiency. Fort Meade was recognized by the Federal Energy Management Program for the implementation of a project that responded to electric grid frequency fluctuation at their water filtration plant, saving approximately 2.3 billion BTUs and \$75K in utility rebates annually. Fort Buchanan, Puerto Rico, was recognized by the White House with a GreenGov award for the significant work done to improve energy and water efficiency, including the development of a Sustainability and Environmental Management System, initiation of ESPCs, and education and outreach efforts

The Army continues to achieve potable water intensity reduction goals and the 2014 potable water intensity reduction was 27.1 percent compared to the FY 2007 baseline, which is 13.1 percent below the 2014 goal.

The Army played an active role in the DoD climate change activities in 2014. The Army participated on the DoD Climate Change Adaptation Roadmap writing team, weaving climate change considerations into all four primary lines of effort, and ensured that Army interests were addressed in the 2014 Quadrennial Defense Review, such as addressing impacts to the Army mission at home and abroad.

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The OASA(IE&E) efforts resulted in a number of policy documents including:

- The SA Directive 2014-02 (Net Zero Installations Policy) – Sets policy and assigns responsibilities to strive toward Net Zero at all Army installations, where fiscally responsible and in support of mission accomplishment.
- The SA Directive 2014-08 (Water Rights Policy for Army Installations in the United States) – Sets policy and assigns responsibilities for identifying, assessing, and preserving the Army’s water rights
- The ASA(IE&E) Sustainable Design and Development Policy Update – Establishes a comprehensive process to include energy and sustainability considerations as a fundamental part of the facility design process
- G-4 Food Donation Memo – Establishes procedures for providing excess food to food recovery and distribution organizations.

The Army recognizes the growing importance of obtaining energy resilience on its installations and continues to work with various offices throughout the DoD to achieve this goal. During FYs 2014/2015, the Army continued to improve the energy resilience of its installations and facilities through enhanced energy efficiency, improved physical and cyber grid infrastructure resilience, and the development of on-site power generation. The Army is also evaluating microgrids. By using both ESPC and ECIP project funds, the Army anticipates building a microgrid capable of meeting 100 percent of Fort Hunter Liggett’s load. The Army is also making microgrid investments at Fort Bliss, Texas/New Mexico; Fort Sill, Oklahoma; and Fort Carson, Colorado.

Assistant Secretary of the Army (Manpower and Reserve Affairs) (ASA(M&RA))

Description of Issue: Historical accessions data was not properly accounted for.

Accomplishment: The Army Marketing and Research Group (AMRG) saved over 10 years of historical data on accessions that was Fort Knox. The U.S. Army Accessions Command (USAAC) had accumulated a repository of information prior to its deactivation on 30 September 2013 that formed the foundation of all accessions-related data and is physically located at Fort Knox. However, in the original plan to stand down the USAAC, the transfer of the historical information was not addressed in detail. These valuable records sat at Fort Knox until the AMRG secured access to the archived local file storage in December 2014. Transferring the files has improved marketing research by making available relevant historical information for the detailed trend and vector analysis.

Description of Issue: Invoice processing was slow, resulting in financial penalties.

Accomplishment: AMRG reduced invoice aging and process over the past year. AMRG was experiencing a backlog of invoices averaging approximately 100 invoices for processing at any time totaling around \$45M in the early 2014 timeframe. Within that timeframe, AMRG averaged approximately \$12M in invoice fees from 90 day or older invoices. The backlog has been reduced to less than 75 invoices totaling \$22M with an age of less than 30 days.

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Description of Issue: Currently, the Army does not have an integrated synchronized, systematic way to develop Enterprise Senior Civilian Leaders.

Accomplishment: The Civilian Senior Leader Management Office (CSLMO) continues to improve its comprehensive competency-based Civilian Leadership Development and Talent Management Program that is developing potential leaders for future assignments. The program will ensure employees and management understand what is required for success, with realistic career paths and developmental opportunities to achieve success. In FY 2015, CSLMO combined the Senior Enterprise Talent Management (SETM) Policy with the new Enterprise Talent Management (ETM) Policy to create Army Directive 2015-14 approved by the SA 10 April 2015. The new directive expands the SETM program by adding a Senior Executive Service-detail program and the Army Senior Civilian Fellowship program. The new directive also announces the four new Resource and Talent Management components (Command and General Staff Office, Executive Leader Development Program, ETM-TDY, and ETM-Shadowing). These programs are not constrained by the current funding conditions.

Chief of Chaplains (OCCH)

Description of Issue: All Army Chapel Tithes and Offering Funds (CTOFs) have transitioned and completed the first year of operation in a centralized accounting in partnership with DFAS, Non-appropriated Fund (NAF) Financial Services.

Accomplishment: Fifty-four (54) CTOFs completed the first year of a centralized accounting system using the Chaplain Corps Income and Procurement System (CHIPS). This online SharePoint site standardizes forms and business processes resulting in better transparency, fiscal oversight, and accounting integrity. Chaplain Corps senior leaders are now able to make policy and governance decisions with real-time visibility and oversight of the NAF resources they steward. This new enterprise business practice continues to improve by better serving the end user and providing subject matter experts the opportunity to instantaneously trouble shoot CTOF fiscal issues.

Chief Information Officer G-6

Description of Issue: Persistent connectivity.

Accomplishment: The persistent connectivity ensured that Continuity of Operations Plan (COOP) sites were in compliance with HQDA Operation Plan (OPlan). The Chief Information Officer (CIO)/G-6 COOP personnel coordinated with ITA to ensure consistent connectivity to all COOP site locations to include all computers on Non-Secure Internet Protocol Router Network (NIPRNet) and Secret Internet Protocol Router Network (SIPRNet) by ensuring the connectivity is there in case of exercises or actual world events that may cause the activation of the sites. This guarantees the chain of command is in place and operational.

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Description of Issue: Data Center Consolidation. Opportunity to achieve better progress by planning Data Center Consolidation improvement annually and documenting/tracking the plan through an automated system.

Accomplishment: During FY 2014, the DoD CIO continued to levy on all Components a requirement to submit an Annual Data Center Consolidation Implementation Plan. The second iteration of this effort evolved from a paper documentation process and is now pulled from data in the DoD/CIO Data Center Infrastructure Management System tool as required. This allowed the plan to be updated dynamically based on data derived from the Army's Data Center Consolidation Program Tracking Tool, which represented the Command's self-reported data center closure planning. Additionally, the Army data center reduction plan was adjusted based on the discovery of new data centers, reclassification of information technology facilities, and changes to the Federal Data Center Consolidation Initiative. This caused the total number of reported data centers to change, thus changing the target number to reach the Army program goal of a 60 percent reduction in data centers Army-wide by the end of FY 2018.

Description of Issue: Enterprise E-mail.

Accomplishment: Enterprise E-mail (EE) is a cloud-based service provided to the Army by the Defense Information Systems Agency (DISA) that supports secure email through Outlook Web Access, the Outlook client, and approved mobile devices on both NIPRNet and SIPRNet for the generating force. EE eliminates disparate and duplicative instances of email servers, improves the Army's security posture by enforcing two-factor authentication, provides the ability to operate anywhere in the world using a single identity, enhances operational effectiveness through joint interoperability and collaboration, enables standardization of hardware and software, improves configuration control, centralizes administration, and enhances financial transparency. EE allows Army personnel to access their e-mail at any location and to collaborate with DoD users worldwide via a true global address list and enterprise calendar sharing. In addition, it allows Army Civilian and Military users to keep the same e-mail address throughout their careers.

The Army completed its migrations in FY 2013, but has continued to improve the system and coordinate service improvement with DISA. In FY 2014 the SA approved the use of Defense EE (DEE) addresses on all Army Common Access Cards (CACs). The policy started on 6 January 2014 and authorizes only the DEE address on CACs. Additionally, it automatically creates a DEE account for users who do not have a NIPR DEE account.

Accomplishment: In accordance with the Service Level Agreement, CIO/G-6 and DISA established a monthly Integrated Progress Team (IPT) to review the performance metrics of the EE service. As migrations conclude, the long-term focus will shift to the continuous service improvement for the end-to-end user experience of the service.

Accomplishment: CIO/G-6, in cooperation with DISA and Defense Management Data Center (DMDC), implemented a 'Self-Service' portal (on DMDC's milConnect site) that was developed to allow users to update attributes associated with each of their CACs for use in the EE system.

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Description of Issue: Army Enterprise Network (AEN) Portfolio Management Strategy and Plans. Opportunity to ensure comprehensive analysis and evaluation drive Army's Network strategy, plans, and execution.

Accomplishment: Developed, staffed and published four key documents: 1) Army Network Campaign Plan 2020 and Beyond, 2) The Army Network Campaign Plan Implementation Guidance (Mid-Term), 3) Army Network Campaign Plan Implementation Guidance (Near-Term) and the Army Network Modernization Execution Order (EXORD) FY 2015-2016.

Accomplishment: Oversight of the Army Enterprise Network Portfolio Management. CIO/G-6 uses Network Capability Domains to ensure comprehensive analysis and evaluation in developing strategy and plans that optimize Network Capabilities in support of Army missions within limited resources. The Domains identify gaps between current programs and mission needs and guide program managers in optimally fulfilling the mission needs within limited resources. The Domains proactively manage to ensure consistency of programs with enterprise solutions, eliminate duplication of capability and resource allocation, and capitalize on economies of scale derived from the enterprise buying power.

Accomplishment: Executive Secretary for the AEN Council. CIO/G-6 established the AEN Office and Governance bodies to orchestrate and guide its Network Capability Domains. The AEN Plans and Governance Division ensures the Domains take a comprehensive approach to considering National, DoD, and Army Strategy and Plans to drive Army Network analysis and evaluation of gaps, programs, and technologies and determine improvement opportunities for resource consideration. The AEN Governance bodies ensure communication with all Army Network customers through the recently reinvigorated AEN Council.

Chief of Staff, Army (OCSA)

Reporting Category: Communications/Security.

Description of Issue: On 12 January 2015, Personal Identifiable Information (PII) pertaining to retired general officers was posted publicly by an unknown source on the U.S. Central Command's Twitter page. This personal information was contained in the Retired Army General Officer Roster, dated 2 January 2014, and contained some or all of the following items: rank, last name, first name, middle initial, home address (street address, city, state and zip code), effective date of retirement, AKO email address and personal email address. The compromise was immediately reported to the Federal Bureau of Investigation and the Army's Criminal Investigation Command. It is important to note that, although this document was posted to the General Officer Management Office (GOMO) Web site, it was only accessible to CAC users or retired general officers with an authorized username and password. Accordingly, it appears the document was obtained either directly or indirectly from an authorized DoD user. There was no indication that an unauthorized breach of the GOMO Web site occurred.

Accomplishment: The above notwithstanding, the Retired Army General Officer Roster will no longer be posted on the CAC-enabled/username and password enabled GOMO Web site to prevent downloading of PII and unauthorized use by a secondary source. We will continue to

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review current policies and practices to determine what can or must be changed to preclude a similar occurrence in the future. As an added security measure, retired general officers affected by the compromise were prompted to change their AKO password and security questions and maintain the option to list their retired information as "Not-Releasable." Retired general officers were also notified by e-mail and/or written correspondence of the information compromise and advised of appropriate protective measures they could take.

Deputy Chief of Staff, G-1 (ODCS, G-1)

Description of Issue: Human Resource Management Domain Governance.

Accomplishment: The Human Resource Business Council (HRBC) Charter was approved 23 December 2013 under the SA's discretionary authority at the suggestion of the Assistant Secretary of the Army (Manpower and Reserve Affairs) (ASA (M&RA)) and the Office of the Deputy Chief of Staff (ODCS), G-1. The HRBC was formed to facilitate the execution of ODCS, G-1 responsibilities with respect to the governance of the Human Resource Management (HRM) Domain, as delegated by the ASA (M&RA). The HRBC advises and evaluates HR Information Technology (IT) investments within the HRM Domain. The HRBC's reviews provide a means for leadership to determine inefficiencies in HR IT or business processes, while enhancing capabilities across the HRM Domain in a fiscally constrained environment.

Description of Issue: MICP deficiencies are corrected in programs throughout the Civilian Human Resources Agency but are not documented centrally and cannot be easily retrieved.

Accomplishment: A MICP Deficiency Tracker was implemented by the Civilian Human Resources Agency (CHRA) Headquarters internal control administrator. All deficiencies within CHRA and their corrective actions are now being tracked until completion, and retrieval of those corrections are centrally maintained on the CHRA SharePoint portal to be easily retrieved for audit readiness and follow-up evaluation purposes. Senior leaders are now able to easily see where deficiencies are located within their programs and how they are corrected so that they can ensure MICP within CHRA is communicated and stewardship of Army resources is effectively managed.

Deputy Chief of Staff, G-2 (ODCS, G-2)

Description of Issue: Updated Security Software on all 122 Secure Terminal Equipment (STE) Phone Encryption Keys (KSV-21).

Accomplishment: The Army G-2 continues to look for more efficient ways and technological advancements with respect to our phone communication security levels. This year, we ensured all 122 STE phones had the latest encryption for secure communications across all classified levels. These actions resulted in 100 percent compliance of mandated security training and equipped the Army G-2 personnel with the capability and knowledge to identify, react, and thwart an Insider Threat.

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Description of Issue: Upgraded Security Awareness Training.

Accomplishment: The Army G-2 upgraded its security awareness training as a result of world events with terrorism and Insider Threat issues that can impact intelligence operations. The Army G-2 continues to review and establish policy as it relates to security awareness and has increased training, NATO-S briefing, and intelligence oversight training upon in-processing.

Deputy Chief of Staff, G-3/5/7 (ODCS, G-3/5/7)

Description of Issue: Statement of Budgetary Resources.

Accomplishment: Monthly tests results have been closely examined to determine the causes of discrepancies. We continue to learn and adjust our systems and training to become audit ready by October 2017. Our last SBR internal control test relating to internal control 12.03, "Delivery and Receipt of Contractual Goods or Services" received a 100 percent score with strong assistance from our Internal Review office.

Deputy Chief of Staff, G-4 (ODCS, G-4)

Description of Issue: The Army Strategic Readiness Assessment is a quarterly, comprehensive analysis of the strategic readiness levels across the Total Force. It is narrative in format and submitted with supporting data. The Army Strategic Readiness Assessment (ASRA) relies on inputs from the Total Army to assess the Army Total Force readiness. This is a collaborative and comprehensive strategic assessment of current and future readiness. Six Strategic Readiness Tenets (SRT) are the pillars: Manning (G-1), Training (G-3/5/7), Capacities and Capabilities (G-3/5/7), Equipping (G-8), Sustaining (G-4), and Installations (ACSIM). The ASRA provides the strategic readiness view of the Total Force for Army Senior Leaders, informs external audiences, and meets specific statutory requirements.

Accomplishment: The G-4 refined the ASRA process with support from action officers representing all G-4 Directorates. The G-3/5/7 recognized the G-4 standardized metrics as a leading example in assessing core capabilities. The G-43 team is developing the ASRA with the Joint Capability Areas assessment to form a base for the Joint Forces Readiness Review, which builds to the Quarterly Readiness Report to Congress. The refinement continues as we focus on the Army capabilities to self-sustain and support our sister services.

Description of Issue: Logistics Strategic Planning Guidance (LSPG) and Program Objective Memorandum Development. The G-4 did not have an overarching document providing comprehensive strategic guidance for priorities of resource allocation in alignment with Army priorities from the SA and Chief of Staff, Army (CSA).

Accomplishment: Created and published the G-4 Logistics Strategic Planning Guidance providing comprehensive strategic guidance for priorities of resource allocation in alignment with Army priorities from the SA and CSA. The Planning Guidance aligns efforts across the G-4 prioritizing resource allocation and POM development in alignment with G-4 lines of effort (see below) designed by the G-4 and approved by the CSA. It provides strategic guidance to preclude resources from being spent on areas not in alignment with CSA and SA priorities.



Description of Issue: Army Equipment Safety and Maintenance Notification System (AR 750-6). The Army G-4 is the proponent for AR 750-6, Army Equipment Safety and Maintenance Notification System. As the proponent, the G-4 is responsible for staffing equipment safety and maintenance messages for the Life Cycle Management Commands (LCMC) to the appropriate HQDA staff elements. The G-4 will mediate and assist in resolving any conflicts found during the staffing process.

Accomplishment: On 18 November 2014, Tank Automotive Command (TACOM) released a Safety of Use message to the field issuing an immediate inspection on all M284 gun tubes for the M109A6 Howitzer. The results from the inspection deadlined over 90 percent of the fleet due to pitted and corroded gun tubes. G-43 led the working group to provide senior leaders with near “real-time” updates and potential courses of actions to resolve this readiness issue. The team included representatives from Army Materiel Command (AMC), TACOM, G-3/5/7, and

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G-8, Assistant Secretary of the Army (Acquisition, Logistics and Technology (ASA (ALT)), Office Secretary of Defense (OSD), ARNG, U.S. Forces Command (FORSCOM), and Army Test and Evaluation Command (ATEC). Through the combined efforts, the team developed a fielding prioritization plan to restore fleet readiness and ensure units met their mission requirements. In addition to restoring readiness, the working group provided the DCS, G-4 and ASA (ALT) the required information to request approval from Congressional Professional Staff Members for an above threshold reprogramming (ATR) to fund production of new tubes. Congress approved the ATR authorizing new production of the M284 gun tube at Watervliet Arsenal. Due to the collaborative efforts of the team, fleet readiness for the M109A6 Howitzers has vastly improved. G-43 continues to work with key stakeholders to ensure readiness stays on track.

Description of Issue: Afghanistan Retrograde. The retrograde and redeployment of Army equipment out of Afghanistan presented unique challenges to the logistics personnel tasked with executing this daunting process. Operations were significantly impacted by geopolitical turbulence, geographical restraints, limited transportation infrastructure, Force Management Levels for Resolute Support, capacity of the lines of communication (LOC) in the region, and enemy interdiction.

Accomplishments: G-43 (Retrograde Branch) in accordance with Joint Chiefs of Staff, Army Staff (ARSTAF) and U.S. Forces Afghanistan (USFOR-A) ensured USFOR-A had all required authorities necessary to increase capacities to facilitate accelerated retrograde operations. Additionally, the Retrograde Branch assisted in the development of a plan to expedite the retrograde of equipment from theater in the event the Bilateral Security Agreement was not signed and a decision was made to not execute the Resolute Support Mission and accelerate retrograde. The plan centered on the conceptual framework for prioritizing equipment into three "Bins:"

- Expeditionary - Equipment needed to meet urgent Army operational needs
- Critical - Meets the CSA short-term and mid-term strategic objectives
- Essential - Meets long-term objectives to modernize and tailor the force.

As a result of these efforts, USFOR-A met or exceeded Operation Drumbeat Phase IV retrograde goals for Rolling Stock (100 percent) Non Rolling Stock (101 percent), Munitions (103 percent), Containers (102 percent), and Base Reduction (25 bases remain for Resolute Support) despite the unique retrograde challenges posed by conditions in Afghanistan.

Description of Issue: Operation United Assistance Support (OUA). On 16 September 2014, the President of the United States announced the start of Operation United Assistance. Operation United Assistance was to provide command and control support; establish a regional intermediate staging base in Senegal; build additional Ebola Treatment Units (ETU) and train health care providers. These efforts were to support the Civilian response led by the U.S. Agency for International Development (USAID) and the Center for Disease Control. HQDA EXORD 241-14 tasked HQDA G-4 to coordinate for procurement and issue of additional Personal Protective Equipment (PPE) for deploying units and personnel no later than 3 October 2014.

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Accomplishments: HQDA G-4 coordinated with AMC to prepare and preposition 30-days of supply of property, plant and equipment (PPE) at Blue Grass Army Depot in support of Ebola Dome (Homeland Security). G-43 LOG Ops Center led G-4 representatives supporting the Army Operations Center formation of the Ebola-Crisis Action Team that was directed by the Chief of Staff of the Army. Developed FRAGO#9 directing the issue of four each Army Combat Uniform-Permethrin (ACU-P) to all Soldiers and DoD Civilians supporting OUA and established guidance on replacing ACU-Ps in theater. This required G-4 to coordinate with U.S. Army Public Health Command to verify that ACU-Ps will retain up to 99-100 percent of the Permethrin treatment effectiveness up to 50 washings. Soldiers and Department of the Army civilians are required to replace their ACU-Ps after 50 washes. The retreatment of ACU-Ps is not authorized. This verification reduced the necessity of replacing uniforms in theater. Assisted in the development of FRAGO#10 to establish and maintain capacity to support personnel in controlled monitoring areas at Fort Bliss, Fort Hood, Fort Bragg and Joint Base Lewis-McCord respectively no later than 31 January 2015. HQDA G-4 procured mosquito netting for the bunk beds (\$586K). Force Provider Module coordination across the Army Staff and with AMC and United States Army Africa (USARAF) for the recovery of twenty-two each 150-Passenger Force Provider Expeditionary (PAX FPE), three each 50/75-Passenger Expeditionary Platoon Base Camp (PAX EPBC) and four each Large Area Maintenance Shelter-Army (LAMS-A) in support of USARAF's Operation United Assistance (OUA) mission. Developed and coordinated HQDA EXORD 125-15 Materiel Retrograde Policies and Procedures in support of OUA. G-4 tracked deployment, operational progress, TOA and redeployment of personnel and equipment. G-4 (way ahead) is awaiting Secretary of Defense decision on end of mission and cessation of Controlled Monitoring Activities.

Description of Issue: Container Management. The need to improve control and accountability of Army owned containers and other shipping platforms continue to be an item of interest. After 12 years of operations in Iraq and Afghanistan, the Army has amassed an inventory of roughly 260,000 containers valued at \$2.2B, which includes roughly 100,000 International Organization for Standardization (ISO) containers that were purchased from ocean carriers and are centrally managed by the Army Intermodal Distribution Platform Management Office (AIDPMO). AIDPMO is the Army's designated single manager for managing and controlling all Army owned and leased distribution platforms. The AIDPMO is a key enabler of Army readiness and reflects the institutionalization of container management lessons learned.

Accomplishments: The focus this year was determining the number of containers the Army should maintain in the centrally managed fleet to respond to future deployment requirements. G-44D directed this study in November 2014, and is coordinating with Army Materiel Command and Military Surface Deployment and Distribution Command to finalize the fleet size and overall container management plan. The key components of this plan include:

- Recommended total number / type of Army owned containers
- Recommended storage location for all centrally managed containers
- Projected annual container maintenance requirements / expenditures
- Projected annual container replacement costs (if any)
- Disposition plan for excess containers (if any)

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The goal of this effort is a resourced, fiscally sound Container Management Plan that supports a Ready, Globally Responsive Army as well as DCS, G-4's Line of Effort for Strategic Readiness. Target completion is 3 November 2015.

Description of Issue: Army Rail Program. In our efforts to detect and prevent instances of fraud, waste, abuse and/or mismanagement of resources, we are looking at ways to improve our overall Headquarters oversight of rail equipment requirements. This effort supports the CSA's Ready and Modern Army as well as the DCS, G-4's Strategic Readiness Line of Effort.

Accomplishments: We are taking the following actions to ensure internal controls are operating as intended:

- Formed a committee of stakeholders from across the Army – The Rail Advisory Committee
- Formed an Integrated Product Team to examine Army Rail Enterprise in partnership with commercial industry to maintain Army Rail proficiency and readiness
- Determined courses of action to ensure rail equipment sizing is aligned to meet Army's requirements
- Worked with subordinate commands to capture true utilization rates and true cost of rail ownership
- Initiated an audit of the Army Rail Program with report concluding by October 2015
- Updating AR 56-3 Management of Army Rail Equipment
- Working with rail industry experts, Association of American Railroads, to adopt best business practices
- Initiating divestiture and redistribution plan for old and excess locomotives.

Description of Issue: Improving Garrison Operations. Established guidelines and confirmed roles and responsibilities of organizations involved in improving garrison dining operations to support senior commander decisions to reduce the dining facility (DFAC) footprint; size the DFAC footprint to support the Subsistence-in-Kind (SIK) population by closure or reduced floor space; begin closure evaluation with DFACs that do not support SIK population in a non-training or other required missions environment; update the menu to reflect Soldier preferences while maintaining nutritional support for "Soldier as an athlete", and establish installation support plans to provide dining support outside the traditional DFAC setting with a focus on mobile capabilities.

Accomplishments: Secured the CSA's guidance and approval for actions to improve permanent party garrison dining facility operations. The new DFAC concept will ensure DFACs become the Soldiers' preferred dining choice. The new concept will help identify the infrastructure size requirement to best support SIK Soldiers. It has the ability to provide expanded service to support other authorized patrons, provide better product and improved service while providing flexibility for adaptability for deployed operations and increased Commanders' flexibility. The new concept enables field feeding company force management decisions while nesting "Go for Green" with the Performance Triad and all at a lower cost.

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Description of Issue: Recovery of Contractor Issued Organizational Clothing Individual Equipment.

Accomplishments: To improve the recovery process, contractor employees shall return Organizational Clothing Individual Equipment (OCIE) to the CONUS Replacement Center (CRC) at Fort Bliss, Texas. Funneling contractor employees through limited locations provides better control on the in/out processing and ensures more consistent accountability and communication with the contractor employees. AR 735-5 includes stronger language for the contractor employee who admits liability and is offered the opportunity to make restitution with a cash payment. The Installation Support Module-Central Issue Facility is being updated to include the contract information for automated notification, reporting of delinquent returns of OCIE, to the contract officer, company representatives, Central Issue Facility (CIF) managers, and the individual contractor employees. Upon notification that a loss has occurred, the responsible parties (from the contracting officer staff) will take action to investigate the loss, resolve the issue as needed and notified the CIF property book officer to correct the individual clothing record.

Description of Issue: Establish Field Level and Sustainment Level Maintenance Reset Workload. Accurate requirement estimates enable the Army to request and receive sufficient funding to quickly repair equipment returning from Operation Iraqi Freedom/Operation Enduring Freedom (OIF/OEF) so that war-fighting units are able to support future contingencies.

Accomplishments: G-4 was actively engaged in management control of Field and Sustainment level reset workload. Activities included:

- Maintained collaborative communication of Operation and Maintenance, Army (OMA) sustainment reset requirements with Army Material Command (AMC), HQDA Staff (G-48, G-8, G-3, ASA(ALT), ASA(FM&C) Army Budget Office) and to the Chief of Staff, Army and Secretary of the Army staffs.
- Coordinated sustainment reset requirements between G-44M, G-48 and G-8. Ensured requirements were consistent with Army expectations and validated processes and success points.
- Established primary POC for sustainment reset requirements when building process procedures and participated as responsible agents, assisting with the comprehensive analysis, and assessing strategic impacts for sustainment reset requirements as they pertain to projected budget positions.
- Assisted all reset efforts to include assisting Field Maintenance Division on Field Reset involving FORSCOM, Army National Guard (ARNG), Army Sustainment Command (ASC), and other Army Commands (ACOM).
- Assisted Component Commands when necessary to ensure the Army's fleets receive the appropriate level of attention and support to ensure the depot level sustainment community remains capable of meeting the Army's wartime missions today and in the future.
- Supported the primary G-44(M) leadership with G-48 for the Reset Task Force (RTF) Action Officer Work Group (AOWG), and assisted the RTF Council of Colonel (CoC) and the Division Director during the General Officer Steering Committee (GOSC).

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- Supported G-48 in defending reset requirements and Joint Staff maintenance actions. Reinforced annual execution analysis to include sequestration decisions, and routinely conveyed program impacts associated with budget reductions through constant coordination with the AMC, ABO, G-48, G-3, and ACOMs.
- Assisted the G-4 in providing responses to House Armed Services Committee (HASC), House Appropriation Committee-Defense (HAC-D), Senate Armed Services Committee (SASC), Questions for the Record (QFR), Army Posture Papers, AAA Audits, and Congressional Inquiries.
- Provided management, and oversight support on the Automatic Return Items (ARI) - Intensively Managed Items (IMI) - Medical Sustainment Items (MSI) coordination between AMC HQ, United States Army Medical Material Agency (USAMMA), HQDA, G-8 and FORSCOM.

Description of Issue: Compliance with Title 10, Section 2464 of United States Code (“Core Capability”). Assess depot maintenance workload projections to ensure core capability skill sets are sustained in the Army’s organic depots.

Accomplishments: G-4 ensured that the Army had completely recalculated its Core Capability requirements based on new force structures and official instructions in DoDI 4151.20, reflected in the Army’s FY 2015 biennial Core Capability report submitted in July 2014. Additionally, the Army is implementing an Army Organic Industrial Base Strategic Plan (AOIBSP) that provides a sound basis to drawdown industrial base capabilities and capacities as we transition from Wartime to Peacetime production levels. IPTs continued to operate under the Organic Industrial Base Executive Council (OIBEC) and the Organic Industrial Base Corporate Board (OIBCB) to resolve or mitigate core capability and workload shortfalls. To strengthen future core calculations and workloads, these IPTs also revised policy and detailed procedures for Acquisition Program Managers to complete a Core Logistics Analysis by Milestone B and are continuing to develop Core Depot Assessment policy and procedures by Milestone C. Core calculations were also critical in the Program, Planning, Budget and Execution System in POM for FY 2017-2021, where the Army has taken deliberate steps to ensure that core requirements are identified, prioritized and resourced in the budget process.

Description of Issue: Information Technology (IT) Investment Review. The G-46 oversees and manages logistics Defense Business Systems (DBS) in the Logistics Domain, which are presented to the Investment Review Board (IRB) Forum, chaired by the DoD, Deputy Chief Management Office (DCMO). DBS that meet the funding threshold of \$1M (development and sustainment funds) or greater (across the FYDP) are required to go before the IRB annually for review and approval of all funding requests. The goal of this forum is to provide oversight on funding requests and to ensure that funds spent on development of any DBS fill a capability gap and are not redundant. The Army G-46 establishes internal management controls via its IT Portfolio Management efforts to account for logistics systems in use across the Army today, set approved standards for the transformation of logistics systems, and provide reasonable assurance that obligations and costs are in compliance with logistics transformation guidance and all applicable laws and regulations.

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Accomplishment: During 2014, the G-4 conducted a portfolio review to provide a holistic, comprehensive view to validate, modify, or terminate Army logistics IT Programs. The detailed review was accomplished over several months in coordination with all program offices and Army Commands. The review covered systems registered in the Army Portfolio Management Solution and was based upon criteria established by the Office of Business Transformation Army Business Council (OBT ABC) and the Office Secretary of Defense, DCMO. The review covered funding, systems capabilities, future plans, risks and challenges. Results were approved by the DCS, G-4, OBT, and presented to the Under Secretary of the Army. The G-46 efforts contributed to reducing the number of redundant and stovepipe systems by 29 IT systems, increasing efficiencies, reducing costs, and complying with applicable laws and regulations.

Description of Issue: Logistics Domain Governance. A significant role of the G-46 is to establish and implement the governance of the Logistics Domain and communicate to the field the progress and future events of the Global combat Support System-Army (GCSS-Army). The Business Process Council (BPC), facilitated by the G-46 and chaired by the DCS, G-4, is the senior level forum that addresses issues and makes decisions on current and future logistics IT/business processes. The G-46 also plans and facilitates a quarterly GCSS-Army Worldwide Program Update. The purpose of the update is to communicate to logisticians and resource managers a fielding status and road-ahead on the GCSS-Army program update. This update is held quarterly, and is co-chaired by DCS, G-4 and the Military Deputy Assistant Secretary of the Army, Financial Management and Comptroller. The audience includes all logistics and financial organizations, and is held via VTC and DCO to ensure widest attendance possible.

Accomplishment: During 2014, BPCs were conducted that brought together senior leaders from the Army Staff, CASCOM, Program Managers, key ACOMs, ASCCs, and DRUs to address Logistics Domain issues and make decisions on Logistics Domain programs, to include the GCSS-Army and the LMP. As a result of the BPC, decisions requiring an integrated Army approach were made and stakeholders were provided timely and consistent status. Four separate GCSS-Army Worldwide Program Updates were executed in 2014 (January, April, July, and October). Each update provided the Army staff and field units a forum to understand, share and move forward with GCSS-Army. In part, the BPC and the GCSS-Army Worldwide Program Update contributed to GCSS-Army nearing 80 percent fielding completion of GCSS-Army Wave 1 and initiating the Wave 2 fielding. Finally, the G-46 is designing a new governance forum: GCSS-Army Transition to Sustainment Governance Council (TSGC). It will further streamline the governance process and be the entry point into the BPC. The G-46 Executive Director, as the designated G-4 TSGC Chair, will lead sessions, identify, assess and adjudicate emerging Army level GCSS-Army business process gaps and challenges, as presented by program stakeholders.

Description of Issue: Logistics and Audit Readiness. The Logistics Innovation Agency (LIA) was tasked by the Assistant Deputy Chief of Staff, G-4 (Logistics) for Sustainment to serve as the Army Logistics Audit Readiness Program lead to enable Army commands to meet federal and DoD audit compliance requirements by 2017. The team was tasked to ensure sustainment of auditable practices by implementing improvements that would result in an “institutionalization” of audit readiness throughout the Army’s logistics community.

Accomplishment:

- The LIA's Performance Review Group partnered with the Army's Accountability and Audit Readiness Directorate and the Army Office of Business Transformation to develop a plan that would help prepare the Logistics Domain in the Army's Business Mission Area to support the legislated mandate of auditable financial statements for DoD by 30 September 2017.
- From August 2013 through December 2014, the Group's actions focused on enhancing audit readiness and conducting logistics and financial management domain enterprise integration by implementing novel approaches to address both the transaction level performance of field units and the long-term logistics systems improvements needed to achieve and sustain federal audit readiness mandates.
- The audit compliance team improved the Army's overall random existence and completeness of asset testing pass rates from 77 percent to a peak 95 percent pass rate. The results supported a clean opinion by DoD Inspector General of Army's assertion of audit readiness for the Existence and Completeness of General Equipment assets (Independent Auditor's Report on the Attestation of the Existence, Completeness, and Rights of the Army's General Equipment, DoD Inspector General 2015 041, 25 November 2014).
- The Enterprise Integration Team developed a "Process and System Verification" methodology that was adopted by the Army Office of Business Transformation for use in the other business mission area domains, to ensure that logistics activities are properly aligned to the DoD Business Enterprise Architecture end-to-end business process and the Army's Business System Architecture. The effort applied the DoD Strategic Management Plan's principles to align business operations and institutionalize an end-to-end business process perspective. This approach synchronized logistics information to satisfy auditability, portfolio, data, and Army business management strategies for the Deputy Chief of Staff, G-4, the Army Office of Business Transformation, and the Program Executive Office for Enterprise Information Systems.
- The Enterprise Integration team also identified duplicative systems and logistics activities that require evidence of financial controls to reasonably assure an auditor that the financial statements are accurate. They ensured that 100 percent of Army logistics systems were compliant with DoD Business Enterprise Architecture assertion requirements as required by National Defense Authorization Act 2012 and the DoD Office of the Deputy Chief Management Officer and that 100 percent of Army logistics systems were compliant with the Army's Business System Architecture assertion requirements as required by Army policy.
- The LIA/G-4 introduced three innovative concepts which improved logistics audit readiness and laid the foundation to institutionalize auditability by introducing the concepts of Follow-on Testing, to "Verify Remediation" of those individual units that failed transaction-level or internal control testing; Specified Testing, used to "Identify

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Non-compliance” of individual units with regulations and audit standards that would otherwise not be tested using statistical sampling; and the concept of the “Vital Few,” a management by exception approach, whereby remediation efforts are focused on the units with the highest percentage of failure rates, to achieve continuous process improvement across the Command.

- The team identified areas where logistics policy did not align with financial or audit compliance guidelines and provided the policy sponsors recommendations to improve the regulations. The Enterprise Integration team ensured that the 190 logistics business domain systems were properly aligned to the Army’s Business System Architecture and DoD Business Enterprise Architecture as part of the FY 2015 Organization Execution Plan (OEP) cycle.

Administrative Assistant to the Secretary of the Army

Description of Issue: Statement of Budgetary Resources.

Accomplishment: Resource Services Washington, Managerial Accounting Division revised the General Accounting Assessable Unit Checklist by adding test questions and functions related to GFEBS and streamlining the all-inclusive and legacy questions. The division staff took a proactive role as the audit readiness liaison for HQDA/Operating Agency 22 by providing in-house training on all facets of accounting. Additional offsite training was conducted at fund centers on a variety of subjects, including the Joint Review Program and unmatched transactions research. The division’s subject matter experts updated Joint Review Program checklists to incorporate new metrics issued by OASA (FM&C) and provided critical input to new financial operations guidance. The division performed audit readiness self-testing, hosted biweekly teleconferences to review individual controls, provided examples, and offered training on “What Right Looks Like.” During testing events, the staff reached out to individual fund centers to assist with sample completions. The training and awareness the division staff provided created an efficient and effective workforce equipped to recognize and resolve issues in a timely manner. As a result, OAA’s pass rate for audit readiness self-testing increased from 50 percent in June 2014 to 95 percent in January 2015.

Description of Issue: Army Conference Policy.

Accomplishment: To drive a cultural shift in the Army’s approach to conference policy, Administrative Assistant to the Secretary of the Army (AASA) Army Conference Management (ACM) Directorate launched a multipronged initiative to provide Army leaders with the tools and training they need to successfully submit, track, and audit conference requests. The ACM team conducted staff assistance visits with several commands and provided distance learning sessions to those they could not visit in person. ACM trainers guided leaders through current policy, alerted them to upcoming changes in policy, provided lessons learned, and gave them detailed instruction on how to properly submit and report their conferences. ACM also transformed feedback from users of the Army Conference Reporting and Tracking Tool into system enhancements that clarified command structures, streamlined the flow of requests, and automated the approval process. Lastly, to measure compliance against AASA-established

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goals, ACM developed a process for identifying conference-related travel discrepancies and used data-mining techniques to present that data in meaningful reports that tell commands what they are doing right and where they need to improve. Since the beginning of FY 2015, ACM has presented a comprehensive Army wide report to the AASA and 52 command-specific reports to Army commands.

Description of Issue: Veterans' Claim Processing Times.

Accomplishment: During FY 2014, the Joint Services Records Research Center successfully met its mission to research military records in support of veterans' inquiries related to disability claims for post traumatic stress disorder and Agent Orange exposure. Using an internal process improvement effort, the center completed 8,025 claims 15 percent faster than the baseline determined by the U.S. Department of Veterans Affairs. Claims for Operation Northern Dawn, Operation Enduring Freedom, and Operation Iraqi Freedom were completed in an average of 4.4 days and all other claims were completed in an average of 31.1 days. The center also agreed to provide the Department of Veterans Affairs with additional research support for both general health-related claims and special claims that require priority attention for corroborative research. The center expects to sustain the increased volume of cases it was able to process based on the internal process improvements it implemented.

Description of Issue: Reduction of Leased Space within the National Capital Region.

Accomplishment: To comply with the DoD requirement to reduce leased space in the National Capital Region by a minimum of 20 percent, the Army needed to release at least 438,000 square feet of space from its FY 2014 baseline of 2,190,000 square feet. In response, OAA's Real Estate and Facilities – Army (REF-A) developed a comprehensive plan to achieve a 36-percent reduction by releasing 781,000 square feet while also achieving a 33-percent reduction in associated rent and operating costs. To determine the most appropriate facilities to release, REF-A conducted an exhaustive collection of tenant requirements (geography, security, etc.); lease restrictions; and use rates. After analyzing the data, it became clear that releasing the Hoffman II building's 534,000 square feet was a big savings opportunity because of its size, outdated condition, annual rent, and poor rate of use. The REF-A team developed a detailed timeline to methodically cascade tenants out of the building and into underused facilities by the end of FY 2017, which will save the Army about \$28 million a year in rent.

Description of Issue: Iraq and Afghanistan War Records.

Accomplishment: The U.S. Army Center of Military History (CMH) developed an expanded records capture program to collect and preserve operational records from Iraq and Afghanistan. Under the direction of the Secretary of the Army and Chief of Staff of the Army, CMH's team of technical experts developed a system that to date has collected and uploaded over 150 terabytes of war records into a searchable database. CMH historians conduct detailed assessments of the information to ensure that the quality of the records meets the needs of the Army, veterans, and historians. The new records system has already produced information for investigations, specific operational data for senior HQDA officials, and historical research used to produce official

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histories. The database will be an invaluable research tool for historians and the Army for decades to come.

Chief, Army Reserve

Description of Issue: Personnel Readiness. Command is challenged to meet personnel readiness goals due to limited population who reside within geographic areas of operation, low density Military Occupational Specialty, and command-wide senior grade shortages.

Accomplishment: Two internal controls established this year have helped to address personnel readiness issues as a command. The two include the conducting of the command's comprehensive manning board twice a month and second is the realignment of personnel functions under the G-1. Synchronization of actions enables more timely and accurate personnel assignments decision-making. Command oversight is established for processes that directly impact personnel readiness. This new process enabled the reassignment of over 40 Soldiers from excess to valid positions within the command, established a plan of action to improve the reenlistment process at the unit-level, and provided best practice unit sponsorship tools to all Brigade and Battalion level organizations.

Provost Marshal General

Description of Issue: Chief Knowledge Officer.

Accomplishment: Hired a Chief Knowledge Officer (CKO) in July 2014. The CKO conceptualized and initiated a Knowledge Management (KM) Program to optimize the Military Police (MP) community and mission partner collaboration, data and information sharing, situational understanding, decision-making and organizational learning using KM best practices. The KM program began establishing common approaches, processes, technologies and methods to enable Army MP units and Provost Marshal General (OPMG) staff elements to acquire, create, organize, share and use data, information and knowledge needed for common understanding, cross-organization synchronization and optimal decision-making in support of PMG missions and functions.

Description of Issue: Knowledge Management Program.

Accomplishment: Initiated Knowledge Management (KM) governance and began managing efforts to improve collaboration, data and information sharing, situational understanding, decision-making, and organizational learning across the MP community of practice. The KM policy and procedures were established by the Chief Knowledge Officer and implemented by KM representatives from OPMG staff elements and MP community stakeholders. KM processes and practices established the foundation to enable the creation and sharing of data, information and knowledge resulting in more effective and timely decisions and mission execution. The KM program established a capabilities framework for common approaches, processes, technologies, and methods to enable Army MP units and OPMG staff elements to acquire, create, organize, share and use data, information and knowledge needed for common understanding, cross-

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organization synchronization and optimal decision-making in support of PMG missions and functions.

Description of Issue: Sexual Harassment/Assault Response and Prevention Focused Topics.

Accomplishment: As part of the Army's continuing efforts to address sexual harassment and assaults, OPMG engaged in several initiatives to reduce the occurrences and provide support to victims.

- Sexual Harassment/Assault Response and Prevention (SHARP): The OPMG representative to ODCS, G-1 engaged in several initiatives to reduce the occurrences and provide support to victims, focused on the Army's continuing efforts to address sexual harassment and assaults. Hosted a SHARP Operational Planning Team on 25 August 2014 with representatives from the Office of the Judge Advocate General (OTJAG), Office of Chief Legislative Liaison (OCLL), Office of Public Affairs (OCPA) and G-1 SHARP to discuss various action items to include: selection of top vignettes; an OCPA recommended strategic plan (STRATPLAN); and an OCLL engagement plan with focus on select Congressional committees. OPMG Strategic Initiatives Group has made several editorial changes and the Office of the General Counsel (OGC) has rewritten the vignettes based on the Under Secretary of the Army's office recommendations.
- President of the United States (POTUS) Sexual Assault Report: Continued to work with G-1 SHARP to review, provide OPMG equities, and concurrence on the Army narrative for the POTUS Report on SHARP. G-1 SHARP briefed the Secretary of the Army on status, in preparation for inclusion into the DoD report. The DoD report must include clear benchmarks and metrics that measure DoD efforts.
- Sexual Assault Vignettes: The Secretary of the Army tasked OPMG (with Office of the Judge Advocate General support) to provide a number of vignettes describing cases in which Army Commands acted on sexual assault allegations after civilian jurisdictions declined. A total of 42 vignettes, to include 10 cases, went forward for the POTUS Report. In accordance with Secretariat/Army Staff recommendations, the Secretary of the Army decided not to proactively release this information to the oversight committees but reserved the right to make reference to the vignettes if the issue comes up in future Congressional hearings.
- SHARP Resource Center (RC): Participated in the Sexual Assault Response Team/Center (SART/C) Tiger Team to assess the feasibility of implementation of consolidated sexual assault RCs at various installations. OPMG/USACIDC feedback was provided to G-1 SHARP as it finalized the SHARP RC EXORD. EXORD recognized that USACIDC investigators will participate in the RC within the manning and resource constraints of the USACIDC units at the identified installation versus a 24-hour static responder always at the RC.
- SHARP Summit 2015: The CSA hosted a SHARP Summit at Joint Base Andrews on 18-19 February 2015, which included select brigade and battalion commanders and provided

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them with an opportunity to share their accomplishments and challenges. The agenda included key leader briefs, which incorporated a joint session presented by the PMG and The Judge Advocate General (TJAG). This combined PMG and TJAG brief provided an Army Investigation and Prosecution Update to the Summit.

Description of Issue: Standardize Automated Ability to Authenticate Credentials of Visitors to Army Installations.

Accomplishment: The Automated Installation Entry (AIE) system is the Army enterprise physical access control system that enhances security at Army installation access control points by automating authentication of authorized and registered personnel entering Army installations. Enhanced capabilities are being fielded as AIE-2+. This enhanced system synchronizes with Federal law enforcement information systems, terrorist tracking databases and with other DoD Military and Defense agencies. New project starts commenced at Fort Jackson, Radford Army Ammunition Plant, Fort Irwin, Military Ocean Terminal Concord, Fort Bliss, Fort Drum, Holston Army Ammunition Plant, Dugway Proving Ground, West Point, and Camp Roberts.

Description of the Issue: Army Threat Integration Center.

Accomplishment: On 31 March 2014, the Army Threat Integration Center (ARTIC) reached final operating capability. The ARTIC concept was a direct result of the Fort Hood Army Internal Review Team final report, which cited a lack of near-time coordination in the reporting, analysis and tracking of terrorist-related threat information in the Army. The ARTIC serves the Department of the Army's global threat information sharing hub focused on internal and external threats in real time. It's an element of OPMG designed to enable the fusion of law enforcement and intelligence information for threat analysis and warning purposes in support of the Army antiterrorism mission. Unlike a traditional Indication and Warning construct, the ARTIC fuses data from both of these disciplines, provides warnings through a wide-range of products, and reaches a broad audience from Army senior leaders to installation commanders. The ARTIC operates in a 24/7 capacity to receive raw data, conduct analysis and disseminate/share information with a terrorism and DoD nexus.

Description of Issue: Army's Antiterrorism Enterprise Portal.

Accomplishment: The OPMG Antiterrorism (AT) Branch posts all training tools, communication synchronization messages, AT-related policy and doctrine, and awareness products to the OPMG ATEP. During the past year, the branch has emphasized the ATEP as a tool for Antiterrorism Officers to reinforce community awareness. As a result, the branch has tracked an increase of "unique hits" on ATEP from 254 "unique hits" in January 2014 to 953 "unique hits" in August 2014. The annual count for ATEP "unique hits" in 2014 is 6929.

Description of Issue: 2014 AT Awareness Month (ATAM).

Accomplishment: The Army conducted ATAM during the month of August 2014 to instill and sustain Army-wide heightened awareness and vigilance. The execution in August was the 5th annual iteration of the approved commemorative event. The ATAM is conducted through a

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series of themes designed to focus the Army communities on training and awareness efforts to prevent and protect the Army community and critical assets from acts of terrorism. The OPMG Antiterrorism (AT) Branch also set-up the AT Awareness Booth in the Pentagon during ATAM. Army Commands (ACOM), Army Service Component Commands (ASCC), Direct Reporting Unit (DRU), Army National Guard and U.S. Army Reserve Command Headquarters submitted after action reports (AAR) to the branch and these comments were consolidated into areas for sustainment, improvement and identified best practices. The AAR also included a storyboard demonstrating key actions and a sample of Army-wide initiatives. August 2015 will be the sixth annual AT Awareness Month. Public service announcements and interviews from key Army leadership, such as the PMG and Sergeant Major of the Army, help promote AT Awareness Month.

Description of Issue: Integrate AT into the Joint Mission Assurance (MA) and Army Protection Programs (APP).

Accomplishment: The OPMG Antiterrorism (AT) Branch established a strong collaborative partnership with the Office of the Assistant Secretary of Defense (Homeland Defense and Americas' Security Affairs (OASD(HD&ASA)), Joint Staff, geographic combatant commands, Defense Threat Reduction Agency and the ODCS, G-3/5/7 (G-34 Protection Directorate) in developing the new Joint MA Program. Efforts include membership in the MA Senior Steering Group, Assessments Working Group, Lexicon Working Group, Periodicity Sub-Working Group, and the Mission Assurance Risk Management System (MARMS) Configuration Board. The MARMS is the projected replacement for the Core Vulnerability Assessment Management Program (CVAMP) and will become the single DoD database for critical asset and threat identification and vulnerability assessment mitigation plans. All groups are focused on achieving the DoD MA Strategy. MA and assessment policies are in draft and being staffed throughout the year. The branch is also working with the ODCS, G-3/5/7 (G-34 Critical Infrastructure Risk Management (CIRM) Branch) to ensure integration of AT into the CIRM assessment process. The branch provides reach back support for CIRM AT assessors, AT training for CIRM AT assessors and program and report review after the assessment.

The Surgeon General/Army Medical Command

Description of Issue: Risk of loss of Temperature Sensitive Medical Products (TSMP) due to variations in cold chain management.

Accomplishment: An electronic monitoring system (VersaTrak) was acquired to provide 24/7 monitoring of TSMP. This system now serves as the primary monitoring method for TSMP with internal controls in the form of physical checks by staff duty personnel as a concurrent secondary measure. As a result, Landstuhl Regional Medical Center now has the capability to quickly respond to situations where medical products fall below acceptable temperature ranges before loss of product can occur. (*U.S. Army European Regional Medical Command [ERMC]*).

Description of Issue: Current operational policies for continuity of care and support services did not keep pace with the growth in the Wounded Warrior population, thus increasing risk in the continuity of care and support services for transitioning Soldiers.

Accomplishment: Implementation of the Army Wounded Warrior Alumni Program (AWAP) improved procedures between the Army and Veterans Administration (VA) case managers for transitioning Wounded Warriors, thus reducing the risk of degradation to the continuity of care and support services of Soldiers transitioning from Warrior Transition Units to obtaining care and support services through the VA. (*U.S. Army Warrior Transition Command [WTC]*)

U.S. Army Corps of Engineers

Description of Issue: U.S. Army Audit Agency (AAA) Audit of Hurricane Sandy Internal Controls (USACE Internal Review Office (CEIR)).

Accomplishment: The USACE North Atlantic Division (NAD) wrote control plans for local execution of Hurricane Sandy Recovery funds. NAD's Commander and the Corps of Engineer Internal Review Chief requested USAAA to audit these plans in advance of spending the funds to ensure the plans included key internal controls to prevent fraud, waste, and abuse.

Description of Issue: The Sandy Coastal Management Division (SCMD) (NAD).

Accomplishment: The SCMD was created to manage and unify the effort to execute work required by the Disaster Relief Appropriations Act of 2013. Projects have been accomplished in a timely and cost effective manner by collaborating as a team and with stakeholders, using effective processes and internal controls. The Program Management Plan (PMP) builds from NAD's traditional roles working with its subordinate Districts with enhanced emphasis to manage Command and Control, Program Management, Regional Integration, and Quality Assurance.

Description of Issue: Resource Management support to Hurricane Sandy Recovery – Supplemental Funding (Philadelphia District (NAP)).

Accomplishments:

- The NAP Resource Management Office (RMO) recorded, monitored, and reported approximately \$238 million of Hurricane Sandy Supplemental Funds Public Law (PL) 113-2. The RMO prepared a funding situation report (SITREP). This SITREP helped project managers track labor expenses and available funding.
- NAP received \$48,850,000 of O&M Appropriation funding in the 2013 Disaster Relief Appropriations Act, PL 113-2 (Hurricane Sandy). Ninety-three percent of this funding was executed promptly to repair damages resulting from the declared disaster and restore project conditions to their pre-event status. The remaining balance of approximately \$3,468,000 will be obligated in FY 2015, when all work is scheduled to be completed.

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Description of Issue: Comprehensive PL 84-99 Flood Response and Comprehensive Emergency Response under the Stafford Act – Support to the Federal Emergency Management Agency (FEMA) under Emergency Support Function (ESF) # 3. Activities/actions within the South Pacific Division (SPD) area of responsibility prompted requests for support and emergency technical and direct assistance.

Accomplishments:

- Garnered \$13M in Class 500 Advance Measures funds (technical and direct assistance) to address elevated flood threat conditions associated with fire-denuded watershed upstream of Santa Clara Pueblo, New Mexico. Established the basis for high magnitude solution commensurate with compelling flood/debris flow risk; championed the cause to justify the engineering and design (E&D) of an unprecedented \$47M for a roller-compacted concrete (RCC) dam (later eclipsed by unfavorable in-site geologic conditions). Funded actions included emergency stream channel excavation, placement of innovative flood fight products, armoring existing berms/embankments, and design of gabion check structures.
- Provided Class 500 Advance Measures (technical and direct assistance) to help reduce the elevated flood threat associated with denuded watershed in the Mount Charleston region of Clark County, Nevada. The process involved channel design changes to incorporate new criteria gleaned from post-flood site assessments and to accommodate cold weather conditions.
- Conducted a Class 200 flood fight on extremely short notice to address flood threat in Duncan, Arizona associated with Tropical Storm Odile. Responders worked through the night, 17-18 September 2014, to ensure seamless operations and mission success.
- Supported Class 200 Advance Measures technical assistance in Wyoming and Colorado to help mitigate flood threat conditions associated with above-average snowpack and landslides, respectively.
- Implemented Class 200 technical assistance to address flood potential in Pueblo, Colorado, the Navajo Nation, and the Moapa Indian Reservation in Nevada.
- Received HQUSACE approval of four System-Wide Improvement Framework (SWIF) Letters of Intent: Sutter Basin Levee System, Kings River Unit 6 North/James Bypass, American River Maintenance Area 9, and Coyote Creek in Marin County.
- Represented ESF # 3 and the Flood Control and Coastal Emergency (FCCE) Program during a 5 February 2015 interagency panel discussion on the California drought. Provided a briefing regarding PL 84-99 drought authority parameters to FEMA, the California Office of Emergency Services (Cal OES), the Department of Water Resources (DWR), and other state representatives.

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- Provided perspective to FEMA Region 9 leadership regarding USACE support to the National Disaster Recovery Framework (NDRF) Infrastructure Systems Recovery Support Function (IS RSF) applicable during planning and recovery efforts.
- Presented a Concept of Operations briefing to the Sacramento District (SPK) Debris Planning and Response Team (PRT) and provided subject matter expertise to SPK during their 19-21 November 2014 interagency debris management training.
- Worked through the FEMA-funded NDRF IS RSF team-lead associated with *New Mexico Severe Storms, Flooding, and Mudslides* (DR-4152) to identify non-FCCE measures to further reduce compelling flood threat conditions in Santa Clara Pueblo.
- Developed and hosted a 10-12 June 2014 Infrastructure Assessment PRT Workshop in Buffalo, New York to maintain capabilities to support FEMA Infrastructure Assessment Mission Assignments. This workshop also included earthquake and catastrophic flood Table Top Exercises (TTX).
- Continued to provide FEMA Region 9, Cal OES, and other Bay Area Debris Management Collaboration stakeholders with overarching perspectives on debris management challenges, strategies, and considerations to optimize interagency response and recovery in the wake of a significant Bay area earthquake.

Description of Issue: USACE Civil Works Financial Statements and Audit Opinion (HQUSACE Directorate of Resource Management (CERM) and USACE Finance Center (UFC)).

Accomplishment: An independent audit, validated by DoDIG Report Number DoDIG-2015-035 dated 14 November 2014, rendered an Unmodified (formerly referred to as Unqualified) Audit Opinion on USACE Civil Works Financial Statements. USACE has successfully achieved seven (7) consecutive Unmodified opinions from external independent audit firms with no material weaknesses from FY 2012 through FY 2014.

Description of Issue: Implementation of Government-wide Treasury Accounting Symbol (GTAS) Adjusted Trial Balance System Reporting (UFC).

Accomplishment: The GTAS Adjusted Trial Balance System is the mechanism through which agencies report their financial accounting data (budgetary and proprietary) to Treasury for purposes of generating the consolidated Government-wide Financial Statements for the U.S. Government. It replaces the Federal Accounting Centralized Trial Balance System (FACTS I and II), Intra-governmental Fiduciary Confirmation System (IFCS), and Intra-governmental Reporting and Analysis System (IRAS). GTAS is used to transmit proprietary and budgetary accounting data to Treasury for eleven reporting periods during the fiscal year. GTAS submissions to Treasury require use of specific Standard Financial Information Structure (SFIS) attributes and must pass extensive data validations and edits. USACE successfully converted to GTAS in 4th Quarter, FY 2014.

U.S. Army Materiel Command

Description of Issue: Contracting Reserves.

Accomplishment: The Small Business Job Act of 2010, without a definition, introduced the small business “reserve” as a tool to contracting officers for small business . Without a formal definition of the word “reserve”, contracting officers were using various interpretations that resulted in multiple award - indefinite delivery indefinite quantity contracts being made only to large businesses. An Integrated Performance Team (IPT) was established to research how to best implement the new tool called “reserve.” The IPT clarified “set asides” and “reserved” term. The term "reserve" can now be found in FAR 19.502-4.

Description of the Issue: Improvement of Quality Assurance (QA) Program .

Accomplishment: Contract Support Integration (CSI) continued to improve the QA program throughout the U.S. Army Mission and Installation Contracting Command (MICC) enterprise. Headquarters MICC instructions, policies and guidance are disseminated across the command to enhance management of QA functions and to ensure Contracting Officers Representatives (COR) execute their responsibilities. Copies of the documents are available on SharePoint and in the MICC Desk Book. The MICC COR management plan provides Quality Assurance Specialists (QAS) and contracting officers with tools for surveillance assessment techniques, COR File Reviews and COR Physical Performance Assessments documents.

Description of Issue: Professional Quality Specialist Training and Certification .

Accomplishment: The Contract Support Integration (CSI) QA team executed an initiative to train, certify and develop the QA cadre across the command in advanced auditing and oversight techniques. This initiative resulted in the Professional Certification of 100 percent of those QASs that trained and sat for the American Society for Quality Certified Quality Auditor exam in June 2014.

This training enables the MICC QA cadre responsible for COR management to provide more sophisticated and effective guidance concerning COR mentoring. The skills attained through this certification enable the QASs to offer contracting officers and multi-functional integrated process teams (IPT) a greater understanding of the contractor’s quality systems associated with more complex requirements.

Description of Issue: Deployment of the Single Charge Card Solution (SCCS) and Purchase Card On-Line System (PCOLS).

Accomplishment: The G-8 Budget team attended regular DCO training sessions and meetings to learn about the new processes and online management tools and worked diligently to ensure that all cardholders (CH) and billing officers (BO) were fully informed of the new requirements and procedures. A video-teleconference was held with the CSBs/Field Director Office (FDO) to explain the process and gain mutual concurrence on the way forward for the MICC regarding the bulk and single purchase transactions. The budget team gathered user Electronic Data

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Interchange Personal Identified information and workflows were established in GFEBS for purchase requisition (PR) routing once CHs and billing officers (BO) were trained and provisioned in GFEBS. The deployment required assembling detailed records for submission to U.S. Bank and switches and routers were set in Access Online (AXOL) by the G-8 Budget team in order for system interfacing. Without great attention to detail, the command could have incurred a large number of government purchase card (GPC) intermediate document (IDOC) errors and rejected GPC transactions. The new SCCS process and implementation of PCOLS is part of Army Audit Readiness and provided more detailed scrutiny of GPC transactions and delinquencies, increased approval levels and automated documentation of approvals; and is particularly beneficial to the budget office and BOs.

Description of Issue: Annual GFEBS Role Assignment Reaffirmation – FY 2014.

Accomplishment: In accordance with an Army Audit Readiness Requirement (Federal Information System Controls Audit Manual control AC-3.1.5) and the Policy for the Army Enterprise Resource Planning and other Army Information Systems User Account Management, the GFEBS program mandates users are validated no less than annually through the GFEBS Governance Risk and Compliance (GRC) Reaffirmation process. HQ Joint Munitions Command (JMC) GFEBS team reaches to all supervisors with GFEBS users and requests affirmation that users under their supervision still require GFEBS access. In addition, changes to users' accounts can be made at that time as well. All GFEBS access is controlled by the GRC which has a 4-level approval process built into the GRC system.

The approval levels are held by various key players in the role assignment and GFEBS training process. The GRC systems address any Separation of Duty (SOD) conflicts and ensure all training is completed before role assignment can be completed. HQ JMC completed a 100 percent role affirmation March 2014.

Description of Issue: Logistics Modernization Program (LMP)

Accomplishment: Throughout 2014, the AMC 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). Personnel worked closely with personnel from 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, including the Deployment of the LMP system to Non-Army Managed Inventory (NAMI) which incorporates and standardizes NAMI inventory into the LMP system.

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All AMC inventory is now in LMP and the Commodity Command Standard System (CCSS) shut down 2 December 2014. Data cleansing efforts throughout FY 2014 resulted in significant dividends by decreasing DFAS budgetary/proprietary year-end adjustments by \$2.7 billion or 64 percent. Federal Financial Management Improvement Act (FFMIA) workshops and Standard Financial Information Structure (SFIS) workshops were conducted to identify and develop requirements to bring LMP into compliance with audit readiness requirements, a DoD Business Modernization initiative.

The division worked with personnel from G-3/4 and the Defense Logistics Agency (DLA) to develop and implement a Memorandum of Agreement (MOA) to address internal control weaknesses in the Integrated Prime Vendor (IPV) program. The MOA, and the processes therein, were reviewed and approved by DoDIG and Price Waterhouse Coopers LLP (PwC) prior to signature by HQAMC and DLA and ensures an auditable IPV process. In addition, Division personnel worked with Army Contracting Command (ACC) and DLA personnel to address an issue where transportation charges were failing accounts payable pre-validation edits in the LMP system. A "Contracting Note" was developed and distributed to all DLA Acquisition activities that do business with the Army and the issue has been resolved.

Workshops were held on Unmatched Disbursements, LMP General Ledger Account Code (GLAC) Posting Logic, and LMP Journal Voucher (JV) reversal in continuation of the process of identification and requirements gathering for corrective action on the findings of a DoDIG audit on the LMP procure-to-pay process and a AAA audit on the LMP downward obligation process. The Division also continued to host workshops focusing on 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. The Division continues to support and host inventory workshops focused on the implementation of standard cost for inventory valuation at IO and Supply Management Army (SMA) activities. The focus includes serviceable and unserviceable inventory, carcass valuation, and the impact of applying standard cost to the valuation of inventory. Action was taken to address DoD policy that inventory must be valued at moving average cost. This issue was brought to the attention of HQDA and OSD and a change in wording was made to allow for valuation of inventory at standard cost in LMP but presented on the financial statements at moving average cost. This approach will align LMP with GAAP as well as to move LMP closer to standard Special Access Program (SAP) methodology

Description of Issue: Joint Reconciliation Program (JRP)

Accomplishment: The AMC established internal "stretch" goals for the JRP to help further manage critical programs and meet the DA goals on time. Updates on these metrics were provided to HQDA four times during FY 2014. Internally, monthly video teleconferences were conducted with the major subordinate commands (MSC) to discuss their progress.

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The Accounting, Policy, and Systems Division continued working initiatives with DFAS to enhance the ability to meet the applicable goals. These initiatives included working groups with AMC MSCs, working groups within DFAS, and on-site visits with DFAS personnel to understand processes and bottlenecks. Some manual processes were automated, resulting in reduced processing times and achieving applicable reductions.

In FY 2014, the AMC's 4th Expiring Year unliquidated obligations (ULO) were reduced from \$522.87 million to \$396 million and 5th Canceling Year ULOs were reduced from \$340 million to \$52 million. The FY 2014 5th and 4th year goals were not achieved due to contract actions that were still open and required audit. These items were approved as exceptions based on guidance from ASA(FM&C). AMC exceeded the HQDA goals for DTS usage, Army Working Capital Fund (AWCF) Accounts Receivables, and AWCF WAWF usage. Other problem disbursement areas were reduced throughout the year.

U.S. Army North

Description of Issue: Congress requires the DoD to have auditable Statements of Budgetary Activities and audit ready financial statements by 2017.

Accomplishment: An audit readiness team consisting of a HQDA civilian and one contractor with the purpose of addressing audit readiness, internal control and cost management, assessed over 51 individual controls for audit compliance. Audit Readiness is being completed at U.S. Army North (ARNORTH) G-8 without the assistance of an Internal Review Office.

Description of Issue: OASA(FM&C) Accountability & Audit Readiness Directorate conducts monthly testing of Existence and Completion of General Equipment and Statement of Budgetary Activities.

Accomplishment: The G-8 audit readiness team prepared and submitted 34 Existence and Completion samples with a 97 percent pass rate.

Description of Issue: Previous assessment proved that USARNORTH controls didn't provide means to reconcile GFEBS to the civilian pay records. It was identified that employees were being paid who were no longer on USARNORTH payroll.

Accomplishment: Audit readiness team created Access dbase that imported data from both systems and provided a report that allowed reconciliation practices.

U.S. Army South

Description of Issue: U.S. Army South (ARSOUTH) conducted staff inspections, staff assistance visits, and command inspections throughout the Army South area of responsibility in an uncoordinated effort which resulted in duplicate inspections, over-taxing inspected units' resources and mission capabilities with multiple inspections throughout the year. ARSOUTH was not good stewards of the Army's resources to include financial costs associated with the multiple inspections and trips.

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Accomplishment: ARSOUTH revitalized the Organizational Inspection Program in accordance with Army Regulation (AR) 1-201, Army Inspection Policy. Establishment of this program allows for coordination of all command audit and inspection activities into a single and cohesive program. The inspector general's office facilitated working groups in order to consolidate inspections on subordinate units. The working group hosts representatives from each ARSOUTH Directorate to help coordinate the streamlining of inspections and make ARSOUTH personnel better stewards of the Army's resources. The working group has reduced the number of multiple trips to subordinate commands and assisted in consolidating the multiple inspections that were conducted on the same commodity areas in those subordinate units allowing units to be more effective in meeting their missions.

Description of Issue: Global Combat Support System-Army Wave-1 Deployment.

Accomplishment: The Deputy Chief of Staff (DCOS), G-8 performed data cleansing of 4,988 transactions and as such contributed to the successful and timely deployment of GCSS-Army, Wave 1 to ARSOUTH on 23 October 2014. By the G-8's effort, a reduced number of transactions (423) transitioned from the legacy system to GCSS-Army.

Description of Issue: Joint Regional Security Stack Migration.

Accomplishment: Joint Base San Antonio implemented the first Joint Information Environment Joint Regional Security Stack (JRSS) in the Army. ARSOUTH was one of the first Army major commands to complete the modernization effort. This upgrade reduced the Army attack surface from over 700 points of presence on the Internet to 23 worldwide and enabled the network defense changes to a much more defensible environment. The initiative significantly increased network security while reducing costs and enforcing standard security architecture and business processes. HQDA requested the Assistant Chief of Staff, G-6 to provide feedback on the initiative to share the experience with Army organizations that have not yet migrated.

Army Test and Evaluation Command

Description of Issue: Executing the audit readiness program.

Accomplishments:

- Met or exceeded HQDA 95 percent testing goal over a six month period in both SBR and E&C (General Equipment) testing
- Audit readiness progress reporting through quarterly, monthly, and weekly senior level briefings
- Robust Command Inspection Program - Key audit readiness controls embedded in Command Inspection Program (CIP) checklists
- Managers' Internal Control Program: Assess key control activities via the Commander's Audit Readiness Checklist
- Continuous open dialogue with the ASA (FM&C) Audit Readiness Team; developing policies and internal controls for cost allocations and reimbursables

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- Conducted pre- and post-monthly testing teleconferences; subject matter experts conduct detailed review of all test samples before submission to ASA (FM&C)
- Command SharePoint sites established for guidance, test samples/results, standard operating procedures/policy, lessons learned, best practices
- Developed and/or revised Army Test and Evaluation Command (ATEC) financial regulations to incorporate required internal controls
- Performed Command Supply Discipline Program inspections and apply audit methodology to documentation verification
- Conducted general equipment stakeholder meetings
- Test Center logistics staff tracked paperwork processing times and proactively alert Installation Property Book Officer of imminent issues

Description of Issue: ATEC Strategic Planning.

Accomplishment: The Strategic Plan Initiative is the number one priority in ATEC's line-up of eight identified Command Initiatives. Rigorous and regular activity has ensued throughout the year to include addressing a total of 109 original tasks under eight designated Major Objectives. The plan is aligned with Army's strategic goals and objectives and is mission focused. The Commanding General, ATEC executes the plan in accordance with the designated authorities set forth by Army, and receives regular reporting on the directed tasks within the Commander's Weekly Update battle rhythm. To date, 16 percent of the tasks have been completed; 27 percent of the tasks are identified as enduring/cyclic with no completion date required; and 8.5 percent of the tasks have been adjusted/integrated into other tasks for more comprehensive execution.

Description of Issue: ATEC Communication Synchronization (Comms Synch) Initiative.

Accomplishment: Phase One. The Comms Synch Initiative is ATEC's number five priority in a line-up of eight identified Command Initiatives. Initial activity ensued to address five immediate needs to include the development of the "Commander's Corner," development of a new command video, refinement of the social media opportunities which offers an Ask the Command interactive media forum, daily launch of an internal, consolidated DoD-centric news report ("The Wire"), and initiation of the internal "Brown-Bag" sessions with the Commanding General. All five initiatives have been completed.

Phase Two. This effort is geared toward an overarching solution to synchronization of ATEC's command-wide communications. Under the direction of the ATEC Chief of Staff, an integrated process team (IPT) was formed to study and recommend a way ahead for consolidated and refined communications. The IPT completed the ground work for phase two and recommended a focus toward a Process, Policy and Products Strategy, and the creation of a tiger team to perform as a service cell, supporting the five identified commodity areas (Test and Evaluation Technical, Public Affairs, Congressional Affairs, Outreach/History, and Recruitment/Retention) addressing synchronized and refined communication operations.

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Description of Issue: Maintaining a military core to support the test and evaluation mission was deemed essential.

Accomplishment: Recognizing that a Soldier presence is absolutely necessary to ensure the Warfighter has the right capabilities for success across the entire spectrum of operations, ATEC established a comprehensive briefing associated with proposed military reductions. We outlined risk assessments and reinforced that it is impossible to get the same field experience and relevant perspective from civilians and contractors. If we lose the invaluable infusion of military knowledge and experience, we compromise essential information for decision makers. Briefing was well received at the HQDA level. As a follow-on, we also submitted a reclama to retain chaplain positions at our remote locations (Dugway Proving Ground, Yuma Proving Ground, and White Sands Missile Range). Reclama was approved and will allow us to continue to meet the needs of our Soldiers.

Description of Issue: Equipping Program Evaluation Group requested that all commands with reimbursable authorizations break out those authorizations by customer, and coordinate with customers to validate funding lines.

Accomplishment: This was a monumental tasking given the majority of our customer base is unable to fully identify and/or document future workload with any confidence. ATEC took the following approach: 1) Converted current ATEC workload projection model (based on Base Operations Support) to a workload projection by command; 2) Allocated workload projection to test ranges based on historical actual experience, averaged for the past five years (using GFEBs data); 3) Using data provided by ASA(ALT) regarding Program Manager/Program Executive Office (PM/PEO) projected tests over the FY 2017-2021 POM, allocated the civilian reimbursable man-years based on the percentage of the Research, Development and Acquisition (RDA) budget for Management Decision Package program elements that the PEO indicated developmental test effort would occur sometime over the POM; and 4) For commands where no developmental test data was provided by the PM/PEO, but the projection model predicted workload, we allocated the work-years based on the total RDA budget for that command. The associated results were forwarded to HQDA for their review and comment. This could ultimately establish the benchmark and framework for future efforts.

Description of Issue: Management of high risk operations throughout ATEC.

Accomplishments: Commanders were tasked to identify their highest risk operations. Based on the lists provided, HQ ATEC identified four categories of operations for more comprehensive review. The four broad areas encompassing high risk operations are Occupational Safety and Health Administration/Industrial Operations, Ammunition/ Explosive Operations, Aviation Operations, and Special Vehicle Operations. The reviews look at underlying issues with staff training and certification and environmental conditions that might heighten risk. A formal report was sent to command safety directors. Subordinate organizations are conducting risk assessments and surveys, updating SOPs and emergency action plans, and implementing changes to internal controls to manage high risk operations.

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Description of Issue: The ATEC Command Inspection Program and staff assistance visits identified significant deficiencies within Communications Security, Information Security, and Sensitive Compartmented Information Facility management.

Accomplishment: Highlighted security deficiencies identified during all inspections and held commanders accountable for timely resolution and correction. Directed formation of security subject matter expert teams to conduct additional comprehensive security assessments at subordinate commands to ensure regulatory compliance in preparation for ATEC, Department of the Army Inspector General, and other external support inspections. The automated inspection tracking tool ensures follow-up actions were completed in a timely manner with verification performed by security subject matter experts.

Description of Issue: Improved controls during U.S. Army Operational Test Command (OTC) high risk operations.

Accomplishment: The Operational Test Command (OTC) Airborne and Special Operations Test Directorate (ABNSOTD) routinely conducts hazardous operations, with test parachutists, aerial flight and videography, and ground personnel in the vicinity of heavy cargo/equipment drop zones. The unit established a Mission Essential Task List, which includes safety in all operations, and is reviewed at a quarterly training briefing. Elements of the command self-evaluate their training readiness. Test parachutists have a rigorous program of instruction, along with continuous refresher training events scheduled throughout the year. Risk assessments are completed for each test or training event, reviewed at event concept reviews, and submitted to the OTC Safety Officer for review. Monthly pilot and videographer training is conducted to reinforce safety in high risk flight operations. The ABNSOTD Safety Council meets quarterly and reviews all internal control measures including medical safety, fire safety, airborne operations, vehicle operations, aircraft operations, and parachute operations.

Description of Issue: OTC Internal Controls During Operational Test Planning, Execution, and Reporting.

Accomplishment: The OTC works continuously with senior level personnel at HQ ATEC, the U.S. Army Evaluation Center (AEC), HQDA, and DoD to ensure that cybersecurity is planned for the Network Integration Evaluation (NIE) and Enterprise systems by coordinating the command's cyber efforts. OTC continues to assist in development of the new test tool, ATEC Wireless Instrumentation Network (AWIN), which is used to collect data on internet protocol based systems. During the NIEs, AWIN, deployed in support of the systems under test, is credited with providing innovative data collection, management, and analysis products. Given continued development, this system may allow for the deployment of fewer personnel in the test environment and the conduct of wireless data harvesting on mobile platforms that enables the system's instrumentation team to wirelessly monitor the Net Advanced Distributed Modular Acquisition System health status in real-time. These are continued steps in a complex continuum of evolving technical solutions for the major challenges facing the Army Network and reducing the data collection footprint in the test environment. These are also major steps forward as we continue to retool the conduct of operational testing on internet protocol based systems. The assignment of the OTC Threat Coordinator ensures all operational tests across the command

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employ cyber events early in the process to meet Director, Operational Test and Evaluation cyber initiatives. OTC continues to lead the way in developing the means to quickly adapt to evolving test strategies and to keep ATEC relevant in network testing.

Description of Issue: A low pressure carbon dioxide (CO₂) storage vessel at U.S. Army Aberdeen Test Center ruptured catastrophically, causing significant structural damage. Investigations revealed the lack of comprehensive policies, responsibilities, and procedures pertaining to pressure vessel procurement and sustainment (accountability, training, handling and use, inspection, maintenance, alteration, repair, and disposal).

Accomplishment: An Integrated Process Team (IPT) was created in early FY 2014 to develop a program containing policies, responsibilities, and procedures that would provide organizational-wide standardization of pressure vessel procurement and sustainment (accountability, training, handling and use, inspection, maintenance, alteration, repair, and disposal). To date, the IPT has accomplished the following: conducted an organization-wide pressure vessel inventory and data collection; clarified and obtained existing, relevant regulatory and other requirements from DoD, U.S. Army, U.S. Department of Labor Occupational Safety and Health Administration; researched industry and other organization policies, responsibilities, and procedures; and conceived, developed, and revised ATC's procurement and sustainment policies, responsibilities, and procedures. Effort will complete in 3rd quarter FY 2015 with finalization of an ATC regulation as well as implementation of a pressure vessel inventory and documentation maintenance system.

U.S. Army Forces Command

Description of Issue: Audit Readiness.

Accomplishment: During Calendar Year (CY) 2014, U.S. Forces Command (FORSCOM) established an Audit Readiness Executive Steering Group (ESG). The ESG includes senior leaders and staff from the FORSCOM HQ and occurs on a regular basis to review and focus the command's audit readiness efforts.

The ESG allowed FORSCOM to further mature its audit readiness governance and continue to prepare the Corps, Division, and MSCs for the FY 2015 SBA Audit. In addition, the ESG allowed regular senior leader visibility and awareness of all audit readiness focus areas.

U.S. Army Military District of Washington

Description of Issue: U.S. Army Military District of Washington (USAMDW) conducted approximately 25 Statement of Budgetary Resources (SBR) samplings over a twelve month period. The results indicated there were deficiencies in several of the tested areas.

Accomplishment: The Command instituted corrective action reinforcement training to improve processes in the areas identified by the samplings. As a result there have no deficiencies since June 2014.

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Description of Issue: The MDW lacked comprehensive oversight of the number of contracts the Command had in place. There was no centralized review process or contracting cell within the command to use as a POC for contract management.

Accomplishment: In June 2014 MDW formed the Command's Contract Management Board (CMB). The CMB meets monthly to review all contracts. Establishing the CMB has integrated the contract review process and provides better oversight and visibility for contracts. The CMB has facilitated combining common requirements across the command to gain efficiencies and savings that can be used to buy back unfunded requirements.

U.S. Army Training and Doctrine Command

Description of Issue: FY 2014 Yearend Closeout U.S. Army Training and Doctrine Command (TRADOC).

Accomplishment: HQ TRADOC obligation rate for FY 2014 yearend was 99.99 percent. TRADOC executed a total of \$3.9B base funding in Operations and Maintenance, Army; \$4.9M in Other Procurement, Army; \$42.5M in Research, Development, Test, and Evaluation. We had a total of 45 schools/activities with four executing their funding between two financial systems; Program Budget and Accounting System and GFEBS. During yearend closeout TRADOC was in daily contact with all schools and activities to realign funding as needed between systems to ensure all 45 schools and activities were properly funded and able to obligate their program.

Description of Issue: Other Contingency Operations (OCO) Funds Management.

Accomplishment: In FY 2014 TRADOC obligated \$249.5M in OCO funding at 32 TRADOC schools/activities. TRADOC G-8 Budget Directorate continues to successfully control, issue, and report OCO execution. Unfinanced requirements are collected, analyzed, and forwarded to HQDA for funding approval. Reports are scrutinized and worked with the schools/activities to ensure accuracy of TRADOC reporting to HQDA. As long as the Army and HQ TRADOC are required to support the war effort, and OCO funding is provided, responsibility for the execution and control of these resources will remain an added responsibility.

Description of Issue: GFEBS Intermediate Document (IDOC) errors delay the posting of obligations in the accounting record.

Accomplishment: TRADOC continued to actively manage IDOCs for timely error resolution and continued to be recognized by the GFEBS-Project Managers (PM) and HQDA leadership for maintaining consistently low balances as compared to other Army Commands across the Army. TRADOC's responsibility for correcting IDOC errors was jointly owned by both Budget and Accounting and open communications between these two offices was encouraged to expedite resolution. Regular follow-up with end-users was conducted to ensure users capitalized on training opportunities to increase data input accuracy and to ensure that obligations posted timely. TRADOC was proactive in providing subject matter expert assistance as needed to resolve IDOC errors and is postured to move into the fourth quarter with a minimal error balance, allowing more time to be focused on other accounting analysis requirements.

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Description of Issue: GFEBS system updates, enhancements, and business process changes continue to roll out to end users.

Accomplishment: Overall, users' working-knowledge of the system continued to increase while the system matured over time. TRADOC has seen improvement with GFEBS functionality and reporting each year since initial deployments began in Wave 1. Due to the success of the TRADOC GFEBS Mentor Program, as well as extensive training workshops and communications, TRADOC continues to move closer to becoming a self-sustaining organization and is positioned to successfully overcome any challenges that may be encountered within the GFEBS environment. Related accomplishments include:

- Participated in planning meetings hosted by the GFEBS Sensitive Activities (GFEBS-SA) PMs to determine requirements to bring funding for SAG 411 classified/ sensitive activities remaining in the legacy system to a secure instance of GFEBS. G-8, Funding Allowance Document ensured TRADOC's two sites with 411 funding, Intel School and Headquarters Activities, participated in the requirements planning and Functional Design reviews.
- Proactively managed yearend activities/requirements. Teamwork, communication, close coordination with contracting, and weekly/daily user-level teleconferences during the months of Aug and Sep with the budget and accounting community promoted yearend information sharing and contributed to TRADOC's successful yearend close.
- Actively participated in GFEBS Senior Leader Meetings, such as the GFEBS End of Year After Action Review, Council of Colonels, Executive Steering Committee, Process Owners Group, and the Functional Governance Board to discuss financial requirements and for future planning and decision making.
- Continued to manage TRADOC's GFEBS Tier II Direct Support Help Desk operations, working directly with end-users across the command to resolve many of TRADOC's incoming trouble tickets. This effort was significant in aiding the Command to meet long term goals and objectives in operating the new system by becoming more 'confident, competent, and capable', and a self-sufficient organization less reliant on the GFEBS Operations and Support Team.

Description of Issue: Global Combat Support System (GCSS)-Army Wave 1 conversions continued for TRADOC sites and required extensive preparation and data cleansing efforts as part of pre-deployment activities.

Accomplishment: TRADOC activities were successfully converted to GCSS-Army at the following locations during the April 2014–March 2015 time period: Forts Campbell, Bliss, Carson, Sam Houston, Lewis, Buchanan, Benning, Gordon, Dix, Riley, McCoy, Jackson, Leavenworth, and Huachuca, as well as those activities located in Japan, Korea, Alaska, and

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Eglin Air Force Base. Converting activities participated in pre-conversion meetings as well as online and classroom training events in preparation for a successful conversion. Activities also performed in-depth audits of open supply obligations to ensure only valid obligations converted from GFEBS/Standard Army Finance Information System to GCSS-Army.

Description of Issue: Managers' Internal Control Program and Related Accomplishments.

Accomplishment: Operational audit of the Mission Command Training Program (MCTP) contract. Audit recommendations included minimizing travel costs by 8 percent, improving the efficiency of shipping operations, changing the contractor performance evaluation process and awarding future contracts from a cost plus award contract to a fixed price cost contract. Operational audit of the Center for Army Lessons Learned (CALL) embedded liaison officer program. As a result, improper payments were reduced from nine percent to less than one percent and the reconciliation accounting error time was decreased.

U.S. Army Europe

Reporting Category: Comptroller and Resource Management.

Description of Issue: Audit compliance of North Atlanta Treaty Organization Resources Support Budget financial program.

Accomplishment: North Atlanta Treaty Organization (NATO) Resources Support Budget (NRSB) had a successful year with answering both USAREUR G-8 and ASA(FM&C) statement of budgetary resources (SBR) audit samples. Building on this, NRSB received approval for and hired a new budget analyst with duties specifically aligned to audit compliance. This new analyst assists in the creation and recording of SOP, as well as performs additional NRSB-internal testing and evaluation with identification of weaknesses and follow-up site assistance visits/training. NRSB also addressed ASA(FM&C) findings with the creation of a financial SOP specifically for the NRSB-unique transactions involving NATO call for funds. These transactions (GFEBS commitment item 4100), have drawn much audit attention as NRSB is one of the only activities in Department of the Army to be processing them. Members of NRSB also traveled to DFAS-Rome to participate in a process review board conducted by ASA(FM&C). This week-long event produced a detailed mapping of NATO Security Investment Program (NSIP) transactions, which ASA(FM&C) will review and ratify for the creation of unique GFEBS processes to execute NSIP funding. NSIP funding and processing is unique to the NRSB within the DoD.

Description of Issue: Increased information sharing requirements with foreign military personnel.

Accomplishment: The oversight of the foreign disclosure office (FDO) continues to be an area of interest due increased sharing requirements and regional realignments. In the past year the USAREUR G-2 FDO has provided great support in assisting in the foreign liaison officer (FLO) and military personnel exchange program (MPEP) position description drafts and designated disclosure letters (DDL) to incorporate the increase in sharing classified military Information

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(CMI) with NATO Allies and regional partners. HQ USAREUR is leading the way in sharing with the addition of the German USAREUR Chief of Staff (CoS), which is the first non-commonwealth officer to serve at an Army Service Component Command level. The FDO Office fought and won several issues concerning sharing requirements with HQDA, which included additional sharing authorities for the German CoS. Additionally, all DDLs for MPEPs and liaison officer (LNO) were updated to the new DA format and brought up to SECRET level sharing authorizations and signed by the HQDA FDO.

Description of Issue: Lack of oversight of service contracts supporting theater intelligence mission.

Accomplishment: Oversight of service contracts continues to be an area of intense interest to the G-2. Dedicated contracting officer's representatives (COR) at the G-2 and deployed in Kosovo ensure compliance with the full range of activities associated with oversight and surveillance of all service contracts, as outlined in AR 70-13, Management and Oversight of Acquisitions. The fundamental goals of oversight and surveillance to ensure that the Government obtained quality services, on time services, and services at the level and prices specified in the contracts, were met. The appointed COR were diligent in ensuring proper fiscal stewardship by identifying significant amounts of un-liquidated obligations from multiple closed out contracts to contracting agencies for return to USAREUR. Additionally, the funding spend rates of active contracts were continuously tracked throughout the year, and adjustments made based on mission draw-down, decreasing budgets, and technical services reviews. Internal review covering lessons learned from previous contracts has improved development of performance work statements and requirements summary for all new contracts.

U.S. Army Pacific

Description of Issue: Development of checklist for the Dependent Student Travel Program. This falls under AR 55-46, Travel Overseas, 20 June 1994. AR 55-46, Annex H, Management Control Evaluation Checklist (page 86) does not address Chapter 4, Dependent Student Travel Program.

Accomplishment: The G-1 created an MICP checklist that specifically addresses the program's unique requirements. This checklist was created as part of the USARPAC Command Inspection Program and addresses inspectable areas within the dependent Student Travel Program. A copy of the checklist has been forwarded to HQDA G-1.

Description of Issue: Cost Management.

Accomplishment: Published the USARPAC Cost Management Guide. The guide provides the command leadership tools, methodologies, and keys to fiscal stewardship to manage costs more effectively and efficiently in a resource constrained environment. It is our command's first step in changing our leadership cost culture to ensuring we are leveraging resources across activities, making sound financial decisions, and finding savings that can be redistributed to our mission priorities. A copy of the guide was provided to the Deputy Assistant Secretary of the Army for Cost and Economics (DASA-CE) who gave it high praises and has provided copies to his staff to

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help promote cost management principles throughout the Army. The Financial Management Schoolhouse at Fort Jackson was also provided a copy and is using the USARPAC guide to model their Cost Management Doctrine. The next step for USARPAC is to operationalize the guide through the issuance of an Operational Order, training, compliance reviews, and rewards for successes.

Description of Issue: USARPAC G-8 - Audit Readiness Preparation.

Accomplishment: The Audit Readiness Team (ART) maintains the USARPAC Audit Readiness Checklist which provides the step-by-step processes for each control objective to ensure internal controls are being met. The ART conducts monthly Audit Readiness Update Meetings where each business process internal control and testing requirements are reviewed for understanding. USARPAC Internal Review Officers are invited to attend the meetings and provide input. USARPAC has achieved a 100 percent pass rate for SBR audit samples in the last six months.

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**LIST OF UNCORRECTED AND CORRECTED OPERATIONAL
MATERIAL WEAKNESSES**

Uncorrected Weaknesses Identified During the Period:

None

Uncorrected Weaknesses Identified During Prior Periods:

Title	Year First Reported	<u>Correction QTR/FY Date</u>		Page #
		Per Last Annual Statement	Per This Annual Statement	
<u>Category: Military Pay</u>				
Collection of Basic Allowance for Subsistence during field duties	FY 2013	4th Qtr, FY 2015	1st Qtr, FY 2017	B-2-1
<u>Category: Resource Management</u>				
Army Wide Transportation (AWT) Centrally Managed Account (CMA) / Second Destination Travel (SDT)	FY 2013	4th Qtr, FY 2017	4th Qtr, FY 2017	B-2-3
<u>Category: Supply Operations</u>				
New Equipment In-Transit Reporting	FY 2008	4th Qtr, FY 2016	4th Qtr, FY 2016	B-2-6
<u>Category: Contract Administration/Procurement</u>				
Oversight of Service Contracts	FY 2006	4th Qtr, FY2013	1st Qtr, FY 2016	B-2-9
Expeditionary Contracting	FY 2007	3rd Qtr, FY2014	4th Qtr, FY 2015	B-2-12

Corrected Weaknesses Identified During All Periods:

Title	Year First Reported			Page #
<u>Category: Resource Management/Military Pay</u>				
Reporting Accurate Obligations for PCS Program	FY 2010	3rd Qtr FY 2014	4th Qtr, FY 2014	B-3-1

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**OPERATIONAL MATERIAL WEAKNESSES CORRECTIVE ACTION PLANS
AND MILESTONES**

Material Weakness Identified In Prior Period

Local ID#: HQDADCSG1-2013-002

IC Reporting Category: Comptroller and Resource Management

Title and Description of Material Weakness: “Collection of Basic Allowance for Subsistence (BAS) for government provided meals during field duty”. 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: 1st Qtr, FY 2017

Corrective Action Summary: Affected commands will include information in Annex B of their Annual Statement of Assurance (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.

Detailed Corrective Action Plan:

Date	Milestone
2009	AAA declares that Fort Bragg and Fort Benning units are not collecting for government-provided meals during field duty
2010	GEN Chiarelli issues guidance to Army commands (ACOMs) s and other select commands to put controls in place
2012	AAA audit reveals controls not being followed
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
In process	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 Jun 2013	Plans and Resources Compensation/Entitlement (PRC) review of ASOAs to monitor progress

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Date	Milestone
3rd & 4th Qtr FY 2013	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)
CY 2013	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
March 2014	Army G-1 completes 100 percent recertification of all E-6/SSG and below living in single government quarters and authorized to mess separately
March 2014	Army G-1 assumes the proponency for AR 37-104-4 and will work with Army Publishing Directorate (APD) to update the publication prior to the end of the fiscal year to include an updated BAS policy for the Army
3rd Qtr FY 2014	Army G-1 is drafting a comprehensive BAS policy that will address BAS collections for Soldiers participating in field duty and will attend institutional training
3rd & 4th Qtr FY 2015	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).
CY14 / 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
CY 2015 / CY 2016	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
CY 2016	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 will address their progress in implementing controls over this function. AAA has indicated they will conduct a follow-up audit.

Office of the Secretary of Defense (OSD) or Headquarters, Department of the Army (HQDA) Action Required: ASA(FM&C), SAFM-FOA-C shall provide copies of ASOAs to HQDA G-1, Plans and Resources Directorate who monitors the progress in this area.

Point of Contact: Mr. J.D. Riley, ODCS G-1, Plans and Resources Directorate, Compensation/Entitlements Division, (703) 571-7117

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**OPERATIONAL MATERIAL WEAKNESSES CORRECTIVE ACTION PLANS
AND MILESTONES**

Local ID #: DAG4-01

IC Reporting Category: Resource Management

Title and Description of Material Weakness: Army Wide Transportation (AWT) Centrally Managed Account (CMA) / Formerly Second Destination Transportation (SDT). The AWT CMA is a \$1.6B/year centrally funded, de-centrally executed transportation operation for global movement of select Army material. Current AWT CMA financial internal controls allow transportation operations to drive associated financial processes. Not all of the financial processes associated with AWT CMA transportation operations are auditable.

First Year Reported: FY 2013

Target Correction Date: 4th Qtr, FY 2017

Corrective Action Summary: The Office of the Deputy Chief of Staff (ODCS), G-4 is in the second year of a five-year correction plan. The G-4 has identified eight separate AWT CMA financial operations and is preparing process maps that identify the regulations, transactions and systems involved. Also, the ODCS, G-4 is re-organizing and transforming the SDT program by employing additional staff resources to increase the daily oversight of the program.

Detailed Corrective Action Plan:

a. Completed Milestones

Date	Milestone
2nd QTR, FY 2013	Problem Identified between G-44D and G-48
3rd QTR, FY 2013	GO/SES meeting with ASA (FM&C) and Army G-4
3rd QTR, FY 2013	Briefed Senior Leaders
3rd QTR, FY 2013	Opened Communication with Marine Corp, Navy and OSD ref MW
3rd QTR, FY 2013	Prepared MW Statement and determined way ahead
4th QTR, FY 2013	Developed Plan of Action and Milestones (POAM)

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Date	Milestone
2nd QTR, FY 2014	Reorganization by ODCS, G-4 SDT expanded oversight of daily program execution. The reorganization included additional staff located at G-4's Forward Operating Agency, Logistics Innovation Agency (LIA), at Fort Belvoir, VA. The new team included traffic management/logistics specialists and resource managers working in tandem providing greater oversight of SDT funds.
2nd QTR, FY 2014	Establishment of new policy and business rules reduced the number of unlinked e-bills and open transactions across the Army. Also, by working in close coordination with Federal Express, the SDT team closed over 3,000 inactive accounts.
2nd QTR, FY 2014	ODCS, G-4 SDT employed a new tool to increase oversight to the program. In synchronization with the CMOS role out, the G-4 deployed the Trackerlite system. Trackerlite is a value-added intermediary system between the CMOS transportation module and the third party payment system (TPPS). Trackerlite provides better management controls and has lowered the amount of billing errors entering TPPS.
3rd QTR, FY 2014	Established a Lean Six Sigma (LSS) AWT CMA project team in April 2014 as a deliberate approach to improve financial internal controls, clear Material Weakness, and achieve audit readiness.
1st QTR, FY 2015	Identified the eight transportation operations and associated financial processes that comprise the AWT CMA.
2nd QTR, FY 2015	Determined the six documents that create the need to record an obligation in the Army's financial system of record in AWT CMA financial processes.
2nd QTR, FY 2015	Obtained 100 percent accountability of the 355 Shipping Activity Offices and 80 Resource Managers who obligated the Army on behalf of the AWT CMA during FY 14.
2nd QTR, FY 2015	Determined that five of the eight associated financial processes have cost estimation systems.
3rd QTR, FY 2015	Determined only one of the eight financial processes records an individual obligation in the Army's financial system of record.
3rd QTR, FY 2015	Identified 12 process maps describing the eight AWT CMA functional operations and associated financial processes; completed two process maps and vetted eight of 10 developed.
3rd QTR, FY 2015	Gather pertinent data on financial processes.

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b. Planned Milestones:

Date	Milestone
3rd QTR, FY 2015	Determine if the five AWT CMA cost estimation systems produce a Reliable Cost Estimate (RCE).
3rd QTR, FY 2015	Conduct root cause analysis on TAC misuse and proof of delivery issues.
3rd QTR, FY 2015	Complete development and vetting of remaining process maps.
4th QTR, FY 2015	Begin developing solutions to resolve AWT CMA Material Weakness and enable audit readiness.
1st QTR, FY 2016	Begin deploying the solutions to resolve AWT CMA Material Weakness and enable audit readiness.
2nd QTR, FY 2016	Train organizations on solutions to resolve AWT CMA Material Weakness and enable audit readiness.
3rd QTR, FY 2016	Pilot the solutions.
4th QTR, FY 2016	Conduct formal in-house testing validating AWT CMA financial processes are audit ready and Material Weakness has been resolved.
1st QTR, FY 2017	Conduct Pre-Assertion Review; Senior Leadership Assert Material Weakness is resolved.
2nd/3rd QTR, FY 2017	U.S. Army Audit Agency (USAAA) conducts site visits and completes Attestation.

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

OSD or HQDA Action Required: N/A

Point of Contact: LTC Krista Klein, (703) 614-3827

**OPERATIONAL MATERIAL WEAKNESSES CORRECTIVE ACTION PLANS
AND MILESTONES**

Local ID: DAG4-02

IC Reporting Category: Supply Operations

Title and Description of the Material Weakness: **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 units gain equipment by specific transactions, the wholesale in-transit transaction remains open which results in the Army overstating it's on hand equipment inventory and the value of our capital assets in the quarterly financial statements. 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 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: The closure of this material weakness is dependent upon implementation of item unique identification (IUID) and ERPs. Unit receipt tracking for major end items for both depot shipments and Program Manager Lateral Transfers is improving with a 95 percent closure rate for the combined efforts. While the combined rate is significantly improved, the depot shipment closure is still below the 80 percent range. To address this problem a new transaction is being introduced in LMP. Testing was completed in May/June 2014 and training is on going for a new transaction that creates due-ins to Property Book Unit Supply Enhanced (PBUSE) for equipment pushed from wholesale to the unit. The new transactions went live in June 2014 and provide document number information of those transactions pushed to the unit that were not otherwise visible as due-in within PBUSE. Implementation should improve the accuracy and timeliness of PBUSE in-transit closures. Implementation of GCSS-Army and Item Unique Identification (IUID) tracking will further close this gap. The ODCS, G-4 will be monitoring the progress monthly for unit or activity compliance and for improvement resulting from the introduction of this new LMP transaction.

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Detail Corrective Action Plan:

a. Completed Milestones:

Date	Milestone
1st QTR, FY 2011	Logistics Modernization Program (LMP) TPF document creation/generation developed and fielded to the LCMCs.
2nd QTR, FY 2011	Developed internal control process for validation of manual closure of LMP TPF documents. Investigated design for an automated fix.
3rd QTR, FY 2012	Revised milestones with target date 3rd QTR, FY10 changed to 3rd QTR, FY 2012
4th QTR, FY 2012	Map and compare the TPF and non-TPF process flow between LMP, DSS, SARRS and PBUSE/GCSS-Army. Researched closure of aged in-transits in LMP.
1st QTR, FY 2013	Analysis expanded to include new equipment in-transit for non- TPF shipments. Conducted an analysis to understand and correct non-compliant transactions that occurred during the transition to LMP. Analyzed data pull; assessing sustainment needs based on discovery.

b. On-going and Planned Milestones:

Date	Milestone
4th QTR, FY 2014	Monitor closures based on newly identified gaps in process and introduction of new retail Property Accountability System (GCSS-A).
3rd QTR, FY 2015	LMP Pilot Program to test TPF process and transaction flow (LMP to GCSS-A).
3rd QTR, FY 2015	Complete re-mapping the financial process for in transits from LMP and PBUSE/GCSS-A to GFEBS.
4th QTR, FY 2015	Monitor the implementation of IUID in the tactical and national Property Accountability system (required to demonstrate and sustain existence and completeness).
1st QTR, FY 2016	Test the financial reporting of equipment from LMP/DSS and PBUSE/GCSS-Army to GFEBS.
2nd QTR, FY 2016	Request AAA Audit.
4th QTR, FY 2016	USAAA validates closure of weakness for financial reporting of equipment in transit of major end item new equipment fielding.

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

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

Point of Contact (POC): HQDA G-4 Functional POC: Ms. Carol Kornhoff, 703-692-9584

OPERATIONAL MATERIAL WEAKNESSES CORRECTIVE ACTION PLANS AND MILESTONES

Local ID#: DASA-PP-07-001

IC Reporting Category: Contract/Procurement

Title and Description of Material of Weakness: Oversight of Service Contracts. The Director of the Army Contracting Agency (ACA) identified the administration of contracting services as an area of concern in the ACA FY 2005 (FY05) Assurance Statement. Subsequent review by the Senior Level Steering Group in conjunction with U.S. Army Audit Agency (AAA) revealed that oversight of service contracts should be disclosed as an Army- wide material weakness. Specific elements of this weakness include poorly trained Contracting Officer’s Representatives (COR), weak requirements justification and improper use of contractor labor.

First Year Reported: FY 2006

Target Correction Date: 1st Qtr, FY 2016

Corrective Action Summary: The original target correction date was 4th Qtr, FY 2010. In the 2013 ASOA report, the date was changed to 4th Qtr, FY 2013. The AAA audit began June 2013 and was delayed due to furlough and the Government shut-down. The report was delivered in 1st Qtr FY 2015 and results briefed to the Senior Leader Steering Group in 2nd Qtr FY 2015.

Detailed Corrective Action Plan:

Date	Milestones
1st Qtr, FY 2007	Army COR minimum certification and refresher training requirements standardized.
2nd Qtr, FY2007	DASA (P&P) and ASA(ALT) memos issued which addressed oversight, surveillance, and performance assessment measures for service contracts and established mandatory Army COR training requirements.
2nd Qtr, FY2007	Principal Assistant Responsible for Contracting (PARCs) established COR compliance plans.
2nd Qtr, FY2007	Defense Acquisition University (DAU) established Army COR folder in Acquisition Community Connection.
3rd Qtr, FY2007	DAU begins to collect COR training metrics.
3rd Qtr, FY2007	Established method of obtaining service metrics from Army command (ACOM) Army Service Strategy Panel (ASSP) review authority. Conduct discussions with PARCs. ASA(ALT) approved. ASSP process metrics; FY 2006 metrics on services collected and assessed.
2nd Qtr, FY2008	U. S. Army Internal Review reported COR compliance results

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	with previously issued guidance to ASA(ALT).
Date	Milestones
3rd Qtr, FY2008	U. S. Army Internal Review reported that local contracting offices failed to demonstrate sufficient progress to eliminate the material weakness.
4th Qtr, FY2008	Target completion date revised from 4rd Qtr FY2009 to 2 nd Qtr FY 2012.
1st Qtr, FY2009	Issued policy mandating inclusion of a performance objective for oversight of service contracts for all contracting professionals involved with the acquisition of services.
2nd Qtr, FY2009	DASA(P) signed the staffing documents to release the new Army Regulation for the management and oversight of service contracts to the Army Publishing Directorate.
3rd Qtr, FY2009	Issued policy requiring reporting to the DASA(P) on compliance with service contract surveillance policy and corrective actions being taken to correct deficiencies.
4th Qtr, FY2009	Reviewed service contract surveillance data and determined weakness requires additional time to implement training, and institutional oversight.
4th Qtr, FY2010	Issued new Army Regulation 70-13.
1st Qtr, FY2011	Issued revised COR guidance in October 2010
1st Qtr, FY2011	Developed surveillance plan resources for service acquisitions at various dollar thresholds and issued in October 2010.
1st Qtr, FY2011	Issued surveillance plan resources for service acquisitions at various dollar thresholds October 2010.
3rd Qtr, FY2011	Monitored field progress in appointing properly trained CORs through use of data calls
1st Qtr, FY2012	Monitored field progress in appointing properly trained CORs through use of data calls.
1st Qtr, FY2012	Monitored field progress in incorporating surveillance plans in contracts and having CORs use to monitor contractor performance.
2nd Qtr, FY2012	Issued DASA(P) memorandum to Head of Contracting Activities (HCAs)/PARCs requiring their plan to attain compliance with monthly status reporting by 30 September 2012.
2nd Qtr, FY2012	Issued DASA(P) memorandum directing use of the VCE COR tool March 2012.
3rd Qtr, FY2012	Began compliance assessment using data reported from the VCE COR tool.
1st Qtr, FY2013	Army contracting community has shown increasing compliance and the Audit has been scheduled to begin April 2013.
4th Qtr, FY2013	Commence audit.

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Date	Milestones
2nd Qtr, FY2014	Established policy in Army Federal Acquisition Regulation Supplement (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.
4th Qtr, FY2014	AAA reports draft results.
1st Qtr, FY2015	AAA reports final audit.
2nd Qtr, FY2015	AAA and ODASA(P) brief results to SLSG; closure deferred to next meeting.
1st Qtr, FY 2016	Reassigned from material weakness to lower reporting category. Metrics developed in coordination with AAA to properly track other areas of concern.

Validation Process: ODASA (P) implemented an automated reporting system called the Virtual Contract Enterprise (VCE) COR Tool that captures training, appointment and quality assurance surveillance plans. AAA validates results after ODASA (P) verifies acceptable implementation.

Results Indicators: Reporting pulled from the VCE COR Tool showing compliance with the requirement to input COR data into the system. Review contract files to verify compliance with current policy: CORs are trained and appointed, surveillance plans developed and used to support receipt and acceptance of services. The acceptable accuracy rate for COR training and oversight execution is 90 percent (95 percent where potential fraud exists). For ACOM level Army Service Strategy Panel (ASSP) reviews, success is defined as data reflecting that management controls over service contracts imposed by the ASSP are in place and working effectively.

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

OSD or HQDA Action Required: Senior Leader Steering Group close material weakness (1st Qtr FY2016)

Point of Contact: Dennis Schmidt, Execution Analysis, Office of Senior Services Manager, Office of the Deputy Assistant Secretary of the Army (Procurement), 703-617-0455 (DSN 767), dennis.r.schmidt.civ@mail.mil

OPERATIONAL MATERIAL WEAKNESSES CORRECTIVE ACTION PLANS AND MILESTONES

Local ID#: DASA-PP-07-002

IC Reporting Category: Contract/Procurement

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.

First Year Reported: FY 2007

Target Correction Date: 4th Qtr, FY 2015

Corrective Action Summary: The original target correction date was 4th Qtr, FY 2010. In the 2013 ASOA report, the date was changed to 4th Qtr, FY 2013. The AAA audit began June 2013 and was delayed due to furlough and the Government shut-down. The report was scheduled to be complete by 3rd Qtr, FY 2014. The corrective action date slipped three quarters since reported in the USD(AT&L) 2014 Statement of Assurance. The adjusted closure date for the systemic weakness is based upon information provided at the United States Army Audit Agency (USAAA) entrance conference held on 21 May 2014. While the USAAA validation of corrective action has commenced, the USAAA requires additional time to complete the audit. The completion date is now 4th QTR FY 2015.

Detailed Corrective Action Plan:

Date	Milestone
4th Qtr, FY 2007	Formed the Army Contracting Task Force (ACTF) (co-led by the ASA(ALT) MILDEP and AMC Executive Deputy Command Director) with participants from a wide range of Army staff elements and contracting operations.
4th Qtr, FY 2007	Assigned new leadership and increase staff.
4th Qtr, FY 2007	Established reach-back capability to manage active contracts.
1st Qtr, FY2008	Developed internal controls for optimal contract management and surveillance.
1st Qtr, FY2008	Established increases engagement of DCMA in performing contract management and oversight support through the Kuwait Logistics Support Office.
2nd Qtr, FY2008	Established Contracting Officer's Representative (COR) training.

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Date	Milestone
2nd Qtr, FY2008	Disbanded ACTF and formed the Army Contracting Campaign Plan Task Force to work ACTF findings
3rd Qtr, FY2008	Implemented internal controls for optimal contract surveillance.
3rd Qtr, FY2008	Contracting Operations Review team conducted independent verification of compliance with internal control procedures.
3rd Qtr, FY2008	Contracting Operations Review team reported management control review results.
2nd Qtr, FY2009	Updated the Internal Control Evaluation Checklist and published it in the AFARS Appendix BB
3rd Qtr, FY2009	Established the Operational Contracting Support and Policy Directorate to manage and oversee Operational and Expeditionary Contracting Operations worldwide.
3rd Qtr, FY2009	Established the Army Operational Contract Support Working Group as a forum to discuss operational contract support issues with key stakeholders.
1st Qtr, FY2010	Developed and G-3/5/7 issued an Execution Order on COR requirements for all deploying units, increasing COR fill from 38 percent to 92 percent in theater.
3rd Qtr, FY2010	Developed and the Vice Chief of Staff issued a memo to all Commanders emphasizing COR training requirements
3rd Qtr, FY2010	Continue to have unit conduct self-inspections to validate use of Internal Control Evaluation Checklist.
3rd Qtr, FY2010	Identified subtasks associated with material weakness resolution (i.e., manning, training, structure, internal controls) and lay out a milestone schedule for subtask completion.
4th Qtr, FY2010	Ongoing Independent Review/PMR team conducts compliance review of individual subtasks.
1st Qtr, FY2011	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, FY2011	USACE issues 51C Construction/Architect and Engineering Contracting Proficiency Guide.
3rd Qtr, FY2011	ACC begins hiring Contract Administration (CA) and QA personnel authorized in ECMC.
4th Qtr, FY2011	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, FY2012	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.

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Date	Milestone
3rd Qtr, FY2012	Quarterly certification review. 51C Officers & Non-Commissioned Officers (NCO) Certification GREEN. 99 percent of the Officers and 89 percent 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.
1st-3rd Qtr, FY2013	IR/PMR teams conducted compliance reviews and provide quarterly ACC, ECC and USACE results.
1st-3rd Qtr, FY2013	Reviewed and assessed corrective action and IR and PMR validation of sub-task completion for accuracy and completeness.
3rd Qtr, FY2013	Requested USAAA on validation audit. Completed the staffing for additional 315 soldiers.
3rd Qtr, FY2014	AAA validation audit commences.
3rd Qtr, FY2015	AAA provides audit results.
4rd Qtr, FY2015	Close material weakness.

Validation Process: ODASA(P) utilizes Unit self-inspection conducted using Army Federal Acquisition Regulation Supplement (AFARS), Appendix BB Management Control checklists and compliance review with procedures and management controls conducted by Independent Review and Procurement Management Reviews (PMR). AAA validates results after ODASA (P) verifies acceptable implementation.

Results Indicators: Success is defined as the effective implementation of the procedures and management controls that work effectively for expeditionary contracting operations. Also defines the training and maturity of the Army's expeditionary contracting workforce by achieving sub-task milestones. The Army will have established viable internal controls to mitigate risk of fraud, waste, abuse, and mismanagement.

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

Point of Contact: MAJ Robert Bartruff, ODASA(Procurement), 703-617-0402

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TAB B-3

OPERATIONAL MATERIAL WEAKNESSES CORRECTED DURING ALL PERIODS

Local ID: DAFM-01

IC Reporting Category: Military Pay

Title and Description of Material Weakness: Reporting Accurate Obligations for Permanent Change of Station (PCS) Program. A solution did not previously exist to record individual orders when issued; obligate individual orders with a reliable cost estimate (RCE); and, reconcile disbursements with obligations. It was extremely difficult to ensure adequate funds were available to cover disbursements after fiscal year end close. As a result, the Army's PCS program was identified as a high risk area to incur Anti-Deficiency Act violations. A Lean Six Sigma (LSS) project was established to provide an interim solution to the material weakness until the Integrated Personnel and Pay System-Army (IPPS-A) and General Fund Enterprise Business System solutions are fully operational for the PCS program.

Senior Official in Charge: Mr. Michael A. Fulton

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

Target Correction Date: 4th Qtr, FY 2014 (U. S. Army Audit Agency (USAAA) Attestation)

Corrective Action Summary:

<u>Date</u>	<u>Milestone</u>
2nd Qtr, FY 2008	Established Lean Six Sigma project.
3rd Qtr, FY 2008	Completed Analyze Phase of Project
2nd Qtr, FY 2009	Completed Pre-Pilot Test at Ft. Belvoir Using Resource Management Tool
2nd Qtr, FY 2010	Completed Overseas Contingency Operations Temporary Change Station Beta Test – Budget Module
2nd Qtr, FY 2011	Established Council of Colonel and General Officer Steering Committee Governance structure for PCS system development.
2nd Qtr, FY 2011	LSS team developed system Courses of Action for Army Staff leadership. Developed Business Case Analyses.
1st Qtr, FY 2012	Stakeholder business process mapped and documented
2nd Qtr, FY 2012	To-Be Mapping completed (DRAFT)
2nd Qtr, FY 2012	USAAA Kickoff Meeting
2nd Qtr, FY 2012	USAAA Interim Progress Report (IPR) #1
3rd Qtr, FY 2012	Pilot to confirm orders log procedures

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<u>Date</u>	<u>Milestone</u>
3rd Qtr, FY 2012	USAAA IPR #2
4th Qtr, FY 2012	Gap & Issue Analysis completed
4th Qtr, FY 2012	To-be process mapping completed (FINAL)
4th Qtr, FY 2012	USAAA IPR #3
4th Qtr, FY 2012	Cost-benefit analysis and system selection (AFCOS)
1st Qtr, FY 2013	AFCOS system configuration begins
2nd Qtr, FY 2013	Execution Order (EXORD) on inclusion of standard document number on PCS orders
2nd Qtr, FY 2013	USAAA IPR #s 4-9
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 Pre-Assertion Review
2nd Qtr, FY 2014	Execution Assertion Review
2nd Qtr, FY 2014	Assertion Memorandums Signed (Defects 1, 2 and 3)
3rd Qtr, FY 2014	USAAA execution of examination attestation
4th Qtr, FY 2014	USAAA examination attestation report
4th Qtr, FY 2014	Statement of Budgetary Resources-Audit Ready

Validation Process: USAAA audited the Military Personnel, Army PCS program and attested that processes and procedures have been put in place to rectify the previously identified weakness.

Results Indicator: The Army has implemented a solution that: 1) obligates active duty military PCS orders when issued (Department of Defense Financial Management Regulation requirement), 2) provides reasonable cost estimates per move, and 3) reconciles obligations with disbursements. This is an interim solution to correct the material weakness until Integrated Personnel and Pay System – Army is fielded.

Office of the Secretary of Defense (OSD) or Headquarters, Department of the Army (HQDA) Action Required: Continue to support sustainment of the interim solution until the Enterprise Resource Planning (ERP) can field the final Army solution.

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

TAB C

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TAB C-3 - ICOFS Material Weaknesses Corrected During All Periods

TAB C
SUMMARY: INTERNAL CONTROLS OVER FINANCIAL SYSTEMS (ICOFs)
GENERAL FUND ENTERPRISE BUSINESS SYSTEM (GFEBs)

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

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

COMPLIANCE WITH FEDERAL FINANCIAL MANAGEMENT IMPROVEMENT ACT			
Substantial Compliance Requirements	Reporting Entity	Auditor	Reason for Non-Compliance
1. System Requirements	YES*	YES* (AAA)	N/A
2. Accounting Standards	N/A	N/A	AWAITING INDEPENDENT PUBLIC ACCOUNTING (IPA) FIRM AUDIT
3. USSGL at Transaction Level	N/A	N/A	AWAITING IPA AUDIT

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

GFEBs is compliant with the FFMIA of 1996 as attested to by the Army Audit Agency (AAA) in FY 2012. Ongoing sustainment of compliance continues as updates are made to the DFAS Blue Book. Emphasis has shifted from targeted FFMIA compliance measuring activities to support for Audit Readiness both internally and externally. As full compliance with FFMIA is only achieved with a clean audit opinion, current efforts are focused on corrective actions associated with formal and informal audit recommendations. In FY 2015, Army management asserted the Schedule of Budgetary Activity (SBA) for the period of 1 October 2014 through 30 September 2015 was audit ready as defined by the GFEBs waves 1-8b having control activities and supporting documentation in accordance with DoD Financial Improvement and Audit Readiness (FIAR) criteria through five Schedule of Budget Activity (SBA) line item balances; eight business processes; three Enterprise Resource Planning (ERP) systems; and 13 Army-owned feeder systems.

Status of Audit Actions

TYPE	NOT STARTED	IN PROGRESS	COMPLETE	TOTAL
DOCUMENTATION	0	8	49	57
POLICY/PROCESS	0	9	65	74
SYSTEM CHANGE	0	9	118	127
TOTAL	0	26	232	258

The Program team continues to support audit readiness as follows:

- Documentation of policies and operational procedures;
- Technical support for Super user Privileged Management access restrictions;
- Segregation of Duties (SOD) critical transaction related tasks, documentation of configurable controls; and
- Updated Configuration Management documentation requirements for each approval stage to support Release and Sustainment activities.

The Statement of Budgetary Resources (SBR) Exam 3 efforts for FY 2014 have been completed. Results from the Independent Public Accounting Firm (IPA) are finalized and efforts have been concentrated on corrective actions necessary to remediate open POAM items as well as deficiencies and weaknesses identified by an IPA.

GFEBs is participating in additional audit readiness actions that span documentation (57), policy and process (74), and system changes (127). At the end of 2014, 89.9 percent of actions were completed, with the remainder planned for corrective action in the coming year. A comprehensive process has been established in coordination with the audit readiness team to validate remediation and mitigation efforts associated with remaining and future corrective action items.

Results of these actions are as follows:

- Reduced number of key internal control gaps at the process-level;
- Increased number of key manual and general IT and application controls properly designed for repeat processes in GFEBs;
- Budgetary balances, new processes/systems and all Army locations exposed to auditability procedures and assessment;
- Additional site visit locations and samples selected across the Army provided new feedback into consistency of control implementation;
- Initial feedback of ERP and feeder system control environments;

- Dedicated experienced resources that resolved challenges;
- Better preparation and coordination by the field for site visit walkthroughs;
- Improved communication and coordination with service provider; and
- Data repository tool continued to be effective with nearly triple the number of samples from the prior examination

TAB C
SUMMARY: INTERNAL CONTROLS OVER FINANCIAL SYSTEMS (ICOFS)
LOGISTICS MODERNIZATION PROGRAM (LMP)

An independent public accounting (IPA) firm examination of the Logistics Modernization Program (LMP) resulted in the identification of no new material weaknesses or significant deficiencies. The LMP has one unresolved material weakness.

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

The LMP program continues to strengthen its internal control procedures. Remediation of recent POA&M findings are anticipated to be completed in the 4th quarter of 2016. The LMP POAM is 75 percent complete. As the audit progresses, additional findings may be added to the POAM and worked until resolved.

TAB C-1

TAB C-1
LIST OF UNCORRECTED AND CORRECTED INTERNAL CONTROLS OVER
FINANCIAL SYSTEMS (ICOFs) MATERIAL WEAKNESSES

Uncorrected Weaknesses Identified During the Period:

Title	Quarter (QTR) and Date (FY) Targeted Correction Date	Page #
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None.

Uncorrected Weaknesses Identified During Prior Periods:

Title	Year First Reported	Per Last Annual Statement	Correction QTR and FY Date Per This Annual Statement	Page #
Army Working Capital Fund (LMP)	FY 2008	2nd Qtr FY 2015	4th Qtr FY 2016	C-2-1
Super User Privileged Access (GFEBS)	FY 2014	4th Qtr FY 2014	4th Qtr FY 2016	C-2-3
Configuration Management (GFEBS)	FY 2014	4th Qtr FY 2014	4th Qtr FY 2016	C-2-5

Corrected Weaknesses Identified During the Period:

Title	Year First Reported	Page #
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None.

TAB C-2

TAB C-2
INTERNAL CONTROLS OVER FINANCIAL SYSTEMS (ICOF)S MATERIAL WEAKNESSES CORRECTIVE ACTION PLANS AND MILESTONES

Uncorrected Weakness(es) Identified During the Period and In Prior Periods

IC Reporting Category: Financial Management Systems

Title and Description of Material Weakness: Army Working Capital Fund (Logistics Modernization Program (LMP)). The Army Working Capital Fund systems do not collect and record financial information as required by U.S. GAAP. The financial and nonfinancial feeder systems do not contain the required system and budgetary general ledger accounts. The Government Accountability Office, DoD Office of Inspector General, and U.S. Army Audit Agency continue to issue audit reports that identify significant data integrity and system integration problems, questioning whether the LMP will record transaction-level data correctly to support the financial statements.

First Year Reported: FY 2008

Target Completion Date: 4th Qtr FY 2016

Corrective Action Summary: A detailed plan of corrective actions and milestones has been put in place to track and monitor progress has been developed and is being executed.

Detailed Corrective Action Plan:

<u>Date:</u>	<u>Milestone:</u>
Completed	LMP developed a detailed Plan of Action & Milestone (POA&M) that includes FISCAM Information Technology General Controls
Completed	AAA issued coordination draft report on the LMP System FFMIA Compliance Validation for the Third Deployment
Completed	SOD conflicts resolved for all users except for the DFAS users
Completed	SOD conflicts resolved for DFAS users.
4th Qtr FY 2016	POA&M Completion / Remediation of all internal control findings.

Validation Process: ODASA-FO validates completion of the FISCAM POAM items. AAA validates compliance with FFMIA requirements.

OSD or HQDA Action Required: HQDA leadership from G-4 and ASA(FM&C) are briefed regularly on POA&M remediation progress, and provide guidance as necessary.

Point of Contact: Ms. Margaret A. Powell, Director, Financial Compliance Division, Army Enterprise Systems Integration Program (AESIP)

TAB C-2
INTERNAL CONTROLS OVER FINANCIAL SYSTEMS (ICOFs) MATERIAL WEAKNESSES CORRECTIVE ACTION PLANS AND MILESTONES

Uncorrected Weakness(es) Identified During the Period and In Prior Periods

IC Reporting Category: Financial Management Systems

Title and Description of Material Weakness: Super User Privileged Management (SPM) access at the application layer.

The Army has not implemented sufficient information technology controls to protect the GFEBs application to achieve the requirements of the DoD FIAR Guidance (March 2013). Specific findings, organized by the U.S. Government Accountability Office's Federal Information System Controls Audit Manual (FISCAM) IT general control review areas, relating to GFEBs are as follows:

Access Controls. The Army did not fully monitor elevated application access, assign logical security mechanisms to restrict access to execute application programs and modify application data and identify and document how application access is restricted for system administration/backend support users based on least privilege considerations.

First Year Reported: April 2014 by Independent Audit.

Target Completion Date: 4th Qtr FY 2016

Corrective Action Summary: Ongoing monitoring to mitigate risk will continue. Implementing plan in accordance with SPM Guide to appropriately segregate duties and roles across Tier II Help Desk staff.

Detailed Corrective Action Plan:

<u>Date:</u>	<u>Milestone:</u>
Completed	Initial SPM approach defined
Completed	Monitoring process refined and expanded
Completed	Revised SPM Tier III roles implemented in production system
Completed	Work completed on SPM Restricted IDs for Tier III
Completed	Institutionalized continuous monitoring
Completed	Completed SPM Restricted IDs for Tier II
Completed	Submitted waiver request to Higher Headquarters on mission essential needs
4th Qtr FY 2016	Validation by AAA to be completed.

Validation Process: Validation of risk mitigation through internal and independent audits will continue.

OSD or HQDA Action Required: Provide additional resources and expand end user training and accountability.

Point of Contact: COL Vogel, Director, Financial Information Management, Office of the Secretary of the Army (Financial Management and Comptroller) (OASA(FM&C))

TAB C-2
INTERNAL CONTROLS OVER FINANCIAL SYSTEMS (ICOFs) MATERIAL WEAKNESSES CORRECTIVE ACTION PLANS AND MILESTONES

Uncorrected Weakness(es) Identified During the Period and In Prior Periods

IC Reporting Category: Financial Management Systems

Title and Description of Material Weakness: Configuration Management

The Army has not implemented sufficient information technology controls to protect the GFEBs application to achieve the requirements of the DoD FIAR Guidance (March 2013). Specific findings, organized by the U.S. Government Accountability Office's Federal Information System Controls Audit Manual (FISCAM) IT general control review areas, relating to GFEBs are as follows:

Configuration Management: The Army did not test application changes and formally document management approval of application changes prior to implementation into the production environment.

First Year Reported: April 2014

Target Completion Date: 4th Qtr FY 2016

Corrective Action Summary: Review of the release management process will be completed and appropriate changes for approvals to transport to Production will be implemented to eliminate this material weakness.

Detailed Corrective Action Plan:

<u>Date:</u>	<u>Milestone:</u>
Completed	Updated Transport Review Board (TRB) trackers with mappings of transports to change requests / Remedy Tickets (i.e. initiating work and approving migration to production)
Completed	Implemented process / procedure updates
Completed	Reviewed Release Management procedures for O&S and Release Teams
Completed	Updated procedures and tracking methods for verification of review/ approval steps for transport list
Completed	Monitor updated procedures and tracking methods for verification of review/approval steps for transport list
4th Qtr FY 2016	Validation by AAA to be completed.

Validation Process: Validation of risk mitigation through internal and independent audits will continue.

OSD or HQDA Action Required: None

Point of Contact: COL Vogel, Director, Financial Information Management, Office of the Secretary of the Army (Financial Management and Comptroller) (OASA(FM&C))

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TAB C-3
INTERNAL CONTROLS OVER FINANCIAL SYSTEMS (ICOFS)
MATERIAL WEAKNESSES CORRECTED DURING ALL PERIODS

None.

TAB D

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TAB D-2 – ICOFR General Fund Material Weakness Corrective Action Plans and Milestones

TAB D-3 - ICOFR General Fund Material Weaknesses Corrected During All Periods

TAB D-1

TAB D-1
LIST OF UNCORRECTED AND CORRECTED INTERNAL CONTROLS OVER FINANCIAL REPORTING (ICOFR) GENERAL FUND MATERIAL WEAKNESSES

General Fund Uncorrected Weaknesses Identified During the Period:

Title	Quarter (QTR) and Date (FY) Targeted Correction Date	Page #
None.		

General Fund Uncorrected Weaknesses Identified During Prior Periods:

Title	Year First Reported	Correction QTR and FY Date		Page #
		Per Last Annual Statement	Per This Annual Statement	
Fund Balance with Treasury	FY 2008	2nd Qtr FY 2015	2nd Qtr FY 2016	D-2-1
Inventory (Operating Materials and Supplies) (OM&S)	FY 2008	4th Qtr FY 2014	4th Qtr FY 2017	D-2-3
General Property, Plant and Equipment	FY 2008	4th Qtr FY 2014	4th Qtr FY 2017	D-2-5
Environmental Liabilities	FY 2008	4th Qtr FY 2015	4th Qtr FY 2017	D-2-8
Intragovernmental Eliminations	FY 2008	1st Qtr FY 2015	2nd Qtr FY 2017	D-2-10
Accounting Adjustments	FY 2008	2nd Qtr FY 2015	3rd Qtr FY 2017	D-2-12
Statement of Net Cost	FY 2008	1st Qtr FY 2015	3rd Qtr FY 2016	D-2-14

Title	Year First Reported	Correction QTR and FY Date		Page #
		Per Last Annual Statement	Per This Annual Statement	
Abnormal Account Balances	FY 2008	2nd Qtr FY 2015	3rd Qtr FY 2017	D-2-16
Accounts Receivable	FY 2008	2nd Qtr FY 2015	3rd Qtr FY 2017	D-2-18
Accounts Payable	FY 2008	1st Qtr FY 2015	3rd Qtr FY 2017	D-2-20
Statement of Budgetary Resources	FY 2008	1st Qtr FY 2015	3rd Qtr FY 2017	D-2-22
Reconciliation of Net Cost of Operations to Budget	FY 2008	1st Qtr FY 2015	3rd Qtr FY 2017	D-2-25
Contingency Payment Audit Trails	FY 2009	4th Qtr FY 2014	4th Qtr FY 2016	D-2-27

Corrected Weaknesses Identified During All Periods:

Title	Year First Reported	Page #
None.		

TAB D-2

TAB D-2
INTERNAL CONTROLS OVER FINANCIAL REPORTING (ICOFR) GENERAL FUND
MATERIAL WEAKNESSES CORRECTIVE ACTION PLANS AND MILESTONES

General Fund Uncorrected Weakness(es) Identified During Prior Periods

Internal Controls (IC) Reporting Category: Budget-to-Report

Title and Description of Material Weakness: Fund Balance with Treasury (FBWT). The Department of the Defense (DoD), including the Army, have had long-standing problems in reconciling transaction activity in their FBWT accounts. Appropriation balances recorded in the accounting records do not agree with balances held at Treasury. Collections and disbursements at the detailed transaction level do not reconcile with the records of the Department of the Treasury.

First Year Reported: FY 2008

Target Correction Date: 2nd Qtr FY 2016

Original Target Date: 3rd Qtr FY 2014

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. Additional time is required to ensure corrective actions fully remediate the material weakness.

Detailed Corrective Action Plan:

<u>Date:</u>	<u>Milestone:</u>
Complete	Identified Requirements to Accurately Report FBWT. Finalized “to be” FBWT Reconciliation requirements document based on feedback received. Fully deploy General Fund Enterprise Business System (GFEBS).
Complete	Implement sustainable process to report FBWT and accurately address the reconciliation between the Army's balance and the balance at the Department of the Treasury.
Complete	Internal validation of FBWT (Reconciliation Tool).

<u>Date:</u>	<u>Milestone:</u>
Complete	Transition Army GF FBWT reconciliation tool into Production environment. Set conditions for phased implementation and implement routine processes and procedures.
Complete	Complete and execute corrective action plans (CAP) for known deficiencies and weaknesses. Identify mitigating controls.
Testing is continuous	Conduct monthly internal control retesting to confirm corrective actions (processes, controls, documentation or systems) have successfully mitigated deficiencies. Provide commands with a report reflecting testing results, trends, and recommendations.
2nd Qtr FY 2016	Develop implementation plan to accomplish reconciliations using the GF tool. Update policies and procedures, prepare systems design documents, and draft documentation templates. Ensure a plan exists with milestones for internal validations of reconciliation results and to correct each deficiency identified.

Validation Process: Internal and external validations will be conducted by United States Army Audit Agency (USAAA) and the DoD Office of the Inspector General (DoDIG, respectively).

Office of the Secretary of Defense (OSD) or Headquarters, Department of the Army (HQDA)

Action Required: None at this time.

Point of Contact: Ms. Sharon Hale, Director, Integration and Controls, Office, Assistant Secretary of the Army (Financial Management and Comptroller) (OASA(FM&C))

TAB D-2
INTERNAL CONTROLS OVER FINANCIAL REPORTING (ICOFR) GENERAL FUND
MATERIAL WEAKNESSES CORRECTIVE ACTION PLANS AND MILESTONES

General Fund Uncorrected Weakness(es) Identified During Prior Periods

IC Reporting Category: Plan-to-Stock

Title and Description of Material of Weakness: Inventory and OM&S. Inventories are valued and reported at approximate historical cost using latest acquisition cost adjusted for holding gains and losses. The systems do not maintain historical cost data necessary to comply with Statement of Federal Financial Accounting Standards No. 3, "Accounting for Inventory and Related Property." The systems also are unable to produce financial transactions using the U.S. Government Standard General Ledger. Statement of Federal Financial Accounting Standards No. 3 states that OM&S must be expensed when the items are consumed. However, according to independent auditor's reports dated 8 November 2009 and 9 December 2014, the Army has acknowledged that significant amounts of OM&S was expensed when they were purchased instead of when they were consumed.

First Year Reported: FY 2008

Target Correction Date: 4th Qtr FY 2017

Original Target Date: 1st Qtr FY 2014

Corrective Action Summary: Full deployment of GFEBs provides the required general ledger processing capability. Additional time to implement corrective actions is required to ensure physical inventories are conducted and properly documented.

Detailed Corrective Action Plan:

Date:

Complete

Milestone:

Achieved a positive response from DoD OIG in April 2013 on 17 percent of the Army's missile program assets, including the Javelin, Hellfire, and Tube-Launched Optically-Tracked Wire-Guided Missile (TOW) assets.

<u>Date:</u>	<u>Milestone:</u>
Complete	Provided guidance for valuation of operating expenses associated with the consumption of OM&S in normal operations and establishing the Inventory baseline (i.e., an acceptable value for on-hand OM&S at the time systems are converted to a historical cost method).
Complete	Incorporated the revised historical cost valuation policy (Consumption Method) for OM&S into the DoD FMR (DoD 7000.14-R).
Complete	Assert audit readiness to the existence and completeness of OM&S assets.
	Complete and execute corrective actions for known deficiencies and weaknesses for OM&S.
	Identify mitigating controls and/or substantive procedures to support OM&S full assertion scheduled for 30 September 2017.
	Conduct monthly internal control and substantive retesting to evaluate internal controls and ensure that OM&S assets are accurately recorded and managed in the accountable property systems of record.
4th Qtr FY 2017	Support the validation efforts of management's assertion to the existence and completeness of OM&S assets.

Validation Process: Internal and external validations will be conducted by USAAA and the DoDIG, respectively.

OSD or HQDA Action Required: HQDA has been working with the OSD Inventory and Related Property working group to establish a valuation methodology that is Generally Accepted Accounting Principles (GAAP) compliant and supports the full audit assertion for OM&S.

Point of Contact: Ms. Sharon Hale, Director, Integration and Controls, OASA(FM&C)

TAB D-2
INTERNAL CONTROLS OVER FINANCIAL REPORTING (ICOFR) GENERAL FUND
MATERIAL WEAKNESSES CORRECTIVE ACTION PLANS AND MILESTONES

General Fund Uncorrected Weakness(es) Identified During Prior Periods

IC Reporting Category: Acquire-to-Retire

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

First Year Reported: FY 2008

Target Correction Date: 4th Qtr FY 2017

Original Target Date: 4th Qtr FY 2014

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 FFMIA of 1996. Additional time is required to develop methodology and ensure actions fully remediate the material weakness.

Detailed Corrective Action Plan:

Date:

Complete

Milestone:

Asserted to the existence and completeness of General Equipment (GE) fire and rescue "quick win" assets (31 March 2011).

<u>Date:</u>	<u>Milestone:</u>
Complete	Asserted to the existence and completeness of all GE assets in the Property Book Unit Supply Enhanced (PBUSE) system (30 December 2013).
Complete	Asserted to the existence, completeness, and rights and obligations of Real Property (RP) assets at 23 installations (“quick wins”) (12 December 2012). Received clean opinion from independent public accounting (IPA) firm in November 2013.
Complete	Facilitated data conversion and interface development between Army information systems, Property Book Unit Supply-Enhanced, and GFEBS.
Complete	Assert to the existence and completeness of all RP assets by 30 September 2014.
Complete	Support DoD Office of the Inspector General in their validation efforts over the GE assertion. Auditor’s report expected in October 2014.
Complete	Evaluate auditor’s report over the GE existence and completeness assertion and determine actions necessary to remediate remaining internal control weaknesses.
Complete	Support validation efforts of management’s assertion to the Existence and Completeness (E&C) of GE assets. DoDIG validation was provided in October 2014.
4th Qtr FY2016	Continue execution of corrective action plans (CAPs) for known deficiencies and weaknesses across major command organizations that maintain accountability of assets.
4th Qtr FY 2017	Conduct monthly internal control and substantive retesting to assess status of corrective action plans and mitigation of control weaknesses.

Validation Process: Internal and external validations will be conducted by USAAA and the DoDIG, respectively.

OSD or HQDA Action Required: None at this time.

Point of Contact: Ms. Sharon Hale, Director, Integration and Controls, OASA(FM&C)

TAB D-2
INTERNAL CONTROLS OVER FINANCIAL REPORTING (ICOFR) GENERAL FUND
MATERIAL WEAKNESSES CORRECTIVE ACTION PLANS AND MILESTONES

General Fund Uncorrected Weakness(es) Identified During Prior Periods

IC Reporting Category: N/A

Title and Description of Material of Weakness: Environmental Liabilities (EL). The Army has not properly estimated and reported its environmental liabilities. For example, the processes used to report environmental liabilities for the Defense Environmental Restoration Program (DERP), Base Realignment and Closure (BRAC) and the non-Defense Environmental Restoration Program (Non-DERP) on the financial statements were not adequate to establish or maintain sufficient documentation and audit trails.

First Year Reported: FY 2008

Target Correction Date: 4th Qtr FY 2017

Original Target Date: 1st Qtr FY 2015

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. Interface capabilities currently in development will manage, track, and report environmental liabilities by project to address current material weakness. Additional time is required to develop and implement a fully automated solution GFEBS.

Detailed Corrective Action Plan:

Date:

Milestone:

1st Qtr FY 2016

Implement Headquarters Army Environmental System (HQAES) to support the Army's environmental program and capable of managing and tracking environmental liabilities by project.

4th Qtr FY 2016

Complete full management assertion for Environmental and Disposal Liabilities.

Validation Process: Internal and external validations will be conducted by USAAA and the DoDIG, respectively.

OSD or HQDA Action Required: HQDA to support the implementation and policy updates necessary for the use of the system.

Point of Contact: Ms. Sharon Hale, Director, Integration and Controls, OASA(FM&C)

TAB D-2
INTERNAL CONTROLS OVER FINANCIAL REPORTING (ICOFR) GENERAL FUND
MATERIAL WEAKNESSES CORRECTIVE ACTION PLANS AND MILESTONES

General Fund Uncorrected Weakness(es) Identified During Prior Periods

IC Reporting Category: Budget-to-Report

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

First Year Reported: FY 2008

Target Correction Date: 2nd Qtr FY 2017

Original Target Date: 3rd Qtr FY 2014

Corrective Action Summary: The Army has fully deployed GFEBs and the Standard Financial Information Structure as a means to identify and reconcile intragovernmental trading partner transactions. Additional time is required to implement and test phase one of the Invoice Processing Platform.

Detailed Corrective Action Plan:

<u>Date:</u>	<u>Milestone:</u>
4th Qtr FY 2015	Identify trading partner information at the transaction level.
4th Qtr FY 2015	Implement Standard Financial Information Structure (SFIS) 10.0 and Governmentwide Treasury Account Symbol (GTAS) to GFEBs to fix the Fed/Non-Fed issues.

Date:

2nd Qtr FY 2017

Milestone:

Implement Invoice Processing Platform (IPP) phase one (date dependent upon receipt of Deputy Chief Financial Officer (DCFO) tasking memo). The Army is working with Office, Secretary of Defense and Assistant Chief of Staff for Information Management in conducting a pilot to enter General Terms and Conditions (1144s/MOAs) for reimbursables into IPP. The pilot will identify lessons learned to be implemented in FY2016. The Army goal is to have 75 percent of the General Terms and Conditions in IPP by FY 2016 close and 100 percent by FY 2017 close.

Validation Process: Internal and external validations will be conducted by USAAA and the DoDIG, respectively.

OSD or HQDA Action Required: None at this time.

Point of Contact: Ms. Sharon Hale, Director, Integration and Controls, OASA(FM&C)

TAB D-2
INTERNAL CONTROLS OVER FINANCIAL REPORTING (ICOFR) GENERAL FUND
MATERIAL WEAKNESSES CORRECTIVE ACTION PLANS AND MILESTONES

General Fund Uncorrected Weakness(es) Identified During Prior Periods

IC Reporting Category: Budget-to-Report

Title and Description of Material of Weakness: Accounting Adjustments. Because of inadequate financial management systems and processes, journal voucher adjustments and data calls were used to prepare the Army General Fund basic financial statements. For the FY 2014 year-end, Defense Finance and Accounting Service personnel reported that they did not adequately support \$34.2 billion in journal voucher adjustments used to prepare the Army General Fund basic financial statements.

First Year Reported: FY 2008

Target Correction Date: 3rd Qtr FY 2017

Original Target Date: 3rd Qtr FY 2014

Corrective Action Summary: The Army fully deployed 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. Additional time is required to ensure actions fully correct the material weakness.

Detailed Corrective Action Plan:

<u>Date:</u>	<u>Milestone:</u>
Complete	Fully deployment of GFEBs in FY 2012. Full deployment of GFEBs enables 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.
4th Qtr FY 2015	Identify the root causes of unsupported adjustments.
4th Qtr FY 2015	Develop corrective action plans to fix legacy system brought forward data, budgetary/proprietary adjustments and other related issues.

Date:

3rd Qtr FY 2017

Milestone:

Validation to be conducted by USAAA and DoDIG.

Validation Process: Internal and external validations will be conducted by USAAA and the DoDIG, respectively.

OSD or HQDA Action Required: None at this time.

Point of Contact: Ms. Sharon Hale, Director, Integration and Controls, OASA(FM&C)

TAB D-2
INTERNAL CONTROLS OVER FINANCIAL REPORTING (ICOFR) GENERAL FUND
MATERIAL WEAKNESSES CORRECTIVE ACTION PLANS AND MILESTONES

General Fund Uncorrected Weakness(es) Identified During Prior Periods

IC Reporting Category: Budget-to-Report

Title and Description of Material of Weakness: Statement of Net Cost. The financial information contained in the Statement of Net Cost is not presented by programs that align with major goals and outputs described in the DoD strategic and performance plans required by the Government Performance and Results Act. Because financial processes and systems do not correlate costs with performance measures, revenues and expenses are reported by appropriation categories. The amounts presented in the Statement of Net Cost are based on funding, obligation and disbursing transactions, which are not always recorded using accrual accounting. The Army systems do not always record the transactions on an accrual basis as required by Generally Accepted Accounting Principles. To capture all cost and financing sources for the Army, the information presented also includes data from non-financial feeder systems. In addition, Army General Fund budgetary and proprietary information does not correlate.

First Year Reported: FY 2008

Target Correction Date: 3rd Qtr FY 2016

Original Target Date: 3rd Qtr FY 2014

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 GFEBS and will ensure that the system's capabilities are functioning properly. Additional time is required to develop a methodology for allocation of net cost and revenue to the DoD strategic and performance goals. Corrections for this statement need to be consistent across DoD to allow for consolidation at the DoD level.

Detailed Corrective Action Plan:

Date:

4th Qtr FY 2015

Milestone:

Formally request guidance from OSD regarding the goals and programs for which to align DoD Component's Statements of Net Cost, and obtain milestones for updating the Defense reporting system to accept the format they prescribe.

Date:

2nd Qtr FY 2016

Milestone:

Develop a methodology for allocation of net cost and revenue to the DoD strategic and performance goals. (Dependent on guidance OSD provides).

4th Qtr FY 2016

Assert to Statement of Net Cost.

Validation Process: Internal and external validations will be conducted by USAAA and the DoDIG, respectively.

OSD or HQDA Action Required: OSD to coordinate with other DoD services to revise DDRS.

Point of Contact: Ms. Sharon Hale, Director, Integration and Controls, OASA(FM&C)

TAB D-2
INTERNAL CONTROLS OVER FINANCIAL REPORTING (ICOFR) GENERAL FUND
MATERIAL WEAKNESSES CORRECTIVE ACTION PLANS AND MILESTONES

General Fund Uncorrected Weakness(es) Identified During Prior Periods

IC Reporting Category: Budget-to-Report

Title and Description of Material of Weakness: Abnormal Account Balances. DFAS did not detect, report, or take action to eliminate 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.

First Year Reported: FY 2008

Target Correction Date: 3rd Qtr FY 2017

Original Target Date: 3rd Qtr FY 2014

Corrective Action Summary: Full deployment of the GFEBS enables the Army to detect and correct abnormal balances through routine general ledger tie point reconciliations and other processes. Additional time is required to revise GFEBS chart of accounts, posting logic, and develop business process changes.

Detailed Corrective Action Plan:

<u>Date:</u>	<u>Milestone:</u>
4th Qtr FY 2015	Work with DFAS, Army Budget Office, (ABO), OASA(FM&C) and GFEBS-Program Manager (PM) to identify root causes of abnormal balances and tie point imbalances including budgetary/proprietary adjustments, budget/funding processes, and other causes.
3rd Qtr FY 2016	Revise the GFEBS Chart of Accounts and posting logic; work with stakeholders to address process changes business processes and transactions as needed to reduce abnormal balances and tie point imbalances.

Date:

3rd Qtr FY 2017

Milestone:

Validation to be conducted by USAAA and DoDIG.

Validation Process: Internal and external validations will be conducted by USAAA and the DoDIG, respectively.

OSD or HQDA Action Required: None at this time.

Point of Contact: Ms. Sharon Hale, Director, Integration and Controls, OASA(FM&C)

TAB D-2
INTERNAL CONTROLS OVER FINANCIAL REPORTING (ICOFR) GENERAL FUND
MATERIAL WEAKNESSES CORRECTIVE ACTION PLANS AND MILESTONES

General Fund Uncorrected Weakness(es) Identified During Prior Periods

IC Reporting Category: Budget-to-Report

Title and Description of Material of Weakness: Accounts Receivable. The Army has acknowledged weaknesses in its accounts receivable management. The weaknesses are considered to be DoD-wide and apply to both public and intragovernmental receivables at the Army General Fund level. According to independent auditor's report dated 8 November 2009, the Army's accounts receivable has weaknesses of noncompliance with policies and procedures regarding referrals to the Debt Management Office of the Department of Treasury and for write-offs of two-year-old debt; a lack of controls to ensure all entitlement system receivables (vendor pay, civilian pay and interest) are recorded in the accounting systems; and a lack of controls to ensure that accounts receivable balances are supportable at the transaction level.

First Year Reported: FY 2008

Target Correction Date: 4th Qtr FY 2017 (pilot completion)

Original Target Date: 3rd Qtr FY 2014

Corrective Action Summary: GFEBS developed cost estimate to implement a limited debt management pilot capability with DTS and vendor payments to ensure best business practices and meets compliances with GAAP. Expected coordination efforts among stakeholders by 1st Quarter FY 2016. Upon conclusion of pilot demonstration GFEBS will implement the full solution in working with OSD for critical Department-wide debt management solution. GFEBS will enable audit of receivables to source transaction posting to the general ledger. GFEBS also provides the ability to age receivables and assess interest.

Validation Process: Internal and external validations will be conducted by USAAA and the DoDIG, respectively.

OSD or HQDA Action Required: Provide a department wide debt management solution through policy development/updates and issuing department wide directives to accelerate action.

Point of Contact: Ms. Sharon Hale, Director, Integration and Controls, OASA(FM&C)

TAB D-2
INTERNAL CONTROLS OVER FINANCIAL REPORTING (ICOFR) GENERAL FUND
MATERIAL WEAKNESSES CORRECTIVE ACTION PLANS AND MILESTONES

General Fund Uncorrected Weakness(es) Identified During Prior Periods

IC Reporting Category: Budget-to-Report

Title and Description of Material of Weakness: Accounts Payable. According to independent auditor's report dated 8 November 2009 and 9 December 2013, the Army is unable to account for and report Accounts Payable properly. Due to noted material weakness in current accounting and financial feeder systems, the DoD is generally unable to determine whether undistributed disbursements and collections should be applied to federal or nonfederal accounts payable and accounts receivable at the time accounting reports are prepared. Accordingly, the DoD policy is to allocate supported undistributed disbursements and collections between federal and nonfederal categories based on the percentage of distributed federal and nonfederal accounts payable and accounts receivable. Both supported and unsupported undistributed disbursements and collections are then applied to reduce accounts payable and accounts receivable accordingly. In addition, the Army accounting systems do not capture trading partner data at the transaction level in a manner that facilitates trading partner aggregations for intra-agency sales. Therefore, the Army has acknowledged that it was unable to reconcile Intragovernmental accounts payable to the related Intragovernmental accounts receivable that generated the payables.

First Year Reported: FY 2008

Target Correction Date: 3rd Qtr FY 2017*

*Target date has shifted due to strategy of full remediation of Accounts Payable now being synchronized with preparation with full financial statement audit preparations in FY 2017 rather than just the Schedule of Budgetary Activity audit in FY 2015.

Original Target Date: 3rd Qtr FY 2014

Corrective Action Summary: 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. Validation of Standard Financial Information Structure (SFIS) structure will ensure proper reporting of trading partners. Additional time is required to ensure actions taken fully correct the material weakness.

Detailed Corrective Action Plan:

<u>Date:</u>	<u>Milestone:</u>
4th Qtr FY 2015	Validate SFIS attributes related to Fed/Non-Fed issues to ensure proper reporting of trading partner transactions.
3rd Qtr FY 2016	Validation to be conducted by USAAA and DoDIG.

Validation Process: Internal and external validations will be conducted by USAAA and the DoDIG, respectively.

OSD or HQDA Action Required: None at this time.

Point of Contact: Ms. Sharon Hale, Director, Integration and Controls, OASA(FM&C)

TAB D-2
INTERNAL CONTROLS OVER FINANCIAL REPORTING (ICOFR) GENERAL FUND
MATERIAL WEAKNESSES CORRECTIVE ACTION PLANS AND MILESTONES

General Fund Uncorrected Weakness(es) Identified During Prior Periods

IC Reporting Category: Budget-to-Report

Title and Description of Material of Weakness: Statement of Budgetary Resources.

Army accounting systems did not provide or capture the data needed for obligations incurred or prior-year obligations recovered in accordance with OMB Circular No. A-11, "Preparation, Submission, and Execution of the Budget Requirements," July 2014. Although the Army developed an alternative methodology to calculate these items, the amount of distortion cannot be reliably determined. The information presented in the Army General Fund's statement of budgetary resources does not completely agree with the information submitted in the year-end "Reports on Budget Execution and Budgetary Resources" (SF 133).

First Year Reported: FY 2008

Target Correction Date: 3rd Qtr FY 2017*

*Target date has shifted due to strategy of full remediation of Statement of Budgetary Resources (SBR) now being synchronized with preparation with full financial statement audit preparations at the conclusion of FY 2017. Until then, DoDIG and Independent Public Accountant (IPA) validation will be conducted on and limited to Schedule of Budgetary Activity (SBA) audit in fiscal years 2015 through 2017.

Original Target Date: 3rd Qtr FY 2014

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 GFEBs and will ensure that the system's capabilities are functioning properly. Additional time is required to ensure actions taken fully correct the material weakness.

Detailed Corrective Action Plan:

<u>Date:</u>	<u>Milestone:</u>
Complete	GFEBs Examination 1. Received a qualified opinion in late 2011 on the first audit examination (“mock audit”) of financial activity conducted in GFEBs at Forts Jackson, Stewart and Benning. The independent public accounting firm found standardized business processes across the sites.
Complete	Execute valuation and discovery activities.
Complete	Full deployment of GFEBs.
Complete	Examination 2 of nine business processes at 10 installations where GFEBs has been deployed. The audit report confirmed internal findings and identified three significant areas for improvement.
Complete	Assert to the audit readiness of GFEBs Statement of Budgetary Resources (SBR) (30 June 2013). Included all current fiscal year, non-legacy GF activity from GFEBs, Corps of Engineers Financial Management System (CEFMS), LMP, and relevant feeder systems; Federal Information System Controls Audit Manual (FISCAM) compliance for GFEBs, GCSS-A and LMP (Procurement Automated Data and Document System (PADDS) to LMP to GFEBs interface) systems; and DFAS processes and controls related to Army’s business processes. Results validated by independent public accounting firm. Auditors issued a modified opinion (May 2014), confirming internal findings.
Complete	Assert audit readiness of the FY 2014 Schedule of Budgetary Activity (SBA). Complete and execute corrective action plans (CAP) for known deficiencies and weaknesses. Identify mitigating controls and/or substantive procedures to support assertion in absence of CAPs (<i>except Funds Distribution</i>).

Date:

Milestone:

Complete (continued)

Conduct monthly internal control retesting and provide commands with a report reflecting testing results, trends, and recommendations.

Ensure legacy processes and systems are auditable to support the FY 2014 SBA.

3rd Qtr FY2017

Support validation efforts of FY 2015 and FY 2016 SBA audits.

Validation Process: Internal and external validations will be conducted by USAAA and the DoDIG, respectively.

OSD or HQDA Action Required: HQDA to support audit readiness efforts through enforcing updates in policy and issuing department wide directives, as needed, to accelerate action.

Point of Contact: Ms. Sharon Hale, Director, Integration and Controls, OASA(FM&C)

TAB D-2
INTERNAL CONTROLS OVER FINANCIAL REPORTING (ICOFR) GENERAL FUND
MATERIAL WEAKNESSES CORRECTIVE ACTION PLANS AND MILESTONES

General Fund Uncorrected Weakness(es) Identified During Prior Periods

IC Reporting Category: Budget-to-Report

Title and Description of Material of Weakness: Reconciliation of Net Cost of Operations to Budget. The Statement of Federal Financial Accounting Standards No. 7 “requires a reconciliation of proprietary and budgetary information to assist users in understanding the relationship of the data.” Due to the limitations of the Army General Fund financial systems, budgetary data do not agree with proprietary expenses and capitalized assets. The Army could not reconcile the information reported in Note 21 with the Army General Fund statement of net cost without preparing \$3.7 billion in unsupported adjustments.

First Year Reported: FY 2008

Target Correction Date: 3rd Qtr FY 2017

Original Target Date: 3rd Qtr FY 2014

Corrective Action Summary: Integrated capabilities of GFEBS will enable the Army to represent relationships between budgetary obligations incurred and the Statement of Net Cost. Additional time is required to ensure actions taken fully correct the material weakness.

Detailed Corrective Action Plan:

<u>Date:</u>	<u>Milestone:</u>
Complete	Complete tie point analysis.
4th Qtr FY 2015	Analyze the root cause of tie point imbalances based on plan Established by joint DFAS/Army JV analysis team. Develop and implement corrective action plans.
3rd Qtr FY 2017	Validation to be conducted by USAAA and DoDIG.

Validation Process: Internal and external validations will be conducted by USAAA and the DoDIG, respectively.

OSD or HQDA Action Required: None at this time.

Point of Contact: Ms. Sharon Hale, Director, Integration and Controls, OASA(FM&C)

TAB D-2
INTERNAL CONTROLS OVER FINANCIAL REPORTING (ICOFR) GENERAL FUND
MATERIAL WEAKNESSES CORRECTIVE ACTION PLANS AND MILESTONES

General Fund Uncorrected Weakness(es) Identified During Prior Periods

IC Reporting Category: Procure to Pay

Title and Description of Material of Weakness: Contingency Payment Audit Trails. The Army identified contingency audit trails as a material weakness in the FY 2013 Army Statement of Assurance Over Internal Controls, acknowledging that the maintenance of substantiating documents by certifying and entitlement activities creates significant challenges in tracing audit trails for support of financial statements. Payments that are not properly supported do not provide the necessary assurance that funds were used as intended.

First Year Reported: FY 2009

Target Correction Date: 4th Qtr FY 2016

Original Target Date: 1st Qtr FY 2014

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 weakness. The USAAA performed a follow-up audit in 2011 in which they stated: "we will postpone our recommendations to report material weaknesses based on current and ongoing actions identified by the commands. The commands have taken a series of steps to correct the identified problems. These issues are complex and affect multiple functional areas (contracting and financial management) requiring a collaboration of both short- and long-term solutions. Army Audit remains committed to ensuring that the Army provides continued visibility to these issues as it works to obtain auditable financial statements. We will monitor these actions by conducting follow-up audit and report to senior Army leaders on the status of these corrective actions and whether material weaknesses are still required." Additional time is required to allow USAAA to schedule and perform a follow-up audit as noted in their 2012 report.

Detailed Corrective Action Plan:

<u>Date:</u>	<u>Milestone:</u>
Complete	Correct identified deficiencies in Contingency Payment Audit Trails.

<u>Date:</u>	<u>Milestone:</u>
Complete	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.
Complete	Discuss with DODIG the documentation Financial Management Command (FMCOM) needs to provide supporting controls exist over contingency payments and reduced cash operations in theater have almost eliminated the operational risks and deficiencies identified in the referenced audit reports.
2nd Qtr FY 2016	Validate that actions in operational audit reports are corrected and closed. Ensure documentation exists to support actions taken and request USAAA attestation of actions.
4th Qtr FY 2016	Report weakness as closed or downgrade from material weakness to other deficiency.

Validation Process: Internal and external validations will be conducted by USAAA and the DoDIG, respectively.

OSD or HQDA Action Required: HQDA to support audit readiness efforts through updates in policy and issuing department wide directives, as needed, to accelerate action.

Point of Contact: Ms. Sharon Hale, Director, Integration and Controls, OASA(FM&C)

TAB D-3

TAB D-3
INTERNAL CONTROLS OVER FINANCIAL REPORTING (ICOFR) GENERAL FUND
MATERIAL WEAKNESSES CORRECTED DURING ALL PERIODS

Army General Fund Material Weaknesses Corrected During The Period

None.

TAB E

List of TABs

TAB E-1 - List of Uncorrected and Corrected Internal Control Over Financial Reporting (ICOFR) Army Working Capital Fund Material Weaknesses

TAB E-2 – ICOFR Army Working Capital Fund Material Weakness Corrective Action Plans and Milestones

TAB E-3 - ICOFR Army Working Capital Fund Material Weaknesses Corrected During All Periods

TAB E-1

TAB E-1
LIST OF UNCORRECTED AND CORRECTED INTERNAL CONTROLS OVER FINANCIAL REPORTING (ICOFR) ARMY WORKING CAPITAL FUND MATERIAL WEAKNESSES

Working Capital Fund Uncorrected Weaknesses Identified During this Period:

Title	Quarter (QTR) and Date (FY) Targeted Correction Date	Page #
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None.

Working Capital Fund Uncorrected Weaknesses Identified During Prior Periods:

Title	Year First Reported	Correction QTR and FY Date Per Last Annual Statement	Per This Annual Statement	Page #
Fund Balance with Treasury	FY 2013	4th Qtr FY 2015	2nd Qtr FY 2016	E-2-1
Financial Reporting – Statement of Budgetary Resources	FY 2009	3rd Qtr FY 2015	3rd Qtr FY 2016	E-2-2
Inventory	FY 2008	3rd Qtr FY 2015	3rd Qtr FY 2016	E-2-4
General Property, Plant, and Equipment	FY 2008	3rd Qtr FY 2015	3rd Qtr FY 2016	E-2-6
Financial Reporting - Intragovernmental Eliminations	FY 2008	1st Qtr FY 2015	1st Qtr FY 2017	E-2-8

Working Capital Fund Uncorrected Weaknesses Identified During Prior Periods:

Title	Year First Reported	<u>Correction QTR and FY Date</u>		Page #
		Per Last Annual Statement	Per This Annual Statement	
Financial Reporting/ Accounting Adjustments – Other Accounting Entries	FY 2008	2nd Qtr FY 2015	3rd Qtr FY 2016	E-2-10
Financial Reporting – Statement of Net Cost	FY 2008	2nd Qtr FY 2015	3rd Qtr FY 2016	E-2-11
Financial Reporting – Accounts Payable	FY 2008	1st Qtr FY 2015	3rd Qtr FY 2016	E-2-13
Financial Reporting – Reconciliation of Net Cost of Operations to Budget	FY 2008	1st Qtr FY 2015	3rd Qtr FY 2016	E-2-15
Financial Reporting – Abnormal Balances	FY 2009	2nd Qtr FY 2015	3rd Qtr FY 2016	E-2-17

Working Capital Fund Material Weaknesses Corrected During all Periods:

Title	Year First Reported	Page #
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None.

TAB E-2

TAB E-2
**INTERNAL CONTROLS OVER FINANCIAL REPORTING (ICFR) ARMY WORKING
CAPITAL FUND CORRECTIVE ACTION PLANS AND MILESTONES**

Working Capital Fund Uncorrected Weaknesses Identified During Prior Periods

Internal Controls (IC) Reporting Category: Budget to Report

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

First Year Reported: FY 2013

Target Correction Date: 2nd Qtr FY 2016

Original Target Date: 1st Qtr FY 2015

Corrective Action Summary: The Defense Finance and Accounting Service (DFAS) will 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. Additional time will be needed after deploying the tool to ensure the resolution of the differences and identify any new issues.

Detailed Corrective Action Plan:

<u>Date:</u>	<u>Milestone:</u>
Complete	Implement Reconciliation tool
Complete	Initial assessment of reconciliation efforts using the tool

Validation Process: Once implemented and in place for one quarter, the Army Working Capital Fund (AWCF) Audit Readiness Team will perform testing to validate that the reconciliation process is operating effectively.

Office of the Secretary of Defense (OSD) or Headquarters, Department of the Army (HQDA)
Action Required: None

Point of Contact: Ms. Sharon Hale, Director, Integration and Controls, Office, Assistant Secretary of the Army (Financial Management and Comptroller) (OASA(FM&C))

TAB E-2
INTERNAL CONTROLS OVER FINANCIAL REPORTING (ICOFR) ARMY WORKING
CAPITAL FUND CORRECTIVE ACTION PLANS AND MILESTONES

Working Capital Fund Uncorrected Weaknesses Identified During Prior Periods

IC Reporting Category: Budget to Report

Title and Description of Material Weakness: Financial Reporting – Statement of Budgetary Resources. The Defense Finance and Accounting Service (DFAS) personnel made \$289.7 million in adjustments in FY 2013 to the budgetary accounts because the accounting systems did not correctly record budgetary transactions. In FY 2014, the Army used data from LMP, but there still are adjustments needed to reconcile the trial balance data.

First Year Reported: FY 2009

Target Correction Date: 3rd Qtr FY 2016

Original Target Date: 2nd Qtr FY 2015

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 remaining unsupported adjustments to the accounts impacting the Statement of Budgetary Resources.

Detailed Corrective Action Plan:

<u>Date:</u>	<u>Milestone:</u>
Complete	Document posting logic for Statement of Budgetary Resources (Phase I – material lines)
4th Qtr FY 2015	Re-evaluate all Statement of Budgetary Resources related system change requests for LMP
1st Qtr FY 2016	Complete JV reversals for legacy data migration

<u>Date:</u>	<u>Milestone:</u>
2nd Qtr FY 2016	Validate and document posting logic for Statement of Budgetary Resources (Phase II)
2nd Qtr FY 2016	Abnormal balance and tie point work
3rd Qtr FY 2016	Validate that adjustments to trial balance data for the SBR are eliminated or significantly reduced. If the former, address causes.
3rd Qtr FY 2016	Complete Budgetary data clean-up efforts with DFAS-CO

Validation Process: Once implemented, the AWCf Audit Readiness Team will perform testing to validate that the corrective actions were effective.

OSD or HQDA Action Required: Dates for OSD action TBD – We anticipate OSD approvals may be needed for journal voucher packages prepared to write off legacy balances. There is also a remote possibility that the cleanup efforts will identify the need to request the Army Budget Office (ABO) provide additional budget resources.

Point of Contact: Ms. Sharon Hale, Director, Integration and Controls, OASA(FM&C)

TAB E-2
**INTERNAL CONTROLS OVER FINANCIAL REPORTING (ICOFR) ARMY WORKING
CAPITAL FUND CORRECTIVE ACTION PLANS AND MILESTONES**

Working Capital Fund Uncorrected Weaknesses Identified During Prior Periods

IC Reporting Category: Plan to Stock

Title and Description of Material Weakness: Inventory. Current inventory balances reported are unreliable as not all inventory is valued in 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.

First Year Reported: FY 2008

Target Correction Date: 3rd Qtr FY 2016

Original Target Date: 2nd Qtr FY 2015

Corrective Action Summary: All inventory is now financial reported at moving average cost. However, the moving average cost values do not completely reflect historical cost. 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. Analysis of and corrections to No Value (NOVAL) inventory is necessary to determine completeness of inventory substantiating the value recorded on balance sheet.

Detailed Corrective Action Plan:

<u>Date:</u>	<u>Milestone:</u>
Complete	Develop solution for performing physical inventories at the depots
Complete	Implement policies for excess and obsolete inventory
Complete	DODIG audit of Inventory held for sale MAC valuation begins
4th Qtr FY 2015	Develop and implement policy for NOVAL inventory and perform data clean up

<u>Date:</u>	<u>Milestone:</u>
2nd Qtr FY 2016	Stabilize other gains and losses
3rd Qtr FY 2016	Valuation for financial reporting

Validation Process: Once corrective actions have been completed, the AWCF Audit Readiness Team will perform testing to validate that the material weakness has been remediated.

OSD or HQDA Action Required: None.

Point of Contact: Ms. Sharon Hale, Director, Integration and Controls, OASA(FM&C)

TAB E-2
**INTERNAL CONTROLS OVER FINANCIAL REPORTING (ICOFR) ARMY WORKING
CAPITAL FUND CORRECTIVE ACTION PLANS AND MILESTONES**

Working Capital Fund Uncorrected Weaknesses Identified During Prior Periods

IC Reporting Category: Acquire to Retire

Title and Description of Material Weakness: General Property, Plant, and Equipment. General Property, Plant and Equipment (PPE) 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. The real property asset records for AWCF are in General Fund Enterprise Business Systems (GFEBS). GFEBS does not reconcile to the LMP PPE balance; recorded assets in GFEBS do not accurately reflect ownership based on Statement of Federal Financial Accounting Standards No. 6 (SFFAS 6); and supporting documentation is not available to validate the current recorded costs. Current Army audit readiness results indicate several corrective actions are still needed to address all financial statement assertions for PPE.

First Year Reported: FY 2008

Target Correction Date: 3rd Qtr FY 2016

Original Target Date: 1st Qtr FY 2011

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. The Army is currently working to reconcile the real property balance in GFEBS with the balance in LMP. Lack of available documentation will require implementation of SFFAS 35 after a determination of ownership has been made.

Detailed Corrective Action Plan:

Date:

Complete

Milestone:

Test controls over real property additions and disposals and develop corrective actions based upon internal control test results.

<u>Date:</u>	<u>Milestone:</u>
1st Qtr FY 2016	Ensure Industrial Operations activities understand the rights criteria to be used in determining who should report real property in its financial statements (Pending issuance of OSD Policy memorandum).
3rd Qtr FY 2016	Implement SFFAS 35 for real property assets that do not have sufficient documentation supporting the value.

Validation Process: Once corrective actions have been implemented, the AWCF Audit Readiness Team will perform testing to validate the corrective actions.

OSD or HQDA Action Required: OSD must issue policy memorandum on rights criteria to be used in determining who should report real property in its financial statements.

Point of Contact: Ms. Sharon Hale, Director, Integration and Controls, OASA(FM&C)

TAB E-2
**INTERNAL CONTROLS OVER FINANCIAL REPORTING (ICOFR) ARMY WORKING
CAPITAL FUND CORRECTIVE ACTION PLANS AND MILESTONES**

Working Capital Fund Uncorrected Weaknesses Identified During Prior Periods

IC Reporting Category: Budget to Report

Title and Description of Material Weakness: Financial Reporting – Intragovernmental Eliminations. DoD and Army were unable to collect, exchange, and reconcile buyer and seller intragovernmental transactions, resulting in adjustments that were not verifiable.

First Year Reported: FY 2008

Target Correction Date: 1st Qtr FY 2017

Original Target Date: 4th Qtr FY 2011

Corrective Action Summary: The Army Working Capital Fund needs to identify trading partner information at the transaction level to facilitate the intragovernmental eliminations. Many DoD and Army systems do not capture trading partner data at the transactional level, which impacts AWCF ability to reconcile intragovernmental transactions. Previous actions taken to improve intragovernmental reporting have not eliminated the weakness. The OSD continues to leverage the incremental corrections taken thus far as it determines the way forward. The Department of Treasury Invoice Processing Platform (IPP) is the current plan to address and correct remaining issues with this weakness.

Detailed Corrective Action Plan:

<u>Date:</u>	<u>Milestone:</u>
Complete	Implement SFIS 10.0 and Governmentwide Treasury Account Symbol (GTAS) in LMP.
4th Qtr FY 2015	Work with DFAS to clean up the Fed/Non-Fed migration errors.
3rd Qtr FY 2016	Implement Invoice Processing Platform – Phase I - update support agreements.

Validation Process: Once corrective actions have been implemented, the AWCF Audit Readiness Team will perform testing to validate the corrective actions.

OSD or HQDA Action Required: None.

Point of Contact: Ms. Sharon Hale, Director, Integration and Controls, OASA(FM&C)

TAB E-2
**INTERNAL CONTROLS OVER FINANCIAL REPORTING (ICOFR) ARMY WORKING
CAPITAL FUND CORRECTIVE ACTION PLANS AND MILESTONES**

Working Capital Fund Uncorrected Weaknesses Identified During Prior Periods

IC Reporting Category: Budget to Report

Title and Description of Material Weakness: Financial Reporting/Accounting Adjustments—Other Accounting Entries. During fiscal year 2014 DFAS processed unsupported journal voucher adjustments, valued at \$6.3 billion, to reclassify expenses based on issues identified with posting logic. The unsupported accounting adjustments represent a material uncertainty regarding the line item balances on the FY 2014 Army Working Capital Fund Basic Financial Statements.

First Year Reported: FY 2008

Target Correction Date: 3rd Qtr FY 2016

Original Target Date: 4th Qtr FY 2011

Corrective Action Summary: Additional corrective actions are needed to determine the root cause of the unsupported journal vouchers (JV) prepared by DFAS. Working with DFAS to clean up legacy data, migration errors, and posting errors related to open disbursements, progress payments, and invoices. We are leveraging activity of the general fund journal voucher working group to apply corrections to similar root causes of the AWCF JVs.

Detailed Corrective Action Plan:

Date:

3rd Qtr FY 2016

Milestone:

Work with DFAS to clean up legacy data, migration errors, and posting errors related to open disbursements, progress payments and invoices.

Validation Process: Once corrective actions have been implemented, the AWCF Audit Readiness Team will perform testing to validate the corrective actions.

OSD or HQDA Action Required: None.

Point of Contact: Ms. Sharon Hale, Director, Integration and Controls, OASA(FM&C)

TAB E-2
**INTERNAL CONTROLS OVER FINANCIAL REPORTING (ICOFR) ARMY WORKING
CAPITAL FUND CORRECTIVE ACTION PLANS AND MILESTONES**

Working Capital Fund Uncorrected Weaknesses Identified During Prior Periods

IC Reporting Category: Budget to Report

Title and Description of Material Weakness: Financial Reporting – Statement of Net Cost. The financial information contained in the Statement of Net Cost is not presented by programs that align with major goals and outputs described in the DoD strategic and performance plans required by the Government Performance and Results Act.

First Year Reported: FY 2008

Target Correction Date: 3rd Qtr FY 2016

Original Target Date: 4th Qtr FY 2011

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. Corrections for this statement need to be consistent across DOD to allow for consolidation at the DOD level.

Detailed Corrective Action Plan:

<u>Date:</u>	<u>Milestone:</u>
4th Qtr FY 2015	Formally request guidance from OSD regarding the goals and programs for which to align Component Statements of Net Cost, and obtain milestones for updating the Defense reporting system for the new format.
2nd Qtr FY 2016	Develop a methodology for allocation of net cost and revenue to the DoD strategic and performance goals. (Date dependent on OSD guidance)

Validation Process: Once corrective actions have been implemented, the AWCF Audit Readiness Team will perform testing to validate the corrective actions.

OSD or HQDA Action Required: This is a DoD-wide issue. The Defense Departmental Reporting System-Audited Financial Statements (DDRS-AFS) does not present the financial statements at that level of detail. In order to make that happen, OSD needs to coordinate with other services and revise the DDRS. OSD needs to provide guidance; otherwise, an Army-only approach may affect the ability to consolidate at the DoD-level.

Point of Contact: Ms. Sharon Hale, Director, Integration and Controls, OASA(FM&C)

TAB E-2
**INTERNAL CONTROLS OVER FINANCIAL REPORTING (ICOFR) ARMY WORKING
CAPITAL FUND CORRECTIVE ACTION PLANS AND MILESTONES**

Working Capital Fund Uncorrected Weaknesses Identified During Prior Periods

IC Reporting Category: Procure to Pay

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

First Year Reported: FY 2008

Target Correction Date: 3rd Qtr FY 2016

Original Target Date: 2nd Qtr FY 2012

Corrective Action Summary: The Army Working Capital Fund implemented an upgrade for constructive receipts in the Logistics Modernization Program (LMP) that targeted 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. These actions and audit issues related to inventory purchases continue to cause delays in closing this weakness.

Detailed Corrective Action Plan:

<u>Date:</u>	<u>Milestone:</u>
Complete	Implement CR to fix the MIPR constructive receipts and unit of measure
Complete	Work with AMC, LMP-PM and DFAS to address entitlement interfaces and MOCAS accruals.
4th Qtr FY 2015	Collaborate AMC, LMP-PM and DFAS to fix the undistributed disbursements, negative unliquidated obligations and incorrect accruals.

Date:

3rd Qtr FY 2016

Milestone:

Implement SFIS version 10.0 to address additional Fed/NonFed issues.

Validation Process: Once corrective actions have been implemented, the AWCF Audit Readiness Team will perform testing to validate the corrective actions.

OSD or HQDA Action Required: None.

Point of Contact: Ms. Sharon Hale, Director, Integration and Controls, OASA(FM&C)

TAB E-2
**INTERNAL CONTROLS OVER FINANCIAL REPORTING (ICOFR) ARMY WORKING
CAPITAL FUND CORRECTIVE ACTION PLANS AND MILESTONES**

Working Capital Fund Uncorrected Weaknesses Identified During Prior Periods

IC Reporting Category: Budget to Report

Title and Description of Material Weakness: Financial Reporting – Reconciliation of Net Cost of Operations to Budget. In FY 2014, the Army Working Capital Fund could not reconcile information reported in Note 21 with the Statement of Net Cost without preparing \$675.3 million in unsupported adjustments to the general ledger accounts to force costs to match obligation information.

First Year Reported: FY 2008

Target Correction Date: 3rd Qtr FY 2016

Original Target Date: 4th Qtr FY 2011

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. Audit readiness activity has increased the understanding that actions taken must go across the enterprise, causing a delay in completion to ensure that processes and systems are fully integrated and sustainable. Also, additional work must be done to correct data in place prior to the systems and process changes.

Detailed Corrective Action Plan:

<u>Date:</u>	<u>Milestone:</u>
Complete	Assess viability of using an offline tool
Complete	Complete workshops to cover high priority areas identified in the tie point analysis
Complete	Implement tie point analysis capability in LMP
3rd Qtr FY 2016	Resolve material tie point differences; assess risk of unresolved issues

Validation Process: Once corrective actions have been implemented, the AWCF Audit Readiness Team will perform testing to validate the corrective actions.

OSD or HQDA Action Required: None.

Point of Contact: Ms. Sharon Hale, Director, Integration and Controls, OASA(FM&C)

TAB E-2
**INTERNAL CONTROLS OVER FINANCIAL REPORTING (ICOFR) ARMY WORKING
CAPITAL FUND CORRECTIVE ACTION PLANS AND MILESTONES**

Working Capital Fund Uncorrected Weaknesses Identified During Prior Periods

IC Reporting Category: Budget to Report

Title and Description of Material Weakness: Financial Reporting – Abnormal Balances. In FY 2014, the Army Working Capital Fund activities (limit-level) reported 32 abnormal account balances, valued at \$709.1 million. Army Working Capital Fund and Defense Finance and Accounting Service personnel used the 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 988 abnormal account balances valued at \$76.6 billion. The roll-up of limit-level account balances to produce amounts on the financial statements hid abnormal account balances in posting accounts.

First Year Reported: FY 2009

Target Correction Date: 3rd Qtr FY 2016

Original Target Date: 1st Qtr FY 2012

Corrective Action Summary: Abnormal balances have existed in Army Trial Balances for years. Implementing ERPs with the ability to easily determine where abnormal balances exist enabled correction of most abnormal at the financial statement level. The current issue is that abnormal balances exist at the point account level, indicating an issue with transactional postings or with how processes are handled when considering the AWCF as a whole. The Army held an Abnormal Balance workshop in 2014, and developed a plan of action and milestones (POAM) to identify the tasks, resources, and timeframe required to address the abnormal balances in LMP. Abnormal balances were brought over from the prior system of record and have not been fully researched to determine the cause. LMP posting logic has been customized/tailored to account for unique business transactions creating abnormal balances in certain point accounts.

Detailed Corrective Action Plan:

<u>Date:</u>	<u>Milestone:</u>
Complete	Complete work with DFAS and LMP-PM resolving Contract Authority GL posting issue.
3rd Qtr FY 2016	Complete work with AMC and LMP-PM to identify root causes including budgetary/proprietary adjustment, legacy system data, and internal work performed.

Validation Process: Once corrective actions have been implemented, the AWCF Audit Readiness Team will perform testing to validate the corrective actions.

OSD or HQDA Action Required: None.

Point of Contact: Ms. Sharon Hale, Director, Integration and Controls, OASA(FM&C)

TAB E-3

TAB E-3
INTERNAL CONTROLS OVER FINANCIAL REPORTING (ICOFR)
ARMY WORKING CAPITAL FUND MATERIAL WEAKNESSES
CORRECTED DURING ALL PERIODS

None.