



1st Quarter FY 2014 Army Audit Committee



February 18, 2014

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

*Accountability & Audit Readiness:
Sustaining Army's Strength*



Agenda

- Audit Readiness Status Update
 - Recent accomplishments
 - Challenges and actions to address
- Examinations Currently Underway
- Testing Updates:
 - General Fund (GF) Statement of Budgetary Resources (SBR)
 - GF Existence and Completeness (E&C)
- Strategy going forward
- FORSCOM Update
- Open Discussion and Closing Remarks



Major Recent Accomplishments

- Real Property Quick Wins – Unqualified audit opinion by IPA on more than 50% of RP value.
- GF SBR Exam 3 Underway – Comprehensive exam of all GF activity in GFEBS and CEFMS, plus MILPAY, as well as FISCAM of GFEBS, GCSS-Army, CEFMS, and LMP-GFEBS interfaces.
- Trained more than 24,000 Army Soldiers and civilians in audit readiness fundamentals, and detailed SBR and E&C business processes, including relevant internal control implementation.
- Provided GE E&C assertion to OSD and DoD IG in December 2013.



Challenges and Actions to Address

- Reconciliation to Feeder Systems (complete population).
 - Implementation of ERPs has significantly reduced requirements for feeder system recons
 - Transactions post to the general ledger at the detail level
 - Civ Pay and Mil Pay recons in place with DFAS
- Status of IT control testing for all key systems (emphasize reliance on IT controls).
 - Core financial systems (GFEBs, GCSS-Army, CEFMS, and LMP interface) under IPA examination
 - Identified deficiencies through internal FISCAM assessments of ERPs; POAMs on track for 6/30/14.
 - 13 Army feeder systems under IPA examinations

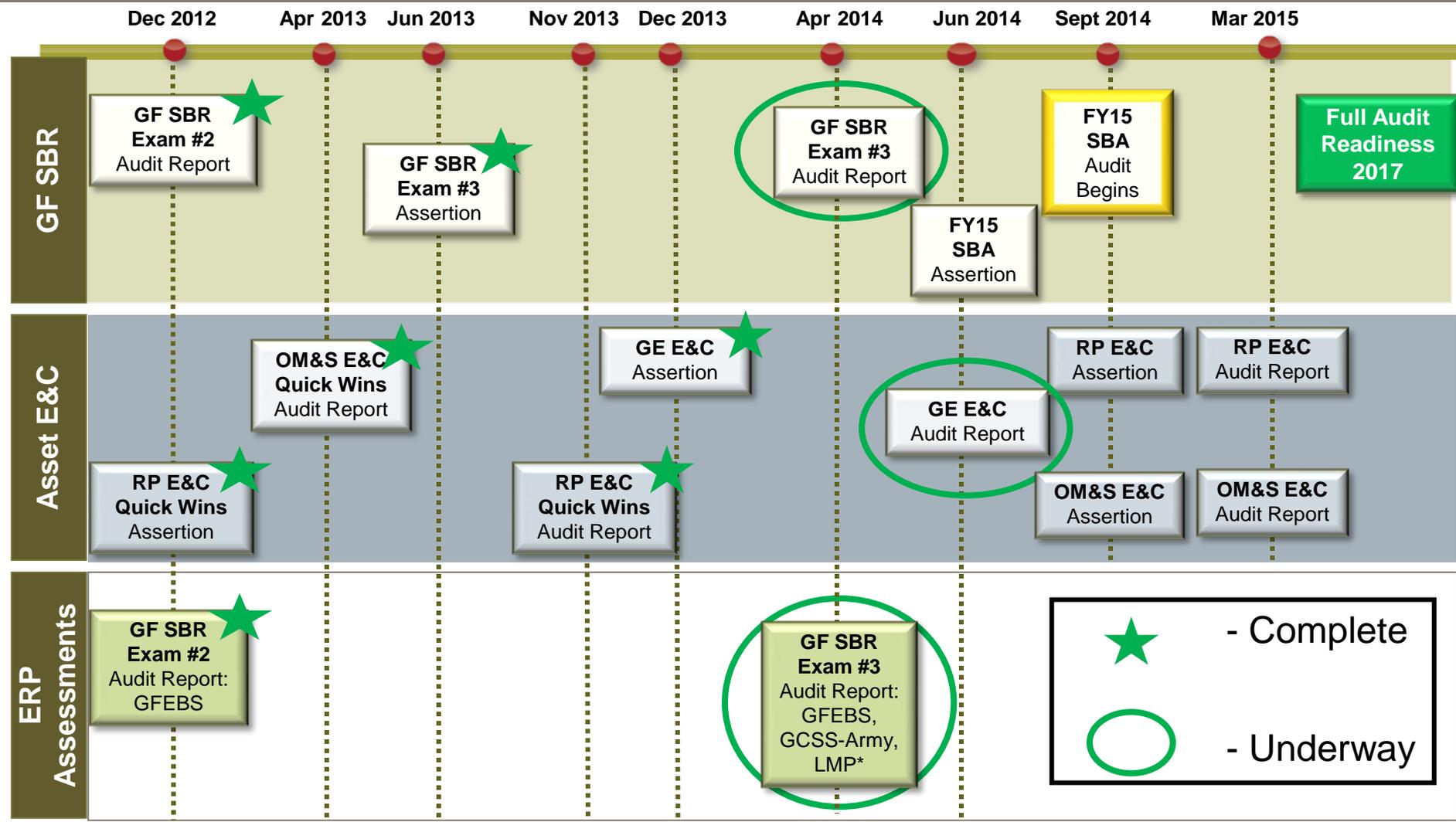


Challenges and Actions to Address (cont.)

- Service Provider Dependencies
 - Service Providers responsible for SSAE 16s of other key ‘feeder’ systems
 - Regular coordination on-going with DFAS and DLA.
- Validation of unsupported adjustments and transactions
 - Analysis underway to identify and correct the root causes of unsupported adjustments.
 - Anticipate completing analysis by April 2014.
- Audit support infrastructure (PBC coordination, correspondence and QA)
 - Annual exam approach allowed for developing and fine tuning audit infrastructure.
 - Highly-effective existing audit support infrastructure involves ASA(FM&C), Command HQs, and Installations with multiple QA/QC before providing to IPA, and leverages online AADR.



Army Audit Readiness Timeline



 - Complete
 - Underway

GF SBR: General Fund Statement of Budgetary Resources **SBA:** Schedule of Budgetary Activity **E&C:** Existence & Completeness
ERP: Enterprise Resource Planning **OM&S:** Operating Materials & Supplies **RP:** Real Property **GE:** General Equipment
 "Assertion" means Army is ready to be audited *Limited to LMP-PADDS-GFEBs interface controls only



- **GF SBR Exam 3**
 - An independent public accountant (IPA) is conducting an exam of the Army GF SBR, focusing on FY 2013 transactions within the Army's ERP environment. Current Status:
 - Testing of Exam 3 samples is expected to continue throughout the 2nd quarter of FY 2014.
 - All results related to Exam 3 will be based on Army's entity-wide performance. The IPA will not provide command-specific results.
 - The IPA has:
 - Completed discovery / walk-through visits.
 - Completed visits to GCSS-A and GFEBS program offices.
 - Issued 18 Notices of Findings and Recommendations (NFRs). Many NFRs relate to control gaps already identified as gaps by Army.
 - The IPA is scheduled to deliver their report in April 2014 in time to implement corrective actions prior to the June 30, 2014 GF SBA assertion date with OUSD(C).
- **GF GE E&C**
 - Anticipate DoDIG to start Army GF GE examination in Q2, FY 2014.



GF SBR Update

- Monthly controls testing: OASA(FM&C) will continue to perform monthly testing during Exam 3.
- Substantive testing resumes. Samples will be selected from 14 USSGL accounts across all transaction types to substantiate transactions.
- Discovery efforts were performed on the following areas:
 - Second Destination Transportation:
 - ✓ Developed narratives and flowcharts
 - ✓ Created five corrective action plans related to the obligation process
 - LMP Transactions:
 - ✓ Completed final analysis document describing valid controls and key supporting documentation

■ SBR Milestones:

SBR Milestones	Tested	Corrected	Validated Ready
GF SBR Exam #2 - GFEBs Wave 1&2 Sites (9 installations / 18 resource management offices and DFAS; 9 processes and GFEBs controls)	✓	✓	✓
GF SBR Exam #3 - All material GFEBs activity plus MILPAY; GFEBs and GCSS-Army IT general and application controls; LMP interface controls; DFAS processes, controls, and systems	✓	✓	03/2014
GF FY 2015 Schedule of Budgetary Activity	04/2014	06/2014	09/2015
Fund Balance with Treasury	✓	04/2014	12/2014

Tested = Completion of discovery efforts
Corrected = Complete tests of corrective actions and assert audit readiness
Validated Ready = IG/IPA opinion on audit readiness assertion



GF SBR Monthly Testing Challenges and Recommendations

SBR Challenge	Description	Necessary Stakeholder Support
Incorrect Documentation Provided	The documentation provided by the Commands does not support the sample transactions.	Commands should ensure that the proper documentation supports the sample transactions. This may be accomplished by annotating specific data elements to show that the documentation provided supports the sample transaction. For example, annotating the following on the documentation – signature, amount, date, line of accounting, and other important elements to indicate the relationship.
Lack of Documentation Provided	No documentation is provided to support sample transactions.	Command leadership needs to ensure that business process/control owners retain supporting documentation. This may be accomplished by maintaining a central repository for supporting documentation and developing a process to ensure that supporting documentation is readily available.
Controls not Performed Timely	Controls were performed outside of the timeframe in which the control should have been performed.	The control owner should ensure that the control is performed per the control frequency (e.g., monthly, quarterly, daily) as noted in the control description.



- **General Equipment**
 - The Army is generally able to provide documentation supporting assets recorded in the accountable property system of record (APSR), but documentation may be missing key attributes, such as signatures and dates.
 - Areas for greatest improvement are Physical Inventory, Acceptance/Transfer, Disposal, and Quality Assurance.
 - Monthly internal controls and substantive testing continues for GE.
- **Operating Materials & Supplies**
 - Monthly internal controls and substantive testing continues for OM&S.
 - Continued improvement in monthly test results reflecting implementation of corrective actions.
- **Real Property**
 - Monthly internal controls and substantive testing continues for RP.
 - Focused on lessons learned from the IPA exam and sharing with stakeholders.



■ E&C Milestones:

E&C Milestones	Tested	Corrected	Validated Ready
OM&S “Quick Wins” (Javelin, Hellfire, TOW missiles)	✓	✓	✓
Real Property “Quick Wins” (23 installations)	✓	✓	✓
General Equipment E&C (All assets)	✓	✓	06/2014
Operating Material & Supply (All assets)	✓	09/2014	03/2015
Real Property (All installations)	✓	09/2014	03/2015

Tested = Completion of discovery efforts

Corrected = Complete tests of corrective actions and assert audit readiness

Validated Ready = IG/IPA opinion on audit readiness assertion



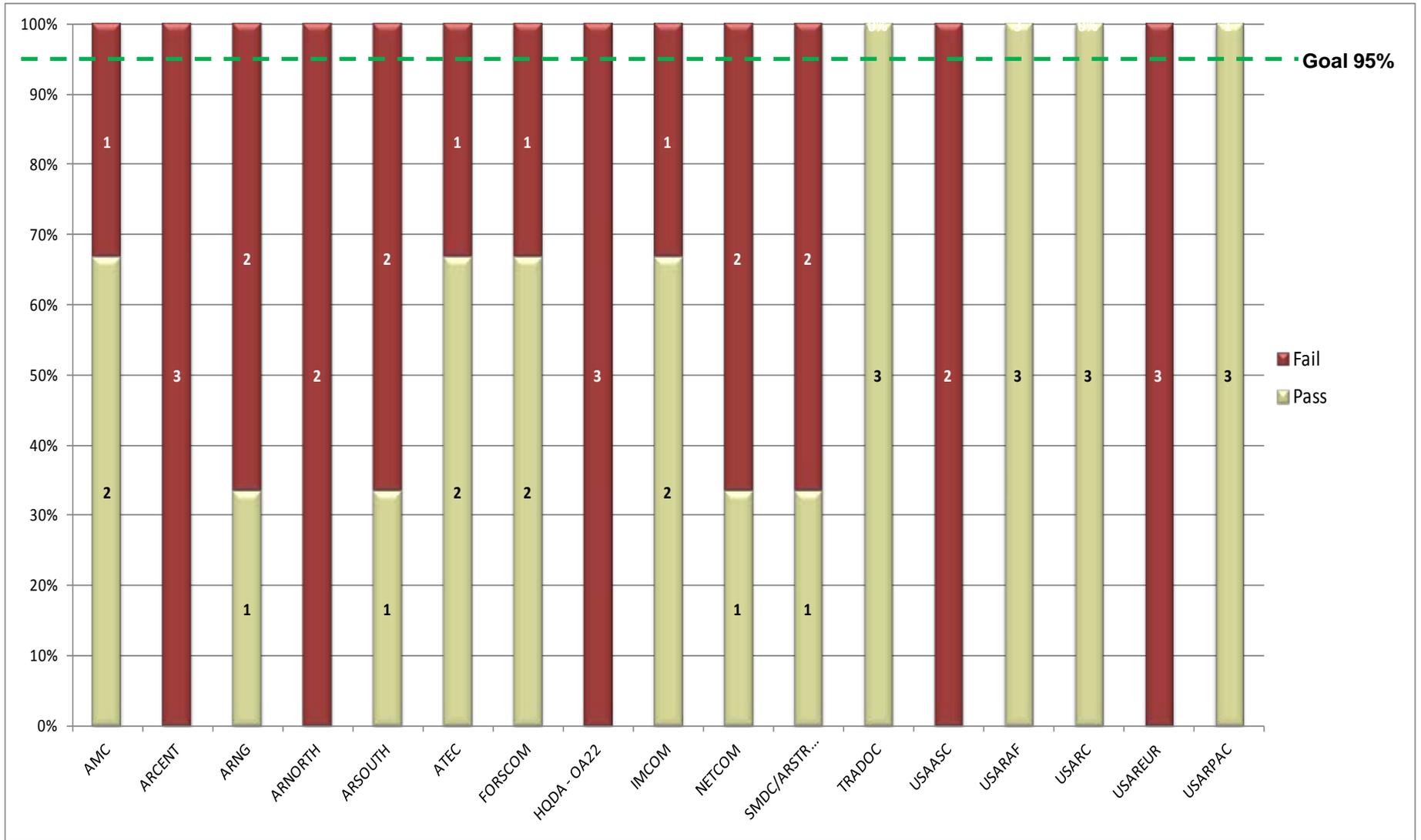
GF E&C Monthly Testing Challenges and Recommendations

E&C Challenge	Description	Necessary Stakeholder Support
Document Retention	Requested documentation is not provided.	<ul style="list-style-type: none">▪ Stakeholders (to include IR, Functionals, Commanders, MSE, G-4, DOL, and PBO) must understand the test procedures and provide requested documentation▪ Retain documentation per minimum requirements outlined by AR 710-2 or audit readiness guidelines▪ PM must generate and retain documents supporting additions to the property book
Evidence of Review	Transaction documents are not signed and dated to evidence review (e.g., hand receipt, transaction forms).	<ul style="list-style-type: none">• Sign and date substantive and internal control supporting documentation to evidence performance of the internal control
Authorization Documents	Authorization documents, including the appropriate assumption of command, appointment memorandum, and in cases where authority was delegated, the corresponding DA Form 1687, were not provided to verify transaction signatures or did not include the 6-character UIC.	<ul style="list-style-type: none">• Authorization documents must be valid for the date of the transaction• Authorization documents must include the 6-character UIC of the sample being tested• Authorization documents must include an example of the hand written signature of the approving individual if the transaction is hand signed<ul style="list-style-type: none">▪ AMC
Timeliness of Posting	Transactions are not posted in PBUSE per required timeframes IAW ALARACT 092-2013.	<ul style="list-style-type: none">• Stakeholders must post transactions in PBUSE within seven calendar days for Active Army or 30 calendar days for Army National Guard and Army Reserve• PM must add new property to PBUSE within 72 hours of arrival or wholesale receipt at the material fielding site in accordance with AR 700-142

Monthly Testing Results



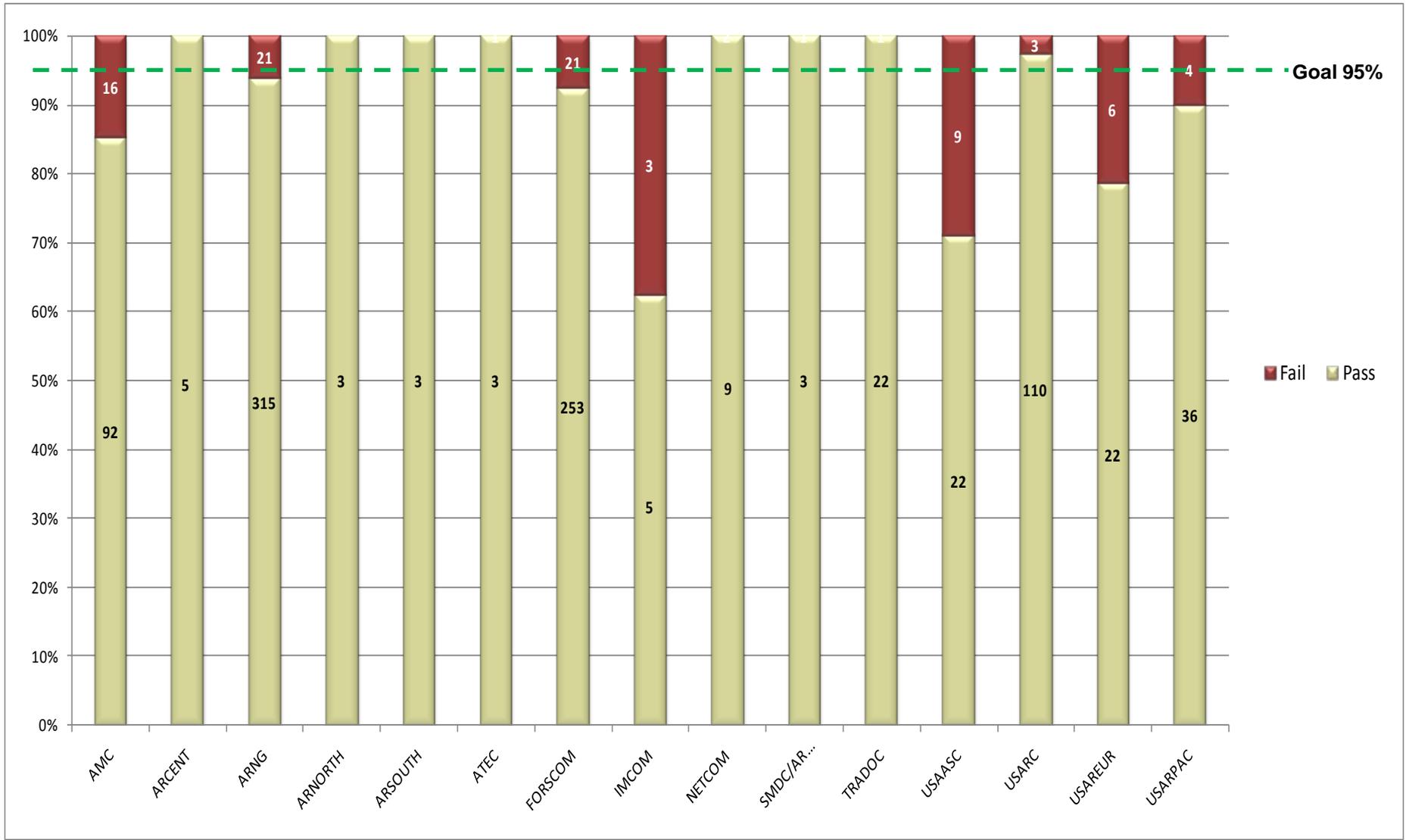
December 2013 GF SBR Test Results



Note: %'s reflect pass / fail #'s in bars represent transactions tested



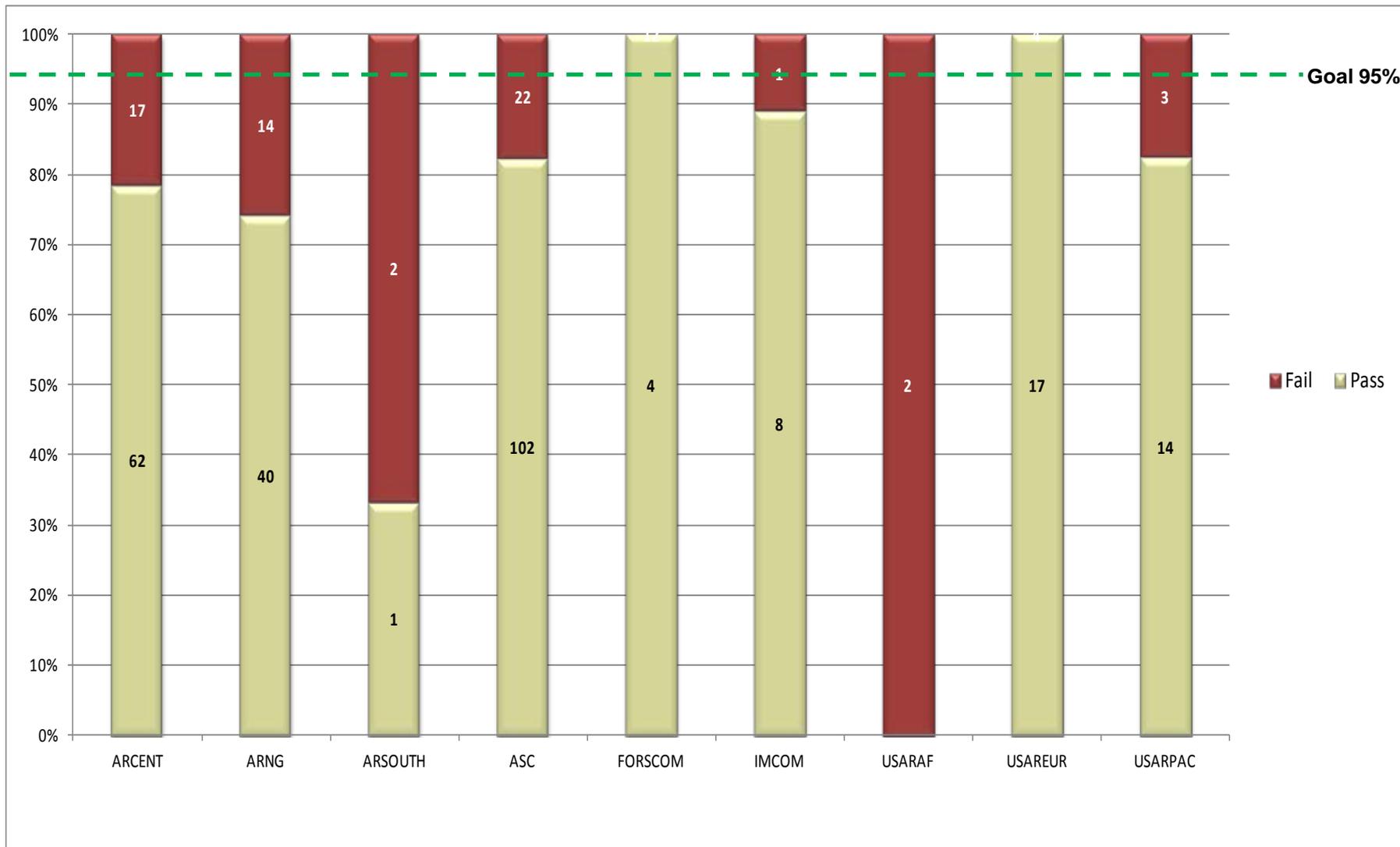
December 2013 GF GE Test Results



Note: %'s reflect pass / fail #’s in bars represent transactions tested



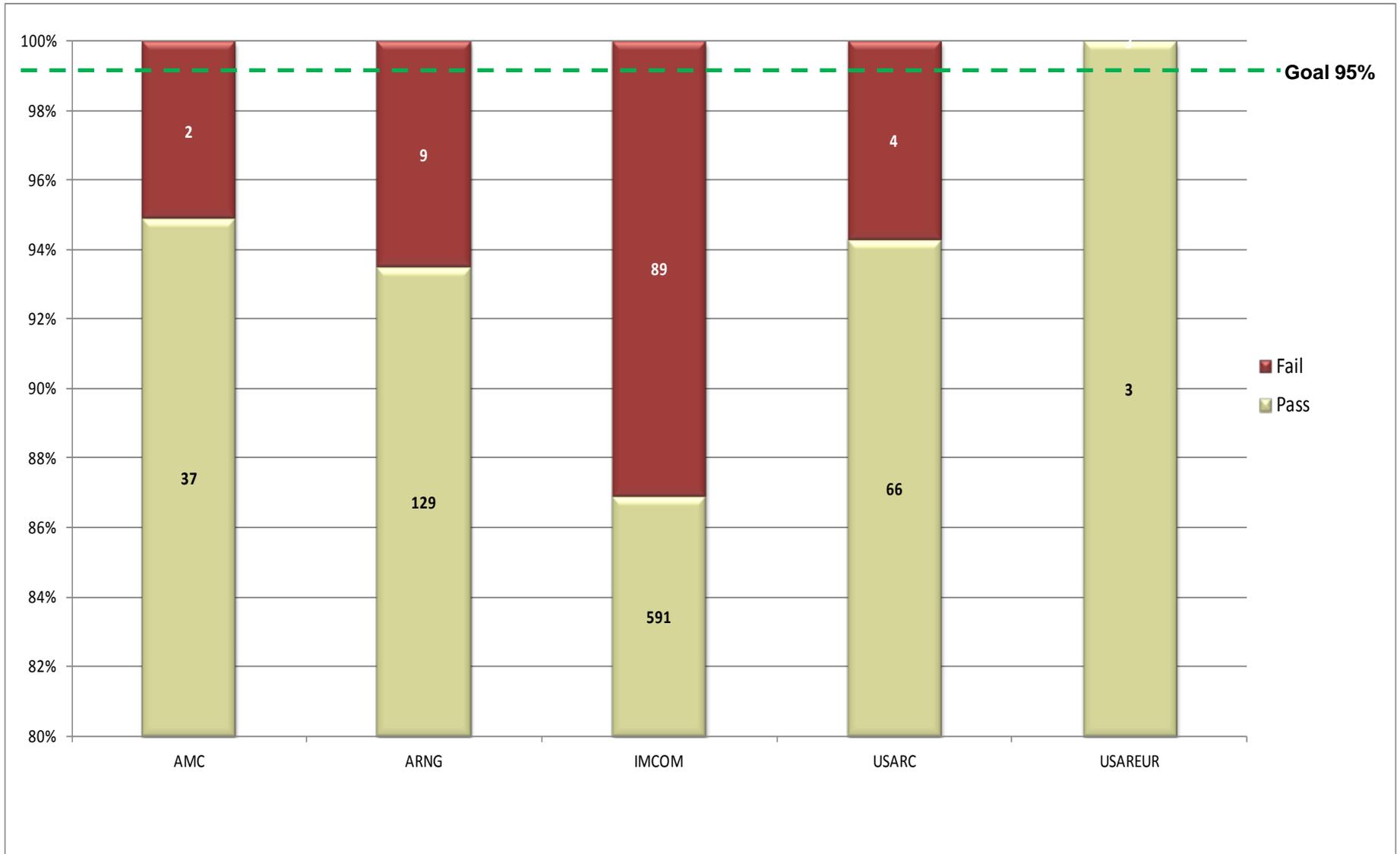
December 2013 GF OM&S Internal Control Test Results



Note: %'s reflect pass / fail #’s in bars represent transactions tested



December 2013 GF RP Test Results



Note: %'s reflect pass / fail #'s in bars represent transactions tested



Strategy Going Forward

- ❑ For FY15 Schedule of Budgetary Activity (SBA)
 - Continue internal control testing & briefings to VCSA in
 - VCSA Directive: Command acknowledge JAN-14 results with corrective action plan
 - Validate balances with monthly substantive testing efforts
 - Obtain GF SBR Exam 3 report from IPA in April 2014
 - Implement corrective actions from GF SBR Exam 3
 - DFAS implement GF Fund Balance with Treasury (FBwT) reconciliation process by April 2014.
 - Risk/Likelihood of meeting 2014 goals:
 - The Army is cautiously optimistic about meeting the 2014 SBA requirement
 - Risks: Sensitive activities in legacy environment
- ❑ GF Real Property (RP) E&C assertion on track for September 30, 2014.
- ❑ GF Operating Materials and Supplies (OM&S) E&C assertion date changed from December 31, 2013 to September 30, 2014
 - Correcting IT control deficiencies rather than relying on costly manual controls
 - On track to meet Congressional 2016 E&C requirement
- ❑ Online training courses offered through Army Learning Management System (ALMS)

FORSCOM Update



Mission: Develop an internal tracking tool to assist FORSCOM HQ and commanders to manage PBC response rates for SBR Exam 3

Objectives & Constraints:

- Utilize existing FORSCOM Sharepoint site which was already fully available to all FORSCOM personnel
- Ensure access to the audit tracking tool is in plain sight on the FORSCOM Sharepoint portal homepage.
- Require individual funds centers to report status at a specific time each day during a PBC testing window
- Develop “push button reporting” to provide key FORSCOM personnel assurance on test compliance
- Ensure ease of use for updating and driving results



FORSCOM Sharepoint Dashboard – User Input

After logging into the FORSCOM Portal, funds center personnel populate status on a data form and submit

The screenshot shows a SharePoint form with the following fields:

- Sample # *
- Fund Center *
- Upload Status *
- POC Name *
- Comments

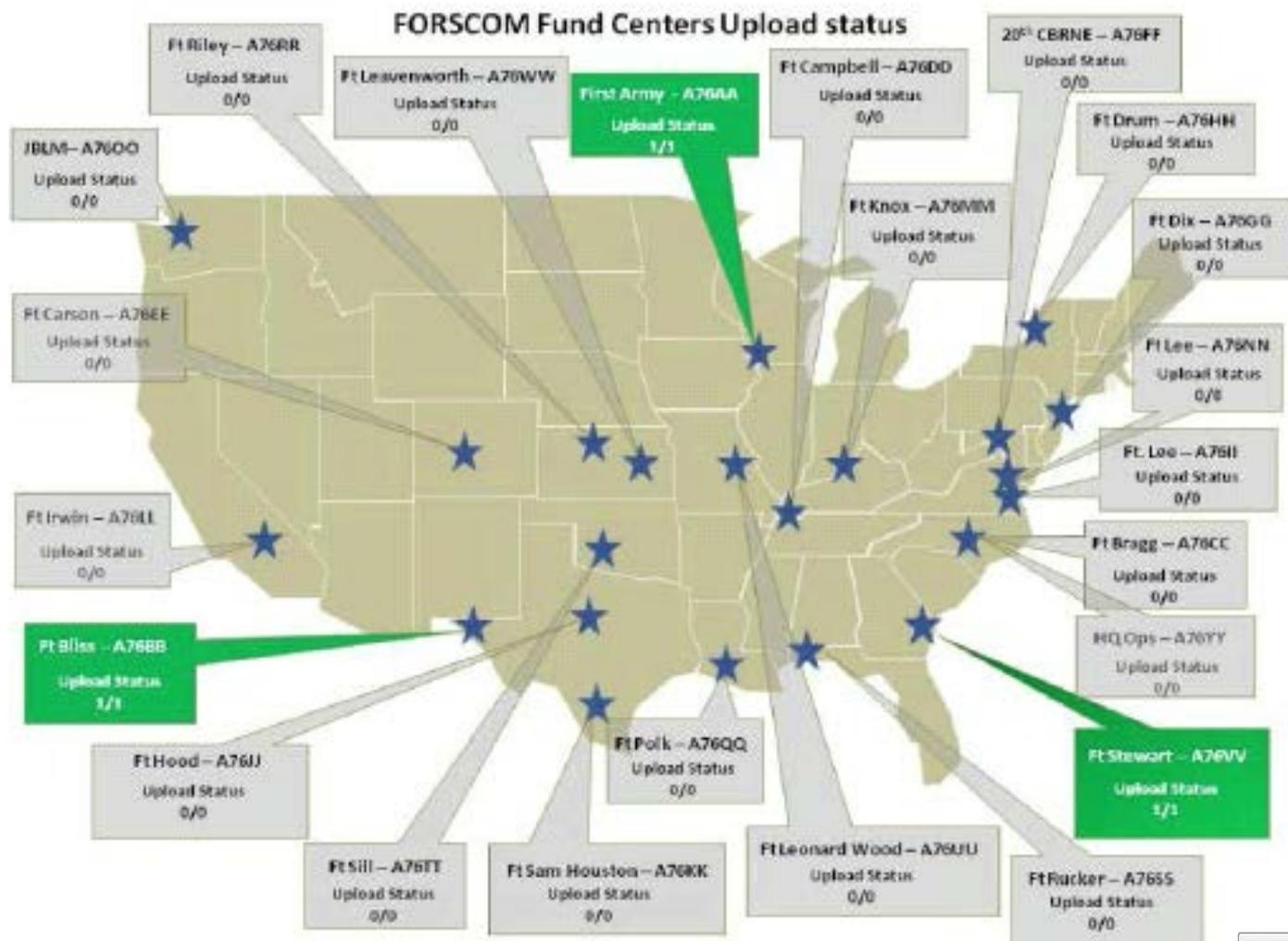
A 'Save' button is located at the bottom right of the form.

Site can be accessed at <https://fce.forscom.army.mil>



FORSCOM Sharepoint Dashboard – Overview

Command group observes funds center real-time reporting status



Submit Command Status



FORSCOM Sharepoint Dashboard – Status Report

Click G8 Tab



FORSCOM Sharepoint Dashboard – Audit Readiness

Default - Windows Internet Explorer
https://fcportal.forscom.army.mil/sites/g8/Pi

Steffens, Thomas C Mr CIV USA ASA FMC

G-8 Dashboard

Click on Button to open

FMHR FMHR Trending Funded-Priorities.png GCSSA.png GFEBS_DB.png

RMMs **Status of Funds** CBA.png CBA.png **LSS**

AFMO **G-8 SITREPs** **FY14 TDA** **Workforce Development**

Click on image to enlarge
Items of Interest
Click on the areas below to open.
To collapse accordion click on 'Items of Interest'

DCS G-8 Leadership Contact Information
Organization Chart

https://fcportal.forscom.army.mil/sites/g8/SiteAssets/FMHR_Trending.aspx

Click on FMHR Tab



FORSCOM Sharepoint Dashboard – Audit Readiness

FHR_Full_Report - Windows Internet Explorer

https://fcportal.forscom.army.mil/sites/G8/Sib

FHR_Full_Report

Steffens, Thomas C Mr CIV USA ASA FMC

FORSCOM Deputy Chief of Staff G-8: FORSCOM Commander's Financial Health Report-Full Report

G8 FORSCOM Portal Front Office G8-Budget Division Business & Readiness Improvement Division (BRID) All Sites

Program And Manpower Division Resource Integration Division MSC-MSE FBNC_HUB

FORSCOM Commander's Financial Management Health Report

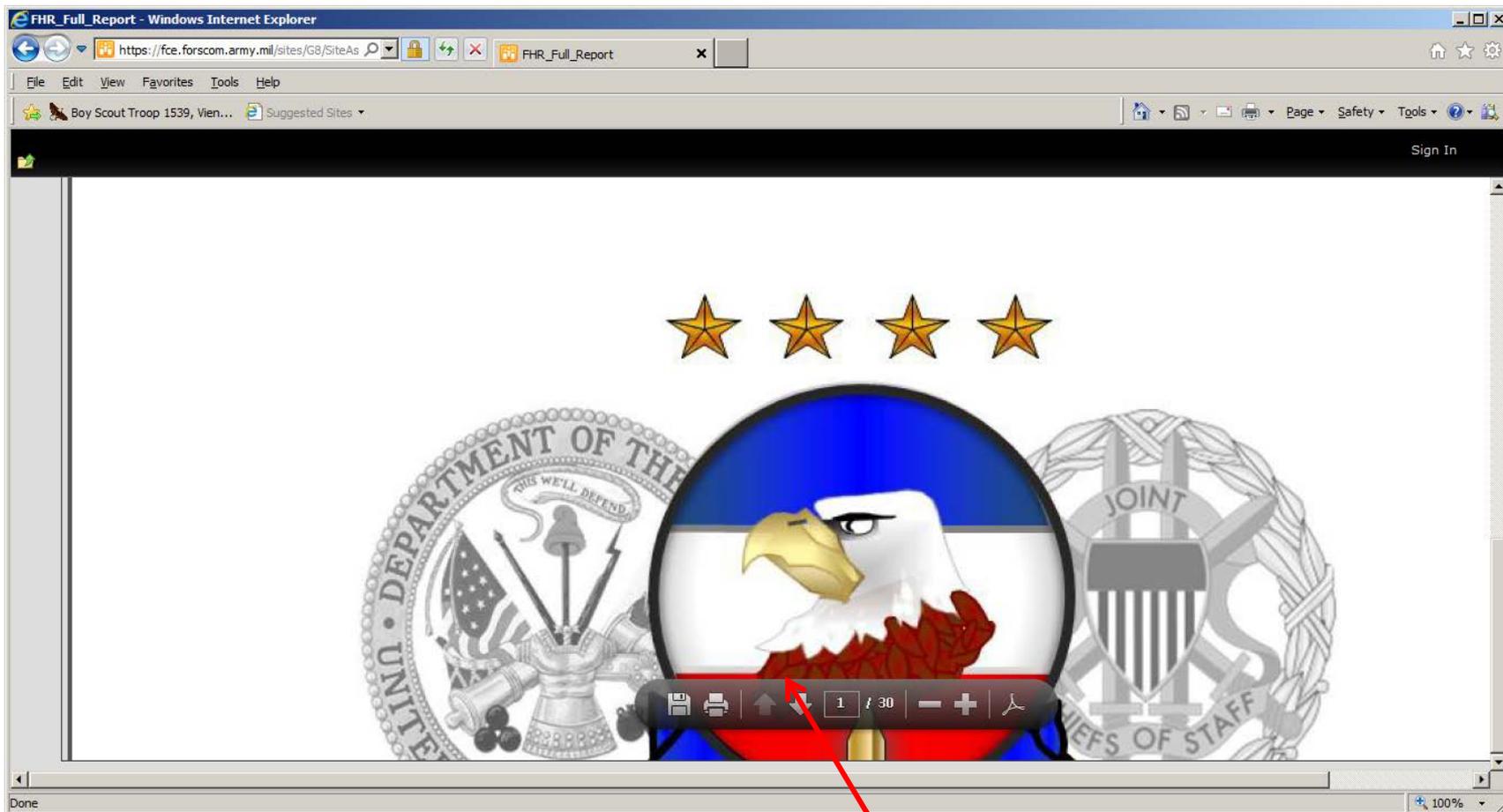
The Commander's Financial Health Report (FHR) provides commanders with the knowledge and understanding required to enforce fiscal standards within their organizations through visibility, accountability, transparency, oversight and control of their financial information. The FHR provides a monthly assessment of the command's overall financial readiness and is one more tool to assist in audit readiness. Metrics within the FHR assist commanders to objectively and reliably measure progress against the Army's overall financial performance goals. Further, the FHR helps commanders understand what 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 FHR allows commanders to take deliberate action where 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 trust and confidence in FORSCOM's ability to be exceptional stewards of taxpayers' dollars.

FMHR	FMHR Trending	Status of Funds	Delinquency Report	GCSSA UMT Report	GFEBS Error Dashboard	RMMs
G-8 SITREPs	AFMO	Cost Benefit Analysis	LSS	FY14 TDA	Workforce Development	G-8 Dashboard

Scroll Down to bottom of page



FORSCOM Sharepoint Dashboard – Audit Readiness



Report will appear(will have to advance page by page)

Open Discussion & Closing Remarks

Back-up



December 2013 SBR Controls Test Results by Command (cont.)

Commands	General		Contractual Services		Civilian Payroll		Reimbursable – Inbound	
	# P	# F	# P	# F	# P	# F	# P	# F
CIDC	--	1	--	1	--	--	1	--
EUCOM	1	--	--	1	--	--	--	1
FORSCOM	--	--	2	--	--	--	--	1
HQDA - OA22	--	1	--	1	--	--	--	1
IMCOM	1	--	1	--	--	--	--	1
JIEDDO	--	1	--	2	--	--	--	--
MDW	1	--	--	1	--	--	--	1
MEPCOM	1	--	1	1	--	--	--	--
NETCOM	1	--	--	1	--	--	--	1

P: Pass **F:** Fail



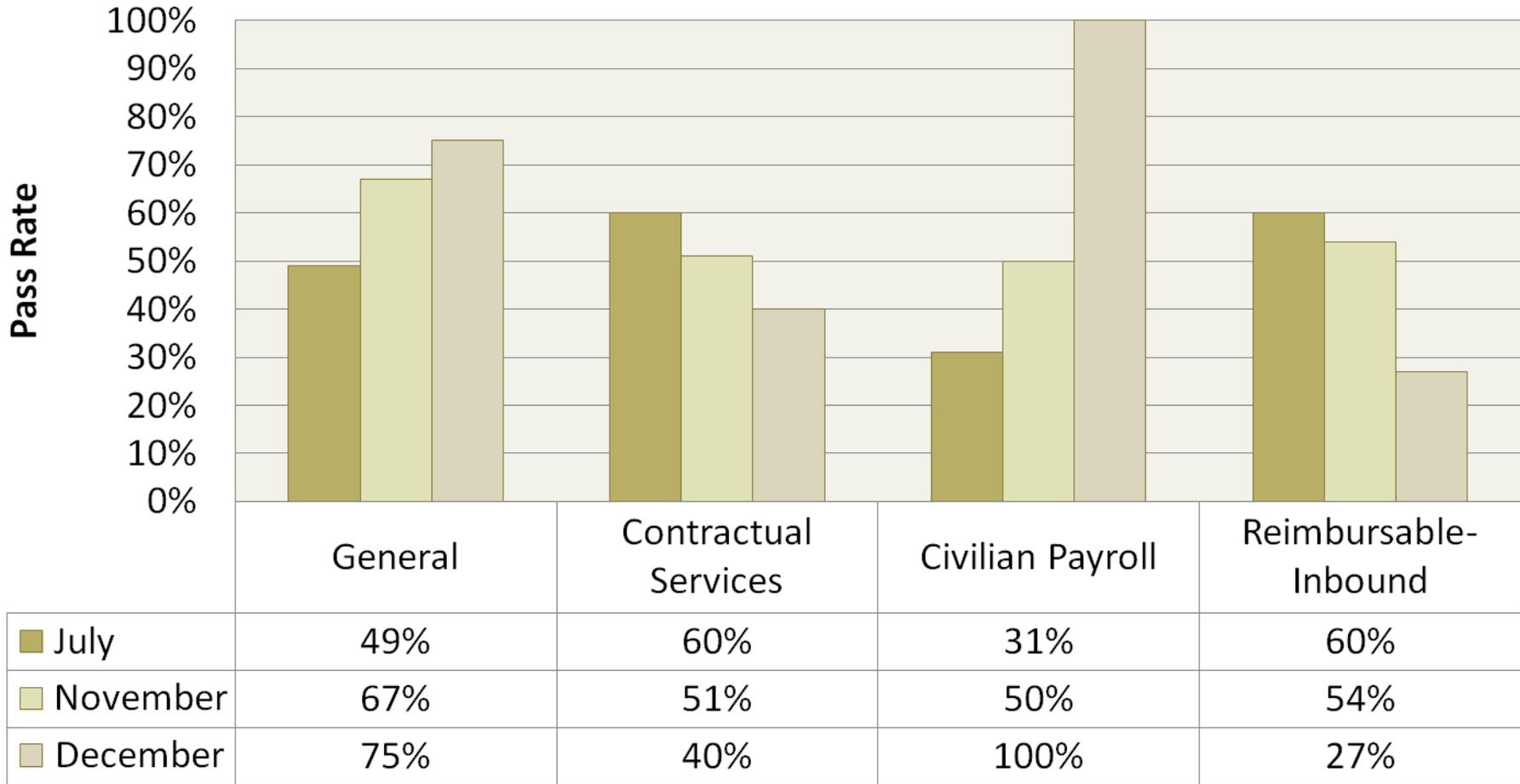
December 2013 SBR Controls Test Results by Command (cont.)

Commands	General		Contractual Services		Civilian Payroll		Reimbursable – Inbound	
	# P	# F	# P	# F	# P	# F	# P	# F
SMDC/ARSTRAT	1	--	--	1	--	--	--	1
SOUTHCOM	--	--	1	1	--	--	--	1
TRADOC	1	--	1	--	--	--	1	--
USAAC	--	--	--	2	--	--	--	--
USAASC	--	--	1	1	--	--	--	1
USARAF	1	--	1	--	--	--	1	--
USARC	1	--	2	--	--	--	--	--
USAREUR	--	--	--	2	--	--	--	1
USARPAC	--	--	2	--	--	--	1	--
USFK	1	--	--	1	--	--	--	1
Total	12	4	17	25	1	--	6	16

P: Pass **F:** Fail



GF SBR Test Results: Army-Wide Trends



* At ODASA(FO)'s request, internal controls testing was not performed for the months of August, September, and October due to scope limitations imposed by the government shutdown and GF SBR Exam 3 preparations and site visits.



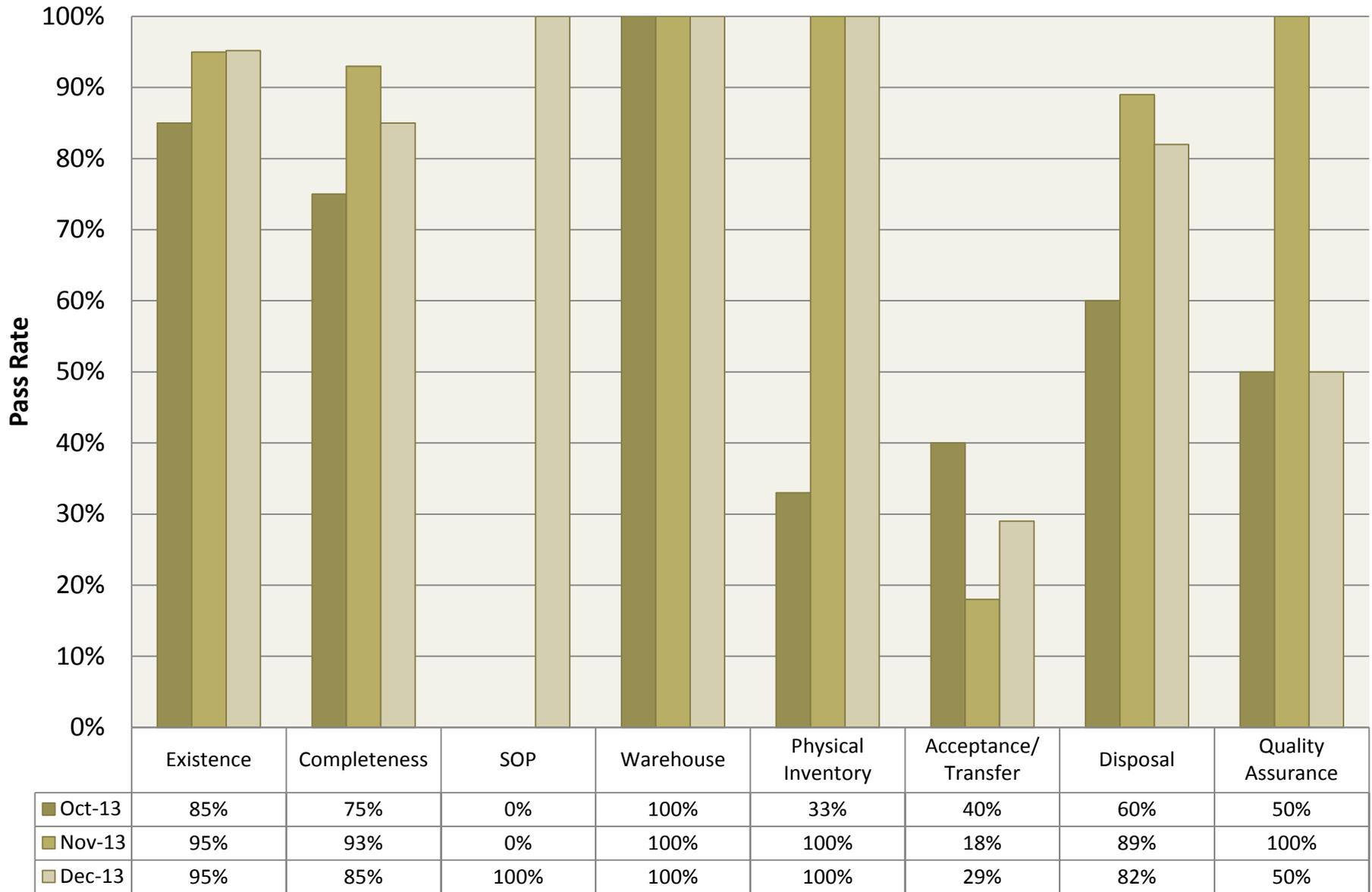
December 2013 GF GE Test Results by Command

Command	Substantive Samples				Internal Control Samples											
	Existence		Completeness		SOP		Warehouse		Physical Inventory		Acceptance/Transfer		Disposal		Quality Assurance	
	# P	# F	# P	# F	# P	# F	# P	# F	# P	# F	# P	# F	# P	# F	# P	# F
AMC	62	--	2	--	--	--	--	--	--	--	4	10	23	5	1	1
ARCENT	8	--	1	--	--	--	--	--	--	--	--	--	1	--	--	--
ARNG	292	10	16	4	--	--	1	--	1	--	1	7	4	--	--	--
ARNORTH	3	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
ARSOUTH	3	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
ATEC	2	--	--	--	--	--	--	--	--	--	--	--	1	--	--	--
CIDC	1	--	1	--	--	--	--	--	--	--	--	--	--	--	--	--
COE	--	1	--	--	--	--	--	--	--	--	--	--	--	--	--	--
DEF-S	--	--	--	--	--	--	--	--	--	--	--	--	--	1	--	--
FOAS	--	1	--	--	--	--	--	--	--	--	--	--	--	--	--	--
FORSCOM	228	10	16	2	--	--	--	--	--	--	6	9	3	--	--	--
IMCOM	3	1	--	--	--	--	--	--	--	--	--	--	2	2	--	--
INSCOM	5	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
NETCOM	8	--	1	--	--	--	--	--	--	--	--	--	--	--	--	--
SECAR-JT	1	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
SMDC	3	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
TRADOC	19	--	2	--	--	--	--	--	--	--	--	--	1	--	--	--
USAASC	20	8	1	--	--	--	--	--	--	--	1	1	--	--	--	--
USARC	104	2	3	1	1	--	--	--	1	--	1	--	--	--	--	--
USAREUR	19	2	2	1	--	--	--	--	1	--	--	3	--	--	--	--
USARPAC	32	2	2	--	--	--	--	--	--	--	--	2	2	--	--	--
TOTAL	813	41	47	8	1	0	1	0	3	0	13	32	37	8	1	1

P: Pass F: Fail



December 2013 GF GE Test Results: Army-Wide





December 2013 GF OM&S Test Results: Army-Wide by Command

Command	Existence		Completeness		SOP		System Access		Account Code Change Approval		Surveillance Inspection	
	# P	# F	# P	# F	# P	# F	# P	# F	# P	# F	# P	# F
AMCOM	--	--	1	--	--	--	--	--	--	--	--	--
ARCENT	15	--	2	--	--	--	--	--	14	10	11	3
ARNG	7	1	22	1	--	3	--	1	2	1	--	4
ARSOUTH	--	--	--	--	--	--	--	--	--	--	--	2
AMC	16	2	16	--	--	--	--	--	5	3	11	5
CONTRACTOR	--	--	--	--	--	--	--	--	--	--	--	--
FORSCOM	2	--	1	--	--	--	--	--	1	--	--	--
IMCOM	1	--	1	--	--	--	--	--	1	--	--	--
JMC	98	2	5	--	--	--	81	9	2	--	3	--
USARAF	--	--	--	--	--	--	--	--	--	--	--	2
USAREUR	3	--	4	--	--	--	--	--	3	--	3	--
USARPAC	3	--	2	--	--	--	--	--	2	--	1	--
Grand Total	145	5	54	1	0	3	81	10	30	14	29	16

Note: Not all Commands requested for VCSA required sampling will be covered for OM&S as they do not have OM&S activity.



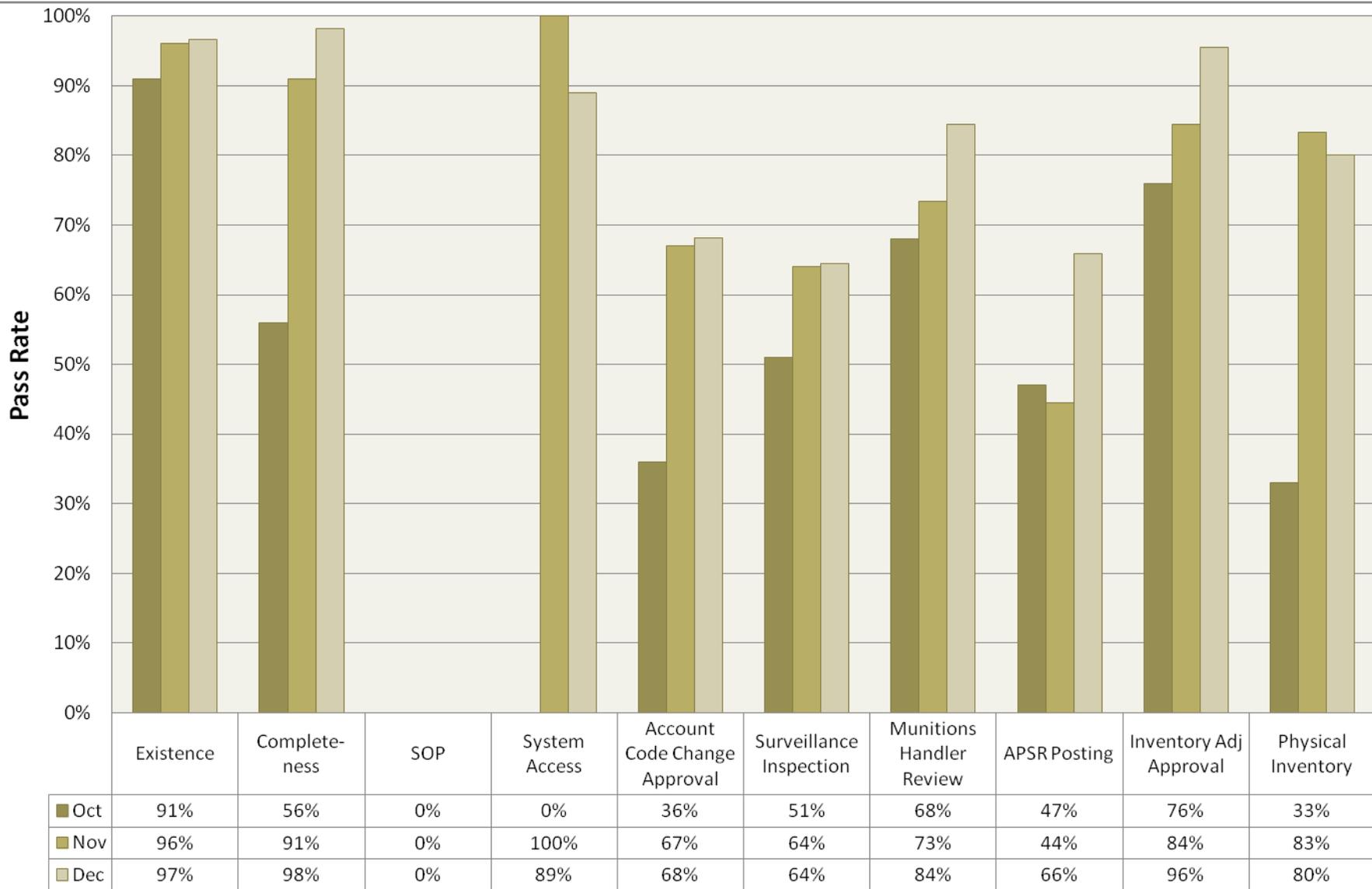
December 2013 GF OM&S Test Results: Army-Wide by Command

Command	Munitions Handler Verification		APSR Posting		Inventory Adjustment Approval		Physical Inventory	
	# P	# F	# P	# F	# P	# F	# P	# F
AMCOM	--	--	--	--	--	--	--	--
ARCENT	6	--	7	3	7	1	--	--
ARNG	3	--	--	--	6	--	--	--
ARSOUTH	1	--	--	--	--	--	--	--
AMC	14	4	16	7	21	--	3	1
CONTRACTOR	--	--	--	--	--	--	--	--
FORSCOM	--	--	--	--	--	--	--	--
IMCOM	--	--	--	1	4	--	1	--
JMC	10	1	5	3	--	--	--	--
USARAF	--	--	--	--	--	1	--	--
USAREUR	3	--	1	--	--	--	--	--
USARPAC	1	2	--	1	5	--	--	--
Grand Total	38	7	29	15	43	2	4	1

Note: Not all Commands requested for VCSA required sampling will be covered for OM&S as they do not have OM&S activity.



GF OM&S Internal Control Test Results: Army-Wide





December 2013 GF RP Test Results by Command

Command	Substantive				Internal Controls			
	Existence		Completeness		Physical Inventory		Acceptance/Transfer/Disposal	
	# P	# F	# P	# F	# P	# F	# P	# F
ACC	2	1	--	--	--	--	--	--
AMC	30	--	7	1	--	--	--	1
ANC	3	--	--	--	--	--	1	--
USAR	64	4	1	--	--	--	1	--
ARNG	111	6	14	3	--	--	4	--
BRAC	10	1	2	4	--	--	--	--
IMCOM	547	71	21	2	--	1	23	15
USEUR	3	--	--	--	--	--	--	--
TOTAL	770	83	45	10	--	1	29	16

P: Pass F: Fail



December 2013 GF RP Test Results: Army Wide

