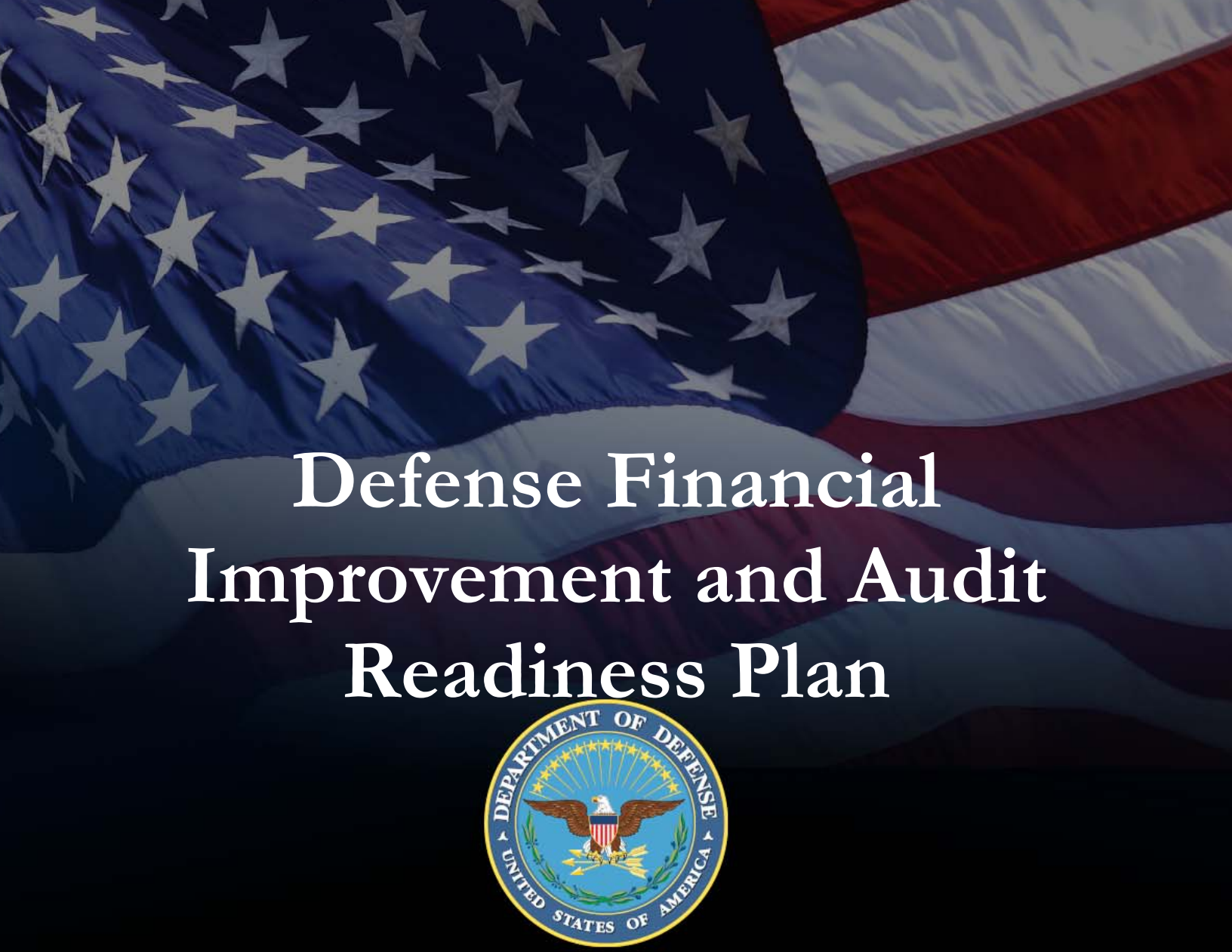


Defense Financial Improvement and Audit Readiness Plan

U.S. DEPARTMENT OF DEFENSE · SEPTEMBER 30, 2006

SUPPORTING THE WARFIGHTER THROUGH TRUST AND CONFIDENCE IN FINANCIAL DATA

PRODUCED BY: OFFICE OF UNDER SECRETARY OF DEFENSE COMPTROLLER IN COLLABORATION WITH THE FINANCIAL IMPROVEMENT AND AUDIT READINESS COMMITTEE

Table of Contents

Foreword iii
Executive Summary v
Financial Improvement and Audit Readiness v
Accountability v
Integration v
Prioritization vi
Measuring Progress vi
21st Century Financial Management vii
Conclusion viii
I. FIAR Plan Progress 1
Significant Accomplishments 4
II. Financial Management and Audit Readiness 7
Accountability 7
Integration 8
Financial Improvement Plans 8
Enterprise Business Solutions 8
OMB Circular A-123, Appendix A 10
The FIAR Planning Tool 11
Audit Strategy 11
Prioritization 11
III. Financial Management Improvement Initiatives 13
Focus Areas 13
Military Equipment 13
Real Property 15
Medicare-Eligible Retiree Health Care Fund 18
Environmental Liabilities 20
Priority Areas 23
Fund Balance with Treasury 23
United States Marine Corps 24
Military Pay 26
Military Pay Obligations 27
New Focus Areas for FY 2007 28
Inventory and Operating Material and Supplies 28
Accounts Receivable 30
Accounts Payable 32
Other Areas 34
General Property and Equipment 34
Other Assets 35
Cash and Other Monetary Assets 36
Other Military Health Care 37
Other Liabilities 39

Appendices 41
A. Acronyms A-1
B. Systems and Initiatives Impacting Financial Improvement B-1
C. Business Rules for Financial Improvement C-1
D. Material Weaknesses D-1
E. Managing the FIAR Plan E-1
The FIAR Committee E-1
The FIAR Directorate E-1
The FIAR Planning Tool E-1
F. Audit Strategy F-1
G. Military Equipment Key Milestone Plan G-1
H. Real Property Key Milestone Plan H-1
I. Medicare-Eligible Retiree Health Care Fund Key Milestone Plan I-1
J. Environmental Liabilities Key Milestone Plan J-1
K. Fund Balance with Treasury Key Milestone Plan K-1
L. General Property and Equipment Key Milestone Plan L-1
M. Other Assets Key Milestone Plan M-1
N. Cash and Other Monetary Assets Key Milestone Plan N-1
O. Other Military Health Care Key Milestone Plan O-1
P. Other Liabilities Key Milestone Plan P-1

Foreword

DEPUTY SECRETARY OF DEFENSE

1010 DEFENSE PENTAGON
WASHINGTON, DC 20301-1010

In December 2005, the Department published its first Financial Improvement and Audit Readiness (FIAR) Plan, and in doing so, set comprehensive goals and institutionalized a financial management improvement course. Fully integrated with other business transformation efforts, the FIAR Plan ensures accountability and prioritizes financial management improvements.

The September 2006 FIAR Plan reports progress made since December 2005 and refines the goals for continued improvement. Details are provided on each financial management improvement initiative including an introduction to each area, the value to management of accomplishing the proposed milestones, and accomplishments and changes specific to that initiative. Initiatives are organized into four groups: Focus Areas, Priority Areas, New Focus Areas for Fiscal Year 2007, and Other Areas. Key Milestone Plans are attached as appendices.

The September 2006 FIAR Plan is very useful to the DoD financial community. Additionally, this report provides valuable insights into the Department's financial management improvement efforts and strategies for those outside of the DoD financial community. Lastly, the FIAR Plan is useful to the U.S. Congress, the Office of Management and Budget, and other federal partners as it identifies the Department's significant contributions to the government-wide effort to improve stewardship of federal dollars and serving the needs of the American people.

PAGE LEFT INTENTIONALLY BLANK

Executive Summary

The Department of Defense (DoD) is the largest agency in the federal government. Sound financial management is essential to both wise stewardship of the resources entrusted to us by the American people, and to the success of our primary mission: supporting the warfighters who defend the Nation at home and abroad.

While the Department's critical missions add urgency, its sheer size calls for an incremental approach to resolving its financial management problems and setting a successful financial course. The Financial Improvement and Audit Readiness (FIAR) Plan does both, organizing financial reform into a single, comprehensive, and integrated plan to efficiently manage improvements throughout the Department's many internal agencies and departments.

FINANCIAL IMPROVEMENT AND AUDIT READINESS

The FIAR Plan charts the course for 21st century financial management transformation for the Department. The FIAR Plan provides a construct within which the Department's financial management can mature and evolve. Fully integrated with other business transformation efforts, the FIAR Plan ensures accountability and prioritizes financial management improvements. The three interrelated elements – accountability, integration, and prioritization – are essential.

Accountability

The Department's leaders are committed to FIAR Plan implementation. Metrics are established, and progress toward completing key milestones is measured monthly. The Office of Management Budget monitors progress quarterly and uses FIAR Plan metrics when scoring the Department on the President's Management Agenda.

To oversee the FIAR Plan and ensure that DoD-wide financial improvement efforts are integrated with transformation activities across the Department, the Office of the Under Secretary of Defense (Comptroller) established the FIAR Directorate, a program management office and the FIAR Committee. The FIAR Committee leads the process for establishing and monitoring FIAR Plan priorities. Chaired by the Deputy Chief Financial Officer, the Committee comprises executive-level representatives of the Military Departments, the Defense Logistics Agency, the Business Transformation Agency, and the Defense Finance and Accounting Service. The Inspector General, DoD acts as an adviser to the FIAR Committee.

Integration

The Department is committed to improving the accuracy and timeliness of financial information and routinely obtaining clean audit opinions on annual financial statements. Achieving these goals requires more than changes to financial policies and processes. It also requires the implementation of business transformation initiatives and systems solutions contained in the Enterprise Transition Plan (ETP) and implementation of internal control requirements in the Office of Management and Budget Circular A-123, Appendix A. To successfully accomplish these requirements, the FIAR Plan integrates financial improvement milestones with specific ETP key milestones and milestones for strengthening internal controls.

Prioritization

The FIAR Plan prioritizes the areas in which DoD financial management improvement efforts will have the most impact. Four high-impact Balance Sheet lines have been identified as focus areas: Military Equipment, Real Property, Medicare-Eligible Retiree Health Care Fund, and Environmental Liabilities. Fund Balance with Treasury is also a priority. These areas represent a significant portion of DoD's assets and liabilities. Special initiatives aimed at improving DoD operations related to financial management are also being developed, such as a special initiative targeting improvements in Military Pay.

MEASURING PROGRESS

Financial management improvement efforts proceed along two tracks: those that seek to improve the Department's financial information (such as streamlining procedures, improving the timeliness and availability of financial information, or capturing more relevant information), and those that prepare the Components for financial statement audits (such as testing internal controls). The following tables highlight accomplishments achieved along the two tracks for the period of January to September 2006:

PROGRESS IN IMPROVING FINANCIAL INFORMATION
✓ Recorded and made readily available the acquisition cost, accumulated depreciation, and useful life of military equipment assets which will improve investment decisions on new weapon systems.
✓ Improved the accuracy of the Defense Logistics Agency's real property records by completing a worldwide inventory of fuel facilities and storage tanks, enhancing DLA's ability to manage, utilize, and maintain these important assets.
✓ Completed the initial inventory and estimates for 97 percent of the environmental liabilities for: • Navy Nuclear Powered Vessels • Defense Environmental Restoration Program • Base Realignment and Closure • Chemical Weapons Program The accurate inventory and reliable estimates improves the Navy's ability to forecast and budget for environmental cleanup costs.
✓ Improved the accuracy of medical record coding by implementing new reporting and monitoring programs, enhancing the Department's ability to estimate the cost of direct care and estimate the Medicare-Eligible Retiree Health Care Liability.

PROGRESS IN ACHIEVING AUDITABILITY
✓ The U.S. Army Corps of Engineers FY 2006 financial statements are under audit.
✓ Air Force Fund Balance with Treasury (General Fund) has been approved for audit.
✓ Air Force Cash and Other Monetary Assets (General Fund) has been approved for audit.
✓ Defense Logistics Agency Contingent Legal Liability has been approved for audit.

21ST CENTURY FINANCIAL MANAGEMENT

As the United States entered the 21st century, a fully articulated vision emerged for a government that is results-oriented and innovative. Many government-wide initiatives capture these ideals. The President's Management Agenda (PMA), perhaps the most predominant effort, puts these ideals into action. Today, DoD has earned a "green" score for Improving Financial Performance under the PMA, which means that the Department is making progress.

The Under Secretary of Defense (Comptroller) Fiscal Year 2006-2010 Strategic Plan advances a vision that supports these government-wide ideals. The Strategic Plan resulted from an intense effort to assess human resource and organizational needs and improve management, leadership, and workforce capabilities. The strategic vision will be achieved through financial management systems modernization, analysis and reporting capabilities improvements, stewardship, and workforce development. Five interdependent, strategic goals are identified. The FIAR Plan advances or directly supports the strategic goals.

OUSD(C) STRATEGIC GOALS	FIAR PLAN
Budget Development and Execution	Advances this goal by improving data used by management
Financial Stewardship	Directly supports this goal through sound financial management
Financial Analysis and Reporting	Directly supports this goal through monthly reporting and quarterly metrics
Business Transformation	Directly supports this goal through integration with transformation activities across the Department
Financial Management Workforce	Advances this goal by providing ongoing financial management and audit readiness training and best-practices guides

CONCLUSION

The September 2006 FIAR Plan addresses most of the Department's Balance Sheet and reports accomplishments and changes for the period January to September 2006. As the FIAR Plan is executed and key milestones reached, other key milestones will be incorporated into the FIAR Plan. Published semiannually, the FIAR Plan will continue to evolve and change as milestones are met, other financial deficiencies identified, dependencies integrated, and lessons learned.

I. FIAR Plan Progress

Each day, the Department of Defense moves closer to reaching its financial management improvement and audit readiness goals. The December 2005 FIAR Plan set clear, comprehensive goals to institutionalize processes for change.

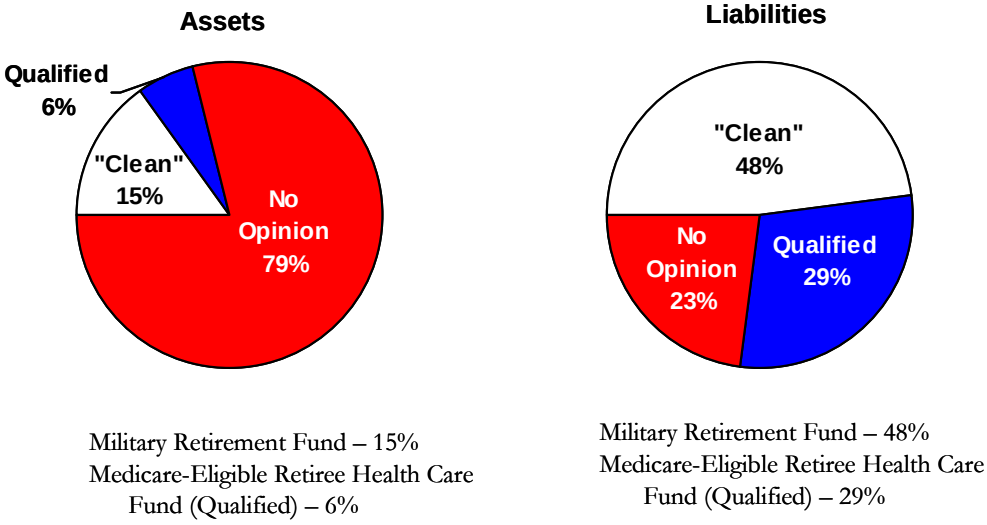
The Office of Management and Budget elevated the Department's progress rating for Improving Financial Performance under the President's Management Agenda to green. The Government Accountability Office has issued two consecutive reports citing important DoD business systems modernization progress, and the Comptroller General has publicly acknowledged the Department's progress and approach.

The mission of the Office of the Under Secretary of Defense (Comptroller) is to ensure that the Department's budget and financial expenditures support the national security objectives of the United States.

Each release of the FIAR Plan provides a snapshot of continuing efforts to improve the financial management of the Department.

The following charts, based on the third quarter FY 2006 financial statement information, illustrate the Department's audit readiness goals through FY 2011. "Clean" is a combination of unqualified audit opinions and favorable audit results.

Projected 2006

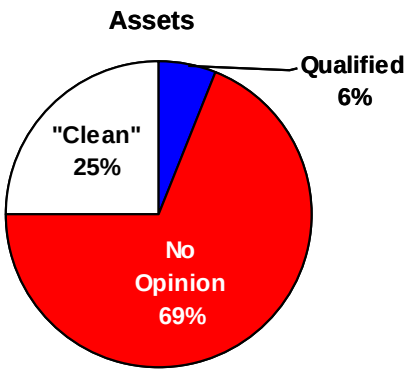


Military Retirement Fund – 15%
Medicare-Eligible Retiree Health Care Fund (Qualified) – 6%

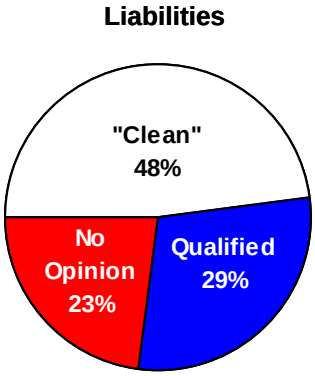
Military Retirement Fund – 48%
Medicare-Eligible Retiree Health Care Fund (Qualified) – 29%

NOTE: Percentage totals may not add due to rounding.

Projected 2007

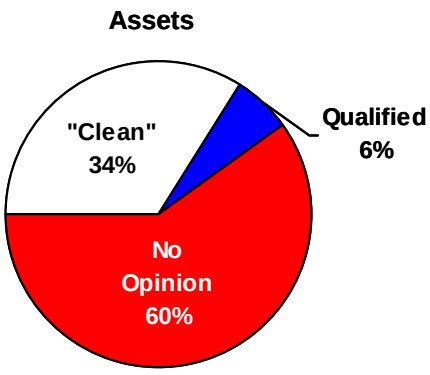


Military Retirement Fund – 15%
Fund Balance with Treasury – 7%
USACE – 3%
Medicare-Eligible Retiree Health Care Fund (Qualified) – 6%

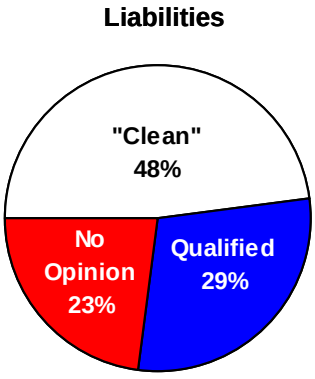


Military Retirement Fund – 48%
Medicare-Eligible Retiree Health Care Fund (Qualified) – 29%

Projected 2008



Military Retirement Fund – 15%
Fund Balance with Treasury – 16%
USACE – 3%
Medicare-Eligible Retiree Health Care Fund (Qualified) – 6%

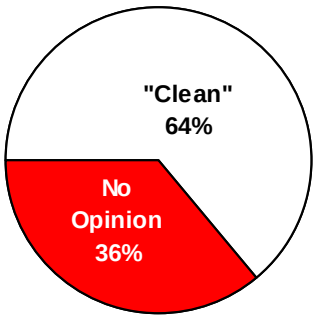


Military Retirement Fund – 48%
Medicare-Eligible Retiree Health Care Fund (Qualified) – 29%

NOTE: Percentage totals may not add due to rounding.

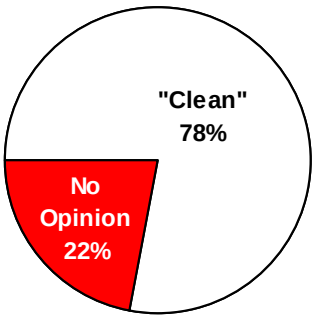
Projected 2009

Assets



Military Retirement Fund – 15%
Medicare-Eligible Retiree Health Care Fund – 6%
Fund Balance with Treasury – 16%
Military Equipment Baseline – 22%
Real Property – 2%
USACE – 3%

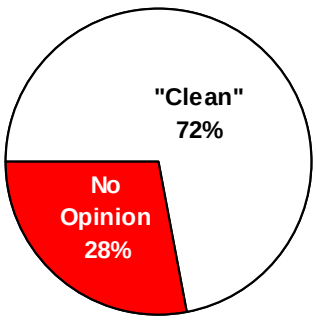
Liabilities



Military Retirement Fund – 48%
Medicare-Eligible Retiree Health Care Fund – 29%
Environmental Liabilities – 2%

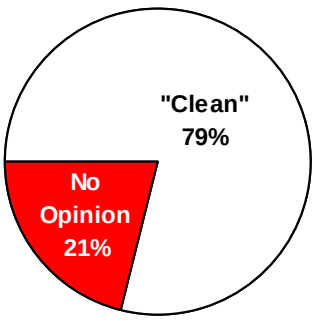
Projected 2010

Assets



Military Retirement Fund – 15%
Medicare-Eligible Retiree Health Care Fund – 6%
Fund Balance with Treasury – 24%
Military Equipment Baseline – 22%
Real Property – 3%
USACE – 3%

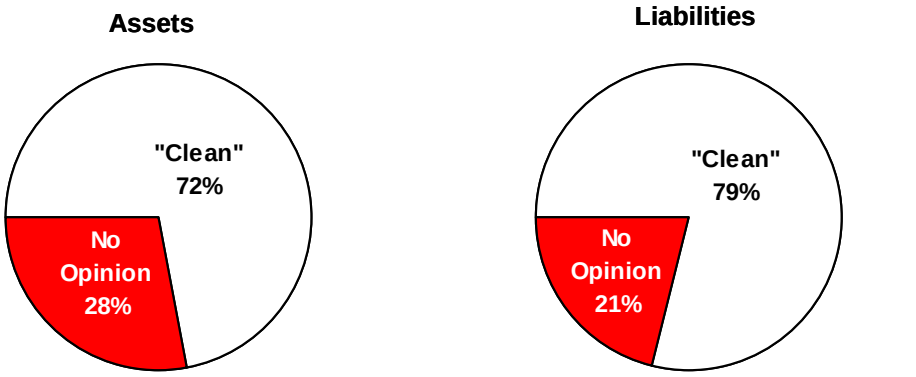
Liabilities



Military Retirement Fund – 48%
Medicare-Eligible Retiree Health Care Fund – 29%
Environmental Liabilities – 3%

NOTE: Percentage totals may not add due to rounding.

Projected 2011



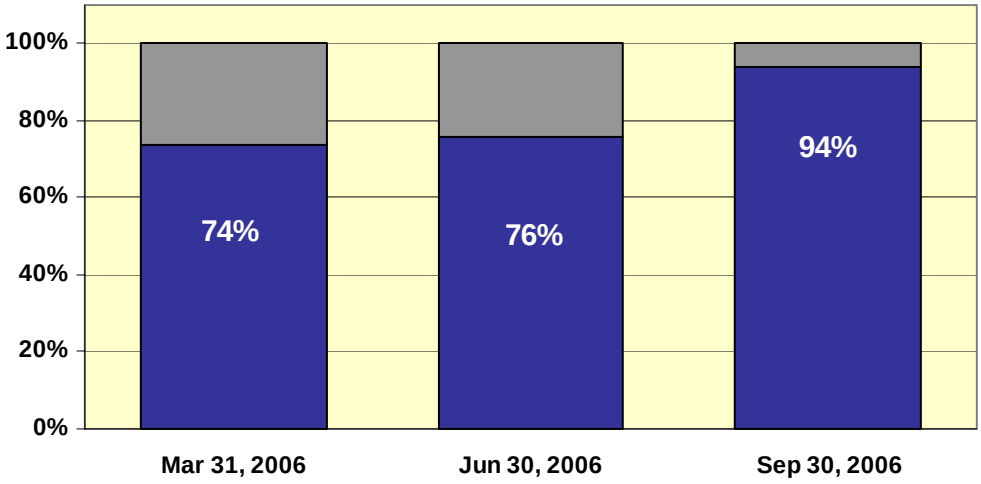
Military Retirement Fund – 15%
Medicare-Eligible Retiree Health Care Fund – 6%
Fund Balance with Treasury – 24%
Military Equipment Baseline – 22%
Real Property – 3%
USACE – 3%

Military Retirement Fund – 48%
Medicare-Eligible Retiree Health Care Fund – 29%
Environmental Liabilities – 3%

NOTE: Percentage totals may not add due to rounding.

SIGNIFICANT ACCOMPLISHMENTS

The Deputy Secretary of Defense has designated financial improvement a Department-wide priority, and the financial and functional communities are making significant progress. The Components report financial improvement activities and progress on FIAR Plan key milestones monthly. The following chart shows the percentage of focus area milestones completed.



NOTE: Quarters are not cumulative.

Completed Milestones for FY 2006

Since the FIAR Plan was first submitted in December 2005, the Department has improved various aspects of the Plan and its management. The concentrated efforts under the FIAR Plan and the Components' Financial Improvement Plans are producing results. Many accomplishments have been realized, the most significant of which are highlighted below:

ACCOMPLISHMENTS JANUARY TO SEPTEMBER 2006
✓ Army Corps of Engineers – Undergoing audit of FY 2006 financial statements.
✓ Air Force – Ready for audit of Fund Balance with Treasury (General Fund).
✓ Air Force – Ready for audit of Cash and Other Monetary Assets (General Fund).
✓ Defense Logistics Agency – Ready for audit of Contingent Legal Liabilities.
✓ Issued guides for improving audit readiness in Environmental Liabilities and Real Property.
✓ Revised the DoD Financial Management Regulation on General Property, Plant, and Equipment to provide more comprehensive policies for recording and reporting assets.
✓ Issued revised policy standardizing core real property inventory data management and reporting.
✓ Revised the capitalization threshold for Real Property. This will result in capitalizing 99 percent of all Real Property assets.
✓ Submitted plans and schedules to correct disclosed material weaknesses in compliance with OMB Circular A-123, Appendix A.
✓ Expanded the FIAR Planning Tool to include the project plans for 108 Enterprise and Component transformation initiatives and system solutions.
✓ Completed development of an enterprise architecture data model linking environmental liabilities to asset records and issued requirements for Component implementation.
✓ Recorded and made available the acquisition costs, accumulated depreciation, and useful life of military equipment assets.
✓ Improved the accuracy of medical record coding by implementing new reporting and monitoring programs under the Medicare-Eligible Retiree Health Care Fund.

ACCOMPLISHMENTS JANUARY TO SEPTEMBER 2006
✓ Confirmed the universe of Defense Environmental Restoration Program (DERP) sites for Army and Air Force; completed a fence-to-fence survey at all Navy installations; and validated balances for nuclear and convention ships and submarines for non-DERP environmental liabilities.
✓ Implemented a revised methodology for Naval weapons systems to more accurately forecast environmental cleanup and disposal costs. Consequently, the associated liability was reduced by nearly 50 percent.
✓ Established the Military Pay Wounded In Action Program that improved pay accuracy, reduced indebtedness problems, and eliminated the pay account review backlog.

II. Financial Management and Audit Readiness

The Financial Improvement and Audit Readiness (FIAR) Plan charts the course for 21st century financial management transformation for the Department. The FIAR Plan provides a construct within which the Department's financial management can mature and evolve. Fully integrated with other business transformation efforts, the FIAR Plan ensures accountability and prioritizes financial management improvements. The three interrelated elements – accountability, integration, and prioritization – are essential.

ACCOUNTABILITY

Everyone in the Department is accountable for safeguarding assets, ensuring compliance, and maintaining effectiveness. Starting at the top, all personnel are held accountable for identifying and resolving problems in operations and compliance.

The Department's senior leadership is committed to improving DoD financial management. To be successful, the Department has taken steps to hold the Components and individuals accountable for progress, resolving material weaknesses and deficiencies, and improving the accuracy and reliability of financial information.

The first step was alerting the entire Department – not just the financial community – to the importance of financial management improvement. The Deputy Secretary of Defense officially designated financial improvement as a DoD-wide priority. The Components sent the same message in numerous ways, including in strategic plans, memoranda, conferences, and training programs.

An important example of delivering a strong, consistent message for improved financial management was the Under Secretary of Defense (Comptroller) Strategic Plan for FY 2006-2010. "Strategic Goal 2: Financial Stewardship. Ensure proper stewardship of Defense Department funds" contains two objectives that specifically require financial improvement action. Achievement of these objectives is measured as follows:

- Objective 1: Increase the accuracy, efficiency, and effectiveness of financial management and compliance with external financial standards.

  Metric: Complete all Components' FIAR Plan milestones on time.

- Objective 2: Eliminate material and systemic weaknesses that prevent unqualified audit opinions.

  Metric: Meet or exceed milestones that support achievement of increased numbers of unqualified financial statement audit opinions each year.

The second, critical step to achieving accountability is the routine monitoring and reporting of progress. This includes rewarding significant progress and taking action when key milestones slip. Components report monthly on the status of each key milestone due during the current and following quarter. The reported results are analyzed, summarized, and provided to various levels of DoD management, including to the Deputy Secretary of Defense who is briefed not less than quarterly. Each Military Department Secretary, as well as a number of Under Secretaries of Defense, is provided quarterly progress reports.

INTEGRATION

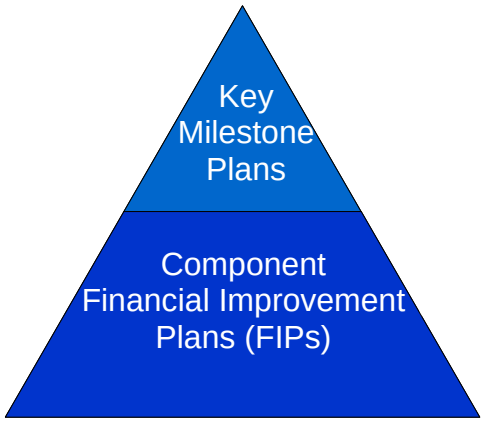
In order for the Department to resolve its financial management deficiencies and address many of its material weaknesses, the goals and objectives of other transformation efforts must be integrated with the goals and objectives of the FIAR Plan.

Many of the business transformation initiatives and system solutions managed under the Enterprise Transition Plan (ETP) must be achieved in order for FIAR Plan progress to be made. Therefore, the FIAR Plan integrates the Department's Financial Improvement Plans (FIPs) with the ETP. Where financial improvement depends upon ETP initiatives and systems, specific key milestones from the ETP are embedded in the appropriate FIAR key milestone plan and the FIPs.

The FIAR Plan also integrates the internal control mandates of the Office of Management and Budget Circular A-123, Appendix A. Milestones for testing and strengthening internal controls are included in the FIAR Plan. Similar to how the ETP milestones correlate to the FIAR Plan milestones, including internal control improvements in the FIAR Plan enables the Department to properly schedule internal control activities with financial improvement milestones.

Financial Improvement Plans

As the Department began implementing financial management improvement strategies, each Component developed Financial Improvement Plans (FIPs) specific to their deficiencies, limitations, and approach. The FIAR Plan Key Milestone Plans (KMPs) build on the FIPs.



This diagram at the right visually simplifies the complex, integrated relationship between the KMPs and the FIPs. Each KMP represents a DoD-wide coordinated approach for identifying and resolving financial management deficiencies, validating completed actions, and achieving favorable audit results. For each KMP in the FIAR Plan, there are correlating and sequential tasks in the FIPs. In cases where resolving management deficiencies depends upon transformation solutions, tasks related to Business Transformation initiatives are embedded in the FIPs and the KMPs.

Enterprise Business Solutions

The Department is transforming the way it manages its funds through a variety of financial management programs and initiatives. There are thousands of programs and processes ranging from legacy paper processing to computer-based management systems. Few can interact with others, most do not meet Congressionally-mandated requirements, and many, unfortunately, do not provide the level of reliability, accuracy, and timeliness demanded by today's complex business environment. The Department is aware of the need for effective and efficient Department-wide financial management systems that provide end-to-end tracking of financial transactions and produce fully auditable financial reports. Transformation will not be easy, but it

will be achieved through the implementation of the comprehensive corrective action plans outlined in the FIAR Plan and the Business Transformation initiatives.

Improving financial information, eliminating material weaknesses, and successfully achieving clean opinions on financial statement audits in the Military Departments and Defense Agencies depend upon the implementation of the corrective actions contained within the FIAR Plan and numerous Business Transformation initiatives and system solutions. Business Transformation initiatives and system solutions are managed by the Business Transformation Agency (BTA) and DoD Components. Presently, the ETP incorporates 108 initiatives and system solutions. Of those, 38 impact financial improvement and audit readiness.

> ***"There are thousands of outdated, non-integrated systems that don't talk to each other."***
>
> *David Walker, Comptroller General, GAO, before the U.S. Senate Subcommittee on Homeland Security and Government Affairs, August 3, 2006.*

Several of the Defense Agencies are making clear progress in achieving clean opinions. Those agencies that are not as dependent on new systems are progressing even more rapidly. However, achieving an opinion on the DoD Consolidated Financial Statements will not occur until the Department has successfully deployed numerous new finance and business systems. As underscored in the ETP, "the dates for the deployment of systems in the ETP drive the Department's ability to achieve auditability."

Case in Point: Auditability Depends on Successful Systems Solutions

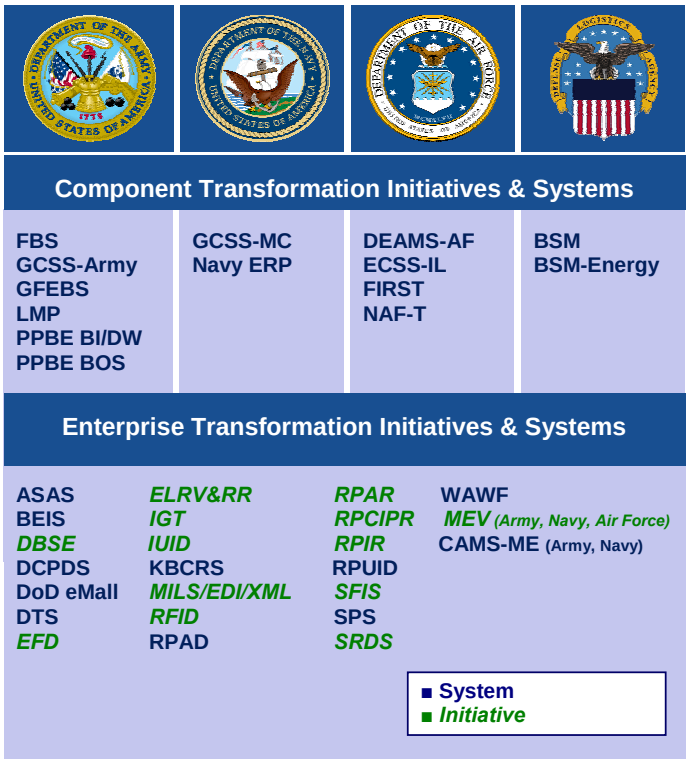
The Army is deploying the General Fund Enterprise Business System (GFEBS), a Web-based system that will allow the Army to share financial and accounting data across the Service. With more than 79,000 end-users at nearly 200 Army financial centers around the world, GFEBS will be one of the world's largest enterprise financial systems. GFEBS replaces 15 largely incompatible legacy accounting and financial management systems and will eventually manage over $100 billion in spending by the active Army, Army National Guard, and Army Reserve.

The Navy and Air Force are also deploying new financial systems on a scale similar to that of the Army.

Identifying and Managing Transformation Dependencies

Currently, there are 14 DoD Component Transformation and 24 Enterprise Transformation initiatives and systems solutions in the ETP that impact financial improvement and audit readiness. In addition to these 38 initiatives and solutions, there are other initiatives not contained in the ETP, but managed by the Components, that also impact financial improvement and audit readiness. Interdependencies between the FIAR plan and the ETP are critically important to the effective prioritization and utilization of resources.

Enterprise Transition Plan programs and projects are identified in the following chart. Each initiative and system solution is identified by its acronym in the chart. (See Appendix B for the full name, description, and impact on financial improvement of each initiative and system.)



Business Transformation Initiatives and Solutions that Impact FIAR

OMB Circular A-123, Appendix A

The FIAR Plan phases align with the Office of Management and Budget (OMB) Circular A-123, "Management's Responsibility for Internal Control," Appendix A, "Internal Control Over Financial Reporting" (*hereafter referred to as Appendix A*) requirements. The Department built upon the FIAR Plan management tools and documentation to develop an incremental approach to implementing Appendix A requirements.

Appendix A requires an annual Statement of Assurance on the effectiveness of internal controls over financial reporting within an organization's key business processes. Creating an annual Statement of Assurance includes flowcharting key business processes that impact financial report balances; identifying and assessing risks within the processes and related internal controls; testing controls believed to be effective and correcting or establishing controls found to be deficient; and reporting on the results of the assessments and tests.

The Department's established business rules for financial improvement include the first phase, "Discovery and Correction." During Discovery and Correction, Components identify obstacles to a favorable audit opinion and develop steps to overcome the obstacles. The concept behind this business rule is the basis of the business process assessments required by Appendix A.

Testing controls and issuing a Statement of Assurance aligns with the "Validation" and "Assertion" business rules. As a result, efforts in compliance with Appendix A often meet FIAR Plan key milestones and vice versa. Additionally, the Federal Managers' Financial Integrity Act Annual Statement of Assurance, of which Appendix A is a subset, requires well-defined plans designed to correct weaknesses identified during the assessment and testing implementation steps and target dates for their accomplishment. These corrective actions are recorded in the Components' FIPs and the FIAR Plan. The result is a more robust audit readiness plan for each Component and, consequently, the Department as a whole. (See Appendix C for more information on the business rules for financial improvement.)

Internal Control Objectives

- Effectiveness and efficiency of operations
- Reliability of financial reporting
- Compliance with applicable laws and regulations

To leverage existing processes and focus available resources where systemic material weaknesses exist, the Department limited the scope of Appendix A implementation. The focus areas for Appendix A implementation for FY 2006 include the FIAR Plan focus areas, as well as, Fund Balance with Treasury, Investments, Federal Employees Compensation Act (FECA) Liabilities, and Appropriations Received. (See Appendix D for more information on identified material weaknesses.)

The FIAR Planning Tool

To coordinate and manage such extensive DoD-wide FIAR and business transformation activities, the Department employs a powerful Web-based tool that contains the FIAR and ETP key milestones plans. The FIAR Planning Tool (FIAR-PT) is also used by the Components to manage the FIPs. For example, milestones related to achieving full operational capability of the Navy Enterprise Resource Planning System are embedded in the various sections of the Navy's Financial Improvement Plan and in Navy portions of FIAR Key Milestone Plans. Maintaining the FIAR KMPs, the ETP, and the Component FIPs in the same application, provides a powerful tool for integrating and managing these complex and evolving plans. (See Appendix E for more information on managing the FIAR Plan and the FIAR-PT.)

Audit Strategy

The FIAR Plan currently reflects a Balance Sheet line approach to financial improvement and achieving audit readiness. Alternatives to this approach are being considered. For example, the Department is considering whether to postpone assertions until all financial management deficiencies that relate to the Balance Sheet have been resolved. Other factors are also being considered, including materiality, system audits, type of audit, and the Department's ability to sustain improvements.

Developing a DoD Audit Strategy will be accomplished in FY 2007 and coordinated across the Department and with the Office of the Inspector General. (See Appendix F for detailed information on the requirements and plans for developing a DoD Audit Strategy.)

PRIORITIZATION

The Department employs an incremental, prioritized approach to improve the accuracy, reliability, and timeliness of financial information; resolve material weaknesses and financial

management deficiencies; implement OMB Circular A-123, Appendix A requirements; and modernize financial and business systems.

Even if unlimited resources were to be made available, it would be impossible to address all known problems at one time. Financial improvement, although a DoD-wide priority, must compete for resources with other DoD programs and requirements. The Global War on Terrorism has further increased the demand and competition for resources.

The FIAR Plan prioritizes its improvement efforts using the following criteria:

- Impact on DoD financial statements,
- Ability to resolve long-standing problems,
- Need for focused DoD leadership attention to resolve very complex and potentially long-standing problems,
- Dependency on business transformation initiatives and system solutions, and
- Availability of resources.

The prioritization of FIAR Plan initiatives is determined and approved by the FIAR Committee, the Deputy Chief Financial Officer, and the Under Secretary of Defense (Comptroller). The FIAR Plan contains Focus Areas and Priority Areas. Using the above criteria, the FIAR Committee designated the following categories:

Focus Areas

- Military Equipment
- Real Property
- Medicare-Eligible Retiree Health Care Fund
- Environmental Liabilities

Priority Areas

- Fund Balance with Treasury
- United States Marine Corps
- Military Pay
- Military Pay Obligations

New Focus Areas for FY 2007

- Inventory and Operating Materials and Supplies
- Accounts Receivable
- Accounts Payable

III. Financial Management Improvement Initiatives

FOCUS AREAS

The FIAR Plan prioritizes DoD's financial management and internal control improvement efforts in areas that will have the most material impact. Four high-impact Balance Sheet lines areas were originally identified: Military Equipment, Real Property, Medicare-Eligible Retiree Health Care Fund, and Environmental Liabilities. These areas represent a significant amount of DoD's assets and liabilities.

Military Equipment

The value of all military equipment (ships, aircraft, combat vehicles, satellites, intercontinental ballistic missiles, unmanned aerospace vehicles, etc.) is reported on the DoD Balance Sheet. The depreciation of these assets is included on the Statement of Net Cost.

In the past, the Department based the value of military equipment on Bureau of Economic Analysis data. In the third quarter of FY 2006, the Department changed the methodology for valuing military equipment and reported a baseline net book value of $326 billion. The net book value represents 22 percent of DoD assets and 73 percent of General Property, Plant, and Equipment. To further improve the accuracy of amounts reported, the Department is identifying and valuing military equipment in use today, and modifying military equipment acquisition procedures. The Military Equipment Key Milestone Plan captures these valuation activities and acquisition program modifications, and addresses related financial management systems changes.

Case in Point: System and Process Integration

The more we know about the military equipment we have now, the better investment decisions we will be able to make to support the warfighter. Because of the Military Equipment Valuation initiative, the total acquisition cost of these assets, which includes such equipment as tanks, airplanes, and destroyers, has been reliably and consistently determined, giving DoD decision makers access to comparable information between weapon system acquisition programs.

The Department is meeting the challenge of determining the value of military equipment in conformance with federal accounting standards. Military equipment accounts for almost three-fourths of the Department's General Property, Plant, and Equipment—the largest single line on the DoD Balance Sheet. To establish the cost of military equipment, principle-based business rules were applied to each piece of military equipment in 1,101 programs. The Capital Asset Management System-Military Equipment (CAMS-ME) was developed to maintain and update military equipment valuation data.

Value to Management

Accountability, acquisition, and financial management improvements enhance the usefulness and reliability of military equipment information. More accurate cost and age information helps managers determine the full cost of operations, programs, and activities, and allows managers to compare various acquisition programs. This better informs military equipment acquisition and disposal decisions. For example, as part of its decision process on Future Combat Systems (FCS), DoD compared the FCS development schedule to the remaining useful lives of the replaced equipment to ensure continuing capability.

Additionally, implementation of the Military Equipment Key Milestone Plan will address the majority of the "General Property, Plant, and Equipment" material weakness and the majority of the "Government Property and Material in the Possession of Contractors" material weakness.

ACCOMPLISHMENTS JANUARY TO SEPTEMBER 2006
✓ Reported the military equipment baseline on third quarter financial statements.
✓ Completed Increment 1 of the full operating capability of the CAMS-ME and interface between CAMS-ME and Business Enterprise Information Services.
✓ Issued guidance requiring that military equipment that meets capitalization requirements be listed on separate contract lines. This ensures that program expenditures are properly allocated between capitalized assets and expenses. A continuous learning module for this process has also been developed and delivered.
✓ Tested accounting systems and internal controls related to military equipment acquisition costs.
✓ Completed an internal Independent Verification and Validation effort requested by OMB to test the valuation methodology, completeness, and existence of assets.
✓ Trained 473 personnel on updating the military equipment asset status and preparing management assertions for the baseline.

CHANGES JANUARY TO SEPTEMBER 2006
✦ Identified critical path milestones.
✦ Changed the "assertion on the baseline" milestone to a "validation audit" of valuations, program universe, and rights and obligations.
✦ Added milestones requiring Components to develop, by December 31, 2006, a plan to systemically account for and manage military equipment assets.

CHANGES JANUARY TO SEPTEMBER 2006
✦ Added key milestones for attestations to support the Property and Equipment Policy Office valuation assertion.
✦ Revised all CAMS-ME milestones.

Real Property

The Department of Defense is one of the world's largest owners of real property assets – land, buildings, structures, utilities, and construction in progress. The Department's $100 billion of real property (net book value) accounted for 7 percent of the Department's assets for the third quarter FY 2006.

Department reporting on the value of Property, Plant, and Equipment, to include real property, is one of the Department's reported material weaknesses. Real property data for DoD resides in the inventory systems of the three Military Departments (Army, Navy, and Air Force) and the Washington Headquarters Services. A lack of standardized data elements, differing processes, and undocumented procedures for real property management has contributed to inconsistent collection and reporting of real property data, thus hindering DoD's ability to make informed management decisions. The Department's response has been to conduct a series of Business Process Reengineering initiatives that streamline business processes, standardize data elements, and establish controls to achieve real property fiscal and physical accountability. Standardized data elements, definitions, business rules, and processes were agreed to, and the Components are implementing improvement plans. Policy was published to standardize core real property inventory and forecasting data elements, and promote the business rules and mechanisms for cataloging data across the Department. This effort was started in FY 2000 and will result in consistent reporting from the Services and Washington Headquarters Services.

The revised Real Property Key Milestone Plan is outcome-based and supported by specific tasks. For example, to accurately account for and report real property, the Department must have the capability to accurately and timely record real property acquisitions. To achieve this outcome, systems and processes need to be modified and internal controls added to ensure that sustainable business processes are in place.

Case in Point: Plan Integration to Achieve Real Property Accountability

Historically, DoD's financial and non-financial operations and systems did not work together effectively to produce business management information needed by management. Disparate systems fed information up to core systems. These systems were originally designed to operate only in the functional areas in which they were set up.

Recognizing the need for a clear, DoD-wide vision that crosses functional areas, the OUSD worked with the Military Departments and Defense Agencies to define the process changes necessary to improve real property accounting and accountability. Key milestones in the Real Property Inventory Requirements implementation plans and the

FIAR Real Property KMP were developed and coordinated with policy guidance to ensure standardization and prioritization by all stakeholders.

Not only does this effort support the enterprise requirement for the development of standardized financial reporting of DoD real property, but it also offers opportunities for the Military Departments and Defense Agencies to share best practices and benefit from lessons-learned.

Value to Management

Reliable and timely information helps real property managers make strategic decisions on acquisition, sustainment, operation, and disposal of assets. Financial managers can better match the costs associated with specific buildings and structures to the mission that the property supports. Additionally, real property managers need accurate data for developing sustainment and recapitalization budget estimates, which are critical to properly supporting military missions. The Department implemented a suite of tools and models to better predict costs by using standardized real property reporting and commercial benchmarks. The Facilities Sustainment Model, for example, resolves many of the uncertainties about proper levels of sustainment funding.

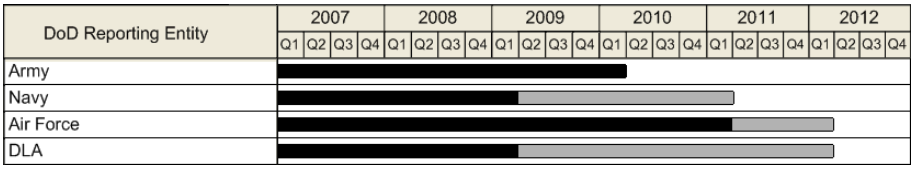
The real property transformation initiative, which is part of the ETP, establishes standards for implementing sustainable business processes, management controls, and core real property data elements. By integrating the real property transformation implementation plan with the FIAR Plan, the Department can ensure that improved business management processes drive financial accountability. A substantial benefit of the real property transformation initiative and the standardization of the data elements is the Department's ability to report to the Federal Real Property Profile. These records provide information and data on real property owned and leased by the federal government worldwide. As the largest property holder in the federal government, the Department will be able to comply with the new standards using standardized real property data elements.

ACCOMPLISHMENTS JANUARY TO SEPTEMBER 2006
✓ Issued revised policy standardizing core real property inventory data management and reporting.
✓ Issued a revised capitalization threshold that capitalizes 99 percent of Real Property assets leading to more accurate determinations of operating costs.
✓ Issued a guide to assist the functional community in preparing for financial audits.
✓ Revised the Financial Management Regulation on General Property, Plant, and Equipment to provide more comprehensive policies for recording and reporting assets.

ACCOMPLISHMENTS JANUARY TO SEPTEMBER 2006
✓ Initiated a pilot project at Fort Jackson to more accurately value and reconcile existing Army real property.
✓ Aligned the Department of the Navy's acceptance of assets with the "Military Real Property Transfer and Acceptance" process for all assets placed in service.
✓ Improved DLA's ability to properly report preponderant use facilities by establishing standard operating procedures and policy.
✓ Established Web-based tracking software for DLA real property reconciliation. DLA also completed a worldwide inventory of 552 fuel sites and identified 4,226 above and underground fuel tanks. These efforts show quantity, condition, and location of assets worldwide and lead to better financial information.
✓ Completed a review of the Air Force's capital lease reporting process and determined that financial managers had established and maintained effective capital lease valuation procedures.

CHANGES JANUARY TO SEPTEMBER 2006
✦ Identified critical path milestones.
✦ Realigned the real property business transformation and financial key milestones that are managed in the ETP, the Real Property Inventory Requirements implementation plan, and the KMP.

The following chart shows the Department's projection for achieving favorable audit results. A black bar indicates the December 2005 projection. A grey bar indicates a revised projection or a new reporting entity.



Real Property

Medicare-Eligible Retiree Health Care Fund

Medicare-eligible Uniformed Services retirees, family members, and survivors receive healthcare through the TRICARE program. The TRICARE program includes direct care and purchased care obtained outside the military community. Direct care is provided through military hospitals and clinics and may include inpatient care, doctor visits, medical testing, and pharmacy services. Purchased care is offered through regional networks of civilian health care providers. The future cost of providing Medicare-eligible health care is estimated at $537 billion, or 29 percent of the Department's liabilities.

Beginning with the FY 2003 financial statements, the Medicare-Eligible Retiree Health Care Fund (MERHCF) has been annually audited and received qualified opinions. This is a significant achievement for the Department. In FY 2005, independent auditors identified several material weaknesses, including a backlog of purchase claims. Using the audit guidance, MERHCF revised their FIAR Key Milestone Plan to specifically address these material weaknesses.

Case in Point: Improving DoD Pharmacy Cost Management

The Pharmacy Data Transaction Service (PDTS) records information about prescriptions filled for DoD beneficiaries at military facilities, the TRICARE Retail Pharmacy Network, and the TRICARE Mail Order Pharmacy (TMOP) Program. The purpose of the PDTS is to improve the quality of prescription services and enhance patient safety. PDTS is also a management tool, which provides visibility of patient-level pharmacy use and costs.

To be able to audit direct care costs, MERHCF needs pharmacy costs that are traceable to the patient. PDTS' ability to capture patient medication history provides a way to link pharmaceuticals delivered in military facilities to the cost of those drugs at a patient level. Patient-level data is also crucial in identifying and validating the services provided to Medicare-eligible beneficiaries versus non-Medicare-eligible beneficiaries.

To standardize pharmacy costs updates, ensure accurate costs on a daily basis, and reduce labor requirements, PDTS instituted a system change. In July 2006, PDTS began updating pharmacy costs based upon regional cost tables rather than at the individual military facility level.

PDTS also screens the patient's medication profile and alert notifications prior to dispensing the prescription. These screenings reduce the likelihood of drug-to-drug interactions and duplicate treatments. PDTS improves patient care while saving the Department money by eliminating costly – and potentially dangerous – pharmaceutical errors.

Value to Management

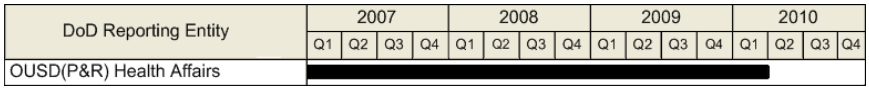
Improvements made to business and financial systems help eliminate backlogs of purchased care claims. Reducing backlogs improves the accuracy of purchased care costs, payables, and the projection of the actuarial liability. To monitor potential backlogs, MERHCF established a quarterly metric that tracks claims payments so that timely corrective actions can be taken.

Accurate reporting of direct care costs relies upon proper medical coding at the military facilities. The Department continued deploying the Coding Compliance Editor to analyze medical coding and identify errors for correction. Ultimately, resolving process and systems issues related to medical coding will result in a more accurate representation of direct care costs and the projections of the associated actuarial liability.

ACCOMPLISHMENTS JANUARY TO SEPTEMBER 2006
✓ Engaged an independent contractor to perform monthly audits of medical record coding.
✓ Instituted regional costs in the PDTS.
✓ Improved the accuracy of medical record coding by implementing new reporting and monitoring programs.
✓ Assessed materiality of PDTS and identified needed system changes.
✓ Audited security controls for cost systems that calculate healthcare costs.
✓ Prepared plan to pay military facilities based on market rates rather than estimated health care costs.

CHANGES JANUARY TO SEPTEMBER 2006
✦ Identified critical path milestones.
✦ Changed the date for completing the Coding Compliance Editor system deployment to September 30, 2007. The system monitors medical coding and alerts coders to areas needing further attention.
✦ Added corrective action key milestones that address the pharmacy costs data flow weaknesses and pharmacy systems.

The following chart shows the Department's projection for achieving favorable audit results. The black bar indicates the December 2005 projection.



Medicare-Eligible Retiree Health Care Fund

Environmental Liabilities

The Environmental Liabilities balance sheet line represents an estimate of the probable and measurable future environmental cleanup, closure, and disposal costs from past DoD activities. For the third quarter FY 2006 financial statements, the Balance Sheet reported $72 billion in Environmental Liabilities, or 4 percent of the Department's liabilities. The effects of the FY 2006 Base Realignment and Closure decisions will likely contribute to future increases in Environmental Liabilities on the Balance Sheet.

Previously, failure to accurately record all environmental liabilities has caused a misstatement of the Department's financial position. To ensure environmental liabilities are identified, the Department issued guidance requiring Components to reconcile environmental liabilities to the corresponding General Property, Plant, and Equipment asset records. Each Component tracks and reports its environmental cleanup, closure, and disposal costs for Defense Environmental Restoration Program (DERP) sites as they are identified. However, Components have not consistently reported these costs for non-DERP sites. Recently issued guidance will help the Department overcome inconsistencies in the reporting of non-DERP site liabilities.

Case in Point: The Environmental Liabilities Working Group

Environmental Liabilities exist across several DoD organizations. To be consistent in how environmental liabilities are addressed and resolved, Components actively participate in the Environmental Liabilities Working Group. This working group comprises representatives from each Component who work with environmental liability estimates, including engineers, estimation experts, and financial professionals.

The working group meets monthly to address major issues and share best practices. Collectively, the members have assisted in developing and publishing policy and guidance that formalize their views on the assessment and measurement of DERP and non-DERP sites.

The working group recently established a sub-working group to identify training needs and develop training standards. This training sub-working group is the first step toward strengthening the technical skills of those who work in the environmental liabilities area.

Value to Management

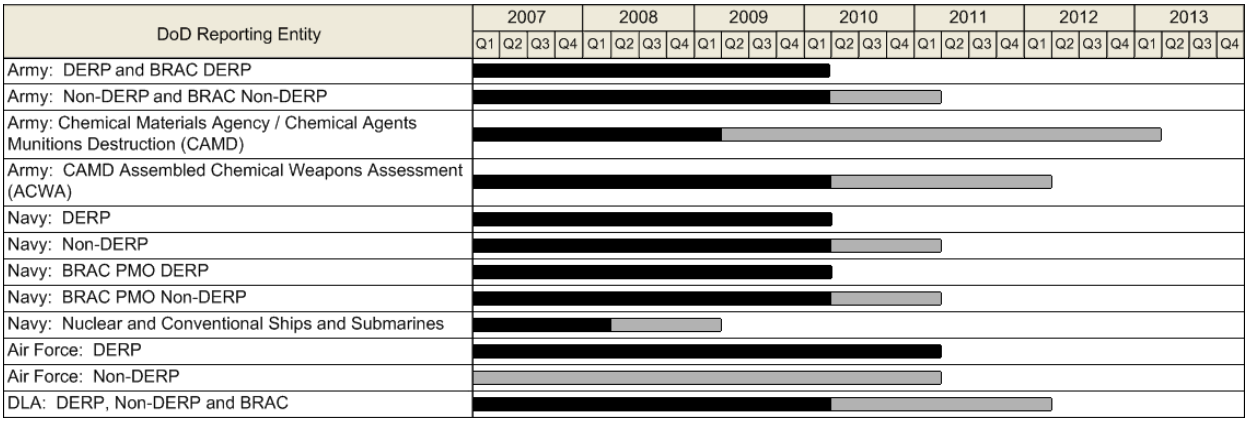
A complete and accurate accounting of environmental liabilities makes future resource estimates more reliable and helps the Department more accurately forecast environmental costs and liabilities. It also aids decision making by assuring managers that reported environmental liabilities data are reliable.

ACCOMPLISHMENTS JANUARY TO SEPTEMBER 2006
✓ Issued a guide for preparing for an audit and properly accounting for, and supporting, environmental liability estimates.
✓ Confirmed the universe of DERP sites for Army and Air Force.
✓ Implemented a revised methodology for the Department of the Navy weapons systems that more accurately forecasts expected environmental cleanup and disposal costs and reduces the liability by as much as 50 percent.
✓ Completed a fence-to-fence survey at all Navy installations to identify and estimate non-DERP environmental liabilities.
✓ Developed a plan for financial improvement and audit readiness for the Air Force's non-DERP Program.
✓ Implemented revised liability estimation process and procedures for all nuclear and conventional ships and submarines.
✓ Developed a DLA implementation plan with milestones and schedules to aid transition to the enterprise architecture process and data model.
✓ Completed documentation and correction of processes and procedures for creating, changing, reviewing, approving, and liquidating Army DERP and Navy non-DERP environmental liability estimates.
✓ Populated data-gathering tool with the inventory of all Army DERP and Navy non-DERP sites, associated estimates, anticipated closure dates and costs, and cumulative costs incurred.
✓ Established and documented a process to accomplish supervisory review and approval of Army DERP, Navy non-DERP, and DLA liability estimates.
✓ Established a process that resulted in an accurately reported liability for Army CAMD.
✓ Validated the environmental liabilities for nuclear and conventional ships and submarines.
✓ Documented the proper recording of liabilities for Air Force PP&E records.
✓ Completed and documented initial estimates for Navy non-DERP and Air Force DERP sites.

ACCOMPLISHMENTS JANUARY TO SEPTEMBER 2006
✓ Updated the format and instruction for the Environmental and Disposal Liabilities note to the Financial Statements to meet new disclosure requirements and improve reporting across DoD.
✓ Completed development of an enterprise architecture data model liking environmental liabilities to asset records and issued requirements for Component implementation.

CHANGES JANUARY TO SEPTEMBER 2006
✦ Identified critical path milestones.
✦ Developed Air Force non-DERP milestones.

The following chart shows the Department's projection for achieving favorable audit results. A black bar indicates the December 2005 projection. A grey bar indicates a revised projection or a new reporting entity.



NOTE: The Air Force is developing BRAC key milestones.

Environmental Liabilities

PRIORITY AREAS

In addition to the four original focus areas, four priority areas are named in the FIAR Plan: Fund Balance with Treasury, United States Marine Corps, Military Pay, and Military Pay Obligations. These areas are highlighted for their material impact on the Balance Sheet and DoD-wide financial improvement efforts, or because accelerated results are projected.

Fund Balance with Treasury

The Fund Balance with Treasury (FBWT) asset account represents the total amount of funds on deposit with the Treasury Department. Collections and disbursements increase or decrease the balance, respectively. New funds come to the account from appropriations, transfers, reimbursements from other agencies, and borrowed funds. The fund balance is decreased when funds are spent, invested, or transferred to other federal agencies. Funding to fight the Global War on Terrorism has increased the FBWT. In the third quarter FY 2006 financial statements, FBWT was $457 billion or 31 percent of DoD's total assets.

Case in Point: Air Force Assertion Process

The Department has been unable to fully reconcile its Fund Balance with Treasury records to those of the U.S. Treasury. Over the past 3 years, significant progress has been made. The Air Force reengineered their processes and resolved many discrepancies. Air Force General Fund FBWT will be audited in FY 2007.

To accomplish this, the DFAS Fund Balance with Treasury team successfully partnered with Air Force financial management operations staff. The team worked closely with the offices of the Air Force Audit Agency, Inspector General, DoD, and USD(C) to fully comply with specific rules and formats for assertion documentation and approvals. The team set the example for other Military Department assertions by loading all the supporting documentation (approximately 1600 documents) on the DFAS e-Portal Website.

The Air Force assertion process offers lessons learned from the internal reviews of their assertion package, including the benefits of:

- *Using the DFAS e-Portal to organize and accumulate all documentation required for assertion, and*
- *Using a layered approach to conduct intense independent reviews of assertion packages by functionals and internal auditors.*

Value to Management

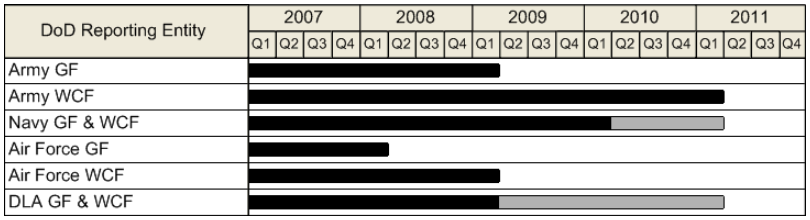
The Department's ability to accurately record and report funds (received, disbursed, and collected) improves accountability. Full visibility – the ability to fully see the fund's current balance and all supporting transactions and documentation – facilitates reconciling accounts with Treasury. Reconciling accounts helps the Department comply with the Antideficiency Act.

Additionally, common standard business processes, regardless of customer, government entity, agency, program, or banking partners, will be established. Improved information allows management to make better financial decisions and to maximize mission resources. The current Key Milestone Plan also targets the resolution of the FBWT material weaknesses.

ACCOMPLISHMENTS JANUARY TO SEPTEMBER 2006
✓ Approved Air Force Fund Balance with Treasury (General Fund) for audit.
✓ Documented Air Force processes, mapped data flow, and received Air Force Audit Agency validation for the Working Capital Fund.
✓ Documented Navy processes and controls for reconciling, tracking, and reporting unmatched disbursements and collections.

CHANGES JANUARY TO SEPTEMBER 2006
✦ Identified critical path milestones.

The following chart shows the Department's projection for achieving favorable audit results. A black bar indicates the December 2005 projection. A grey bar indicates a revised projection or a new reporting entity.



Fund Balance with Treasury

United States Marine Corps

Despite the many demands on its scarce resources, the Marine Corps is committed to resolving its financial management deficiencies and material weaknesses through business process improvements by the end of FY 2007.

Over the past 18 months, the Marine Corps has devoted substantial resources to improving, documenting, and implementing policies, processes, and procedures that support correction of identified material deficiencies and improve business processes. Further, the focus has been expanded to improve evaluation and strengthening of internal controls.

The refined Marine Corps FIP focuses on business process improvements and reflect the Marine Corps commitment to achieving viable, long-term, and sustainable financial improvements rather than short-term "alternative procedures."

These efforts support the development of more effective and efficient business processes. With leadership's continued emphasis and resource support, an independent validation and audit readiness assessment can be performed to determine if an audit opinion on the Marine Corps' FY 2007 Balance Sheet and Statement of Budgetary Resources is achievable.

Value to Management

In addition to the benefits realized by the Marine Corps, the lessons learned may aid the audit readiness efforts of the other Military Services. The lessons learned will be applicable to individual line and full financial statement presentation initiatives.

Most importantly, the Marine Corps will have assurance that its financial information is accurate and reliable, and supported by sound, sustainable business practices. This will substantially strengthen managements' ability to quickly identify and allocate available resources. These improvements will enhance the Marine Corps' ability to protect and defend the Nation.

ACCOMPLISHMENTS JANUARY TO SEPTEMBER 2006
✓ Identified Marine Corps and third party financial system interdependencies to better support financial recording and reporting requirements, as well as audit readiness initiatives.
✓ Established a full financial statement approach to achieving audit readiness.
✓ Implemented an interface between the personal property accounting system and the general fund accounting system.
✓ Completed the Military Equipment baseline valuation.
✓ Developed and provided training related to financial management improvement, including accounting for Real Property.

The following critical milestones identify the Marine Corps planned actions for FY 2007 and FY 2008:

FY 2007 Critical Key Milestones	FY 2008 Critical Key Milestones
• Engage an Independent Public Accountant to conduct a validation of the Statement of Budgetary Resources and Balance Sheet business processes and internal controls. • Complete remediation actions on business processes and internal controls based upon the validation. • Determine if further corrective actions are required or if remediation actions were sufficient to proceed with an audit. • Make further corrective actions or proceed with audit.	• Complete corrective actions or audit.

Military Pay

The Department is committed to ensuring its 2.6 million active and reserve Component Service members are paid accurately and on time. The Military compensation system includes Regular Military Compensation and various special pays and allowances based on skill, location, duty, or status. Currently, the military compensation systems have over 70 separate types of pay and allowances. Legislative and regulatory revisions establish a dynamic, and often complex, compensation and benefits environment. The numerous Military Department specific systems, interfaces, processes, and activities must be painstakingly managed and controlled to produce timely and accurate military payrolls.

To improve military pay services, the Defense Finance and Accounting Service (DFAS) launched the Military Pay Improvement Action Plan (MPIAP). Though the MPIAP is not a part of the FIAR Plan, its impact on overall financial management improvement efforts is significant. (Additional information on MPIAP is available by contacting the DFAS Director of Finance.)

Value to Management

Military Pay problems can adversely affect morale and create financial problems for Service members. Real time, reliable information and access to pay, compensation, and benefits improve the compensation system and advance Defense business transformation efforts. The Department has made significant progress in improving the quality of military pay services provided to our troops, especially wounded or ill Service members evacuated from combat zones.

While the Military Department personnel and financial management communities and DFAS have major roles and responsibilities, pay administration is ultimately a command responsibility.

Commanders use tools, such as the pay systems monthly reports, to monitor pay to their troops. Commanders must also ensure that Service members understand their pay entitlements and promptly report any changes in pay status. The MPIAP assists Commanders by providing an integrated approach to improving pay processes, systems, and services.

Accomplishments

Last year, the Department chartered the OSD Personnel Pay Council to oversee pay services, and set and monitor goals that drive improvement. The most important goal is the timely submission of pay changes into the pay systems, since delays in the submission of pay change transactions are the leading cause of incorrect and late pay to our Service members. In June 2006, the Department accomplished a 92 percent level of timeliness (3 percent better than the same period last year). The timeliness goals for the end of FY 2007 and FY 2008 are 97.5 percent and 99 percent, respectively.

> *"We have made significant progress in improving the quality of military pay services provided to our troops, especially wounded or ill service members medically evacuated from combat zones."*
>
> *August 23, 2006 Memorandum from USD(P&R) David S.C. Chu and USD(C) Tina W. Jonas*

In 2005, DFAS and the Military Departments accomplished several major initiatives that improved the military pay operating environment and established a process for identifying new initiatives that will improve military pay in the near-, mid-, and long-term.

For example, DFAS established a Military Pay Wounded in Action (WIA) program to address the gaps between soldiers' medical and pay account data. This resulted in improved pay accuracy, a reduction of related indebtedness problems, and an elimination of the pay account review backlog. The WIA cases have been reviewed, and less than 1 percent contain deployment related pay errors, and 12 percent require additional research.

Military Pay Obligations

The MPIAP is also a mechanism for improving Military Pay Obligation accounting services. In addition to Military Pay improvements, the Department has a number of initiatives to improve Military Pay Obligations oversight and controls. Military pay funding for active and reserve Component Service members represents a material percentage of the Department's budget resources. When the nation is at war, oversight of the appropriation is further complicated because of fluctuations in personnel entitlement costs, such as hazardous duty pay, which increase as the Department mobilizes forces to support the war effort. Improvements in pay services and real time, reliable information on military pay program obligations and costs are essential to managing the Department's scarce resources.

To better utilize Military Pay Appropriations and correct problems related to the obligation of funds, DFAS established a budget execution office. The budget execution office will work with the OUSD(C) and the Military Services to analyze variances between phased spending plans and actual expenditures. The effort requires analyzing prior year variances to determine the cause of the large number of deobligations that occur. The goal is to develop better business and estimation practices so that the Department can fully use this appropriation.

ACCOMPLISHMENTS JANUARY TO SEPTEMBER 2006
✓ Improved payroll timeliness and accuracy by executing the MPIAP and increased timeliness of military pay transactions from 89 percent to 92 percent in FY 2006.
✓ Developed the WIA pay management database and program.
✓ Established a budget execution team to improve the business and estimation practices related to military personnel appropriations and enable more in-depth analysis of the budget activity.
✓ Warehoused the Army's military payroll files to make data mining and obligation analysis more efficient.
✓ Improved the Army budget model for projecting permanent-change-of-station costs.
✓ Produced management and budget execution reports for the Navy providing for more in-depth analysis of military personnel obligations.
✓ Increased appropriation and entitlement execution visibility at project & subproject levels within Air Force using the Defense Joint Military Pay System.
✓ Implemented an interface between the Marine Corps Total Force System and the Standard Accounting and Budgeting Reporting System allowing for improved obligations based on actual payroll.

NEW FOCUS AREAS FOR FY 2007

The incremental, prioritized approach of the FIAR Plan is yielding results for the Department. Moving forward, it is imperative that lessons learned – successes and failures – be captured and applied across all audit readiness areas. To that end, the FIAR Committee has named three new focus areas for FY 2007: Inventory and Operating Material and Supplies, Accounts Payable, and Accounts Receivable.

Inventory and Operating Material and Supplies

Maintaining accurate inventory and supply item visibility to support the warfighter is critical to the success of the warfighting mission and our national defense. The primary goal of the Inventory and Operating Materials and Supplies (OM&S) financial improvement efforts is to improve accountability (visibility over assets) within the Logistics Community.

Inventory is personal property held for resale, used in the process of building something for sale, or consumed in the production of goods for sale or in the provision of service for a fee.

Inventory includes items such as generators, fuel, rations, and aircraft and combat vehicle engines held for repair. Operating Materials and Supplies include property used in the normal course of operations, such as centrally managed aircraft engines, spare parts for military equipment, uniforms and boots for warfighters, as well as ammunition, bombs and tactical missiles.

The Inventory and OM&S Key Milestone Plan will improve the Department's ability to identify quantities and locations of materiel, and report the cost. Data integrity will improve as information is captured correctly and evidence retained for independent verification. For the third quarter FY 2006 financial statements, the Department reported $82 billion for Inventory, and Operating Materials, and $143 billion for Supplies.

Value to Management

Improvements in Inventory and OM&S will help ensure that the right items are available to the warfighter at the right time and place, and in the right quantities. Other values include an enhanced ability to provide accurate location and cost information (historical and latest acquisition) both per unit and by program. Corrective actions will enhance the Department's ability to formulate, justify, and defend budget submissions in this critical area.

ACCOMPLISHMENTS JANUARY TO SEPTEMBER 2006
✓ Determined a methodology for establishing the Army's inventory baseline in both the Working Capital and General Funds to achieve compliance with federal accounting standards and audit readiness.
✓ Completed a review of the Navy's Ordnance Information System (OIS) to determine if OIS is compliant with the Federal Financial Managers Integrity Act.
✓ Completed work on Marine Corps OM&S policies and procedures, which will improve the reliability of their inventory information.

The December 2005 FIAR Plan included an initial Key Milestone Plan for Inventory and OM&S. That plan is being expanded to better address the dependencies on transformation initiatives and the modernization of logistics systems. A high-level plan that depicts the steps and dates to develop a revised Inventory and OM&S Key Milestone Plan is provided below.

FY 2007 Critical Key Milestones	FY 2008 Critical Key Milestones
• Establish leadership awareness and support. • Establish working group. • Conduct working group meetings. • Review and analyze Component financial improvement plans. • Review BTA Materiel Visibility initiative plans. • Identify and review Component initiatives and system solutions. • Develop the Key Milestone Plan for Inventory and OM&S. • Coordinate draft Key Milestone Plan. • Approve Key Milestone Plan.	• Monitor Key Milestone Plan. • Report on accomplishments.

Accounts Receivable

Accounts Receivable represents amounts owed to DoD by individuals, organizations, public entities, or other government organizations. Monies are owed to DoD for the performance of services, the delivery of goods, court-ordered assessments, or claims against contractors for inadequate performance. Examples of Accounts Receivable include overdue travel advances, bad checks, fines, penalties, interest, overpayments, fees, rents, claims, and damages.

Accounts Receivable includes Intragovernmental Receivables (due from other federal agencies and DoD entities) and Receivables Due From the Public:

Intragovernmental Accounts Receivable

Intragovernmental Accounts Receivable are transactions between federal entities that result in one entity owing the other money. These transactions are the principal source of operating revenue for many working capital funds and must be properly identified at all levels – entity, transaction type, and accounting.

The Department continues to show an intragovernmental eliminations material weakness involving the recording, reporting, collecting, and reconciling of accounts receivable. Once resolved, the Department's consolidated financial statements can be stated at a amount that correctly accounts for eliminations.

Accounts Receivable Due From the Public

Accounts Receivable Due From the Public include transactions with contractors, commercial vendors, state and local governments, and non-appropriated activities. As

with intragovernmental transactions, the recording, reporting, collecting, and reconciling of accounts presents challenges.

In managing the collection of these funds, the aging of Accounts Receivable is important. The more delinquent a receivable becomes, the greater the likelihood that it will not be collected in-full. To account for a probable loss, a reserve account with an allowance for loss is set up. This allowance is based on bad debt experience and the age of each group of receivables.

The Department published a clarification on the aging and writing-off of accounts receivable to help reconcile records. Automated tools have been improved to better capture, collate, and age the accounts receivable for monthly and quarterly reporting purposes.

For the third quarter FY 2006 financial statements, the Department reported $12 billion in Accounts Receivable. Of that amount, approximately $4 billion was Intragovernmental and $8 billion was non-federal (Due From the Public).

Value to Management

Accurate information on receivables is critical when management makes decisions related to operating capital, inventory management, and the cost of operations. The Department will be better able to collect receivables if they know how much is owed and by whom.

Revenues to offset expenses must be collected and recorded to continue the funds' work. If recording the receivable is delayed, used labor and materials must still be paid. Similarly, if customer billing is delayed due to a delay in recording the sale, then payment to the government is also delayed. Delays decrease the amount of operating capital available for use on the next project.

Further, the Department must collect receivables *before* the funding appropriation closes. Otherwise, collected funds go to the Treasury and are no longer available for the Department to use. The ability to quickly record, bill, and liquidate receivables is essential to managing the Department's cash flow and to maximizing budget execution.

By improving the processing of receivables, the Department can offset payables, accelerate billing and collections, recover funds while still available for execution, improve cash flow, and maximize resources in support of the warfighter.

ACCOMPLISHMENTS JANUARY TO SEPTEMBER 2006
✓ Revised policy on the aging, reporting, and write-off of receivables to more effectively manage the process throughout the Department.
✓ Enhanced available analytical tools used to analyze Army accounts receivable data. This reduced processing time and increased visibility over Accounts Receivable Management Reports at the transaction-level.

ACCOMPLISHMENTS JANUARY TO SEPTEMBER 2006
✓ Revised the joint DLA and DFAS concept of operations plan for the reconciliation process to specify appropriate source documents and more clearly define the accountability and responsibility roles. Also, DLA developed and published guidance to be used when original supporting documentation for receivables is no longer available.
✓ Developed a detailed aging report for Navy that will help the Commands identify, analyze, and resolve delinquent accounts receivable for both General Funds and Working Capital Funds.

Corrective activity is progressing in accordance with the Financial Improvement Plans. The BTA and Components continue to work on solutions that are essential to resolving many of the Accounts Receivable deficiencies. A variety of approaches and system solutions will be needed.

The Department is further developing a comprehensive, consistent, and fully integrated KMP and anticipates that the revised KMP will be finalized during the first quarter of FY 2007. Monitoring of progress will begin in the second quarter of FY 2007.

Accounts Payable

Accounts Payable represents amounts owed to other entities in return for services or goods. The FIAR plan reports on two major categories of Accounts Payable: Intragovernmental Accounts Payable and Accounts Payable to the Public.

Intragovernmental Accounts Payable

Intragovernmental Accounts Payable are transactions between federal entities that result in one entity owing the other money. The Department must properly identify and account for money owed to another entity – an intragovernmental liability – when determining the total cost of operations.

When the government produces consolidated financial statements, intragovernmental transactions must be offset. Errors may lead to an overstatement of the cost for the government as a whole.

Accounts Payable to the Public

Accounts Payable to the Public includes transactions with contractors and commercial vendors. When a contractor performs work for the government, DoD records an accounts payable for work performed and monies owed to the contractor. The Prompt Payment Act of 1982, as amended, established guidelines for due dates on commercial invoices and mandates that the government pay interest and possible penalties if making a late payment.

The Department's inability to adequately account for transfers of funds or assets leads to problems with budgeting and impedes auditability. Causes include:

- Inability to capture a Trading Partner number on all contracting source documents,

- Inability to carry a common document number through the interagency contracting process,
- Inconsistent recording of transactions across agencies, and
- Lack of standardized systems.

The Intragovernmental Transaction (IGT) initiative will standardize, consolidate, and integrate processes and system components, and enhance visibility into intragovernmental transactions.

For the third quarter FY 2006 financial statements, the Department reported $29 billion in Accounts Payable. Of that amount, $2 billion was owed to federal organizations (Intragovernmental), and $27 billion was owed to non-federal (to the Public).

Value to Management

The proper authorization, recording, payment, and reporting of payables requires more reliable accounts payable data. Reliable accounts payable information enables managers to accurately and timely capture the liabilities associated with the receipt of goods and services. By accurately recording payables and decreasing improper payments, the Department can take full advantage of discounts and avoid interest payments and penalties. Additionally, proper recording and timely payment of payables are essential to managing the Department's cash balances.

All payments must be made *before* the funding appropriation is closed. Otherwise, payments for prior years must be taken out of current year funds, thus reducing the funding available for current requirements.

ACCOMPLISHMENTS JANUARY TO SEPTEMBER 2006
✓ Implemented changes in Navy Wide Area Work Flow to support automated recording of Accounts Payable for other contractual goods and services.
✓ Implemented the automated interface for posting Accounts Payable for commercial ground transportation in the Navy General Fund accounting systems.
✓ Increased the volume of electronic funds payments to contractors and vendors to more than 95 percent, which decreases the associated DFAS cost of cutting and mailing paper checks to contractors and vendors.

Corrective activity is progressing in accordance with the Financial Improvement Plans. The BTA and Components continue to work on solutions that are essential to resolving many of the Accounts Payable deficiencies. A variety of approaches and system solutions will be needed.

The Department is further developing a comprehensive, consistent, and fully integrated KMP and anticipates that the revised KMP will be finalized during the first quarter of FY 2007. Monitoring of progress will begin in the second quarter of FY 2007.

OTHER AREAS

The FIAR Plan includes Key Milestone Plans for other Balance Sheet lines.

General Property and Equipment

General Property and Equipment includes general purpose property and all other property not addressed by Military Equipment, Real Property, Inventory, OM&S, or Internal Use Software. Examples include furniture, fixtures, and certain vehicles.

The Department is comprehensively examining policies, processes, and systems specific to property management and accountability reform. The cooperative effort of many organizations and the coordination of numerous projects are required. For example, the Army, Navy, Air Force, Marine Corps, and U.S. Special Operations Command must ensure that acquisition programs meet accounting requirements. The Defense Finance and Accounting Service must improve how individual accounting systems and the Business Enterprise Information Service interface to provide accurate expenditure information. Projects such as the Item Unique Identification and the Standard Financial Information Structure must be successfully implemented.

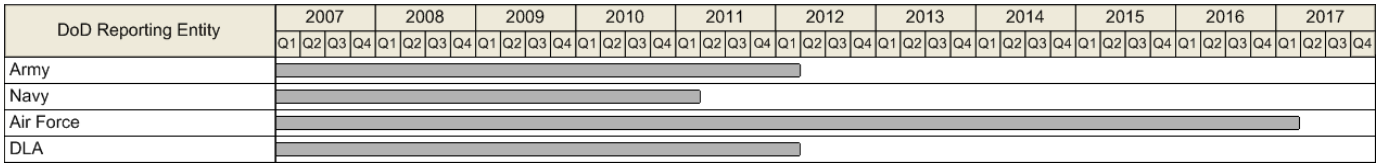
Value to Management

The General Property and Equipment initiative supports the objectives of the Material Visibility Business Enterprise Priority (MV BEP). The MV BEP improves supply chain performance in support of the joint warfighting mission. Expected benefits include better information on logistics systems and on the location, status, accountability, and valuation of equipment, materiel and supplies. This, in turn, allows the Department to better meet the warfighters' need for responsive, reliable, and appropriate equipment. Similar to the Military Equipment initiative, the General Equipment and Property initiative enables DoD to account for costs incurred when acquiring and delivering general equipment.

Further, financial management improvements enable the Department to more accurately capture the cost and age of existing property. With better data, comparisons can be made between various acquisition programs across different fiscal years, thus improving acquisition and disposal decisions.

CHANGES JANUARY TO SEPTEMBER 2006
✦ Developed new KMP.
✦ Identified critical path milestones.

The following chart shows newly established projections for achieving favorable audit results.



General Property and Equipment

Other Assets

The Department's other assets include advances, prepayments, and contract financing payments. In the third quarter FY 2006 financial statements, the Department reported $26 billion for Other Assets, which included $22 billion in outstanding contract financing payments. Contract financing payments include advance payments; performance-based payments; commercial advances and interim progress payments based on cost; and other types of special payments.

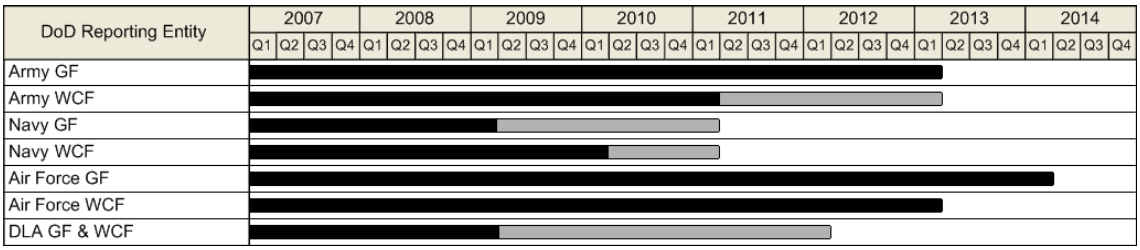
Value to Management

As the information for Other Assets is deemed reliable, management is assured that the amounts paid to a contractor prior to the delivery of an asset are accurately reported. Management is better able to calculate the true cost, which helps managers project more accurate budgets for future years and prevent possible overages.

ACCOMPLISHMENTS JANUARY TO SEPTEMBER 2006
✓ Documented Navy business processes and assessed internal controls.
✓ Validated all DLA Travel Advances and Prepayments.
✓ Validated 61 percent of DLA Progress Payments (Contract Financing).
✓ Completed modifications to the Standard Finance System (STANFINS) to correctly code Do It Yourself Moves as non-federal advances.

CHANGES JANUARY TO SEPTEMBER 2006
✦ Identified critical path milestones.

The following chart shows the Department's projection for achieving favorable audit results. A black bar indicates the December 2005 projection. A grey bar indicates a revised projection or a new reporting entity.



Other Assets

Cash and Other Monetary Assets

Unlike cash reported on an industry Balance Sheet, Cash and Other Monetary Assets does not equate to cash in the bank. Instead, it accounts for cash kept in vaults that disbursing officers use for paying bills, cashing checks, or providing advance payments to members of the military. The Army uses cash to support its forward deployed tactical units, and the Marine Corps uses cash to support its Expeditionary Forces for Operations Iraqi and Enduring Freedom, and the Global War on Terrorism.

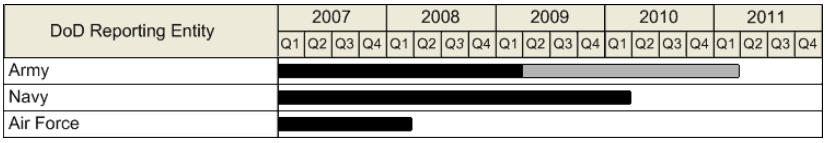
Value to Management

Tighter internal controls over the handling of Cash and Other Monetary Assets assures management that controls are documented, modified, and effective, and the amount recorded on the financial statements is accurate.

ACCOMPLISHMENTS JANUARY TO SEPTEMBER 2006
✓ Ready to audit Air Force Cash and Other Monetary Assets.
✓ Shared lessons learned from the Air Force assertion review with the Army and the Navy to assist them in preparing for their assertions.
✓ Documented Navy reporting process, tested reported data, and identified needed improvements and associated internal controls for the Pacific Fleet.
✓ Established a process to obtain additional detailed Disbursing Officer Cash schedules and data sources to support this financial statement line for the Navy. The process makes it easier to explain the fluctuations in balances in the financial footnotes.

CHANGES JANUARY TO SEPTEMBER 2006
✦ Identified critical path milestones.

The following chart shows the Department's projection for achieving favorable audit results. A black bar indicates the December 2005 projection. A grey bar indicates a revised projection or a new reporting entity.



Cash and Other Monetary Assets

Other Military Health Care

The Department provides health care to Army, Navy, Air Force, and Marine Corps active duty and retirees, and their family members and survivors. As of June 30, 2006, the future cost of providing this health care – the actuarial liability – is $295 billion. Similar to Medicare-eligible beneficiaries, other military health care beneficiaries receive direct care through military treatment facilities or purchased care through civilian providers.

In FY 2006, the TRICARE Management Activity (TMA) made significant progress toward audit readiness of its purchase care operations by tackling the system issues and resolving claims backlogs. To sustain these improvements, TMA put in place metrics that will improve the accuracy of purchased care costs, payables, and the projection of the actuarial liability.

The Naval Audit Service is conducting the validation of TRICARE. The Naval Audit Service and TMA have defined the attestation engagement that will guide the validation effort and ensure that TMA is ready to assert audit readiness. The validation will provide assurance that purchased care costs, which form the basis for budgets and the annual actuarial liability valuation, are valid and reliable.

Value to Management

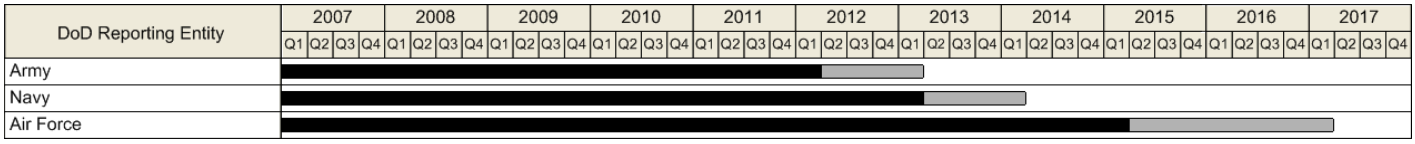
To improve the accuracy of financial reporting, a clear audit trail and standardized accounting practice are needed within TMA and Service Medical Activity (SMA). The TMA and SMA are developing corrective action plans that will provide greater transparency into financial processes, patients' medical histories, and financial reports data.

PURCHASED CARE ACCOMPLISHMENTS JANUARY TO SEPTEMBER 2006
✓ Completed Assertion Package for TRICARE Management Activity Consolidated on the Purchased Care Balance Sheet.
✓ Completed the Assertion Package validation planning through an Agreed Upon Procedures letter with Naval Audit Service.
✓ Continued TRICARE Management Activity financial statement preparation and review.

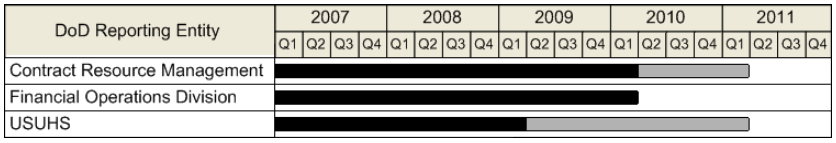
DIRECT CARE ACCOMPLISHMENTS JANUARY TO SEPTEMBER 2006
✓ Recorded and made readily available the acquisition cost, accumulated depreciation, and useful life of assets.
✓ Coordinated the BUMED Financial Improvement Plan with Navy and TRICARE Management Activity.
✓ Improved the accuracy of medical record coding by implementing new reporting and monitoring programs.
✓ Continued Service Medical Activity financial statement preparation and review.
✓ Completed initial action plan for Air Force Medical Service.

CHANGES JANUARY TO SEPTEMBER 2006
✦ Identified critical path milestones.

The following chart shows the Department's projection for achieving favorable audit results. A black bar indicates the December 2005 projection. A grey bar indicates a revised projection or a new reporting entity.



Service Medical Activity



TRICARE Management Activity

Other Liabilities

The Other Liabilities Balance Sheet line covers liabilities that are not recognized in specific categories. It includes liabilities for capital leases, insurance, advances and prepayments, deposit funds held in escrow, and accrued liabilities related to continuous expenses such as federal employee salaries and accrued employee annual leave. This line also covers estimated losses for claims or other contingencies.

In the third quarter FY 2006 financial statements, the Department reported a value of $42 billion for Other Liabilities. This value comprised approximately $12 billion of intragovernmental and $30 billion of public Other Liabilities.

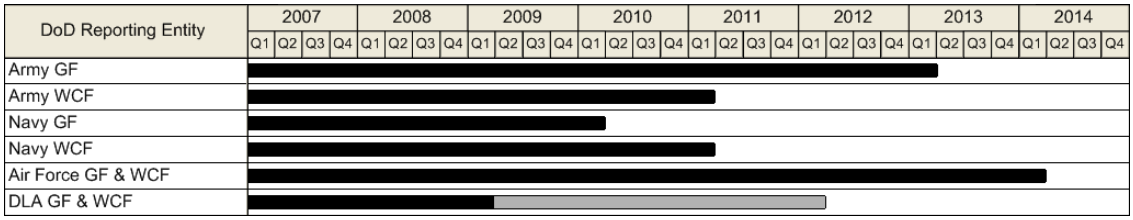
Value to Management

With documented controls and procedures, the amount reported for Other Liabilities will be more accurate and reliable. Improved accounting data for capital leases, insurance, advances, and prepayments enable management to better assess current costs and determine budget needs.

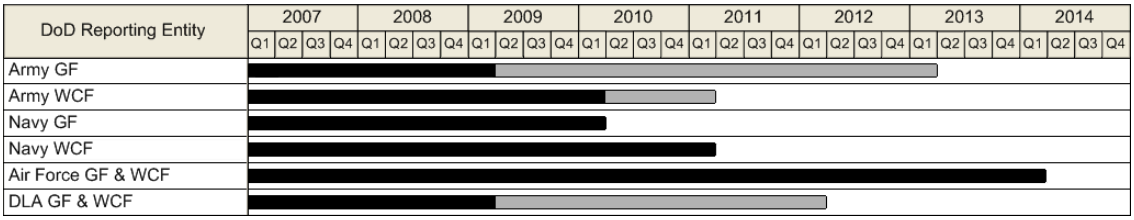
ACCOMPLISHMENTS JANUARY TO SEPTEMBER 2006
✓ Implemented system change requests and conducted financial management training and oversight for Marine Corps.
✓ Completed the Navy's discovery activities for processes, procedures, systems and controls, and completed the development and documentation of standard operating procedures to address deficiencies.
✓ Assessed and documented DLA tracking, recording, and reporting of business events affecting the Other Liabilities account balance.

CHANGES JANUARY TO SEPTEMBER 2006
✦ Identified critical path milestones.
✦ Consolidated the Intragovernmental and Public Other Liabilities KMPs.

The following chart shows the Department's projection for achieving favorable audit results. A black bar indicates the December 2005 projection. A grey bar indicates a revised projection or a new reporting entity.



Other Liabilities Intragovernmental



Other Liabilities Public

Appendices

PAGE LEFT INTENTIONALLY BLANK

A. ACRONYMS

ACWA	Assembled Chemical Weapons Assessment
ASD	Assistant Secretary of Defense
BEA	Business Enterprise Architecture
BEIS	Business Enterprise Information Services
BEP	Business Enterprise Priority
BRAC	Base Realignment and Closure
BTA	Business Transformation Agency
BUMED	Bureau of Medicine and Surgery
CAMD	Chemical Agents Munitions Destruction
CAMS-ME	Capital Asset Management System – Military Equipment
CBM	Core Business Mission
CEFMS	Corps of Engineers Financial Management System
CFO	Chief Financial Officer
CFO Act	Chief Financial Officers Act of 1990
CIP	Construction-in-Progress
DAE	Defense Acquisition Executive
DBSMC	Defense Business Systems Management Committee
DCAA	Defense Contract Audit Agency
DCAS	Defense Cash Accountability System
DCFO	Deputy Chief Financial Officer
DCMA	Defense Contract Management Agency
DEAMS	Defense Enterprise Accounting Management System
DepSecDef	Deputy Secretary of Defense
DERP	Defense Environmental Restoration Program
DFAS	Defense Finance and Accounting Service
DIA	Defense Intelligence Agency
DISA	Defense Information Systems Agency
DLA	Defense Logistics Agency
DoD	Department of Defense

DPAS	Defense Property Accounting System
DUSD(FM)	Deputy Under Secretary of Defense (Financial Management)
ECSS	Expeditionary Combat Support System
ERP	Enterprise Resource Planning
ETP	Enterprise Transition Plan
FBWT	Fund Balance with Treasury
FCS	Future Combat Systems
FECA	Federal Employees Compensation Act
FIAR	Financial Improvement and Audit Readiness
FIAR-PT	Financial Improvement and Audit Readiness Planning Tool
FIP	Financial Improvement Plan
FMFIA	Federal Managers' Financial Integrity Act
FMTT	Financial Management Transformation Team
FSM	Facilities Sustainment Model
FV BEP	Financial Visibility Business Enterprise Priority
FY	Fiscal Year
GAO	Government Accountability Office
GFEBS	General Fund Enterprise Business System
GF	General Fund
GL	General Ledger
GPP&E	General Property, Plant and Equipment
IG, DoD	Inspector General, Department of Defense
IT	Information Technology
IGT	Intragovernmental Transactions
IUID	Item Unique Identification
IUS	Internal Use Software
KMP	Key Milestone Plan
LMP	Logistics Modernization Program
MDA	Missile Defense Agency
MERHCF	Medicare-Eligible Retiree Health Care Fund
MEV	Military Equipment Valuation

MPIAP	Military Pay Improvement Action Plan
MTF	Medical Treatment Facilities
MV BEP	Materiel Visibility Business Enterprise Priority
ODO	Other Defense Organization
OIG	Office of the Inspector General
OM&S	Operating Material and Supplies
OMB	Office of Management and Budget
OSD	Office of the Secretary of Defense
OUSD	Office of the Under Secretary of Defense
OUSD(AT&L)	Office of the Under Secretary of Defense (Acquisition, Technology, and Logistics)
OUSD(C)	Office of the Under Secretary of Defense (Comptroller)
PAR	Performance and Accountability Report
PDTS	Pharmacy Data Transaction Service
PMA	President's Management Agenda
PP&E	Property, Plant, and Equipment
PSA	Principal Staff Assistant
RCRA	Resource Conservation and Recovery Act
RPIR	Real Property Inventory Requirements
SARA	Superfund Amendment and Reauthorization Act
SecDef	Secretary of Defense
SFIS	Standard Financial Information Structure
SMA	Service Medical Activities
SOCOM	Special Operations Command
STANFINS	Standard Finance System
TMA	TRICARE Management Activity
TMOP	TRICARE Mail Order Pharmacy
USA	United States Army
USAAA	United States Army Audit Agency
USACE	United States Army Corps of Engineers
USAF	United States Air Force

USD	Under Secretary of Defense
USD(AT&L)	Under Secretary of Defense (Acquisition, Technology, and Logistics)
USD(C)	Under Secretary of Defense (Comptroller)
USD(P&R)	Under Secretary of Defense (Personnel and Readiness)
USMC	United States Marine Corps
USN	United States Navy
WAWF	Wide Area Work Flow
WCF	Working Capital Fund
WHS	Washington Headquarters Services
WIA	Wounded in Action

B. SYSTEMS AND INITIATIVES IMPACTING FINANCIAL IMPROVEMENT

Acronym	System/Initiative Name	System (S)/ Initiative (I)	System/Initiative Description	System/Initiative Financial Improvement Impact
Enterprise				
ASAS	Acquisition Spend Analysis Service	S	ASAS will support Department-wide Strategic Sourcing by providing an Enterprise-wide spend analysis capability that can access data across disparate databases; aggregate that data to a common, Enterprise view; and make spend data visible and available for analysis across the Department.	▪ Provides DoD insight to buying patterns to support the most efficient sourcing strategies for the warfighter. ▪ Enables improvements to data quality, accuracy, and completeness.
BEIS	Business Enterprise Information Services	S	BEIS will build upon existing infrastructure to provide timely, accurate, and reliable business information from across the Department to support auditable financial statements as well as provide detailed information visibility for management in support of the warfighter. BEIS is a corporate-based information environment which will collect financial transactions from across DoD; provide the authoritative source for Standard Financial Information Structure (SFIS) values; ensure data is compliant with SFIS standards; post to a corporate general ledger; provide security-defined, enterprise-level access to information for ad-hoc management queries; and produce external financial management reports/statements based on standardized data.	▪ Single corporate general ledger enables all accounting entries to be reconciled to source business and financial systems in compliance with USSGL ▪ Single corporate financial reporting capability provides SFIS compliant reports which are linked to the corporate general ledger for complete auditability.
DBSE	Defense Business Sourcing Environment	I	The DBSE is the Department's solution that will integrate business processes for sourcing by leveraging existing and newly identified capabilities into a single cohesive environment. The DBSE scope includes contract writing, purchase card management, receipt and acceptance processing, payment management and contract closeout. DBSE will provide a standard, automated sourcing capability with an integrated, digital environment that encompasses all capabilities for DoD sourcing and eliminates the proliferation of unique systems.	▪ Provides financial traceability, improves the accuracy of contract data, streamlines the ordering process, ensures vendors and contractors are paid more quickly, captures the IUID for valuation of assets, and improves DoD spend analysis.

Acronym	System/Initiative Name	System (S)/ Initiative (I)	System/Initiative Description	System/Initiative Financial Improvement Impact
DCAS	Defense Cash Accountability System	S	DCAS will consolidate disbursements and collections information from a number of disparate systems from across the Department into a single, enterprise-wide system that provides standardized Treasury reporting and enhanced data integrity. NOTE: The DCAS project plan has been incorporated into the BEIS project plan and is no longer being tracked as an independent system.	▪ Standardizes the Treasury reporting process. ▪ Enables automated Treasury trial balance comparison. ▪ Yields enhanced timeliness and integrity of data. ▪ Eliminates numerous cash accountability and Treasury reporting systems from throughout DoD. ▪ Provides the detail-level data to support a clean audit opinion.
DCPDS	Defense Civilian Personnel Data System	S	The DCPDS is a Human Resources (HR) system that standardizes civilian HR processes and promotes efficiency of HR service delivery. It is fully deployed across the Department as the enterprise civilian HR system. DCPDS is the largest automated HR system in the world, containing over 800,000 civilian employee records, replacing ten legacy civilian HR systems. It supports personnel through 22 DoD Regional Service Centers and over 300 Customer Support Units worldwide. System upgrades and enhancements to DCPDS continue today as an organized, coordinated activity.	▪ DCPDS maintains database integrity. Each Regional Service Center database is considered the database of record and all subsequent actions rely on this accurate data. Proactive and defined processes verify DCPDS database integrity. This ensures that interfaces between DCPDS and payroll and other systems are maintained.
DoD EMALL	DoD Electronic Mall	S	DoD EMALL provides the entry point for DoD, Federal, Industry (as agents for government) and Allied Nation purchasers to research and acquire off-the-shelf, finished goods and services from the commercial marketplace and government sources. DoD EMALL provides an advanced, Web-based government e-procurement application while enabling a Common Supplier Engagement model.	▪ Provides ability to leverages purchasing power across agencies and accrue volume discounts from suppliers. ▪ Standardizes the self-serve process thru an enterprise catalog ordering system. ▪ Streamlines and expedites the ordering process, reducing costs and providing financial visibility.
DTS	Defense Travel System	S	The DTS transforms the current paper-based, labor-intensive travel process into a fully automated and Web-based system that will support official travel. When fully implemented, DTS will be the designated single standard system for temporary duty travel requirements for all DoD personnel.	▪ Accurate and timely postings to DoD General Ledgers for travel costs. ▪ The electronic archival and internal DTS audits allow significantly better Post Payment Review Audits.

Acronym	System/Initiative Name	System (S)/ Initiative (I)	System/Initiative Description	System/Initiative Financial Improvement Impact
EFD	Enterprise Funds Distribution	I	EFD enables full visibility of appropriated funds as they pass through and across different levels of the enterprise, streamlines funds distribution processes for all DoD appropriations. It will standardize funds distribution data across the enterprise and provide an automated audit trail between the President's budget submission and appropriations enactments. EFD will automate processing of funds authorization documents (FADs), tracking of reprogrammed funds, and tracking of distributed funds. It will serve as an authoritative funds distribution data source and will provide ubiquitous access to funds distribution functionality and data.	▪ Full visibility of appropriated funds as they pass through and across different levels of the enterprise down to echelon level II (MAJCOM).
ELRV&RR	Environmental Liabilities Recognition, Valuation and Reporting Requirements	I	The ELRV&RR addresses the Department's inability to provide auditable environmental liabilities information. Resolving a material weakness, the requirements provide consistent accounting standards and processes for the Department's environmental liabilities, ultimately enabling accurate accounting of and visibility to these liabilities. In addition, the initiative has established a linkage between environmental areas of interest and real property asset records.	▪ The ability to audit environmental liabilities reported on the financial statement increases the credibility of resource estimates and improves confidence in the Department's ability to forecast future environmental costs. ▪ It also eliminates a material weakness.
IGT	Intragovernmental Transactions	I	The IGT initiative addresses the Department's material weakness relating to financial eliminations by way of standardized, consolidated, and integrated processes and system components. It also provides enhanced visibility into the buying and selling elements of intragovernmental transactions within DoD and across the Federal Government.	▪ Captures standard order and bill data and related transactions leading to supportable eliminations and reconciliations over the long-term. ▪ Resolves the financial eliminations material weakness.
IUID	Item Unique Identification Registry	I	IUID is the strategic solution for uniquely identifying tangible personal property items that enables accurate and timely valuation and tracking of the Department's equipment, materiel and supplies through their life cycle. Accessible IUID information is used to ensure the acquisition, repair, and deployment of items in an efficient and effective manner.	▪ Improves the Department's ability to maintain asset accountability, location, and status. ▪ Enhances logistics, contracting and financial business transactions and consistently captures the value of purchased items. This assists in the control of assets over their lifecycle and in property accountability, inventory, and financial management.

Acronym	System/Initiative Name	System (S)/ Initiative (I)	System/Initiative Description	System/Initiative Financial Improvement Impact
KBCRS	Knowledge Based Corporate Reporting System	S	KBCRS is a Web-based application that provides environmental program data to OSD for the entire Department. It provides detailed appendices to the Department of Defense Environmental Programs Annual Report to Congress and essential data for OSD program oversight. KBCRS receives data extracted from DoD Component organizations, performs validity checks on the information, and loads the data into a consolidated OSD database with modules for various program areas.	▪ Provides data consolidation, analysis, and reporting for financial liabilities. ▪ Provides the capability to generate new, combined information, and integrated data from the various programs, allowing improved management and improved visibility of activities across the range of environmental and installation programs. This benefit will result in better strategic environmental decisions. ▪ Provides historical data, allowing a view of progress from year to year. ▪ Improves the accuracy of information by providing a single standard for all data from all sources.
MILS/EDI/XML	Transition from MILS to EDI or XML	I	Converts military standard (MILS) to commercial standard sets of transactions. Facilitates the Department's directed migration of automated information systems interfaces from Military Standards (MILS) 80 record position transactions to ANSI X12 Electronic Data Interchange (EDI) or Extensible Markup Language (XML) migration is in compliance with DUSD (AT&L) December 2003 memorandum "Migration to the Defense Logistics Management Standards (DLMS) and Elimination of the Military Standard Systems (MILS)."	▪ Applies modern transactions to the Department's logistics systems that improve accountability and visibility of transactions within the supply chain. ▪ Allow transmission of information among systems and organizations at a rate and with a level of detail currently not possible with the 80-character limited MILS interface formats. ▪ Improve Total Asset Visibility. ▪ Enable near-term implementation of IUID and RFID by existing legacy systems. Enables Standard Financial Information Structure (SFIS) "Family" of IUID's.
RFID	Radio Frequency Identification	I	RFID is a family of technologies, within the suite of Automatic Identification Technology applications. RFID will play a vital role in achieving the DoD vision for knowledge-enabled logistic support to the warfighter through fully automated visibility and management of assets. RFID enables hands-off processing of materiel transactions and allows the Department to reapportion critical manpower resources to warfighting functions and to streamline business processes.	▪ Improves visibility of information and assets throughout the Department's supply chain. ▪ Improves the Department's ability to track items through the supply chain at all nodes by enabling the ability to track shipments and verify delivery. ▪ Ensures effective measures are in place to accurately collect data at the source that flows through all processes and is free from error.

Acronym	System/Initiative Name	System (S)/ Initiative (I)	System/Initiative Description	System/Initiative Financial Improvement Impact
RPAD	Real Property Asset Database	S	The Real Property Assets Database (RPAD) is the central repository of DoD real property inventory (RPI) data for the Office of the Secretary of Defense. RPAD is a Net-centric data warehouse with a multi-tiered Service Oriented Architecture (SOA). This system is being developed in response to an I&E Business Enterprise Integration study recommending DoD real property inventory (RPI) data be near real-time data, Web accessible to known and unanticipated users, trustable (auditable), and support projected real property inventory requirements. RPAD uses the Military Departments' and WHS authoritative RPI databases as its data sources and is used to populate a variety of real property resourcing predictive models. It is also used to answer DoD senior leadership and Congressional RPI inquiries and is the data source for OSD RPI studies.	▪ This database will enable DoD RPI data to be visible, accessible, understandable, and trustable when and where needed to accelerate decision-making and support OSD studies/modeling efforts. ▪ RPAD will provide enterprise visibility to RPIR-compliant data, which includes financial information on DoD's real property assets.
RPAR	Real Property Acceptance Requirements	I	Consistent with the Real Property Inventory Requirements processes and data standards, the system objective is to enable visibility of financial, physical (including environmental), and legal information on the Department's real property inventory. This will be achieved through development of site and asset unique identification (UID) registries. These net-centric, service-oriented, and secure information technology systems will be capable of assigning and managing UIDs to for all real property in which DoD has a legal interest. Furthermore, as the RPUIR will provide secure interfaces with Component systems, core real property information will be maintained at the authoritative source. The registry will maintain the non-intelligent unique identification database, to include identifier, location, and change histories.	▪ Standard enterprise processes and data for newly acquired real property used by the Department's construction agents and real estate specialists, resulting in current and complete data in real property inventory systems. ▪ Accurate DoD real property inventory information forms the basis of the sustainment and modernization budget models needed for effective stewardship of real property assets. ▪ Consistent and auditable financial statements.
RPCIPR	Real Property Construction In Progress (CIP) Requirements	I	The RPCIPR initiative will provide consistent Enterprise-wide processes and data for CIP from construction agents to Components; will provide accurate and timely CIP information, notably project status and financial data; and comply with NDAA FY06 requirement for real-time visibility of certain CIP information.	▪ Enables total visibility and accountability of DoD real property assets under construction. ▪ Improves accuracy and auditability of financial statements by fostering reliable and consistent valuation of CIP. ▪ Provides accurate, timely, and reliable real property information for financial management and decision-making.

Acronym	System/Initiative Name	System (S)/ Initiative (I)	System/Initiative Description	System/Initiative Financial Improvement Impact
RPIR	Real Property Inventory Requirements	I	The RPIR initiative is designed to address incompatibility and inaccessibility of DoD real property inventory information across the Department. As a result of the requirements produced and the active Component implementation of these requirements, asset accountability and visibility of asset type, size, availability, etc. will significantly improve real property decision-making for the warfighter and business mission area, based on timely, accurate, and consistent information standards.	▪ Provides accurate, timely, and reliable real property information for management decision-making. ▪ Enables total visibility and accountability of DoD real property assets through the use of consistent business process and information standards. ▪ Facilitates linking core real property information to other critical warfighter and business mission data, including personnel, personal property and environmental information. ▪ Improves accuracy and auditability of financial statements.
RPUIR	Real Property Unique Identifier Registry	S	The RPUIR will provide for unique identification of all DoD real property sites and assets. Consistent with the DoD-wide mandate for unique identification of its assets, the anticipated benefits include reduced asset information management cost, increased productivity and asset visibility, and the ability to link real property information to personnel and personal property.	▪ RPUIR enables financial management systems to link real property assets with their financial information. It thereby reduces manual financial reconciliations. ▪ Provides secure interoperability between Component real property and other related information systems via the unique identifier. ▪ Links real property information to personnel and personal property.
SFIS	Standard Financial Information Structure	I	SFIS is the Department's common business language supporting information/data requirements for budgeting, financial accounting, cost/performance management, and external reporting across the DoD enterprise. SFIS provides an enterprise-wide standard for categorizing financial information along several dimensions to support financial management and reporting functions. These dimensions include: Appropriation Account, Budget Program, Organizational, Transactional, Trading Partner, and Cost.	▪ Standardizes financial reporting data to improve reporting accuracy across DoD. ▪ Enables decision-makers to efficiently compare similar programs and activities by providing standard and comparable financial data across DoD. ▪ Links program execution to performance, budgetary resources, and actual financial information.

Acronym	System/Initiative Name	System (S)/ Initiative (I)	System/Initiative Description	System/Initiative Financial Improvement Impact
SPS	Standard Procurement System	S	SPS provides enterprise-wide contract writing and management capabilities and is a key enabler providing visibility into materiel and services sourcing actions. It allows for a standard method for producing agreements with suppliers.	▪ SPS standardizes the procurement process through the use of an enterprise procurement system, which will improve accuracy of contract data and provide financial traceability.
SRDS	Strategic Resource Decision System Initiative	I	The SRDS Initiative will deliver a single solution to DoD that will ensure accuracy and traceability of data submitted to OMB for the President's Budget and used in compilation of the FYDP. SRDS will also provide timely, flexible, and detailed reports, and improve the overall Budget and FYDP compilation process.	▪ Improved Budget and FYDP compilation process. ▪ Timely, flexible and detailed management reporting related to program and budget.
WAWF	Wide Area Work Flow	S	WAWF provides the Department and its suppliers a single point of entry to generate, capture, and process invoice, acceptance, and payments related documentation and data supporting DoD asset visibility, tracking, and payment processes. It connects information related to acceptance of goods and services in support of the Department's supply chain.	▪ WAWF contains receipt and acceptance functionality. Electronic receipt and acceptance improves the accuracy of the data required for the government to confirm receipt and acceptance of goods and services, ensuring vendors and contractors are paid more quickly. ▪ The system provides financial traceability and captures IUID for valuation of assets.
MEV	Military Equipment Valuation	I	Provides the Department the capability to value and account for military equipment. MEV will give DoD decision makers reliable, accurate, and transparent information with which to determine the total acquisition cost of assets. This information will inform comparisons of assets over time and between programs, improving investment planning.	▪ Helps the Department achieve compliance with generally accepted accounting practices which improves financial accountability.

Acronym	System/Initiative Name	System (S)/ Initiative (I)	System/Initiative Description	System/Initiative Financial Improvement Impact
CAMS-ME	Capital Asset Management System-Military Equipment	S	CAMS-ME is the Department's systems solution for implementing the Military Equipment Valuation (MEV) initiative. It will provide the functionality to account for and report capitalization and depreciation of military equipment.	▪ Increment 1 will provide a system to maintain the initial baseline data. ▪ Increment 2 will calculate military equipment values in an automated way based on transactional data from DoD receipt, acceptance, and payment systems. ▪ Increment 3 would provide more granular data and better interfaces to accountability systems and may be deployed if available before the Service's ERP systems are deployed.
Army				
FBS	Future Business System	S	The FBS program will provide a net-centric, enterprise suite of business capabilities that enable effective and efficient acquisition business processes and information transactions by providing seamless access to required information resources (e.g., templates, data sets, requirements, guidance, schedules, forms, etc.).	▪ When fielded, FBS interfaces with GFEBS will enable standard data and standard processes that will promote financial transparency.
GCSS-Army	Global Combat Support System- Army	S	GCSS-A will support the transformation of the Army into a network-centric knowledge based future force. GCSS-A is comprised of a Field Tactical (F/T) and Product Lifecycle Management (PLM+) component. It will implement the field ERP component of a Single Army Logistics Enterprise (SALE) to execute end-to-end logistics and integrate/interface with applicable C2 and Joint systems. F/T will provide the Army's Combat Support/Combat Service Support (CS/CSS) warfighter with a seamless flow of timely, accurate, accessible and secure information management that gives combat forces a decisive edge. It will implement best business practices to streamline supply, accountability, maintenance, distribution and reporting procedures in support of the future force transition path of the Army Campaign Plan. PLM+ will be the hub providing enterprise level data management and external system interfacing.	▪ Provides a financial transaction for each logistics transaction, improving auditability. ▪ In combination with GFEBS, GCSS-A will provide accurate and timely financial information.

Acronym	System/Initiative Name	System (S)/ Initiative (I)	System/Initiative Description	System/Initiative Financial Improvement Impact
GFEBS	General Fund Enterprise Business System	S	The GFEBS will be CFO-compliant general fund finance and accounting capability that will support the Department with accurate, reliable, and timely financial information, in peacetime and in war. GFEBS will serve as the Army's financial backbone, capturing general ledger data into a single system and will be the system of record for the entire Army	▪ Serves as a common general fund budget execution and accounting system to be used across the Army. ▪ Improved visibility into budget execution and financial data will enhance decision-making.
LMP	Logistics Modernization Program	S	The LMP will modernize Army logistics business practices and support information technology to meet current and future military readiness requirements. The LMP is the Army's core initiative to completely replace its two largest legacy logistics systems: the inventory management Commodity Command Standard System and the depot and arsenal operations Standard Depot System. LMP leverages an international industry standard application, SAP, which provides integrated logistics management capability to manage supply, demand, asset availability, distribution, and maintain data, financial control and reporting.	▪ Will be an FFMIA compliant system by December 30, 2006. ▪ Improves visibility, auditability, and reporting of financial data.
PPBE BI/DW	PPBE Business Intelligence Data Warehouse	S	The PPBE Data Warehouse will combine financial and non-financial management and operational data giving over 10,000 users decisions-making power from aggregated dollar, manpower, and equipment data. The Data Warehouse will store historical, accurate, correlated, and hierarchical data. Current warehouse design standards will be used to ensure system longevity as well as scalability.	▪ Will link currently disparate data into a single data warehouse. ▪ Will improve visibility of budget and program information through business intelligence leading to better decision-making.
PPBE BOS	PPBE Business Operating System	S	When completed the PPBE BOS will integrate customer business processes, automate legacy paper processes, eliminate duplicate data feeds, integrate information processes, share edits and data among processes, integrate best business practices from stovepipe business systems, reduce administration and coordination burdens, and manage change and configuration for the Army PPBES. The transformation to the Army PPBE Business Operating System is a multi-year project to standardize business models, processes, and systems within the Army PPBE processes. This system will interface with the SRDS and use SFIS compliant data structure.	▪ Will improve visibility of budget and program information through business intelligence leading to better decision-making.

Acronym	System/Initiative Name	System (S)/ Initiative (I)	System/Initiative Description	System/Initiative Financial Improvement Impact
Navy				
GCSS-MC	Global Combat Support System- Marine Corps	S	GCSS-MC is a logistics enterprise IT architecture designed to support enhanced MAGTF Combat Service Support functions and JTF/MAGTF Commander combat support information requirements. LCM Block 1 provides core capabilities for: Order Management, Request Management and Inventory and Maintenance Management.	▪ Improves asset visibility, calculation of supply and inventory value, certain expenses, revenues, liabilities, and depreciation will be provided to SABRS automatically, greatly aiding he Marine Corps' effort to achieve an unqualified audit opinion.
Navy ERP	Navy Enterprise Resource Planning	S	The Navy ERP program will provide a standard set of tools to Navy organizations to assist business process reengineering and provide interoperable data for acquisition, financial, and logistics operations. Navy ERP will be a major component of the Navy's Global Combat Support System Family of Systems and provide a critical link between operating forces and the Navy's support echelons. The ERP program will transform business activities into an integrated network of decision-making processes and activities. Through application of industry best practices and processes predefined in the ERP software, Navy organizations will be able to leverage proven practices and procedures.	▪ Reduce the overall Navy costs by applying proven industry best practices and processes and replacing legacy IT systems. ▪ Facilitate an end-to-end solution for receiving requests for resources and processing them to fulfillment. ▪ Replace stove-piped systems used for financial management, personnel management, inventory management, and industrial operations with an integrated system. ▪ Enable rapid response to operating force logistics needs through integrated visibility and status data. ▪ ERP will become the financial "book of record," increasing accuracy of financial management information.

Acronym	System/Initiative Name	System (S)/ Initiative (I)	System/Initiative Description	System/Initiative Financial Improvement Impact
Air Force				
DEAMS-AF	Defense Enterprise Accounting and Management System- Air Force	S	Using enterprise architecture, DEAMS is designed to replace the Airlift Services Industrial Fund Integrated Computer System (ASIFICS), the Automated Business Services System (ABSS), General Accounting Finance System (GAFS), the GAFS Rehost (GAFS-R), and Integrated Accounts Payable System (IAPS). The system will use a Joint Financial Management Improvement Program (JFMIP) approved Commercial Off-the-Shelf (COTS) package as the core and will be compliant with the Office of Management and Budget (OMB), Chief Financial Officers Act of 1990 (CFO Act), Financial Management Improvement Plan (FMIP), Business Enterprise Architecture (BEA) and BTA requirements. There will be two (2) increments for the new project. Increment 1, Version 1.1 will convert the USTRANSCOM, its Air Mobility Command (AMC) component, and Scott Air Force Base (AFB) tenants over to DEAMS as a technology demonstration. Increment 1, Version 1.2 will convert all of the USTRANSCOM (remainder of AMC, all SDDC and MSC) over to DEAMS. Increment 2 will implement DEAMS throughout the Air Force. DEAMS will be available to all interested Defense Agencies. The integrated data provided by DEAMS will be available to USTRANSCOM's customers, the Secretary of Defense, Joint Chiefs of Staff (JCS), and Combatant Commanders.	▪ Will serve as the Air Force integrated general ledger, accounts payable, accounts receivable, and decision support function using industry best practices.
ECSS-IL	Expeditionary Combat Support System	S	ECSS improves warfighter capability by transforming AF Logistics Business processes through improvement in the synchronization of operations/logistics planning and execution, improving command and control, providing near real-time worldwide visibility of assets, and embracing updated best business practices.	▪ Will enable worldwide total asset visibility and provide material management. ▪ Synchronizes operational and logistics planning and execution enabling dynamic supply chain re-planning. ▪ Provides advance planning and scheduling of resources, optimizing capacity and logistics capability. ▪ Supports delivery and distribution, and provides customer relationship management and perfect order fulfillment. ▪ Provides accurate and timely decision support enabling planning and supply chain direction and execution.
FIRST	Financial Information Resource System	S	Foundational system for AF Planning, Programming, Budget and Execution (PPBE) process.	▪ Foundational system for AF Planning, Programming, Budget and Execution (PPBE) process.

Acronym	System/Initiative Name	System (S)/ Initiative (I)	System/Initiative Description	System/Initiative Financial Improvement Impact
NAF-T	NAF Financial Transformation	S	NAF-T is a four-phased, multi-year initiative to improve financial management capabilities and leverage technology to eliminate non-value added business processes. Phase 1 of the NAF-T initiative consists of re-engineering business processes, replacing legacy accounting and payroll systems with a COTS solution and the establishment of a shared service center to provide global accounting and payroll services. AF Services NAF-T effort will significantly reduce the cost of transaction processing, returning APF resources (manpower) toward the recapitalization of other AF missions and NAF resources to the installations for quality of life programs. NAF-T will drive standardization of each business process and source documents, resulting in an authoritative financial data source, eliminate existing weaknesses and deficiencies identified in previous NAF audit reports and expand levels of access to an authoritative data source for timely analysis and business decision making when needed.	▪ Will provide funds management for Family Services. ▪ Enable real-time command and control, decision support, and predictive analysis for improved Commander decision-making.
DLA				
BSM	Business Systems Modernization	S	BSM successfully integrates business processes with a new enterprise business system based on COTS Software and best business practices, providing an Information Technology foundation, which allows for both continuous process and technology insertion. This enables DLA to fully implement electronic business, Web-based technologies, and an interoperable data environment to be compliant with the joint Technical Architecture and data exchange standards (e.g., ANSI ASC X12) necessary for DLA to interoperate with its customers and suppliers. DoD and DLA are striving to align business practices with best commercial practices by re-engineering logistics processes at all echelons. BSM supports Joint Vision 2020, the DoD Force-centric Logistics Enterprise, and the DLA Strategic Plan.	▪ Will increase in financial accountability and achieve compliance with the CFO Act standards.

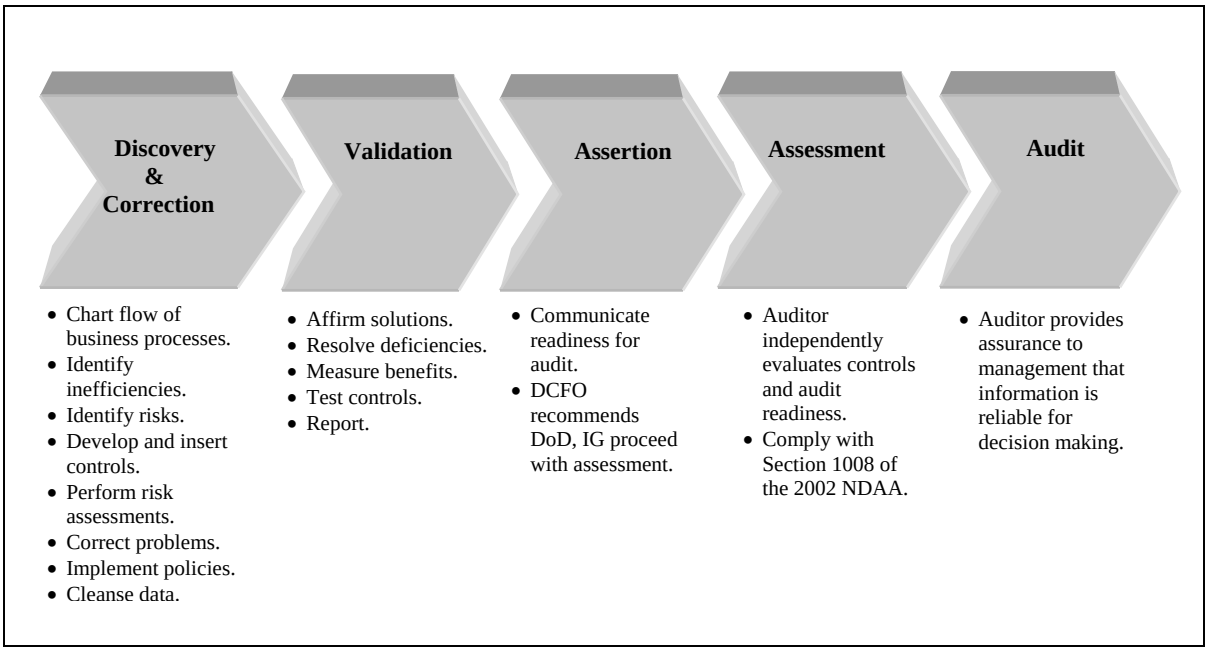
Acronym	System/Initiative Name	System (S)/ Initiative (I)	System/Initiative Description	System/Initiative Financial Improvement Impact
BSM-Energy	Business Systems Modernization – Energy	S	The BSM - Energy initiative, formerly known as the DLA Fuels Automated System (FAS), was directed by Program Decision Memorandum to integrate the unique fuels functionality with the overarching DLA logistics system, Business Systems Modernization (BSM). BSM - Energy satisfies the Integrated Material Management requirements for a system that supports a vertically integrated end-to-end fuel supply chain management system. A Web-based, net-centric enterprise resource management system is necessary to manage energy from its source to consuming equipment, while incorporating electronic commerce requirements and other technical capabilities. BSM - Energy provides the basic application platform for data collection, inventory control, finance and accounting, procurement and distribution.	▪ Increase in financial accountability through the implementation of a COTS financial module.

1. Descriptions of transformation initiatives and systems and financial improvement impact was compiled from program descriptions and benefits in the Business Transformation Progress Tracker and the September 2006 Enterprise Transition Plan.

PAGE LEFT INTENTIONALLY BLANK

C. BUSINESS RULES FOR FINANCIAL IMPROVEMENT

Audits are one way the Department shows successful financial management improvement to leadership, the financial community, and the public. Prior to the FIAR Plan, the Department used "business rules" to organize the process for examining its operations, diagnosing problems, planning corrective actions, and preparing for audit. The "business rules" represent sequential phases for reaching an audit. Though the FIAR Plan addresses comprehensive financial improvement, it also uses the "business rules" framework to establish and track sequential audit-related milestones. A chart delineating the five steps and descriptions follow:



Discovery and Correction. Management reviews its policies, processes, controls, and systems to identify deficiencies that impede accuracy, reliability, or timeliness. Management then identifies and implements the appropriate corrective actions.

Validation. Management validates that the corrective actions successfully resolved the impediment. This validation is done for the benefit of management, to give management confidence that the applied solutions and controls actually work as intended. The scope of the validation is at the discretion of management.

Assertion. Management asserts to the Inspector General of the Department of Defense (IG, DoD) the reliability of the financial information. Currently, the Department has established a detailed assertion process to help management assert with confidence that due diligence was taken to resolve all known problems and prepare for audit. Assertion packages are submitted by the Components to the IG, DoD and FIAR Directorate. Packages are reviewed to make sure the Component is presenting an assertion that will likely pass the scrutiny of an independent audit. Once approved, the Component makes funding available to the IG, DoD who then can move forward with the assessment.

Assessment. The IG, DoD does a limited review of controls and procedures to determine if the financial information is a credible candidate for a full financial audit. This work may be done in-house by the IG, DoD or contracted to an Independent Public Accountant.

Audit. The IG, DoD audits financial information that has been asserted as being ready for audit and that has passed the IG, DoD assessment. This work may be done in-house by the IG, DoD or contracted to an Independent Public Accountant.

The business rules provide a framework and a logical sequence for planning and executing a comprehensive financial management plan. Activities may progress through the phases independent of other activities. Further, results from one phase may identify additional problems that need correcting.

The FIAR Plan phases purposefully align with the Office of Management and Budget (OMB) Circular A-123, "Management's Responsibility for Internal Control," Appendix A, "Internal Control Over Financial Reporting" requirements. Appendix A requires management to review its procedures, flowchart its processes, assess material risks, and identify material internal controls. These business rules also helped the Department comply with the National Defense Authorization Act for FY 2002 (PL 107-107), which directed the Department to minimize money spent on audits by waiting until improvements were in place.

D. MATERIAL WEAKNESSES

From audits performed by the DoD Inspector General, 11 material weaknesses have been identified. Material weakness is a technical term referring to an identified problem that may impact the accuracy and reliability of financial information. The Department is committed to implementing solutions that best resolve these weaknesses.

Resolving many of the material weaknesses requires the realization of initiatives and system solutions under the Enterprise Transition Plan (ETP). Other material weaknesses can be resolved through corrective actions outlined in the FIAR Plan.

The 11 material weaknesses and the Department's approach to resolving each are presented below.

1. Financial Management Systems.

"The Department's systemic deficiencies in financial management systems and business processes result in the inability to collect and report financial and performance information that is accurate, reliable, and timely." (*Reference: FY 2005 DoD Performance and Accountability Report (PAR), Part 1)*

The Department cannot collect and report accurate, reliable, and timely financial and performance information because of most of the Department's accounting and business processes and systems were not designed to meet today's financial reporting requirements.

The financial management initiatives and systems in the ETP are the solutions for this material weakness. Where financial improvement is dependent on such solutions, critical key milestones are also contained in the FIAR Plan. Below are example initiatives and system solutions being developed and implemented by the Department. Detailed information on these initiatives and solutions can be found in the ETP.

- Army General Fund Enterprise Business System (GFEBS) and Logistics Modernization Program (LMP)
- Navy Converged Enterprise Resource Planning System
- Air Force Defense Enterprise Accounting Management System (DEAMS) and Expeditionary Combat Support System (ECSS)
- Defense Logistics Agency Business System Modernization (BSM)
- Standard Financial Information Structure (SFIS) and Business Enterprise Information Services (BEIS)

2. Intragovernmental Eliminations.

"The inability to reconcile most intragovernmental transactions results in adjustments that cannot be fully supported." (*Reference: FY 2005 PAR, Part 1)*

The Department cannot reconcile transactions involving the exchange of goods and services within DoD and with other federal agencies. These transactions are referred to as inter- or intra-governmental transactions. For DoD and the Federal Consolidated Financial Statements, the transactions for the buying and selling of goods and services must be identified for off-setting entries. Because DoD's processes and systems do not have information needed to identify trading partners, unsupported estimates and adjustments are made during financial statement preparation.

Two solutions being developed by the BTA and DoD Components will resolve this material weakness. First, at the Component-level, core financial systems identified in the Financial Management Systems material weakness are being deployed. These systems collect information on sales and purchases. Second, the BTA is leading an initiative, the Intragovernmental Value-Add Network (IVAN), to develop a process for exchanging information on sales and purchases between DoD organizations.

3. Accounting Entries.

"The DoD continues to enter material amounts of unsupported accounting entries." (*Reference: FY 2005, PAR, Part 1)*

Unsupported accounting entries are adjustments made to out-of-balance general ledgers using the best information available. The adjustments do not have supporting documentation and cannot be verified in an audit.

In many instances, current accounting systems do not have the capability to collect information necessary for preparing complete financial reports and statements. Differences between similar types of information cannot always be identified. Out-of-balance general ledgers result from inadequate or incorrect information in processes and systems. To fill these gaps, adjustments to the records are made using the best available information.

The Department continues to emphasize the importance of fully documenting adjustments, and progress has been made. The Department reduced its unsupported accounting adjustments from $2.3 trillion in 1999 to $333 billion in third quarter FY 2006. Notwithstanding this progress, resolving this weakness relies on the new core accounting systems in the Financial Management Systems material weakness.

4. Fund Balance with Treasury

"The Department has been unable to fully reconcile its records to those of the U.S. Treasury." (*Reference: FY 2005, PAR, Part 1)*

The Department cannot reconcile its accounting of disbursements and collections and keep an accurate balance of funds with the U.S. Treasury.

Over the last 3 years, significant progress has been made as a result of work by the Army and the Air Force to reengineer their processes and resolve many of the discrepancies between their Department's records and those of the U.S. Treasury. The Air Force fund balance has been approved for audit, and the IG, DoD is in the process of obtaining an independent accounting firm to conduct the audit. The Army is also ready for audit.

The Fund Balance with Treasury Initiative contained in the FIAR Plan and the associated Key Milestone Plan in the Appendix provide solutions for this weakness.

5. Environmental Liabilities

"Guidance and audit trails are insufficient. The inventory of ranges and operational activities (landfills, open burning pits, etc.) is incomplete." (*Reference: FY 2005, PAR, Part 1)*

The Department lacks the necessary infrastructure to identify, estimate, and report environmental liabilities.

The Environmental Liabilities corrective actions and activities in the FIAR Plan and other initiatives will resolve this weakness. Policies, processes, and controls are being modified so the Department can have a complete inventory of sites and equipment, prepare estimates that can be verified by auditors, and reconcile environmental sites with asset records. This material weakness is expected to be predominantly resolved in FY 2010. Environmental Liabilities associated with Army's Assembled Chemical Weapons Assessment program will be resolved in FY 2011.

6. General Property, Plant, and Equipment (GPP&E)

"The cost and depreciation of the DoD General PP&E is not reliably reported due to: 1) accounting requirements that went into effect in FY 2003 that classify military equipment as General PP&E (such costs were previously expensed); 2) a lack of supporting documentation for General PP&E purchased many years ago; and 3) most legacy property and logistics systems not being integrated with acquisition and financial systems and not designed to capture the acquisition cost, cost of modifications and upgrades, or calculate depreciation." (*Reference: FY 2005 PAR, Part 1)*

The root cause of this weakness is the lack of a standardized, Department-wide costing methodology with supporting systems, and processes and a complete inventory of all existing PP&E.

To resolve this weakness, GPP&E is broken down into property categories (Military Equipment, Real Property, Internal Use Software, and Other Property and Equipment). Each category is being addressed by individually-focused initiatives. The approach for each initiative is to identify and record existing inventories, modify processes and procedures to accurately capture acquisition and disposal information, implement costing methodologies, and deploy modernized or new property accountability systems. Most of the Department requires new systems. The corrective actions in the FIAR Plan are coordinated with the ETP deployment schedules for new systems.

This material weakness is expected to be resolved in FY 2011. Key Milestone Plans for Military Equipment, Real Property, and Other General Property and Equipment are included in the Appendices.

7. Government Property and Material in the Possession of Contractors

"The cost of DoD property and material in the possession of contractors is not reliably reported due to a lack of an integrated reporting methodology." (*Reference: FY 2005 PAR, Part 1)*

Closely related to the GPP&E weakness, the Department does not have an accurate inventory and related cost for property and material in the possession of contractors. As a result, the values are not reported on the financial statements.

The solution for this weakness is closely linked with the GPP&E weakness. Most of the government property and material in the possession of contractors is used in the production of weapons systems. This material weakness will be resolved when a fully compliant military equipment process is in place. Other types of governmental property in the possession of contractors are being identified as part of the discovery phase. At this time, key milestones have not been developed. Since this weakness is closely related to the resolution of GPP&E, it is also expected to be resolved in FY 2011.

8. Inventory

"The existing inventory valuation of most activities is not reported in accordance with Generally Accepted Accounting Principles." (*Reference: FY 2005 PAR, Part 1)*

The Department has long-standing deficiencies in accounting for inventories. Costing methodologies, inventory counts, and appropriate levels of inventories needed to support missions are not reported accurately on financial statements in accordance with Generally Accepted Accounting Principles (GAAP).

The Enterprise Transition Plan provides solutions to this weakness. The Military Services' logistics communities and the DLA have been actively developing and deploying integrated inventory and accounting systems for several years. These systems are designed to record both the physical and fiscal inventory levels and will be capable of reporting the value of DoD inventories in accordance with GAAP.

The Department is integrating the Components' plans for deploying new systems into the Key Milestone Plan for Inventory. The revised Key Milestone Plan will be included in the next version of the FIAR Plan.

9. Operating Materials and Supplies

"The Department's systems were designed to expense materials when purchased rather than when consumed." (*Reference: FY 2005 PAR, Part 1)*

Historically, the Department expensed materials at the time of purchase because processes and systems were unable to track and record increases and decreases in inventory amounts and values at the time of use.

The solution to this weakness is closely related to the solutions for Inventory. Again, and as referenced in the Enterprise and Component Transition Plans, the Military Services and DLA communities are modernizing inventory systems to resolve this weakness. Just as with Inventory, the Department is in the process of revising a Key Milestone Plan for Operating Materials and Supplies to better integrate it with the Components' plans for deploying new systems. The revised Key Milestone Plan will be included in the next version of the FIAR Plan.

10. Statement of Net Cost

"The Statement of Net Cost is not presented by programs that align with major goals and outputs in DoD's strategic and performance plan. A strategic and performance plan was required by the Government Performance and Results Act (GPRA) (PL 103-62). Revenues and expenses are reported by appropriation categories because financial processes and systems do not collect costs in line with performance measures." (*Reference: FY 2005 PAR, Part 1)*

The Secretaries of the Departments must identify programs that need to be included in the Statement of Net Cost. Each program identified should be directly linked to the Department's strategic and performance goals. In addition, the Department must develop a common language to capture financial information in a standard manner to enable accumulating revenue and costs by program.

Solving this material weakness involves the coordination and completion of many initiatives, most of which are contained in the Enterprise Transition Plan. In addition, the identification of programs that support DoD's strategic and performance goals will require senior leadership approval for reporting. Essential ETP initiatives for resolving this material weakness include the Standard Financial Information Structure (SFIS), Business Enterprise Information Services (BEIS), and Intragovernmental Transactions (IGT) Initiatives. Furthermore, deployment of the new Component accounting systems (e.g., GFEBS and DEAMS) is critical to implementing SFIS.

11. Statement of Financing

"The Department cannot reconcile budgetary obligations to net cost without making unsupported adjustments." (*Reference: FY 2005 PAR, Part 1)*

The Statement of Financing reconciles the financial (or proprietary) net costs of operations with the obligated budgetary authority. It is accrual-based reporting as contrasted to the budget-based reporting of the Statement of Budgetary Resources.

As with other statements, resolving this material weakness requires the implementation of several initiatives. These solutions include the SFIS, BEIS, and the use of modern accounting systems capable of using the SFIS. This material weakness will be resolved in stages as solutions and systems are implemented.

E. MANAGING THE FIAR PLAN

To manage the FIAR Plan and ensure that DoD-wide financial improvement efforts continue to mature and are integrated with transformation activities across the Department, the Office of the Under Secretary of Defense (Comptroller) established the FIAR Committee and the FIAR Directorate, a program management office.

The FIAR Committee

The FIAR Committee, a chartered organization, leads the process for establishing and monitoring FIAR Plan priorities. Chaired by the Deputy Chief Financial Officer, the Committee comprises executive-level representatives of the Military Departments, Defense Logistics Agency, Business Transformation Agency, and Defense Finance and Accounting Service. The Deputy Inspector General for Auditing acts as an adviser to the FIAR Committee. An active subcommittee of senior accountants, financial managers, management analysts, and auditors support the FIAR Committee. This collaborative management structure reinforces business integration.

The FIAR Directorate

The FIAR Directorate, which reports to the Deputy Chief Financial Officer, organizes and convenes cross-Component financial improvement planning workshops, manages the audit readiness process, and semiannually publishes the FIAR Plan. The Directorate also maintains the FIAR Planning Tool.

The FIAR Planning Tool

The FIAR Planning Tool (FIAR-PT) is an Internet-based resource designed to assist in managing the Department of Defense's financial improvement process.

The FIAR-PT:

- Enables Components to organize and report on the FIAR Plan
- Provides a standard tool from which Components manage their Financial Improvement Plans
- Serves as an integrated repository for linking multiple business transformation efforts within the Department

Many benefits have been realized by making the FIAR-PT accessible over the Internet. Among the obvious advantages are easy access and better communication with other financial management team members, leadership, and stakeholders. Further, making the FIAR-PT Web-accessible keeps involved parties accountable to their shared goal of improving financial management by allowing for real-time visibility of identified deficiencies, corrective action plans, tasks, milestones, and progress. Visibility allows Components to view and analyze existing plans and use them as models for preparing and structuring their own plans. Components can then better draw on solutions and lessons learned by other financial management teams. By centralizing reporting data, the FIAR-PT helps Component financial management teams view the most current information available and efficiently report status to the rest of the Department.

The FIAR Planning Tool runs on Microsoft Project Server. However, end users have the option of downloading Key Milestone Plans and Financial Improvement Plans for editing on their local machines in Microsoft Project and Excel spreadsheet formats. There are three different user levels:

- **Level 1:** Team Member Readers
- **Level 2:** Team Member Editors
- **Level 3 (Power Users):** Project Managers

All user levels, by default, have the ability to read project plans. Level 1 users have read-only capabilities and do not have the authority to change or delete plans. Level 2 and 3 users have the ability to edit and delete information, but differ in the way they accomplish updates. Level 2 users must submit changes to their respective Project Owners for review and approval. Level 3 users have direct access to the remote server that houses the project plans and the authority to make direct changes, and, in the case of project owners, approve or reject proposed changes.

Every effort has been made to keep the FIAR-PT easy to use. To assist new users, the FIAR Directorate has made a number of resources available. The FIAR Planning Tool is an ongoing project and under continual construction. Suggestions and concerns are always welcome. Comments and questions should be submitted via e-mail to <FIARSupport@osd.mil>.

F. AUDIT STRATEGY

The Department's ability to receive an unqualified, or "clean", audit opinion, and the level of financial management excellence and integrity such an opinion would represent, is crucial for validating financial improvements and enhancing credibility with the taxpayers and Congress. The Chief Financial Officers Act of 1990 (CFO Act) requires an annual consolidated financial statement audit for various Government Agencies including DoD. The Department has not yet received a Department-wide audit opinion, other than a disclaimer, on its consolidated financial statements.

Against this backdrop, the objective of the DoD Audit Strategy is to assure audit preparedness and competency throughout DoD to fairly present consolidated financial statements in a timely, accurate, and reliable manner. Such assurances, independently confirmed, will support an independent public accountant (IPA) audit engagement, and, ultimately, a clean audit opinion.

To date, DoD has received unqualified audit opinions on the financial statements of several of its reporting entities. For FY 2005, those entities represent 16% of total assets and include the:

- Military Retirement Fund,
- Defense Commissary Agency,
- Defense Contract Audit Agency,
- Defense Finance and Accounting Service, and
- Defense Threat Reduction Agency.

Audit Strategy Objective

The desired outcomes of the DoD audit strategy are threefold:

1. Sustainable DoD financial improvement for an ascending, or scalable, unqualified audit opinion of DoD consolidated financial statements,
2. Sufficient audit readiness for receiving an unqualified audit opinion for each of the Military Departments and select Defense Agencies, and
3. Assurance that the financial recording and reporting by Defense Field Activities that are not required to prepare auditable financial statements are not constrained by any material weaknesses that would impair the timely, fair, and accurate presentation on financial statements.

The DoD Audit Environment

In addition to the CFO Act requirement that DoD prepare auditable consolidated annual financial statements, various sub-levels of the DoD consolidated financial statements are also subject to internal and external audit requirements. The various levels of required auditable financial statements form the DoD audit environment. The DoD audit environment encompasses four tiers.

Tier 1 Entities

Tier 1 entities include those DoD Components identified by the Office of Management of Budget (OMB) in Bulletin 06-03, Appendix B, dated August 23, 2006, that are required to undertake an annual financial statement audit engagement. The financial statements of each Tier 1 entity are separately published in the DoD PAR. Tier 1 Components include the:

- Army General Fund and Working Capital Fund,
- Navy General Fund and Working Capital Fund,
- Air Force General Fund and Working Capital Fund,
- Military Retirement Fund, and
- U.S. Army Corps of Engineers, Civil Works Program

In addition to the eight Tier 1 entities identified in OMB Bulletin 06-03, the Medicare-Eligible Retiree Health Care Fund (MERHCF) is also identified in the DoD Financial Management Regulation (FMR), Volume 6B, Chapter 1, as amended January 2006, as a reporting entity required to prepare stand-alone audited financial statements. These financial statements are separately published in the DoD PAR.

The U.S. Marine Corps financial statements were included in the overall Navy financial statement presentation in the 2005 DoD PAR. However, the FMR, Volume 6B, Chapter 1, identifies the Marine Corps as one of 13 DoD entities required to prepare stand-alone audited financial statements. The 13 Tier 3 entities are not separately published in the DoD PAR.

Tier 2 Entities

Tier 2 entities include DoD Intelligence Agencies that are required to prepare financial statements that are subject to an annual independent financial statement audit. The Senate Select Committee on Intelligence (SSCI) and the House Permanent Select Committee on Intelligence oversee the DoD Intelligence Agencies. The SSCI has mandated the preparation of independently auditable financial statements (Senate Report 108-258). The DoD Intelligence Agencies are included in the consolidated annual financial statements as presented in the DoD PAR. In addition to the SSCI requirement for stand-alone auditable financial statements for each DoD Intelligence Agency, consolidated financial statements are required for the "National Intelligence Program" for FY 2009 as stated in Senate Report 109-259. In addition to the Office of the Director of National Intelligence and the Central Intelligence Agency, the National Defense Program includes the following DoD Intelligence Agencies:

- National Security Agency
- National Geospatial-Intelligence Agency
- Defense Intelligence Agency, and
- National Reconnaissance Office

Tier 3 Entities

Tier 3 entities include those Defense Agencies required to prepare full financial statements and be subject to annual independent audit engagements. Those Defense Agencies are listed in the DoD FMR, Volume 6B, Chapter 1. The Defense Agencies are included in the Other Defense

Organizations General Fund and Working Capital Fund consolidated financial statements presented in the DoD PAR. In addition to the Marine Corps, Tier 3 entities include the:

- Chemical Biological Defense Program
- Defense Advanced Research Projects Agency
- Defense Commissary Agency
- Defense Contract Audit Agency
- Defense Finance and Accounting Service
- Defense Information Systems Agency
- Defense Logistics Agency
- Defense Security Service
- Defense Threat Reduction Agency
- Missile Defense Agency
- U.S. Special Operations Command
- Service Medical Activity
- TRICARE Management Activity

Tier 4 Entities

Tier 4 entities include those Defense Field Activities that are not required to prepare stand-alone financial statements. Their financial information is included in the consolidated Other Defense Organizations (ODOs) financial statements as well as the DoD consolidated financial statements. Defense Agencies and Field Activities collectively form the ODO category.

The financial data and information prepared by Tier 4 entities will have a material impact at various levels of the financial reporting and financial statement consolidation process. As a result, audit strategy initiatives are applicable and material to the DoD Defense Agencies and Field Activities that comprise the ODO consolidated financial statements.

Incorporated within each level of audit requirement is compliance with OMB Circular A-123, "Management's Responsibility for Internal Control," Appendix A, "Internal Control Over Financial Reporting," which defines the requirements and details of management's assessment of internal control related to financial reporting.

Present FIAR Plan Approach

The DoD financial reporting environment is complex and interrelated. These complexities and interrelationships apply to individual lines as well as full financial statement presentations. The FIAR Plan relies on an ascending incremental approach by line, financial statement, and entity to achieve audit readiness.

The incremental line approach has further been instituted on a segmented basis by Military Departments and select ODOs requiring stand-alone auditable financial statements. This approach has been taken because of the size, nature, and complexity of the use, function, and

distribution of assets. The lines have, in turn, been separated by focus area and non-focus area having the greatest material impact on:

1. The DoD consolidated financial statements, and/or
2. Individual stand-alone auditable financial statement presentations.

A critical next step in the audit strategy is the further development of the FIAR Plan to migrate from solely a line focus through stand-alone financial statement presentations and, ultimately, to the DoD consolidated financial statement audit engagement. The FIAR Plan will further integrate the 38 initiatives and system solutions from the ETP that impact financial improvement and audit readiness. Most of these initiatives and system solutions must be incorporated in the DoD Audit Strategy.

Audit Readiness and the DoD Information Technology Environment

The DoD Information Technology (IT) systems environment offers unique challenges for the attainment of consolidated audit readiness. Department systems range from highly efficient financially-based systems incorporating state-of-the-art internal control policies, procedures, and environments to relatively old legacy systems not designed to manage financial data and transactions.

In addition to the substantial differences in systems capabilities, the audit strategy must also contend with the continual upgrade, revision, and replacement of financial systems that perform multiple functions in stand-alone and multi-user environments. The type of, and timeline for, corrective actions taken is a material issue to be resolved as the audit strategy is further developed.

The reliance on the system documentation gathered during the Discovery and Correction phase continues through the Assessment and Audit phases. The assessment and audit requirements will not be successfully met without the substantive documentation supporting the internal control and systems environment collected during discovery and correction. This documentation includes system interdependencies provided by multi user service providers. The substantive issues relating to the DoD IT systems environment include:

1. The reliability, and related internal control policies and procedures, of the system to process user data timely and accurately, and
2. The coordination of information and documentation among multiple users and owners of a given system.

Sustaining financial improvements in the constantly evolving financial and IT environment presents special challenges given the length of time between management's assertions and the related audit engagements. Critical to this process is the determination of the type of independent third party evaluation that will be most appropriate given the materiality of management's assertion. This determination will be relevant as management moves from the Discovery and Correction phase through the Assessment phase to the independent audit engagement. Issues that need to be resolved include the:

- Nature of the independent evaluation to be undertaken:
  - By line item or financial statement?
  - Stand-alone or consolidated basis?

- Mitigating factors:
  - Balance of risk and assurance.
  - Relative cost.
- Timing of the independent evaluation:
  - Relationship to other evaluations; combine or stand-alone?
  - Materiality to Component? On consolidated basis?
  - If systems audit, relation to subsequent financial statement audit?

Audit readiness in a multi-user environment will require substantial coordination between the system owner and the users of that system. To be efficient, the multi user system environment will require the owner to provide sufficient detail and documentation to satisfy professional standards applicable to a full financial statement audit engagement.

Reshaping the FIAR Plan Approach and Audit Strategy

Although much has been accomplished, including the identification of the audit environment, much work is still needed to identify and prioritize the optimum approach, sequence, and timeline to apply the business rules from discovery and correction through the audit phases. Issues to be resolved include the determination of the optimum corrective action to be taken individually and collectively. Such a determination will depend on the thorough evaluation of the risk, cost, and benefit of each corrective action.

For example, if the corrective action for a given material weakness, or financial systems deficiencies, is long-term, then the risks, costs, and benefits must be evaluated for the various interim short-term solutions. The evaluation will consider the following issues for each option:

- What is the relative risk of waste, fraud, and abuse in the interim?
- What is the associated cost?
- Will the material weakness be sufficiently mediated to a level of acceptable risk?

The material weaknesses identified may be applicable to a single entity or to a system interacting with multiple entities on a consolidated basis. Further evaluation and refinement of these interrelationships will be necessary to determine the optimum path.

Once material weaknesses have been identified, and corrective actions taken, management's focus is then directed toward two basic questions:

- Are the corrective actions sustainable? and
- What is the risk associated with sustaining the financial improvements achieved?

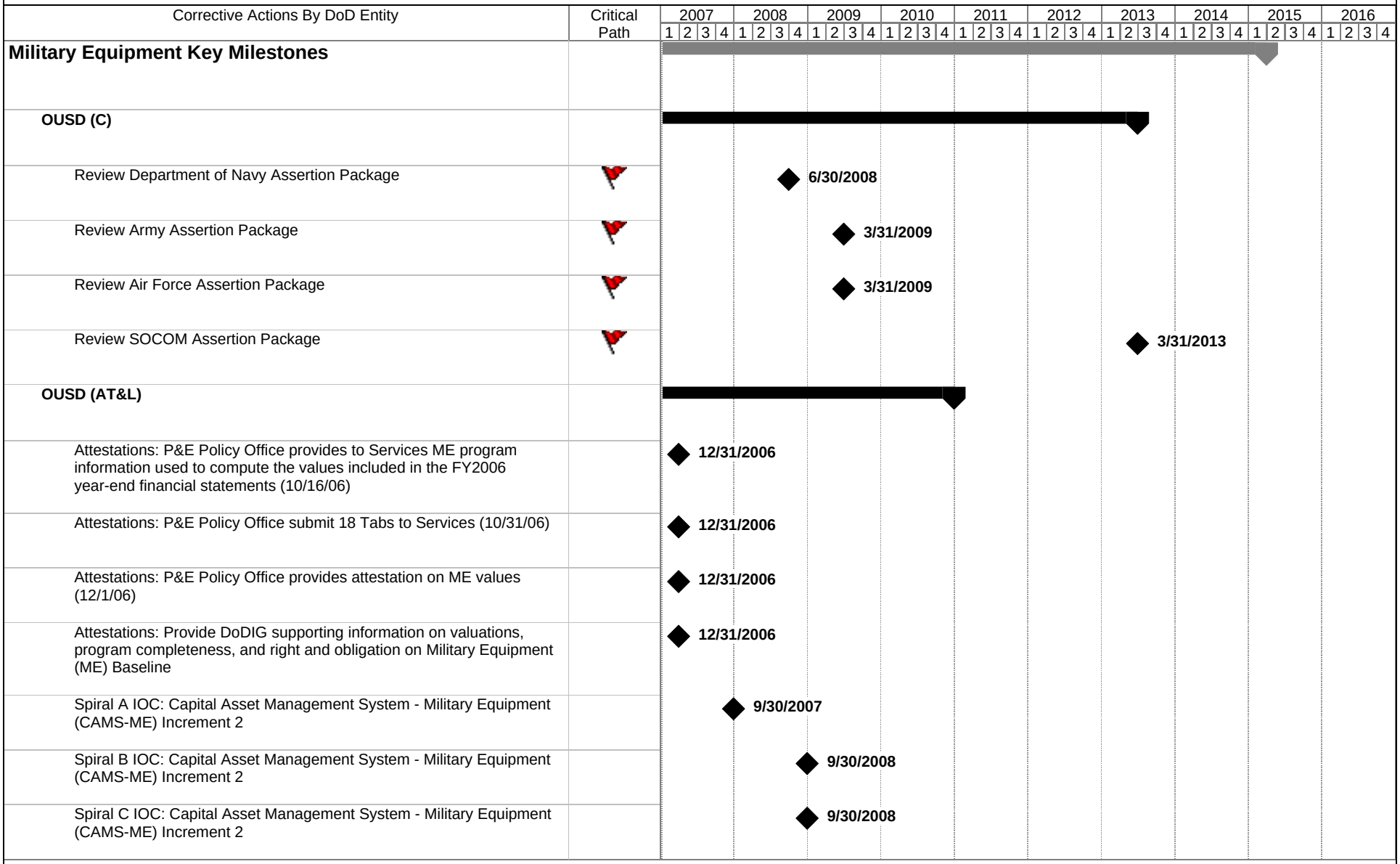
The actions necessary to maintain the financial improvements realized during the interim represent a material risk to the attainment of an annual unqualified audit opinion. Risk mitigation will rely on two critical elements that must be successfully met to achieve sustainable

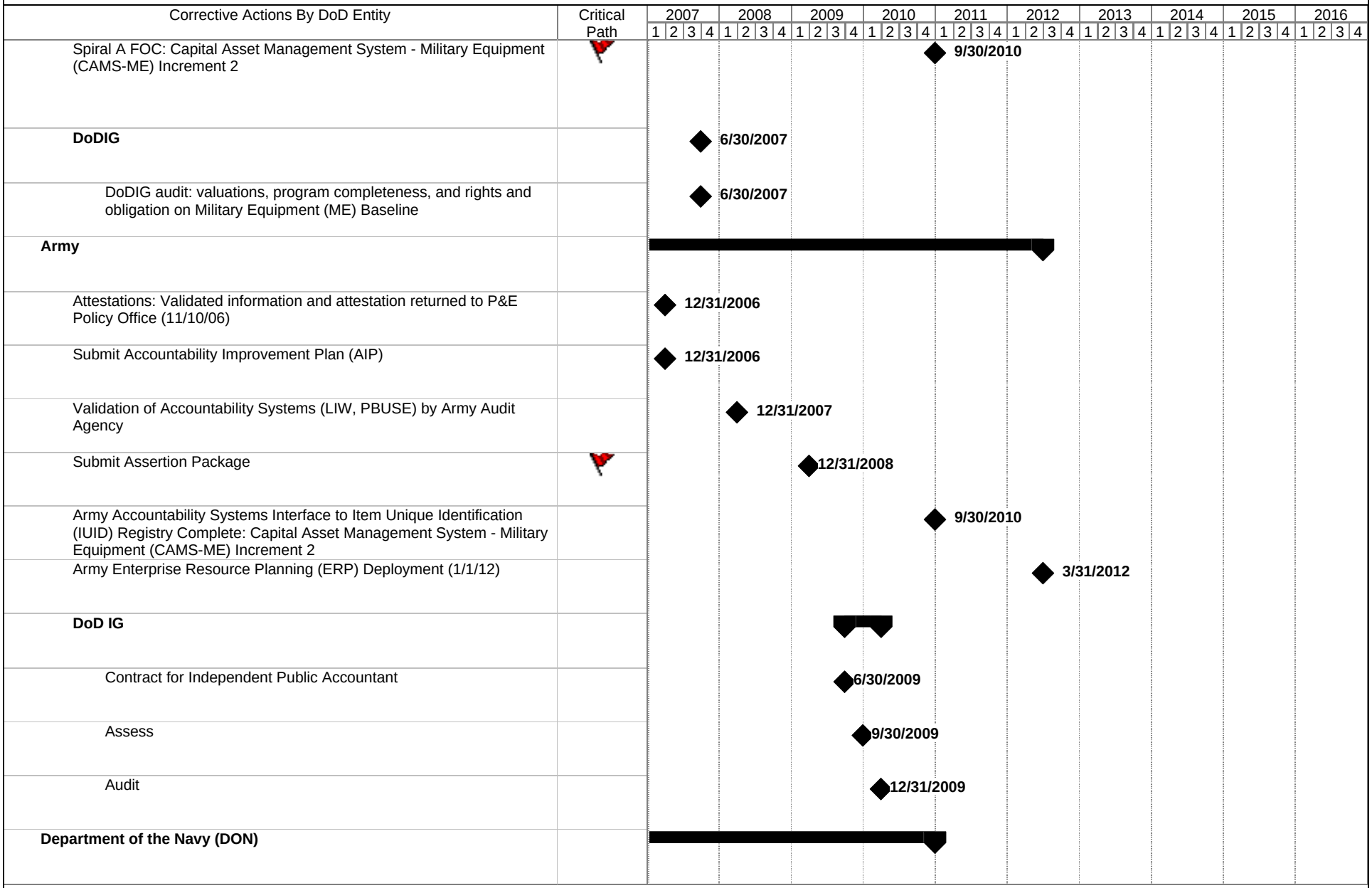
results in the long-term. Those elements are influenced by timing and coordination and are as follows:

- Sustaining corrective actions made while subsequent weaknesses are identified and corrective actions taken,
    - By line or group of lines,
    - By financial statement for a given Component, and
    - Among Components on a consolidated basis.
- Sustaining the financial improvements achieved from the time that management issues its assertion through the assessment and audit phases,
    - By Component, and
    - On consolidated basis.

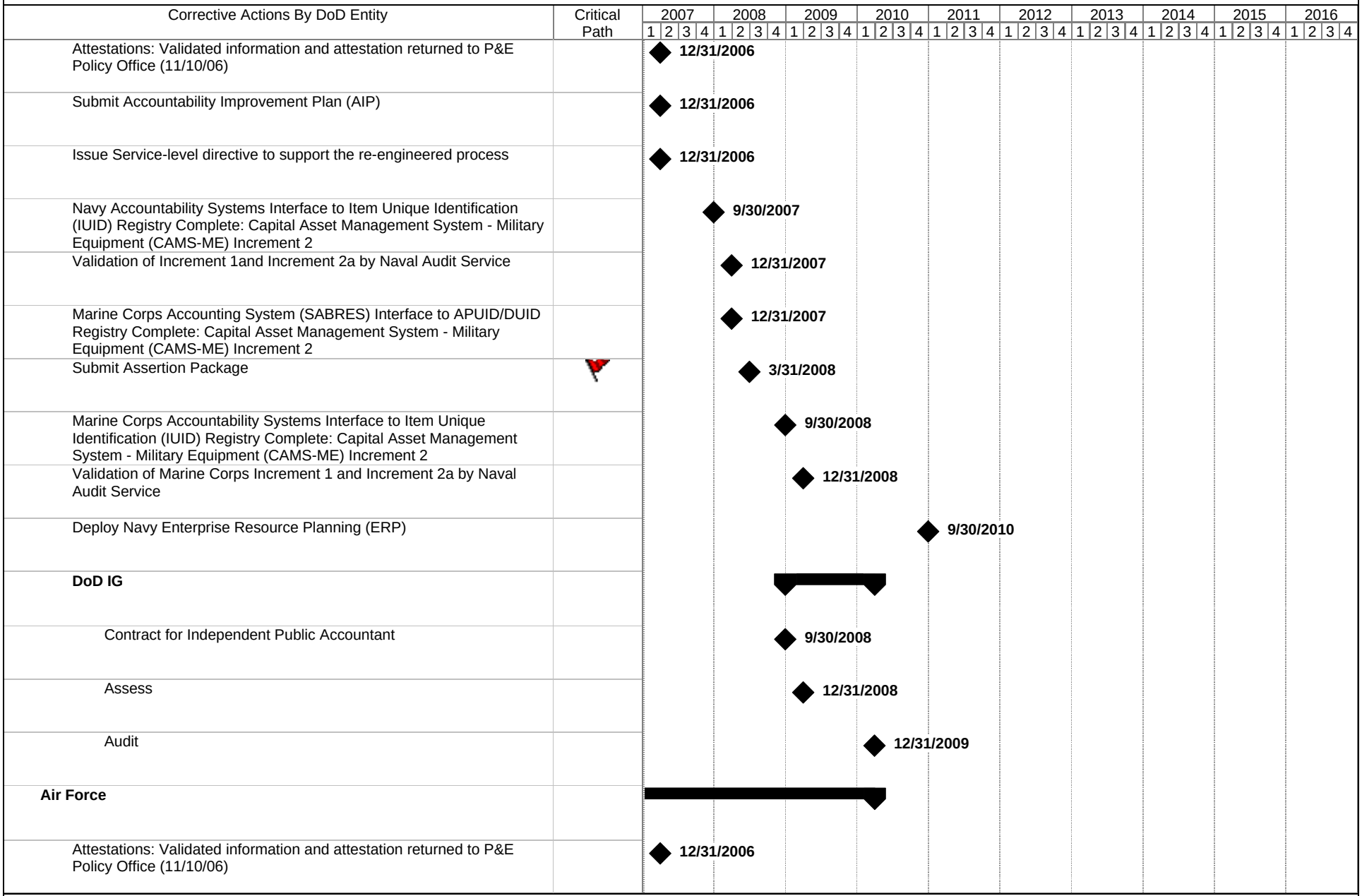
The preceding issues and associated risks are evidenced in the current line audit engagement timeline. Substantial attention must be given to sustaining the financial improvements realized and validated. The related issues to be resolved are the interdependencies by line and financial statement on a stand-alone and consolidated basis.

As the transition is made from a line focus to a full financial statement focus, the issues of timing and coordination, as well as the optimum external assessment and audit process, will be increasingly critical to determining the most sustainable and cost efficient path. Coordination with each Component, as well as with the Inspector General, DoD, will be necessary to gain greater assurance of long-term sustainable financial improvements and the initiation and successful implementation of the DoD audit strategy.

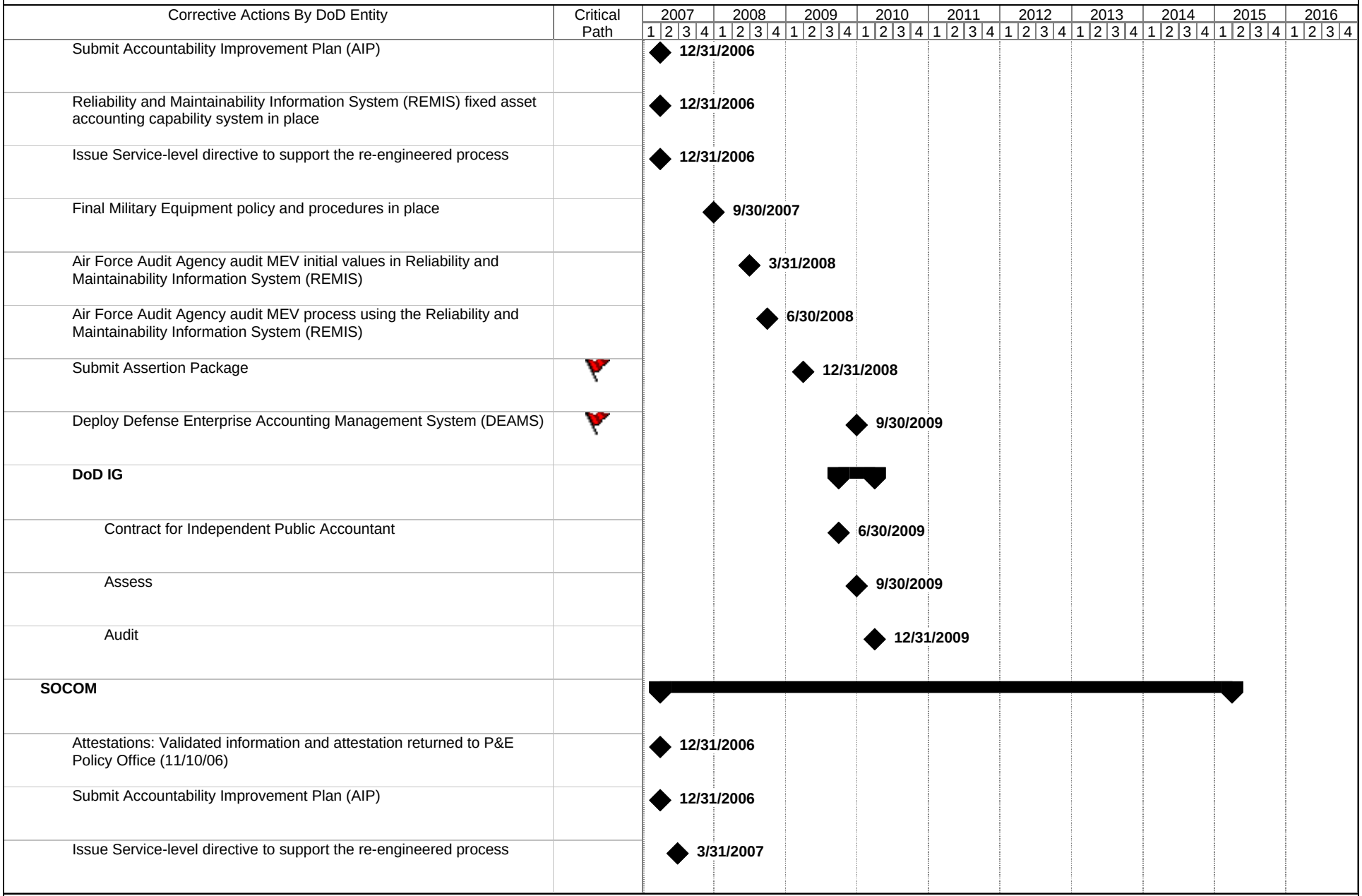

Corrective Actions By DoD Entity
Critical Path
2007
2008
2009
2010
2011
2012
2013
2014
2015
2016
1 2 3 4 1 2 3 4 1 2 3 4 1 2 3 4 1 2 3 4 1 2 3 4 1 2 3 4 1 2 3 4 1 2 3 4 1 2 3 4 1 2 3 4
Military Equipment Key Milestones
OUSD (C)
Review Department of Navy Assertion Package
6/30/2008
Review Army Assertion Package
3/31/2009
Review Air Force Assertion Package
3/31/2009
Review SOCOM Assertion Package
3/31/2013
OUSD (AT&L)
Attestations: P&E Policy Office provides to Services ME program information used to compute the values included in the FY2006 year-end financial statements (10/16/06)
12/31/2006
Attestations: P&E Policy Office submit 18 Tabs to Services (10/31/06)
12/31/2006
Attestations: P&E Policy Office provides attestation on ME values (12/1/06)
12/31/2006
Attestations: Provide DoDIG supporting information on valuations, program completeness, and right and obligation on Military Equipment (ME) Baseline
12/31/2006
Spiral A IOC: Capital Asset Management System - Military Equipment (CAMS-ME) Increment 2
9/30/2007
Spiral B IOC: Capital Asset Management System - Military Equipment (CAMS-ME) Increment 2
9/30/2008
Spiral C IOC: Capital Asset Management System - Military Equipment (CAMS-ME) Increment 2
9/30/2008

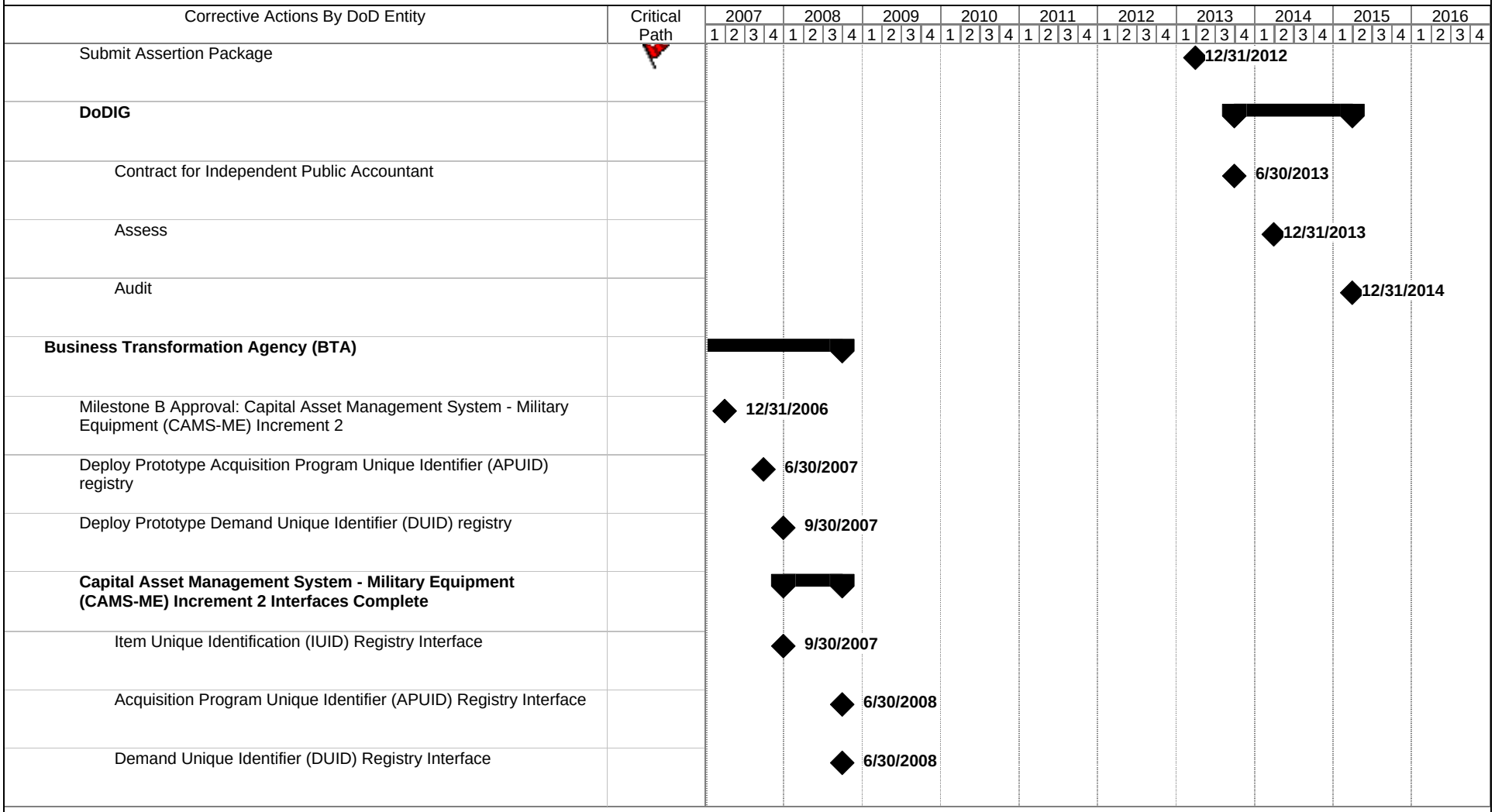

Corrective Actions By DoD Entity
Critical Path
2007
2008
2009
2010
2011
2012
2013
2014
2015
2016
1 2 3 4
Spiral A FOC: Capital Asset Management System - Military Equipment (CAMS-ME) Increment 2
9/30/2010
DoDIG
6/30/2007
DoDIG audit: valuations, program completeness, and rights and obligation on Military Equipment (ME) Baseline
6/30/2007
Army
Attestations: Validated information and attestation returned to P&E Policy Office (11/10/06)
12/31/2006
Submit Accountability Improvement Plan (AIP)
12/31/2006
Validation of Accountability Systems (LIW, PBUSE) by Army Audit Agency
12/31/2007
Submit Assertion Package
12/31/2008
Army Accountability Systems Interface to Item Unique Identification (IUID) Registry Complete: Capital Asset Management System - Military Equipment (CAMS-ME) Increment 2
9/30/2010
Army Enterprise Resource Planning (ERP) Deployment (1/1/12)
3/31/2012
DoD IG
Contract for Independent Public Accountant
6/30/2009
Assess
9/30/2009
Audit
12/31/2009
Department of the Navy (DON)

Financial Improvement and Audit Readiness Plan
September 2006

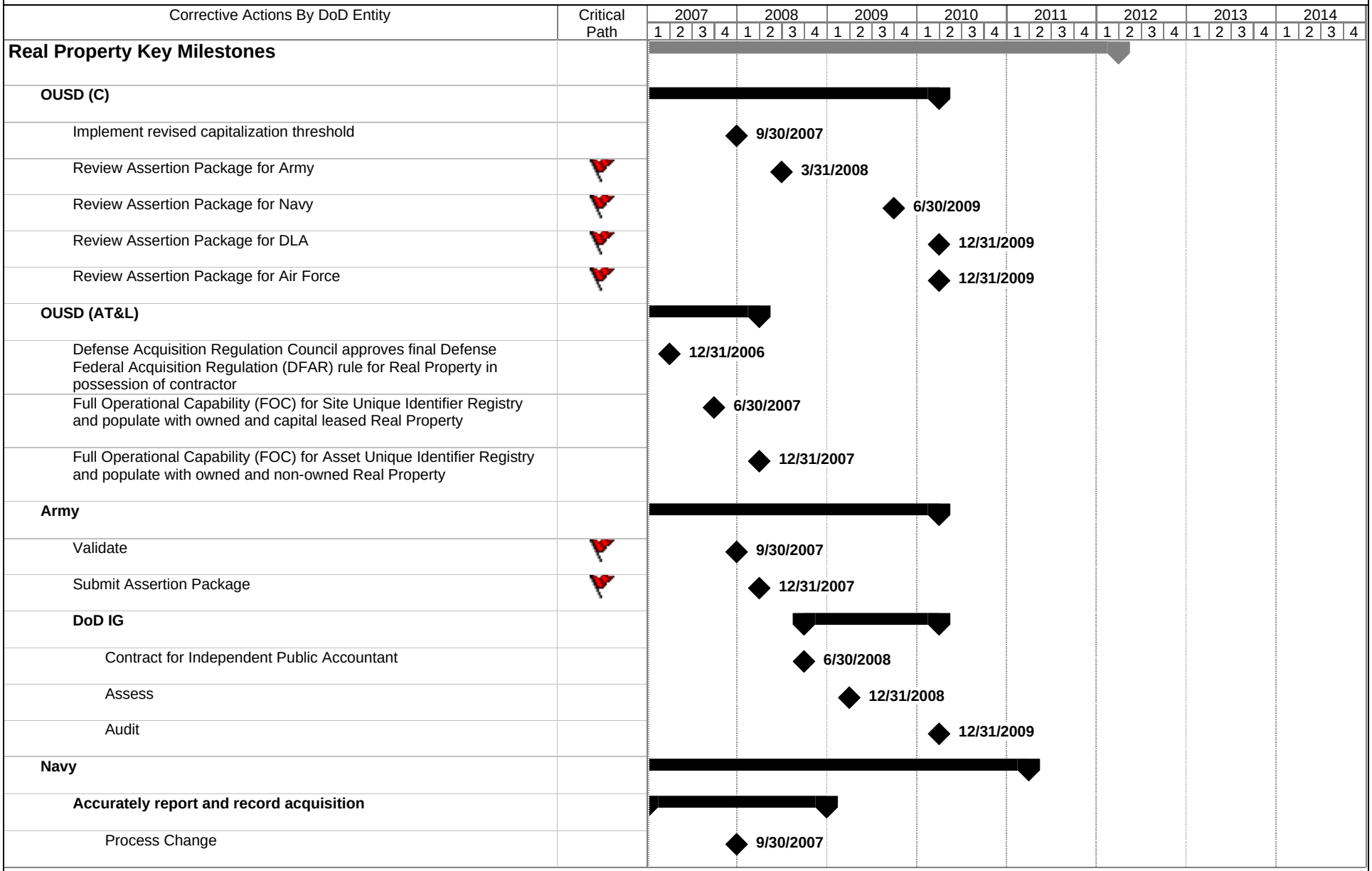


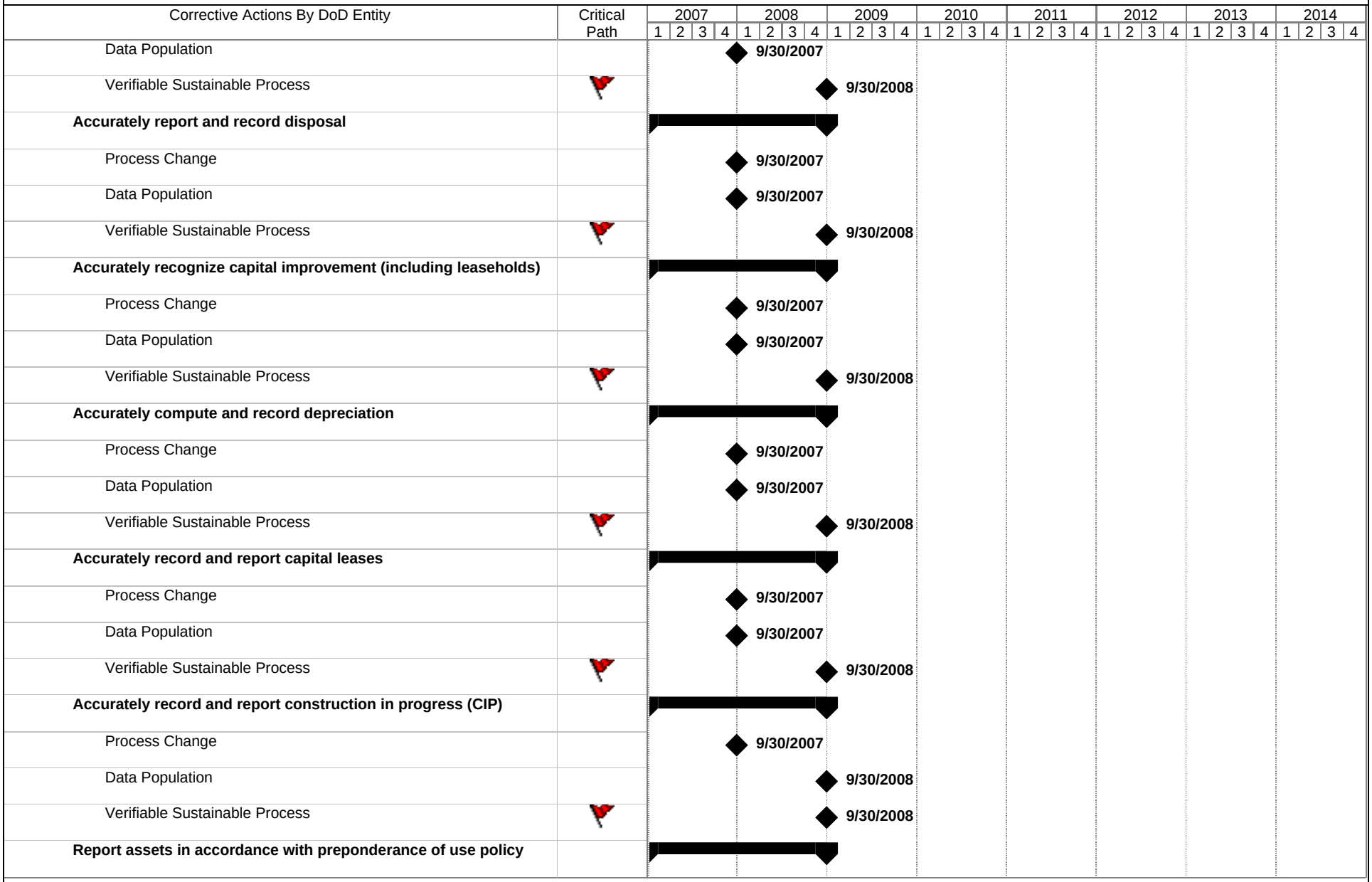
Financial Improvement and Audit Readiness Plan
September 2006



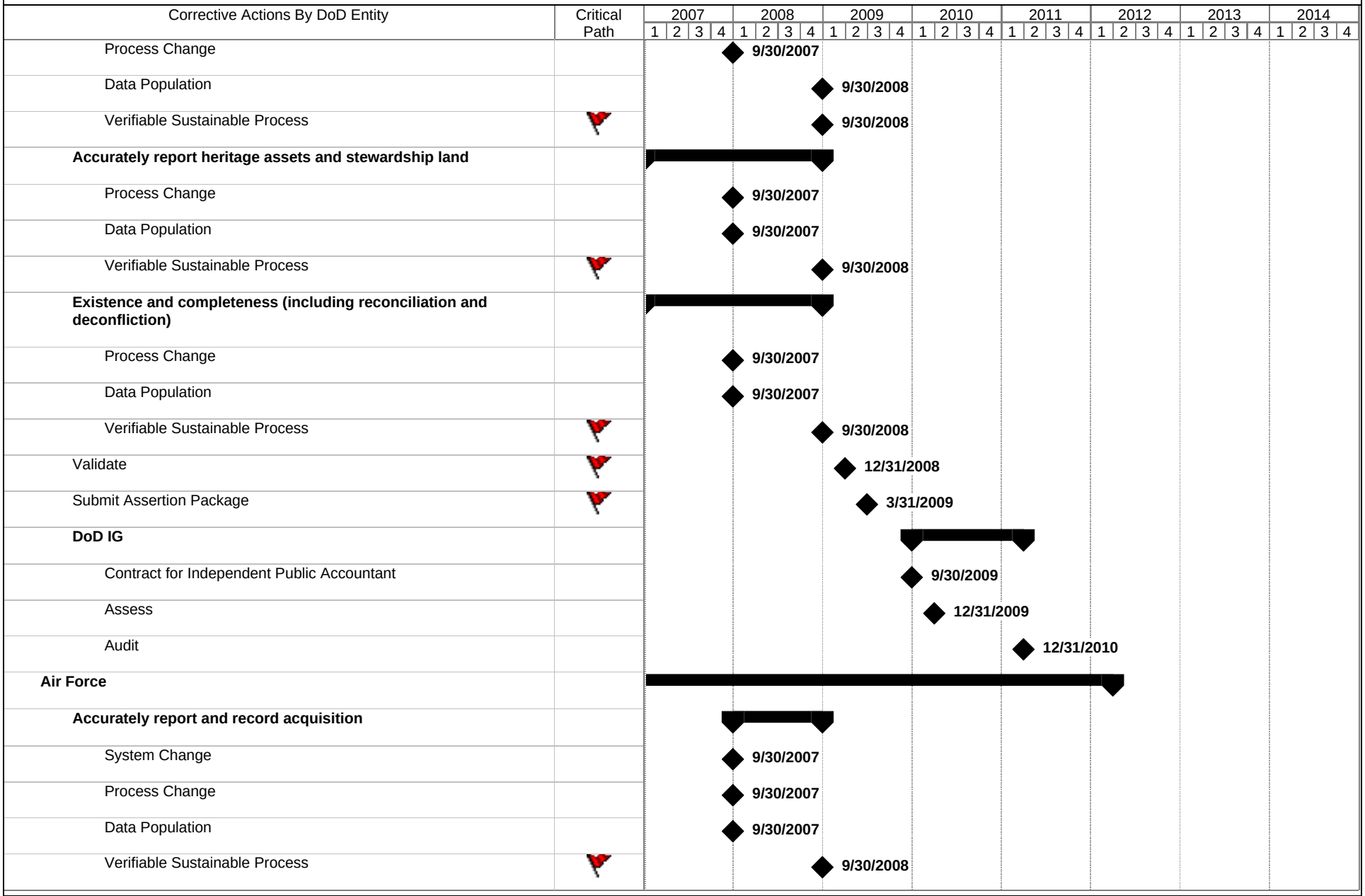

Corrective Actions By DoD Entity
Critical Path
2007
2008
2009
2010
2011
2012
2013
2014
2015
2016
1 2 3 4
Submit Assertion Package
12/31/2012
DoDIG
Contract for Independent Public Accountant
6/30/2013
Assess
12/31/2013
Audit
12/31/2014
Business Transformation Agency (BTA)
Milestone B Approval: Capital Asset Management System - Military Equipment (CAMS-ME) Increment 2
12/31/2006
Deploy Prototype Acquisition Program Unique Identifier (APUID) registry
6/30/2007
Deploy Prototype Demand Unique Identifier (DUID) registry
9/30/2007
Capital Asset Management System - Military Equipment (CAMS-ME) Increment 2 Interfaces Complete
Item Unique Identification (IUID) Registry Interface
9/30/2007
Acquisition Program Unique Identifier (APUID) Registry Interface
6/30/2008
Demand Unique Identifier (DUID) Registry Interface
6/30/2008

PAGE LEFT INTENTIONALLY BLANK

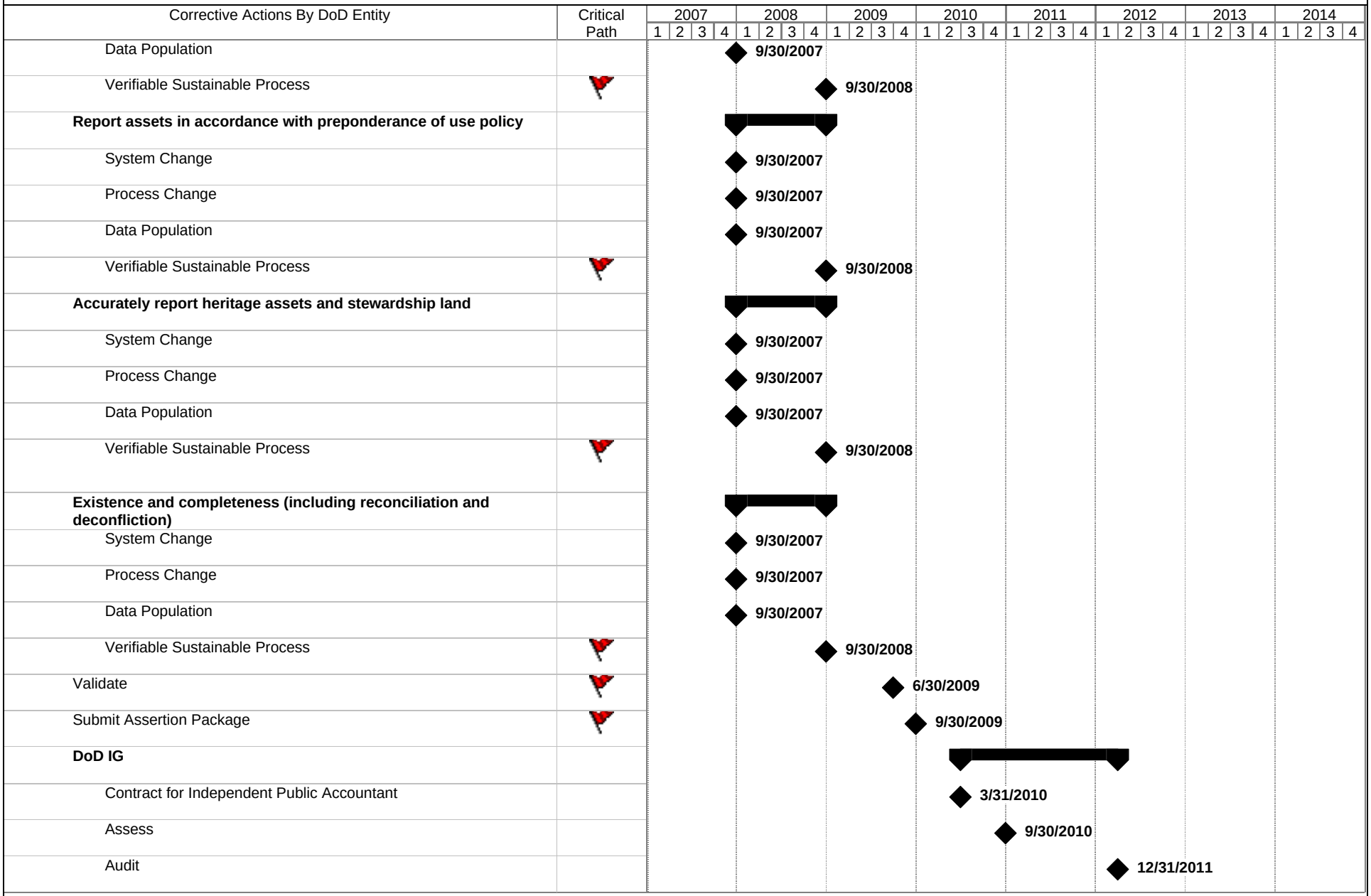

Corrective Actions By DoD Entity
Critical Path
2007
2008
2009
2010
2011
2012
2013
2014
1 2 3 4 1 2 3 4 1 2 3 4 1 2 3 4 1 2 3 4 1 2 3 4 1 2 3 4 1 2 3 4
Real Property Key Milestones
OUSD (C)
Implement revised capitalization threshold
9/30/2007
Review Assertion Package for Army
3/31/2008
Review Assertion Package for Navy
6/30/2009
Review Assertion Package for DLA
12/31/2009
Review Assertion Package for Air Force
12/31/2009
OUSD (AT&L)
Defense Acquisition Regulation Council approves final Defense Federal Acquisition Regulation (DFAR) rule for Real Property in possession of contractor
12/31/2006
Full Operational Capability (FOC) for Site Unique Identifier Registry and populate with owned and capital leased Real Property
6/30/2007
Full Operational Capability (FOC) for Asset Unique Identifier Registry and populate with owned and non-owned Real Property
12/31/2007
Army
Validate
9/30/2007
Submit Assertion Package
12/31/2007
DoD IG
Contract for Independent Public Accountant
6/30/2008
Assess
12/31/2008
Audit
12/31/2009
Navy
Accurately report and record acquisition
Process Change
9/30/2007

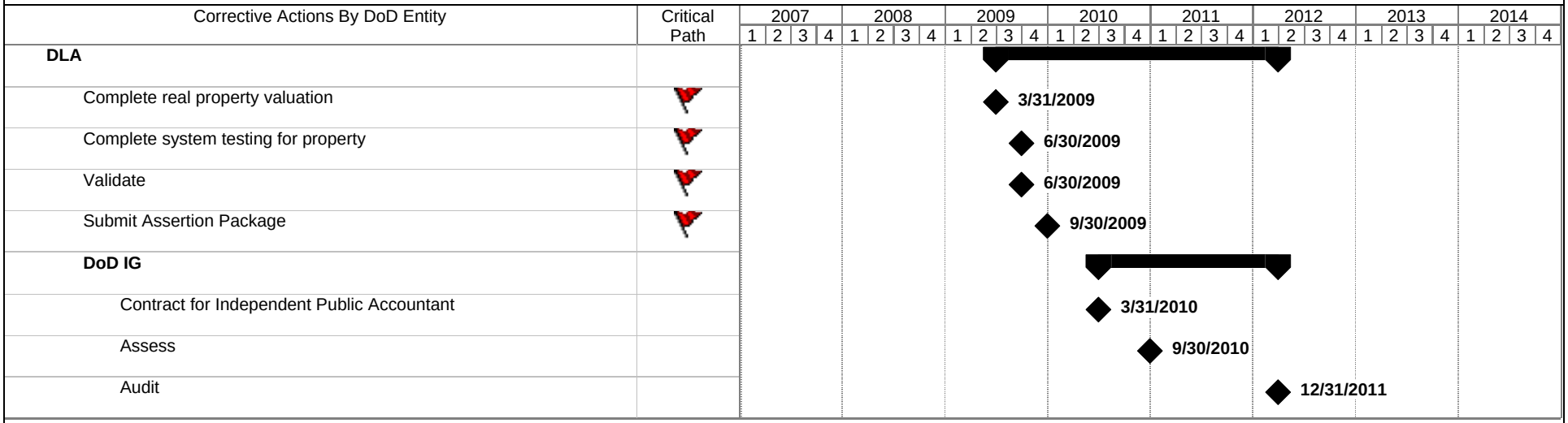

Corrective Actions By DoD Entity
Critical Path
2007
2008
2009
2010
2011
2012
2013
2014
1 2 3 4
Data Population
9/30/2007
Verifiable Sustainable Process
9/30/2008
Accurately report and record disposal
Process Change
9/30/2007
Data Population
9/30/2007
Verifiable Sustainable Process
9/30/2008
Accurately recognize capital improvement (including leaseholds)
Process Change
9/30/2007
Data Population
9/30/2007
Verifiable Sustainable Process
9/30/2008
Accurately compute and record depreciation
Process Change
9/30/2007
Data Population
9/30/2007
Verifiable Sustainable Process
9/30/2008
Accurately record and report capital leases
Process Change
9/30/2007
Data Population
9/30/2007
Verifiable Sustainable Process
9/30/2008
Accurately record and report construction in progress (CIP)
Process Change
9/30/2007
Data Population
9/30/2008
Verifiable Sustainable Process
9/30/2008
Report assets in accordance with preponderance of use policy

Financial Improvement and Audit Readiness Plan
September 2006

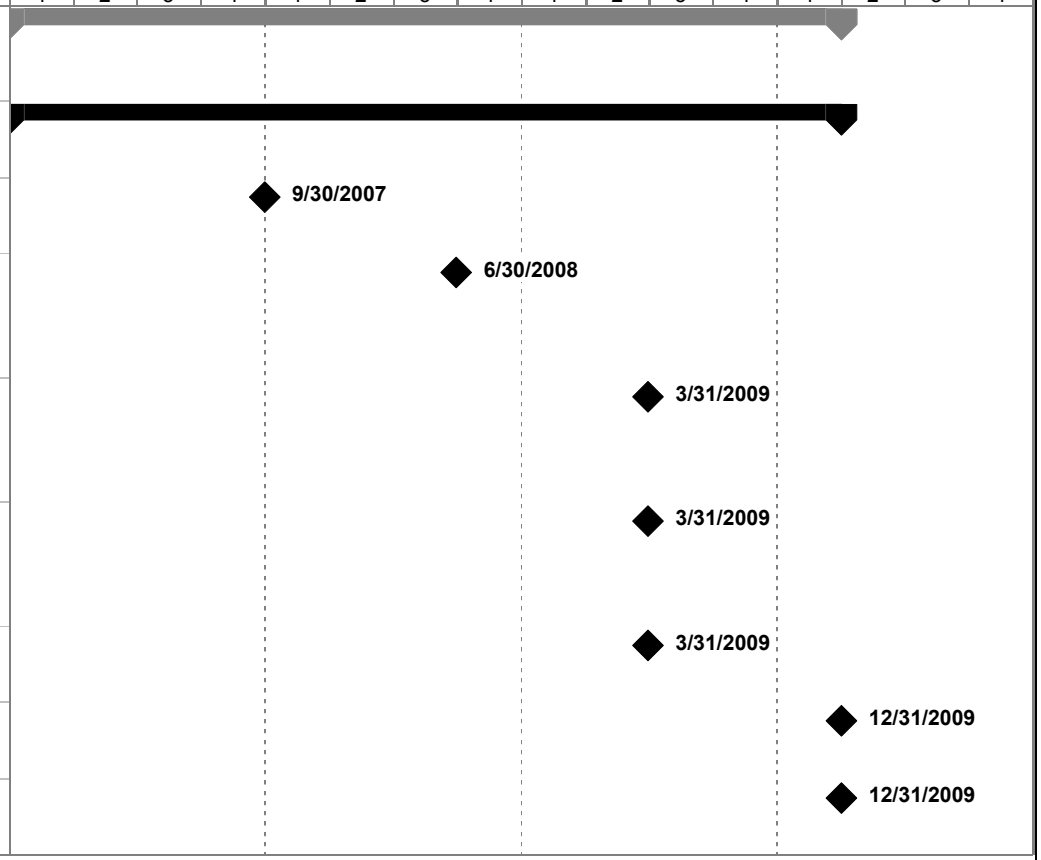


Corrective Actions By DoD Entity	Critical Path	2007				2008				2009				2010				2011				2012				2013				2014			
		1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
Accurately report and record disposal																																	
System Change					6/30/2007																												
Process Change					6/30/2007																												
Data Population								3/31/2008																									
Verifiable Sustainable Process										9/30/2008																							
Accurately recognize capital improvement (including leaseholds)																																	
System Change						9/30/2007																											
Process Change						9/30/2007																											
Data Population										9/30/2008																							
Verifiable Sustainable Process										9/30/2008																							
Accurately compute and record depreciation										9/30/2008																							
System Change										9/30/2008																							
Process Change										9/30/2008																							
Data Population										9/30/2008																							
Verifiable Sustainable Process										9/30/2008																							
Accurately record and report capital leases																																	
System Change					6/30/2007																												
Process Change					6/30/2007																												
Data Population								3/31/2008																									
Verifiable Sustainable Process										9/30/2008																							
Accurately record and report construction in progress (CIP)																																	
System Change						9/30/2007																											
Process Change						9/30/2007																											

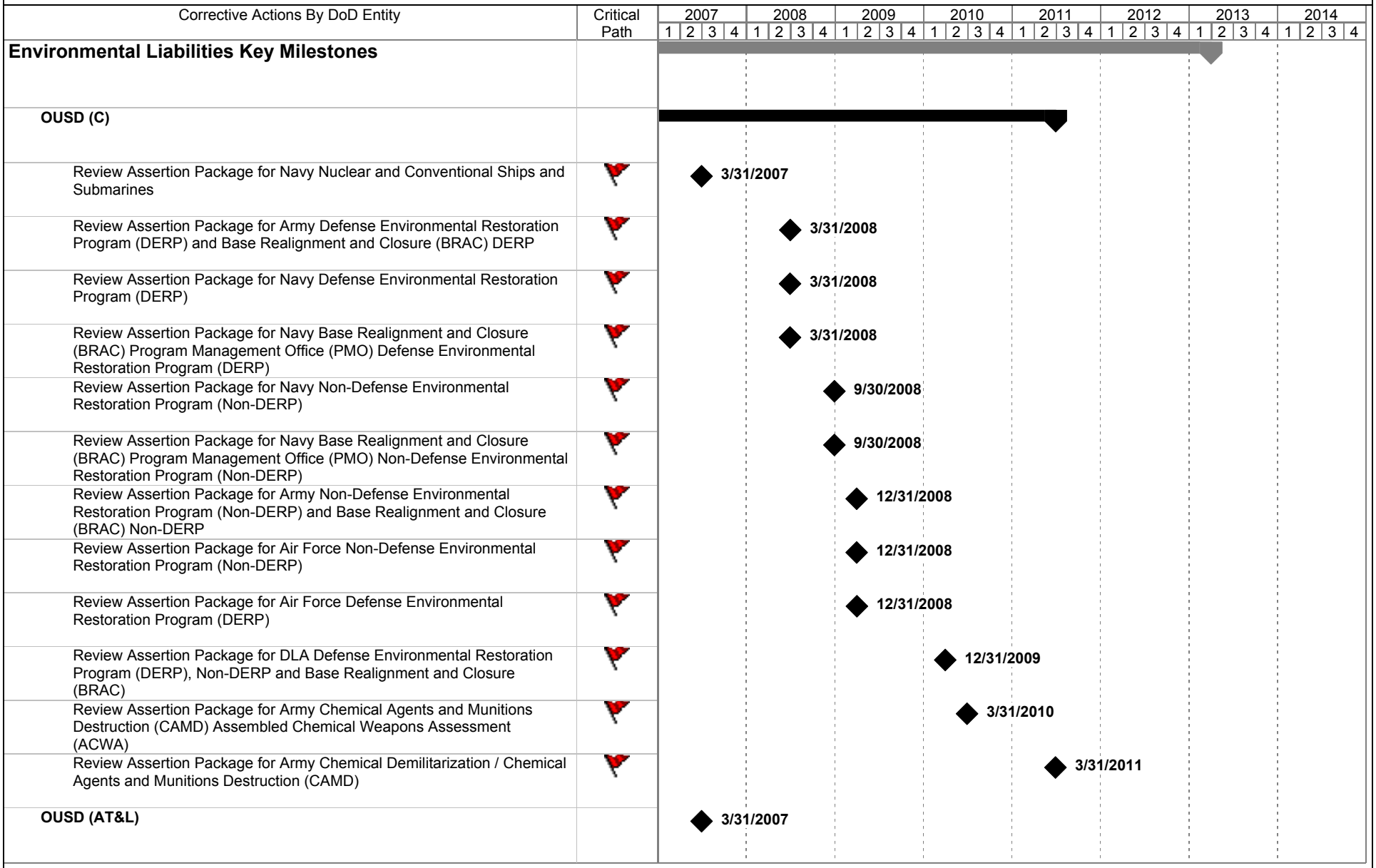

Corrective Actions By DoD Entity
Critical Path
2007
2008
2009
2010
2011
2012
2013
2014
1 2 3 4 1 2 3 4 1 2 3 4 1 2 3 4 1 2 3 4 1 2 3 4 1 2 3 4 1 2 3 4
Data Population
9/30/2007
Verifiable Sustainable Process
9/30/2008
Report assets in accordance with preponderance of use policy
System Change
9/30/2007
Process Change
9/30/2007
Data Population
9/30/2007
Verifiable Sustainable Process
9/30/2008
Accurately report heritage assets and stewardship land
System Change
9/30/2007
Process Change
9/30/2007
Data Population
9/30/2007
Verifiable Sustainable Process
9/30/2008
Existence and completeness (including reconciliation and deconfliction)
System Change
9/30/2007
Process Change
9/30/2007
Data Population
9/30/2007
Verifiable Sustainable Process
9/30/2008
Validate
6/30/2009
Submit Assertion Package
9/30/2009
DoD IG
Contract for Independent Public Accountant
3/31/2010
Assess
9/30/2010
Audit
12/31/2011

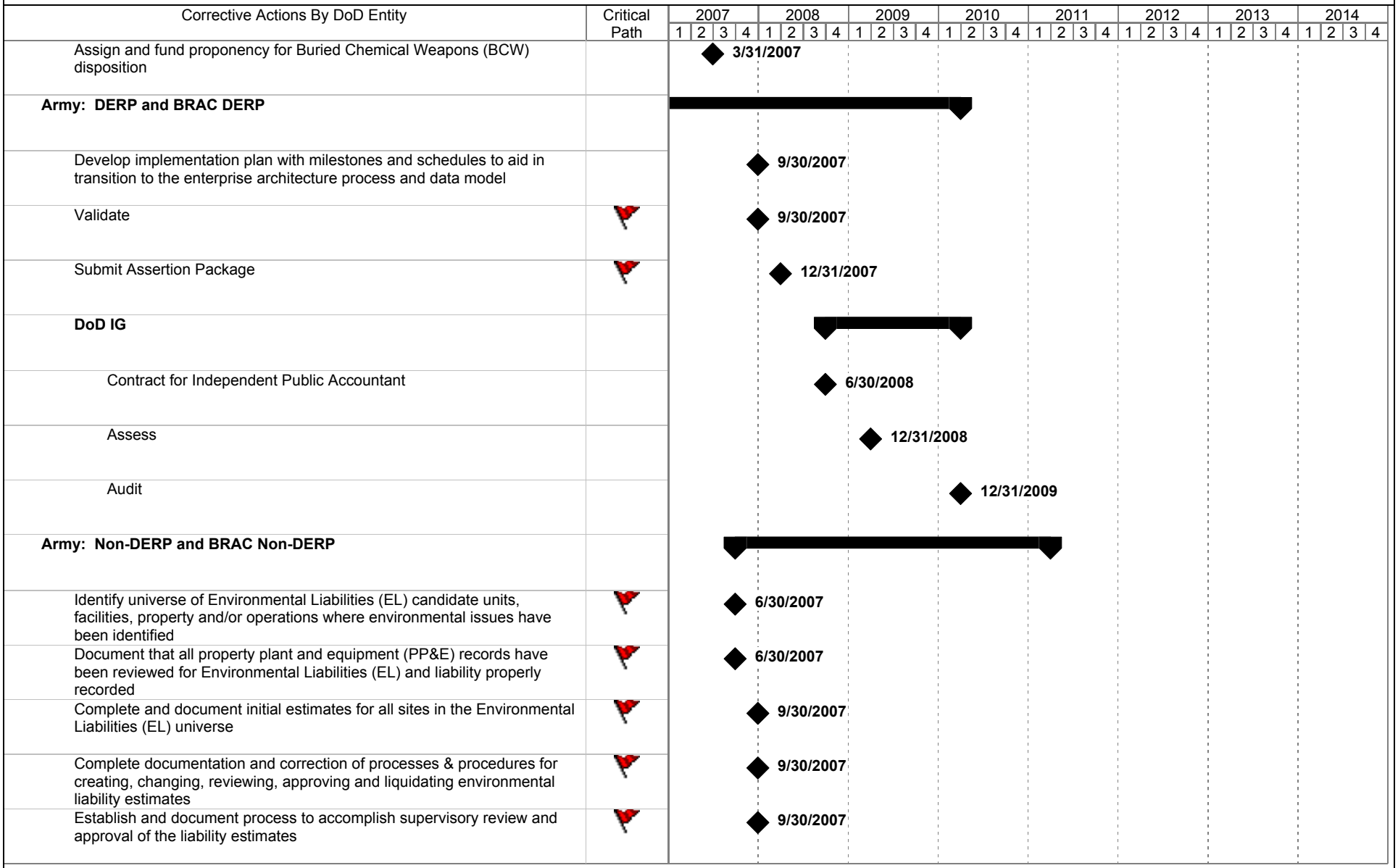

Corrective Actions By DoD Entity
Critical Path
2007
2008
2009
2010
2011
2012
2013
2014
1 2 3 4 1 2 3 4 1 2 3 4 1 2 3 4 1 2 3 4 1 2 3 4 1 2 3 4 1 2 3 4
DLA
Complete real property valuation
3/31/2009
Complete system testing for property
6/30/2009
Validate
6/30/2009
Submit Assertion Package
9/30/2009
DoD IG
Contract for Independent Public Accountant
3/31/2010
Assess
9/30/2010
Audit
12/31/2011

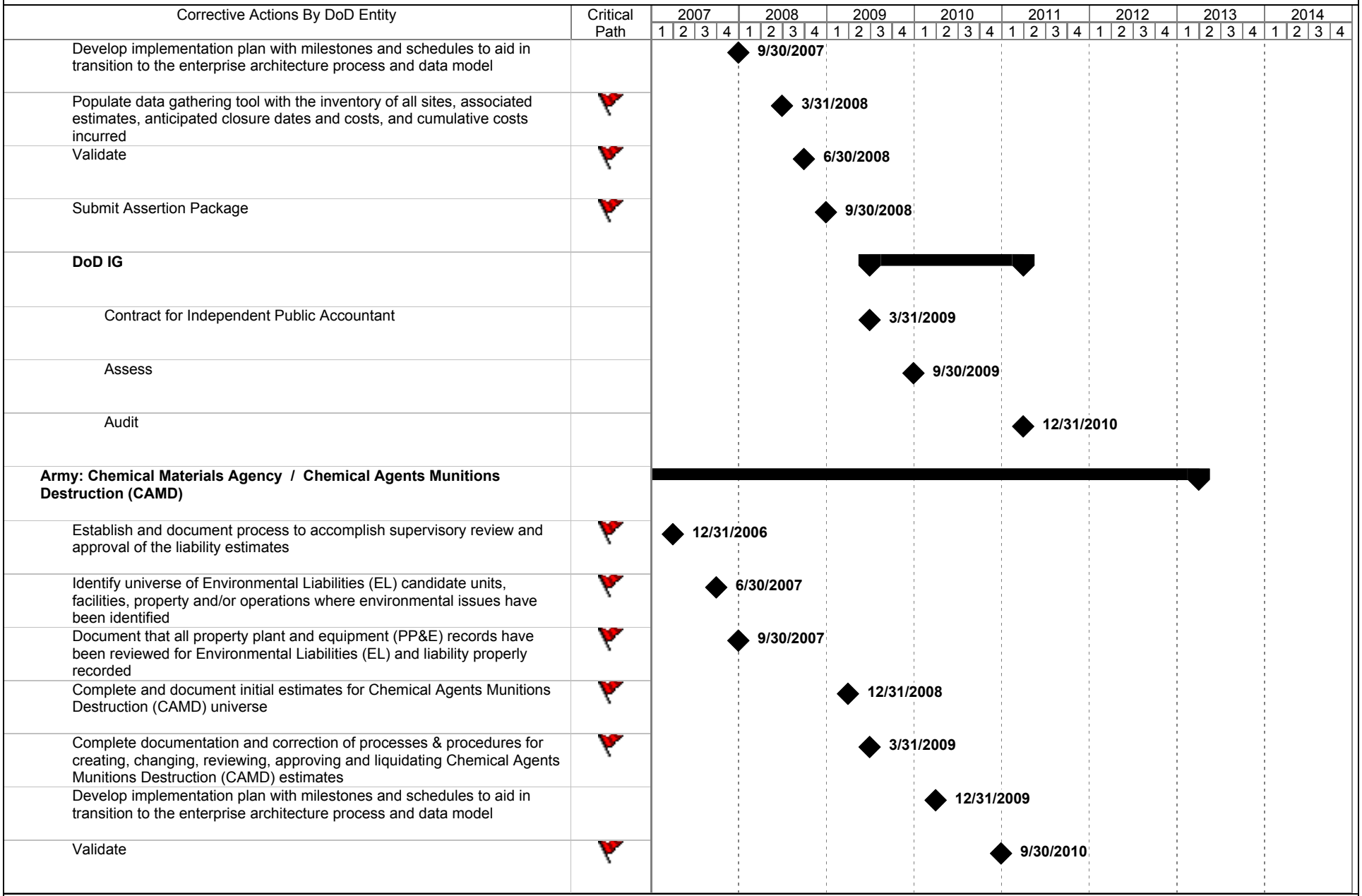
Corrective Actions By DoD Entity	Critical Path
Medicare-Eligible Retiree Health Care Fund (MERHCF) Key Milestones	
OUSD (P&R) Health Affairs	
Deploy Coding Compliance Editor (CCE)	
Incorporate methodology to use market rates for patient encounters into MERHCF Military Treatment Facility (MTF) distribution plan and for use by Office of the Actuaries for use in annual update to the MERHCF health care liability	
Procure/deploy pharmacy system to interface with Composite Healthcare System II (CHCS II). Interface will improve Pharmacy Data Transaction Service (PDTS) accuracy of the ingredient costs of pharmaceuticals issued at MTF outpatient pharmacies	
Actuarial valuation data sourced from auditable systems. In the absence of such systems, establish metrics to validate/reconcile data from different sources to mitigate the potential for a material misrepresentation of the computed health care liability	
MERHCF assertion letter to Independent Public Accountant	
DoD IG	
Audit	

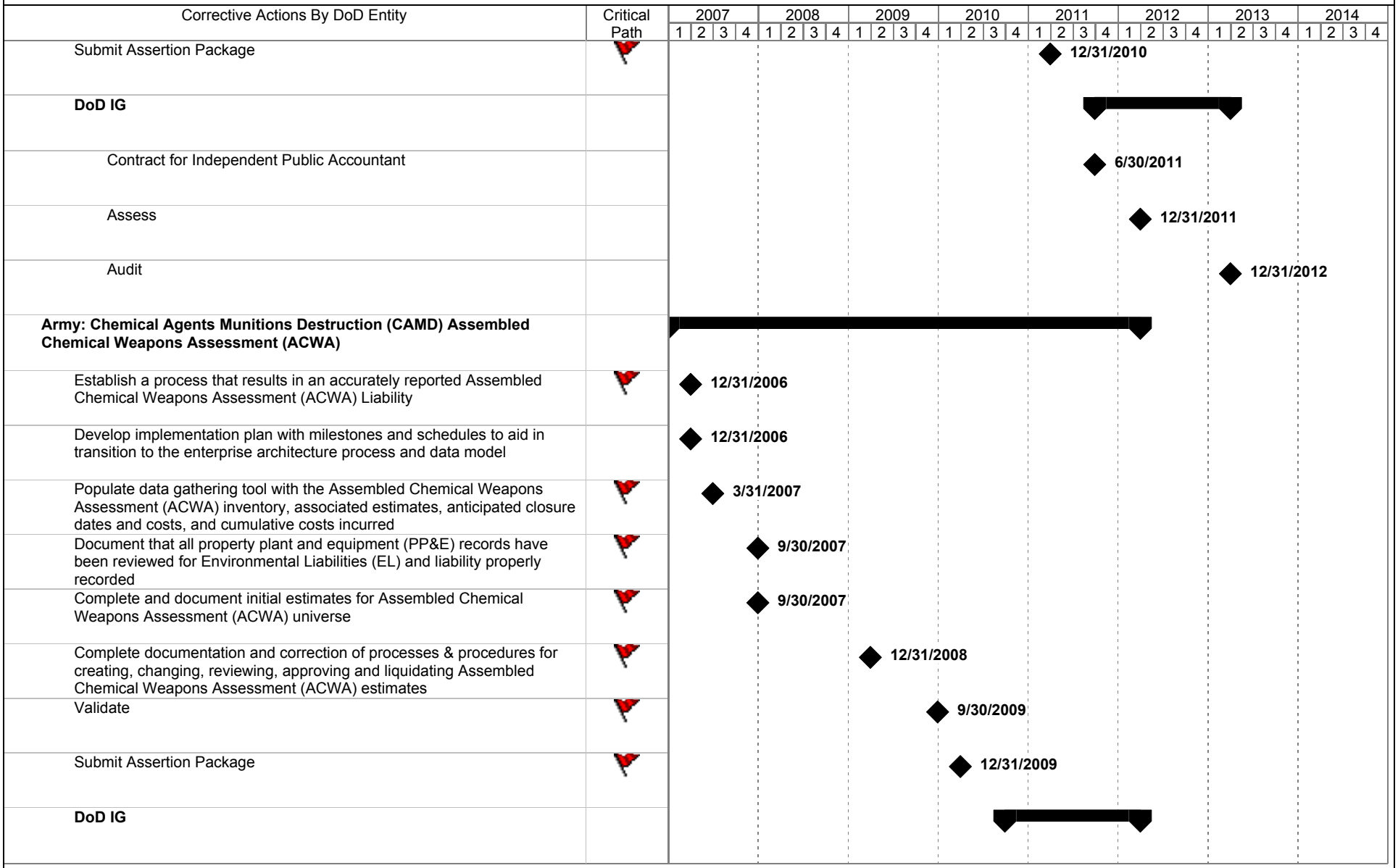


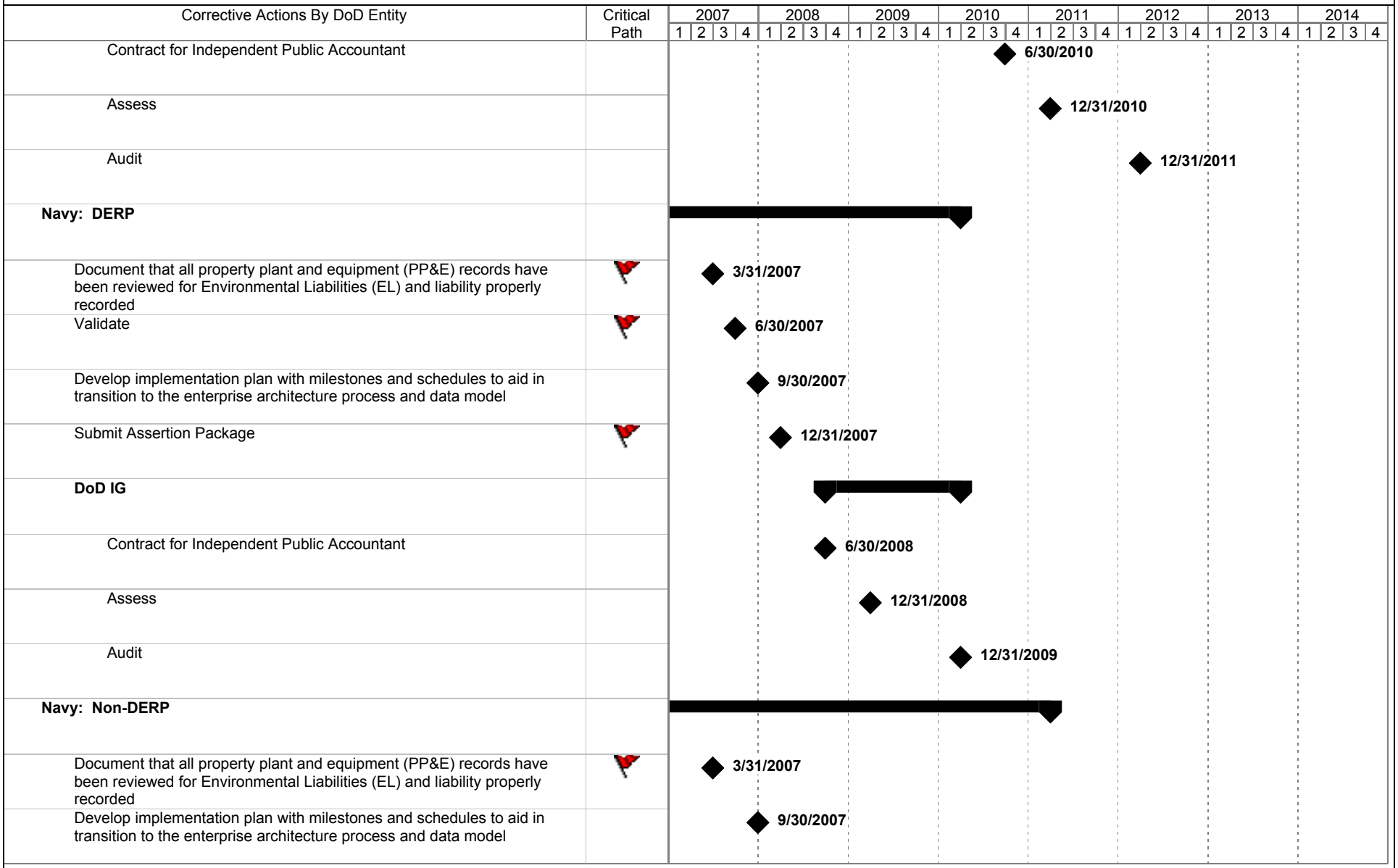
PAGE LEFT INTENTIONALLY BLANK

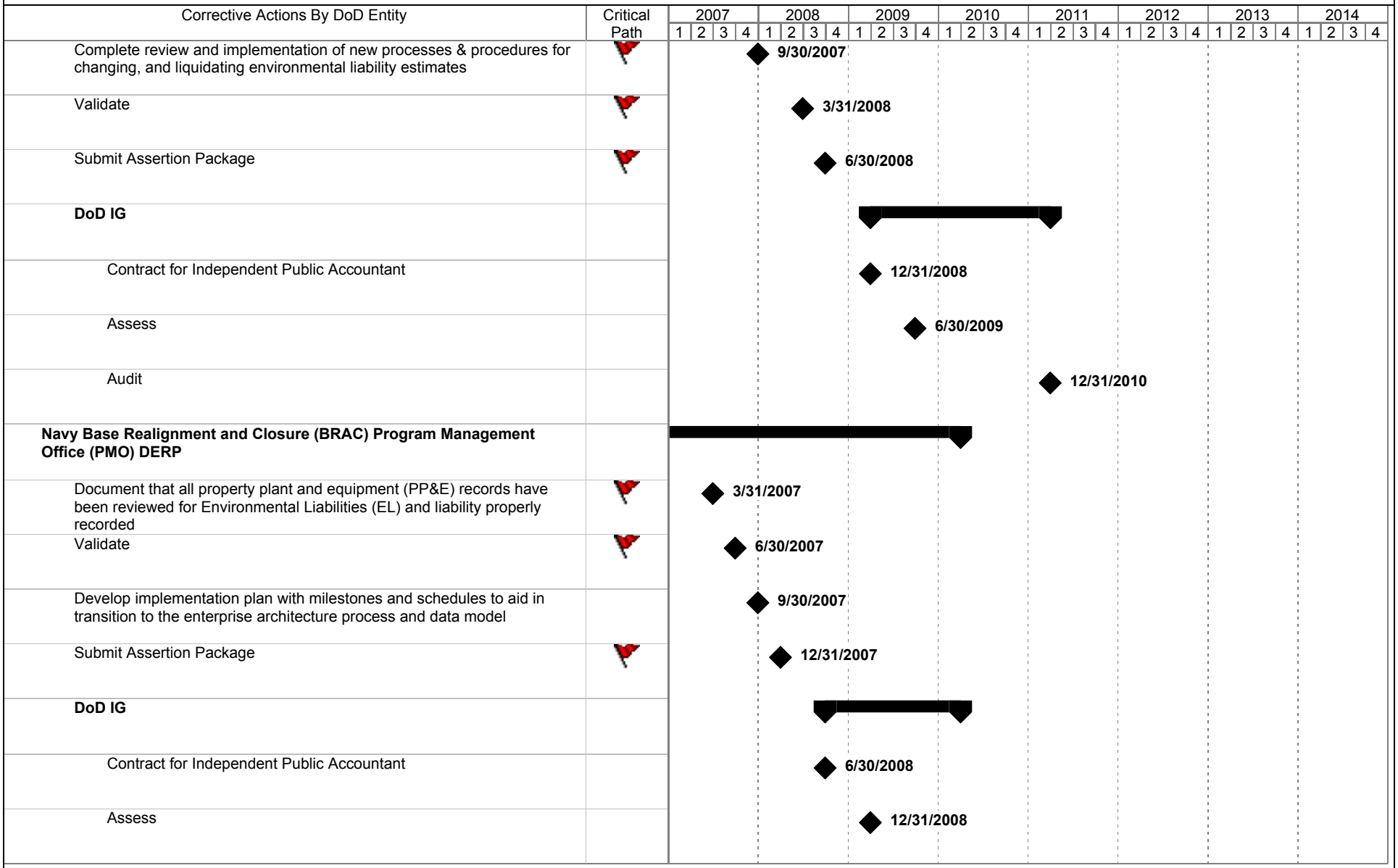

Corrective Actions By DoD Entity
Critical Path
2007
2008
2009
2010
2011
2012
2013
2014
1 2 3 4 1 2 3 4 1 2 3 4 1 2 3 4 1 2 3 4 1 2 3 4 1 2 3 4 1 2 3 4
Environmental Liabilities Key Milestones
OUSD (C)
Review Assertion Package for Navy Nuclear and Conventional Ships and Submarines
3/31/2007
Review Assertion Package for Army Defense Environmental Restoration Program (DERP) and Base Realignment and Closure (BRAC) DERP
3/31/2008
Review Assertion Package for Navy Defense Environmental Restoration Program (DERP)
3/31/2008
Review Assertion Package for Navy Base Realignment and Closure (BRAC) Program Management Office (PMO) Defense Environmental Restoration Program (DERP)
3/31/2008
Review Assertion Package for Navy Non-Defense Environmental Restoration Program (Non-DERP)
9/30/2008
Review Assertion Package for Navy Base Realignment and Closure (BRAC) Program Management Office (PMO) Non-Defense Environmental Restoration Program (Non-DERP)
9/30/2008
Review Assertion Package for Army Non-Defense Environmental Restoration Program (Non-DERP) and Base Realignment and Closure (BRAC) Non-DERP
12/31/2008
Review Assertion Package for Air Force Non-Defense Environmental Restoration Program (Non-DERP)
12/31/2008
Review Assertion Package for Air Force Defense Environmental Restoration Program (DERP)
12/31/2008
Review Assertion Package for DLA Defense Environmental Restoration Program (DERP), Non-DERP and Base Realignment and Closure (BRAC)
12/31/2009
Review Assertion Package for Army Chemical Agents and Munitions Destruction (CAMD) Assembled Chemical Weapons Assessment (ACWA)
3/31/2010
Review Assertion Package for Army Chemical Demilitarization / Chemical Agents and Munitions Destruction (CAMD)
3/31/2011
OUSD (AT&L)
3/31/2007

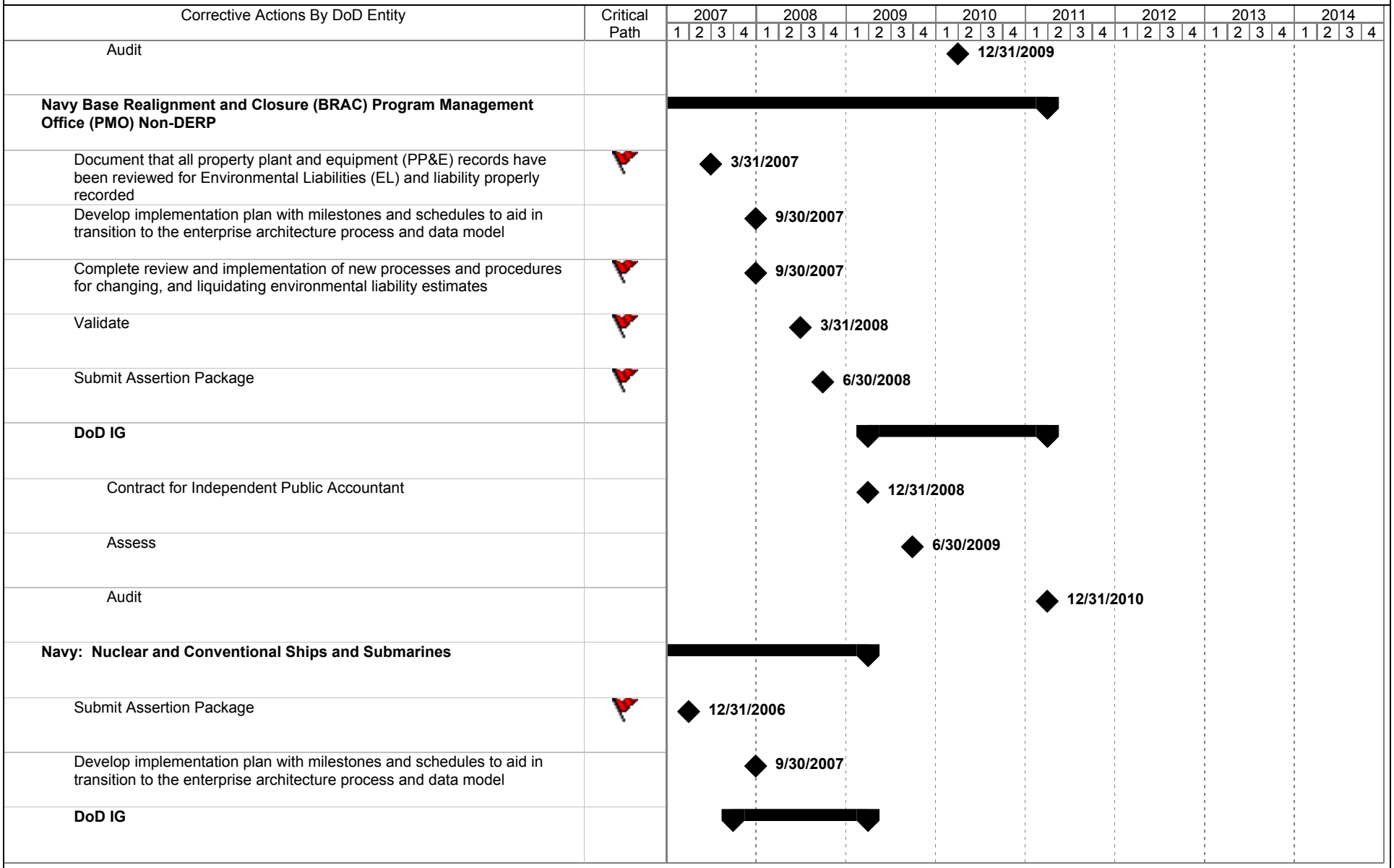

Corrective Actions By DoD Entity
Critical Path
2007
2008
2009
2010
2011
2012
2013
2014
1 2 3 4 1 2 3 4 1 2 3 4 1 2 3 4 1 2 3 4 1 2 3 4 1 2 3 4 1 2 3 4
Assign and fund proponency for Buried Chemical Weapons (BCW) disposition
3/31/2007
Army: DERP and BRAC DERP
Develop implementation plan with milestones and schedules to aid in transition to the enterprise architecture process and data model
9/30/2007
Validate
9/30/2007
Submit Assertion Package
12/31/2007
DoD IG
Contract for Independent Public Accountant
6/30/2008
Assess
12/31/2008
Audit
12/31/2009
Army: Non-DERP and BRAC Non-DERP
Identify universe of Environmental Liabilities (EL) candidate units, facilities, property and/or operations where environmental issues have been identified
6/30/2007
Document that all property plant and equipment (PP&E) records have been reviewed for Environmental Liabilities (EL) and liability properly recorded
6/30/2007
Complete and document initial estimates for all sites in the Environmental Liabilities (EL) universe
9/30/2007
Complete documentation and correction of processes & procedures for creating, changing, reviewing, approving and liquidating environmental liability estimates
9/30/2007
Establish and document process to accomplish supervisory review and approval of the liability estimates
9/30/2007

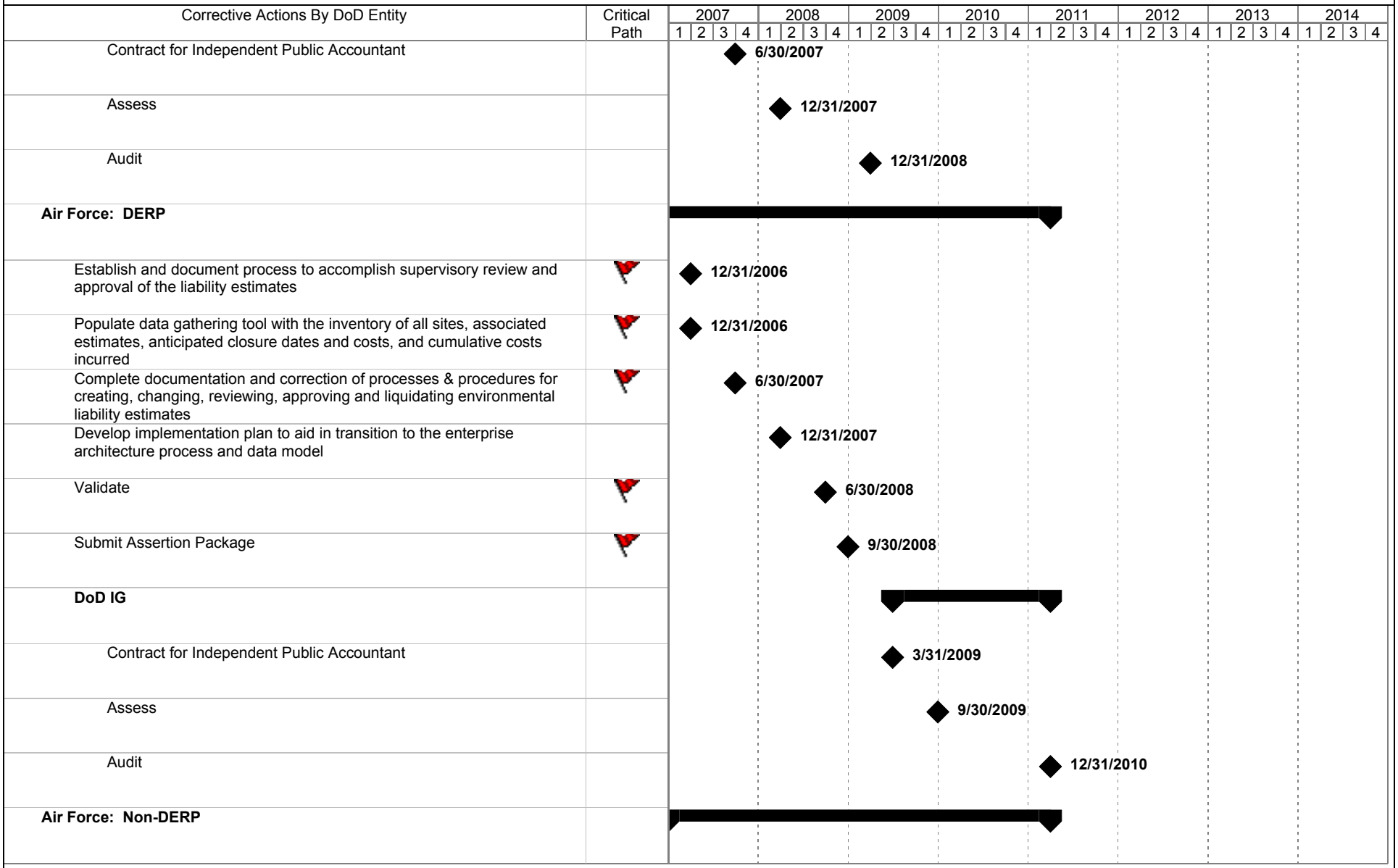

Corrective Actions By DoD Entity
Critical Path
2007
2008
2009
2010
2011
2012
2013
2014
1 2 3 4 1 2 3 4 1 2 3 4 1 2 3 4 1 2 3 4 1 2 3 4 1 2 3 4 1 2 3 4
Develop implementation plan with milestones and schedules to aid in transition to the enterprise architecture process and data model
9/30/2007
Populate data gathering tool with the inventory of all sites, associated estimates, anticipated closure dates and costs, and cumulative costs incurred
3/31/2008
Validate
6/30/2008
Submit Assertion Package
9/30/2008
DoD IG
Contract for Independent Public Accountant
3/31/2009
Assess
9/30/2009
Audit
12/31/2010
Army: Chemical Materials Agency / Chemical Agents Munitions Destruction (CAMD)
Establish and document process to accomplish supervisory review and approval of the liability estimates
12/31/2006
Identify universe of Environmental Liabilities (EL) candidate units, facilities, property and/or operations where environmental issues have been identified
6/30/2007
Document that all property plant and equipment (PP&E) records have been reviewed for Environmental Liabilities (EL) and liability properly recorded
9/30/2007
Complete and document initial estimates for Chemical Agents Munitions Destruction (CAMD) universe
12/31/2008
Complete documentation and correction of processes & procedures for creating, changing, reviewing, approving and liquidating Chemical Agents Munitions Destruction (CAMD) estimates
3/31/2009
Develop implementation plan with milestones and schedules to aid in transition to the enterprise architecture process and data model
12/31/2009
Validate
9/30/2010

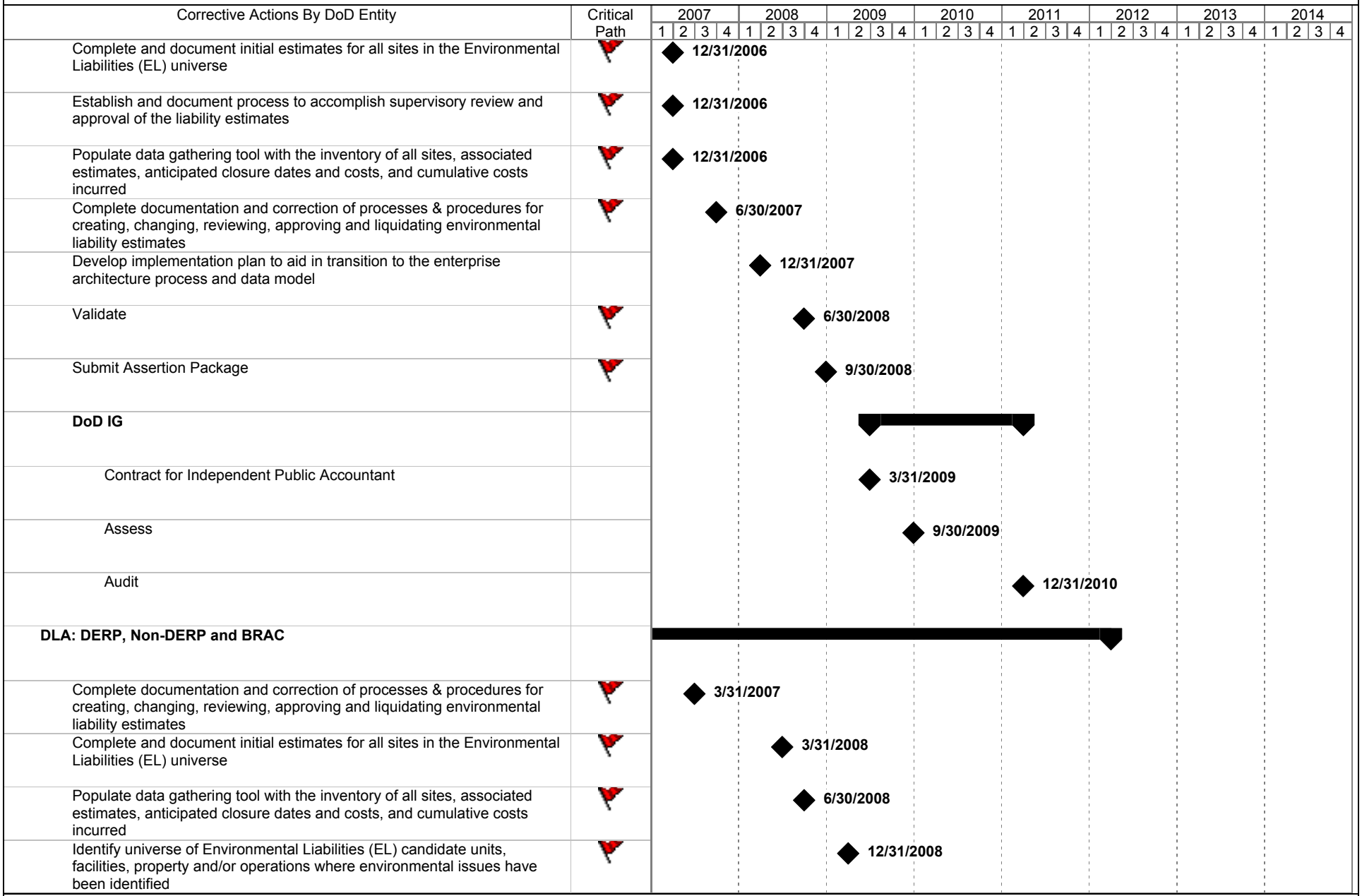

Corrective Actions By DoD Entity
Critical Path
2007
2008
2009
2010
2011
2012
2013
2014
1 2 3 4 1 2 3 4 1 2 3 4 1 2 3 4 1 2 3 4 1 2 3 4 1 2 3 4 1 2 3 4
Submit Assertion Package
12/31/2010
DoD IG
Contract for Independent Public Accountant
6/30/2011
Assess
12/31/2011
Audit
12/31/2012
Army: Chemical Agents Munitions Destruction (CAMD) Assembled Chemical Weapons Assessment (ACWA)
Establish a process that results in an accurately reported Assembled Chemical Weapons Assessment (ACWA) Liability
12/31/2006
Develop implementation plan with milestones and schedules to aid in transition to the enterprise architecture process and data model
12/31/2006
Populate data gathering tool with the Assembled Chemical Weapons Assessment (ACWA) inventory, associated estimates, anticipated closure dates and costs, and cumulative costs incurred
3/31/2007
Document that all property plant and equipment (PP&E) records have been reviewed for Environmental Liabilities (EL) and liability properly recorded
9/30/2007
Complete and document initial estimates for Assembled Chemical Weapons Assessment (ACWA) universe
9/30/2007
Complete documentation and correction of processes & procedures for creating, changing, reviewing, approving and liquidating Assembled Chemical Weapons Assessment (ACWA) estimates
12/31/2008
Validate
9/30/2009
Submit Assertion Package
12/31/2009
DoD IG


Corrective Actions By DoD Entity
Critical Path
2007
2008
2009
2010
2011
2012
2013
2014
1 2 3 4 1 2 3 4 1 2 3 4 1 2 3 4 1 2 3 4 1 2 3 4 1 2 3 4 1 2 3 4
Contract for Independent Public Accountant
6/30/2010
Assess
12/31/2010
Audit
12/31/2011
Navy: DERP
Document that all property plant and equipment (PP&E) records have been reviewed for Environmental Liabilities (EL) and liability properly recorded
3/31/2007
Validate
6/30/2007
Develop implementation plan with milestones and schedules to aid in transition to the enterprise architecture process and data model
9/30/2007
Submit Assertion Package
12/31/2007
DoD IG
Contract for Independent Public Accountant
6/30/2008
Assess
12/31/2008
Audit
12/31/2009
Navy: Non-DERP
Document that all property plant and equipment (PP&E) records have been reviewed for Environmental Liabilities (EL) and liability properly recorded
3/31/2007
Develop implementation plan with milestones and schedules to aid in transition to the enterprise architecture process and data model
9/30/2007

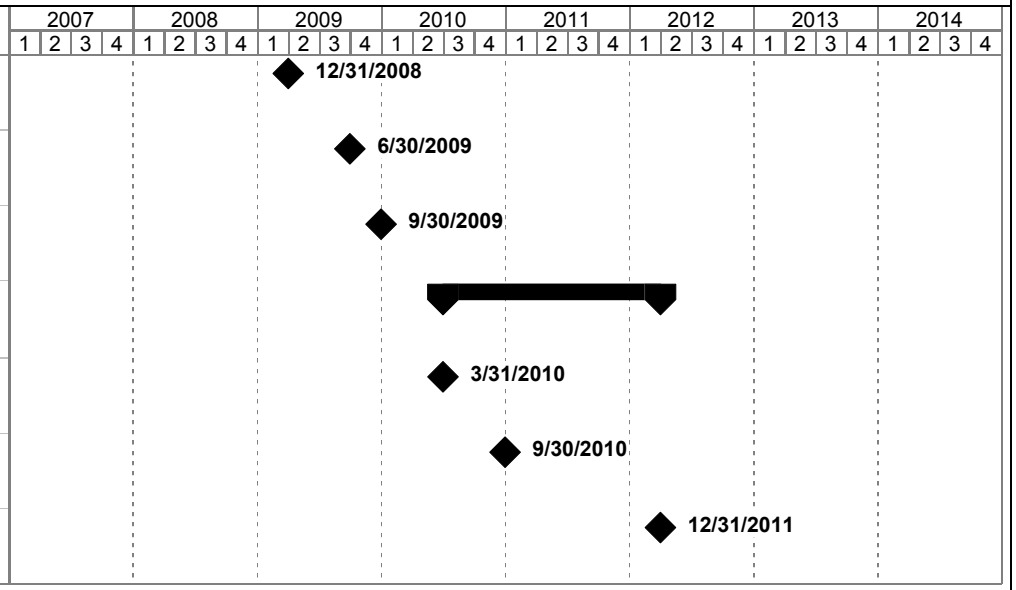

Corrective Actions By DoD Entity
Critical Path
2007
2008
2009
2010
2011
2012
2013
2014
1 2 3 4
Complete review and implementation of new processes & procedures for changing, and liquidating environmental liability estimates
9/30/2007
Validate
3/31/2008
Submit Assertion Package
6/30/2008
DoD IG
Contract for Independent Public Accountant
12/31/2008
Assess
6/30/2009
Audit
12/31/2010
Navy Base Realignment and Closure (BRAC) Program Management Office (PMO) DERP
Document that all property plant and equipment (PP&E) records have been reviewed for Environmental Liabilities (EL) and liability properly recorded
3/31/2007
Validate
6/30/2007
Develop implementation plan with milestones and schedules to aid in transition to the enterprise architecture process and data model
9/30/2007
Submit Assertion Package
12/31/2007
DoD IG
Contract for Independent Public Accountant
6/30/2008
Assess
12/31/2008

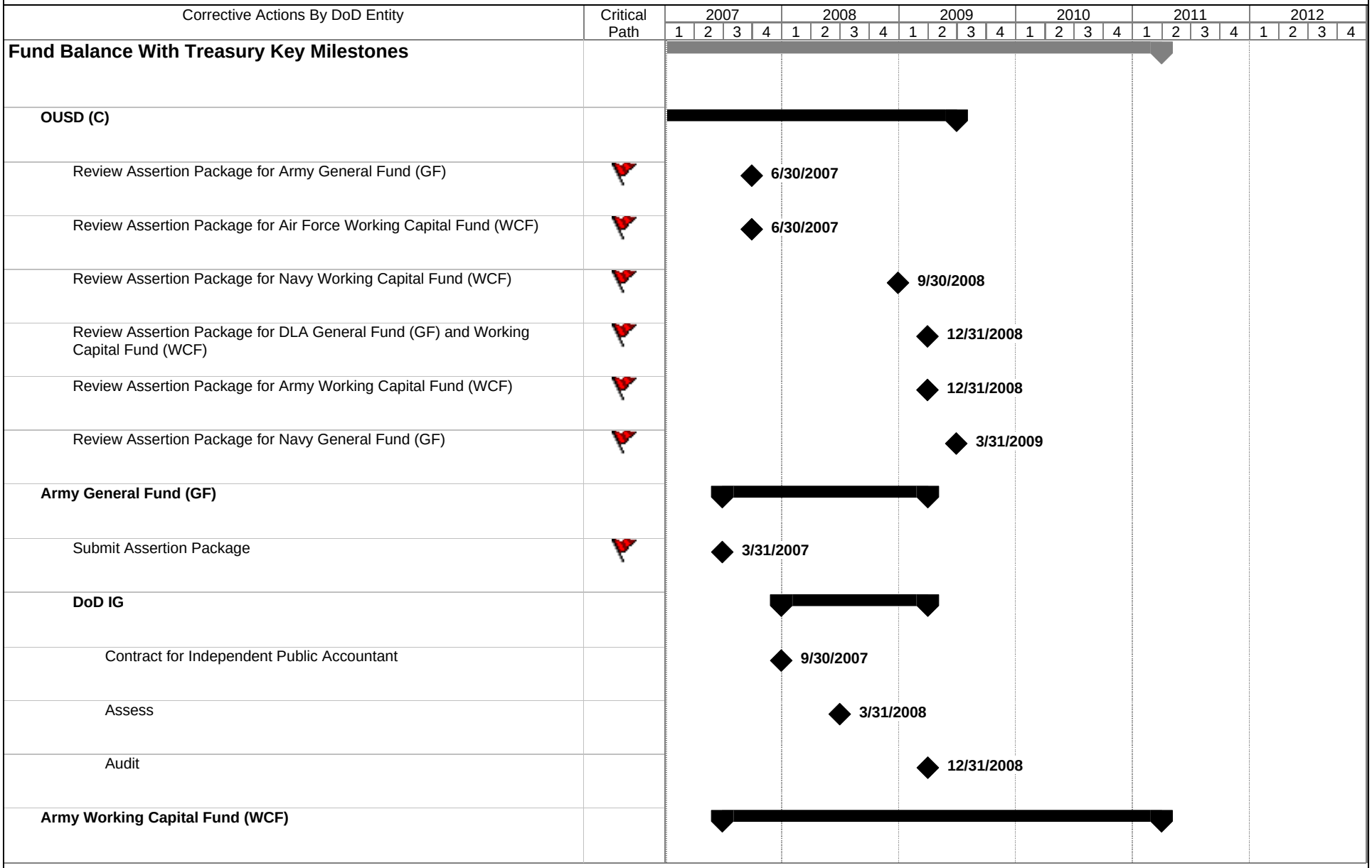

Corrective Actions By DoD Entity
Critical Path
2007
2008
2009
2010
2011
2012
2013
2014
1 2 3 4 1 2 3 4 1 2 3 4 1 2 3 4 1 2 3 4 1 2 3 4 1 2 3 4 1 2 3 4
Audit
12/31/2009
Navy Base Realignment and Closure (BRAC) Program Management Office (PMO) Non-DERP
Document that all property plant and equipment (PP&E) records have been reviewed for Environmental Liabilities (EL) and liability properly recorded
3/31/2007
Develop implementation plan with milestones and schedules to aid in transition to the enterprise architecture process and data model
9/30/2007
Complete review and implementation of new processes and procedures for changing, and liquidating environmental liability estimates
9/30/2007
Validate
3/31/2008
Submit Assertion Package
6/30/2008
DoD IG
Contract for Independent Public Accountant
12/31/2008
Assess
6/30/2009
Audit
12/31/2010
Navy: Nuclear and Conventional Ships and Submarines
Submit Assertion Package
12/31/2006
Develop implementation plan with milestones and schedules to aid in transition to the enterprise architecture process and data model
9/30/2007
DoD IG

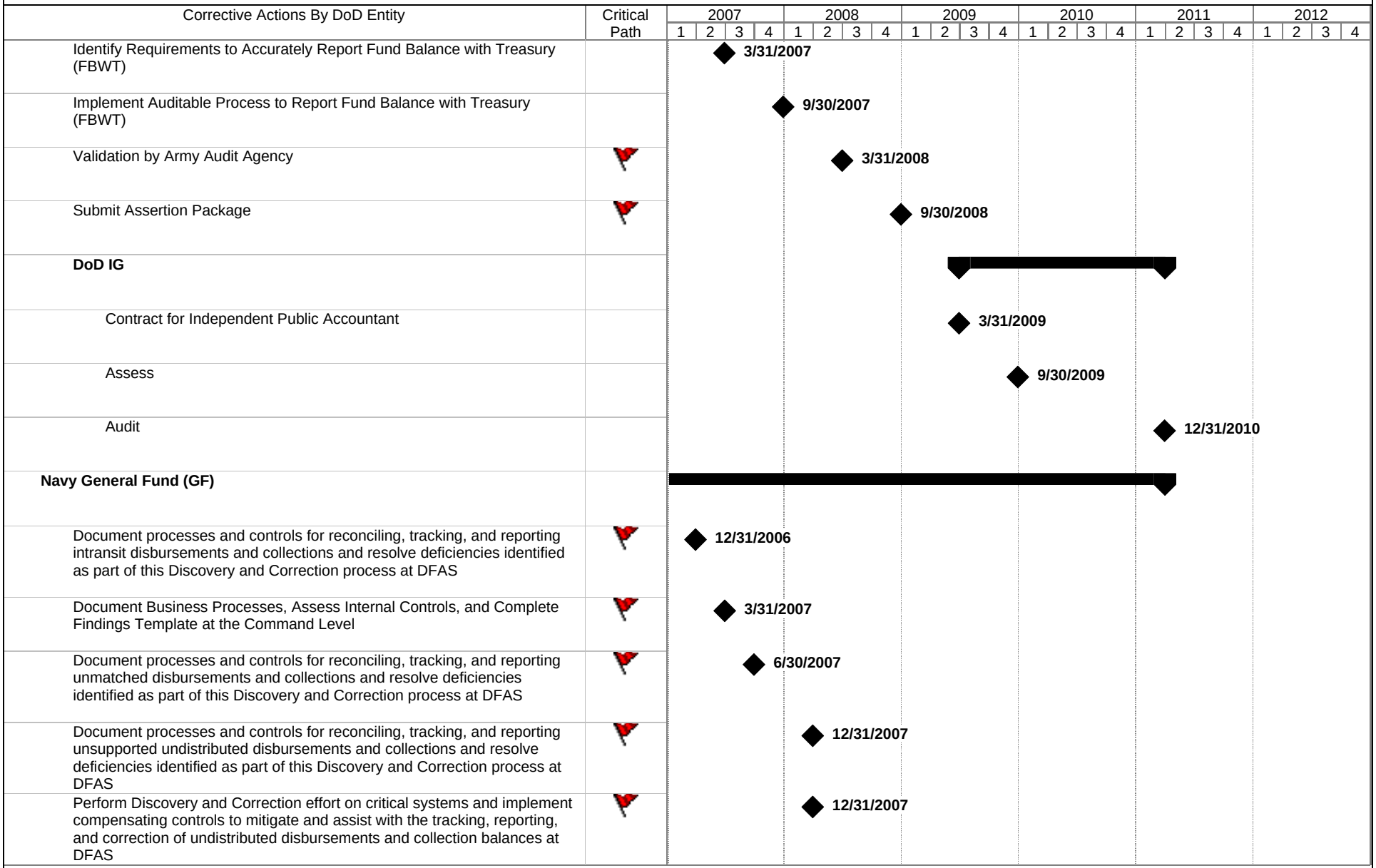

Corrective Actions By DoD Entity
Critical Path
2007
2008
2009
2010
2011
2012
2013
2014
1 2 3 4 1 2 3 4 1 2 3 4 1 2 3 4 1 2 3 4 1 2 3 4 1 2 3 4 1 2 3 4
Contract for Independent Public Accountant
6/30/2007
Assess
12/31/2007
Audit
12/31/2008
Air Force: DERP
Establish and document process to accomplish supervisory review and approval of the liability estimates
12/31/2006
Populate data gathering tool with the inventory of all sites, associated estimates, anticipated closure dates and costs, and cumulative costs incurred
12/31/2006
Complete documentation and correction of processes & procedures for creating, changing, reviewing, approving and liquidating environmental liability estimates
6/30/2007
Develop implementation plan to aid in transition to the enterprise architecture process and data model
12/31/2007
Validate
6/30/2008
Submit Assertion Package
9/30/2008
DoD IG
Contract for Independent Public Accountant
3/31/2009
Assess
9/30/2009
Audit
12/31/2010
Air Force: Non-DERP

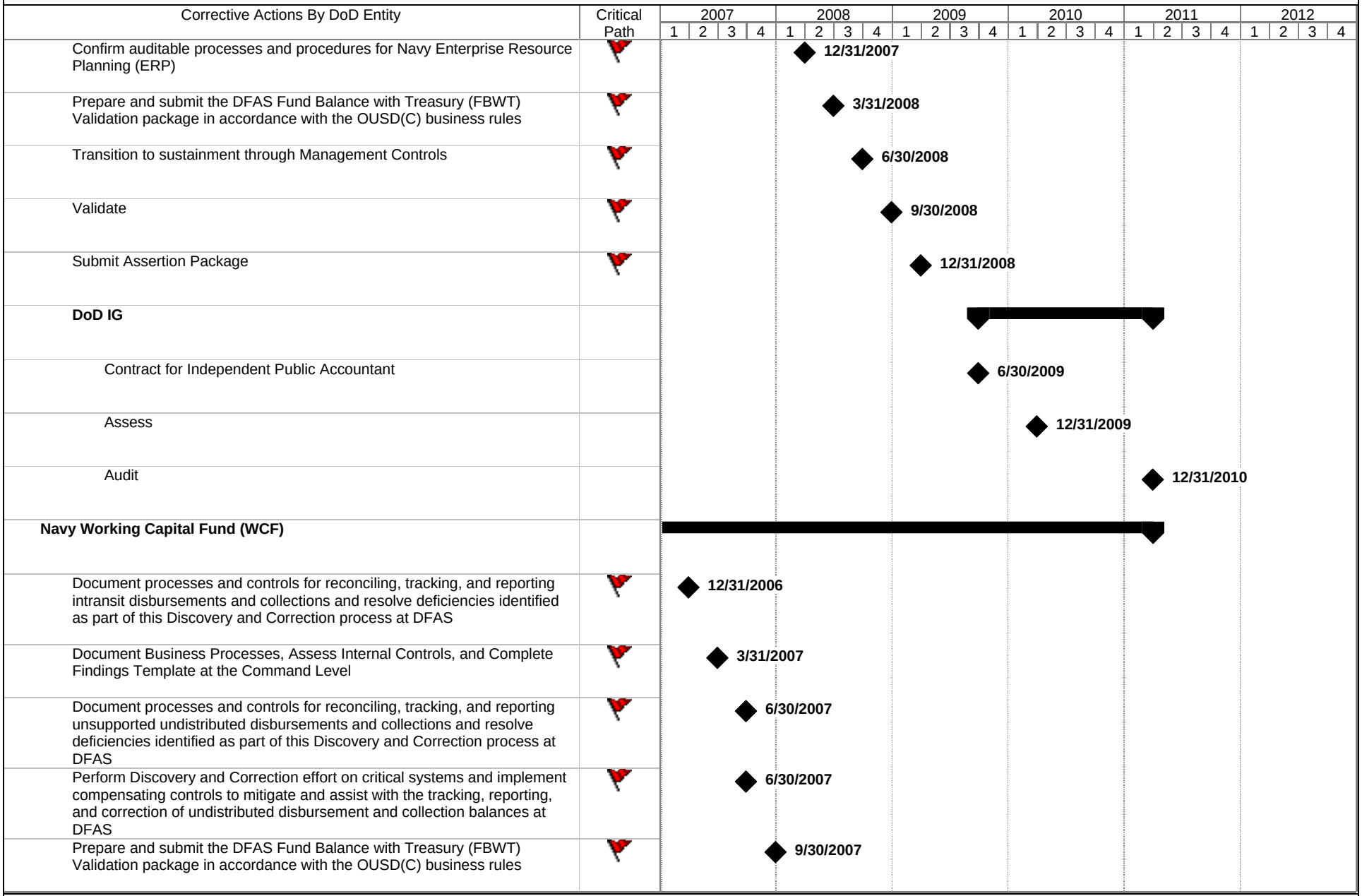

Corrective Actions By DoD Entity
Critical Path
2007
2008
2009
2010
2011
2012
2013
2014
1 2 3 4 1 2 3 4 1 2 3 4 1 2 3 4 1 2 3 4 1 2 3 4 1 2 3 4 1 2 3 4
Complete and document initial estimates for all sites in the Environmental Liabilities (EL) universe
12/31/2006
Establish and document process to accomplish supervisory review and approval of the liability estimates
12/31/2006
Populate data gathering tool with the inventory of all sites, associated estimates, anticipated closure dates and costs, and cumulative costs incurred
12/31/2006
Complete documentation and correction of processes & procedures for creating, changing, reviewing, approving and liquidating environmental liability estimates
6/30/2007
Develop implementation plan to aid in transition to the enterprise architecture process and data model
12/31/2007
Validate
6/30/2008
Submit Assertion Package
9/30/2008
DoD IG
Contract for Independent Public Accountant
3/31/2009
Assess
9/30/2009
Audit
12/31/2010
DLA: DERP, Non-DERP and BRAC
Complete documentation and correction of processes & procedures for creating, changing, reviewing, approving and liquidating environmental liability estimates
3/31/2007
Complete and document initial estimates for all sites in the Environmental Liabilities (EL) universe
3/31/2008
Populate data gathering tool with the inventory of all sites, associated estimates, anticipated closure dates and costs, and cumulative costs incurred
6/30/2008
Identify universe of Environmental Liabilities (EL) candidate units, facilities, property and/or operations where environmental issues have been identified
12/31/2008

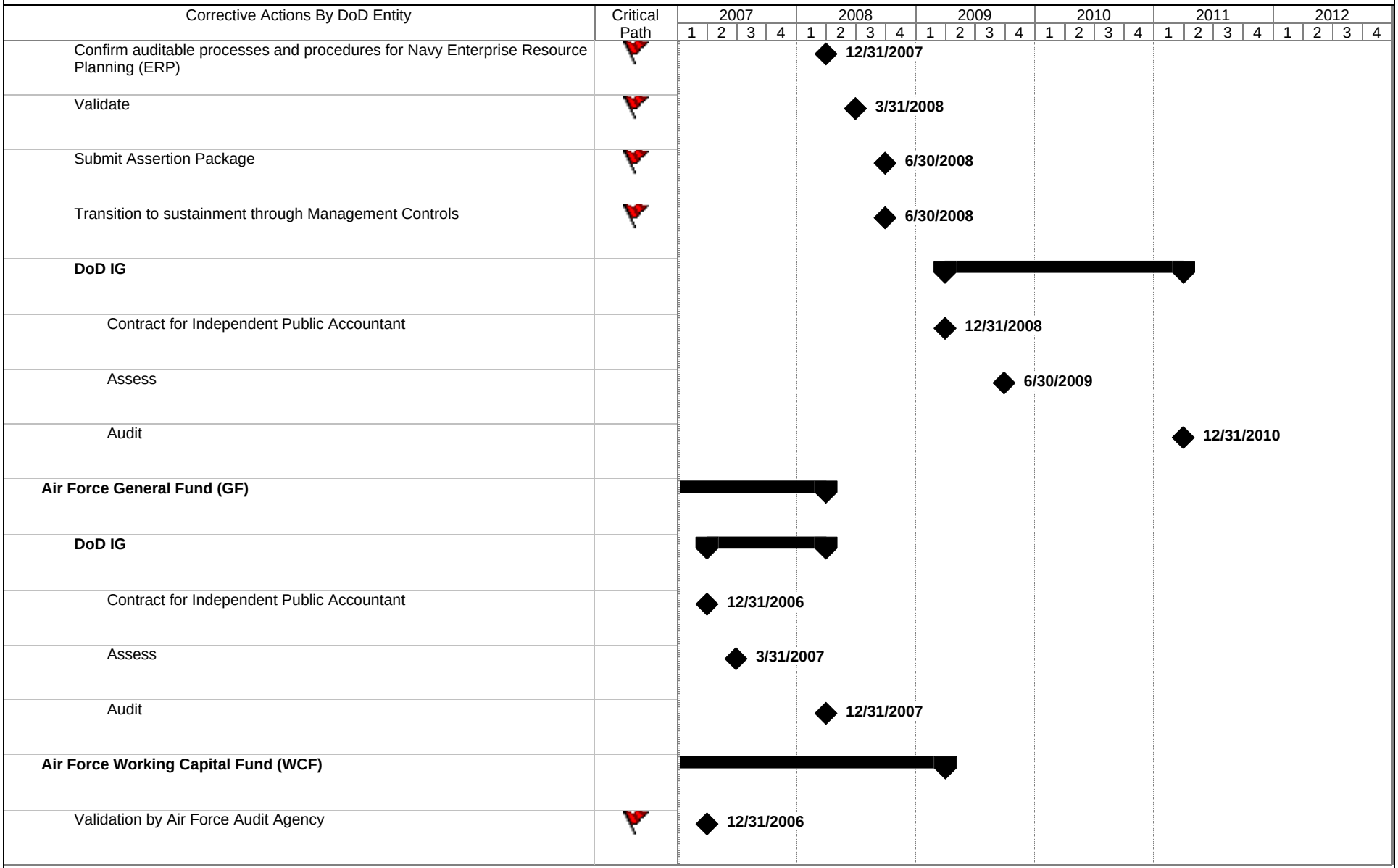
Corrective Actions By DoD Entity	Critical Path
Document that all property plant and equipment (PP&E) records have been reviewed for Environmental Liabilities (EL) and liability properly recorded	
Validate	
Submit Assertion Package	
DoD IG	
Contract for Independent Public Accountant	
Assess	
Audit	

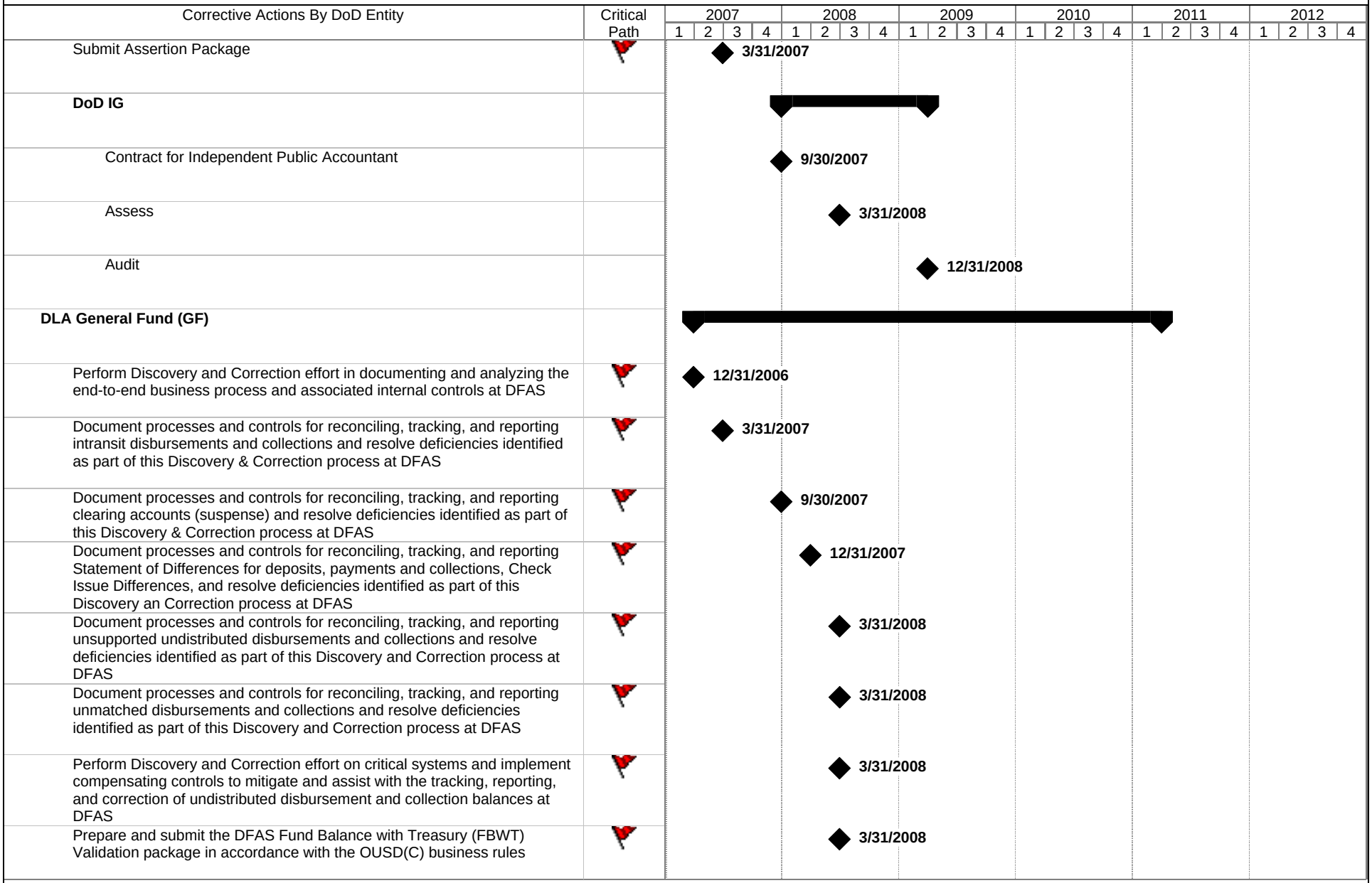


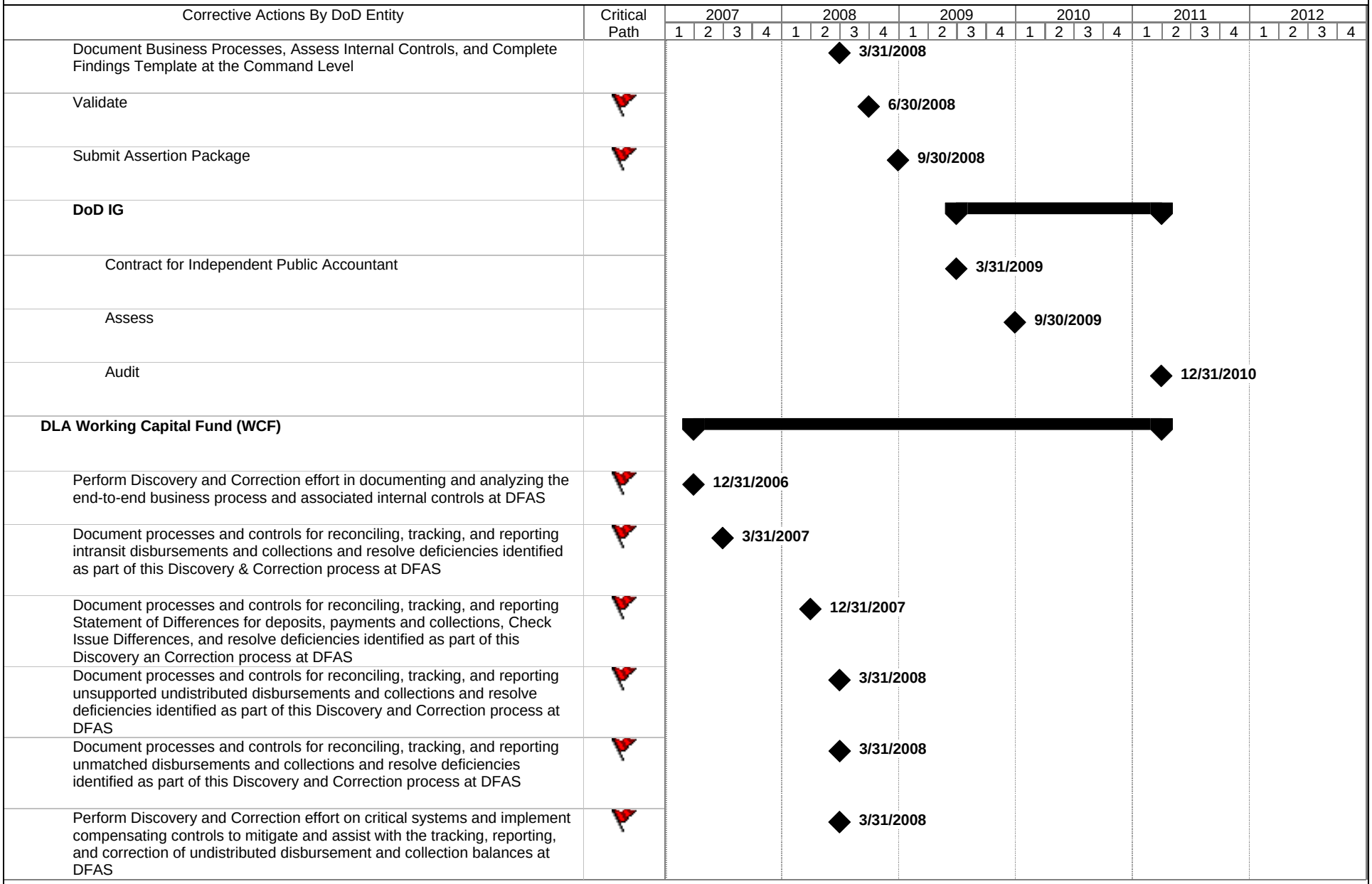

Corrective Actions By DoD Entity
Critical Path
2007
2008
2009
2010
2011
2012
1 2 3 4 1 2 3 4 1 2 3 4 1 2 3 4 1 2 3 4 1 2 3 4
Fund Balance With Treasury Key Milestones
OUSD (C)
Review Assertion Package for Army General Fund (GF)
6/30/2007
Review Assertion Package for Air Force Working Capital Fund (WCF)
6/30/2007
Review Assertion Package for Navy Working Capital Fund (WCF)
9/30/2008
Review Assertion Package for DLA General Fund (GF) and Working Capital Fund (WCF)
12/31/2008
Review Assertion Package for Army Working Capital Fund (WCF)
12/31/2008
Review Assertion Package for Navy General Fund (GF)
3/31/2009
Army General Fund (GF)
Submit Assertion Package
3/31/2007
DoD IG
Contract for Independent Public Accountant
9/30/2007
Assess
3/31/2008
Audit
12/31/2008
Army Working Capital Fund (WCF)

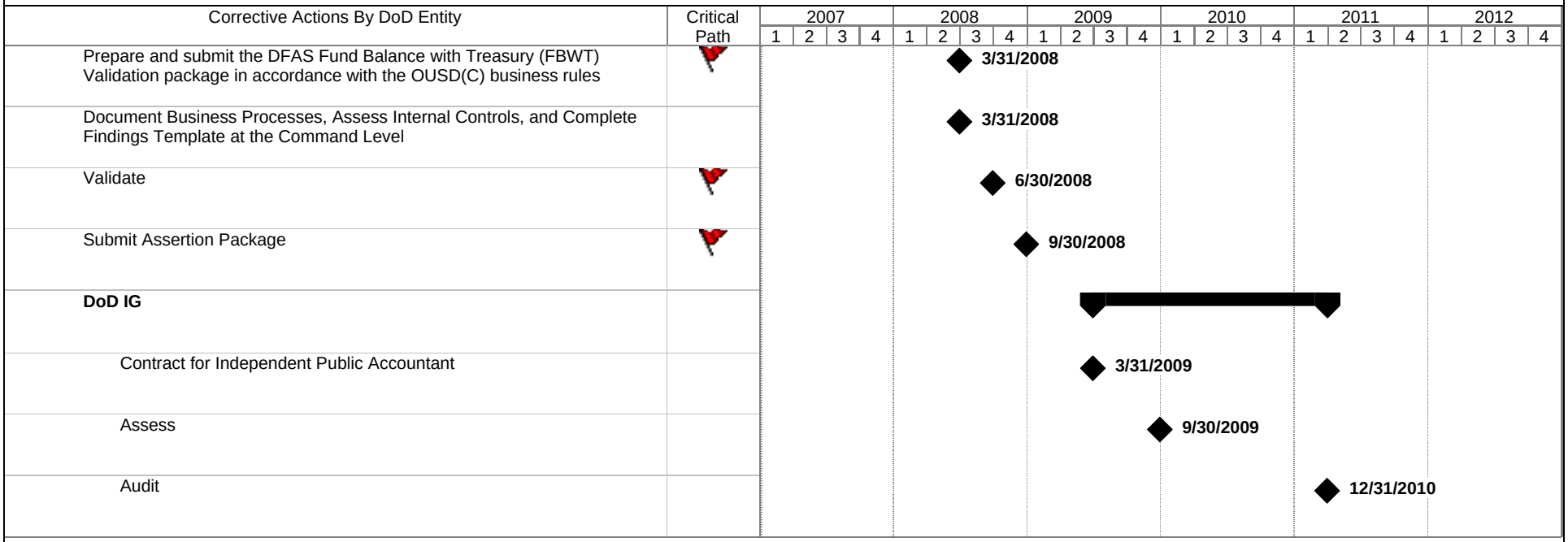

Corrective Actions By DoD Entity
Critical Path
2007
2008
2009
2010
2011
2012
1 2 3 4 1 2 3 4 1 2 3 4 1 2 3 4 1 2 3 4 1 2 3 4
Identify Requirements to Accurately Report Fund Balance with Treasury (FBWT)
3/31/2007
Implement Auditable Process to Report Fund Balance with Treasury (FBWT)
9/30/2007
Validation by Army Audit Agency
3/31/2008
Submit Assertion Package
9/30/2008
DoD IG
Contract for Independent Public Accountant
3/31/2009
Assess
9/30/2009
Audit
12/31/2010
Navy General Fund (GF)
Document processes and controls for reconciling, tracking, and reporting intransit disbursements and collections and resolve deficiencies identified as part of this Discovery and Correction process at DFAS
12/31/2006
Document Business Processes, Assess Internal Controls, and Complete Findings Template at the Command Level
3/31/2007
Document processes and controls for reconciling, tracking, and reporting unmatched disbursements and collections and resolve deficiencies identified as part of this Discovery and Correction process at DFAS
6/30/2007
Document processes and controls for reconciling, tracking, and reporting unsupported undistributed disbursements and collections and resolve deficiencies identified as part of this Discovery and Correction process at DFAS
12/31/2007
Perform Discovery and Correction effort on critical systems and implement compensating controls to mitigate and assist with the tracking, reporting, and correction of undistributed disbursements and collection balances at DFAS
12/31/2007


Corrective Actions By DoD Entity
Critical Path
2007
2008
2009
2010
2011
2012
1 2 3 4 1 2 3 4 1 2 3 4 1 2 3 4 1 2 3 4 1 2 3 4
Confirm auditable processes and procedures for Navy Enterprise Resource Planning (ERP)
12/31/2007
Prepare and submit the DFAS Fund Balance with Treasury (FBWT) Validation package in accordance with the OUSD(C) business rules
3/31/2008
Transition to sustainment through Management Controls
6/30/2008
Validate
9/30/2008
Submit Assertion Package
12/31/2008
DoD IG
Contract for Independent Public Accountant
6/30/2009
Assess
12/31/2009
Audit
12/31/2010
Navy Working Capital Fund (WCF)
Document processes and controls for reconciling, tracking, and reporting intransit disbursements and collections and resolve deficiencies identified as part of this Discovery and Correction process at DFAS
12/31/2006
Document Business Processes, Assess Internal Controls, and Complete Findings Template at the Command Level
3/31/2007
Document processes and controls for reconciling, tracking, and reporting unsupported undistributed disbursements and collections and resolve deficiencies identified as part of this Discovery and Correction process at DFAS
6/30/2007
Perform Discovery and Correction effort on critical systems and implement compensating controls to mitigate and assist with the tracking, reporting, and correction of undistributed disbursement and collection balances at DFAS
6/30/2007
Prepare and submit the DFAS Fund Balance with Treasury (FBWT) Validation package in accordance with the OUSD(C) business rules
9/30/2007

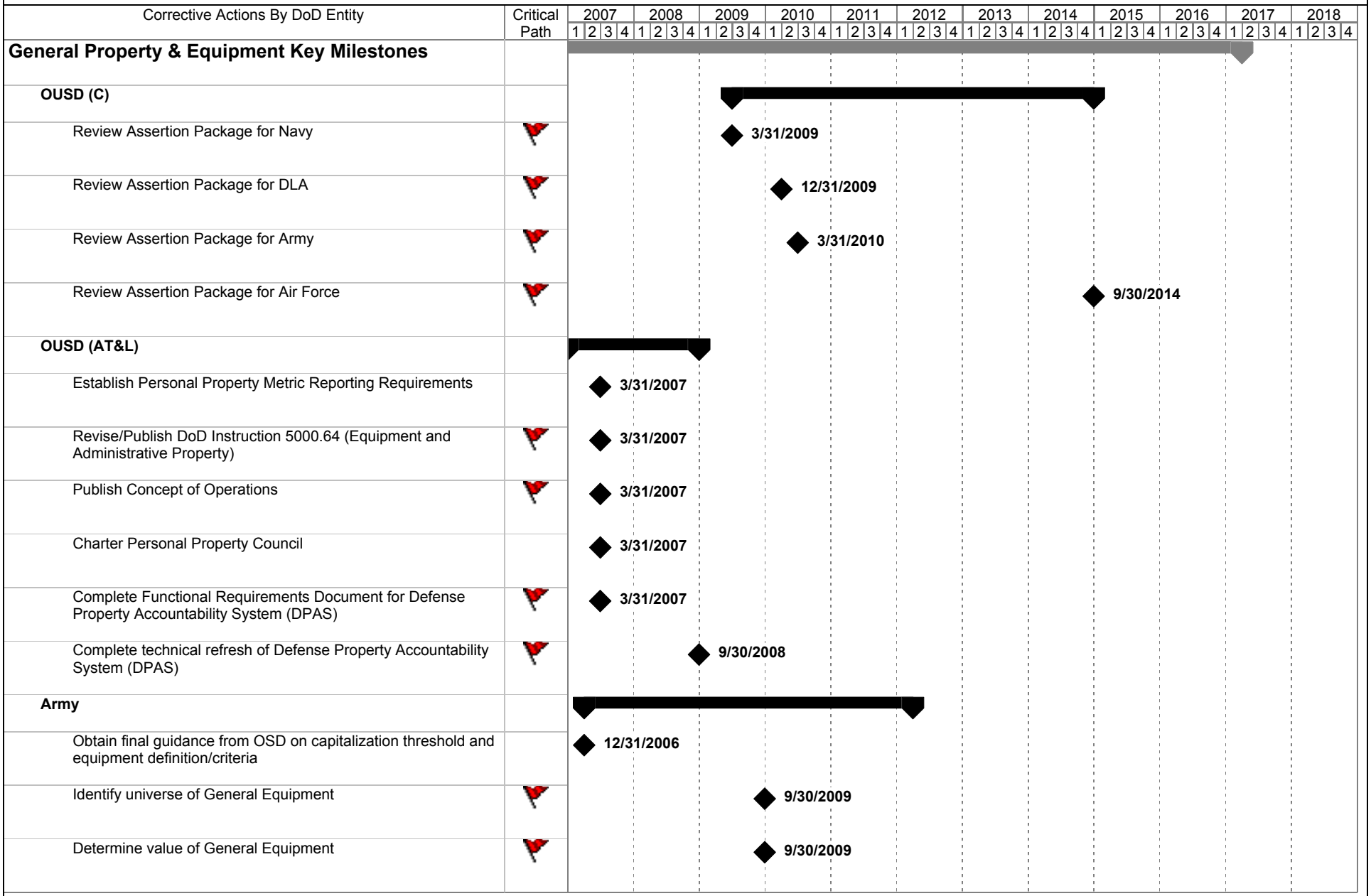

Corrective Actions By DoD Entity
Critical Path
2007
2008
2009
2010
2011
2012
1 2 3 4 1 2 3 4 1 2 3 4 1 2 3 4 1 2 3 4 1 2 3 4
Confirm auditable processes and procedures for Navy Enterprise Resource Planning (ERP)
12/31/2007
Validate
3/31/2008
Submit Assertion Package
6/30/2008
Transition to sustainment through Management Controls
6/30/2008
DoD IG
Contract for Independent Public Accountant
12/31/2008
Assess
6/30/2009
Audit
12/31/2010
Air Force General Fund (GF)
DoD IG
Contract for Independent Public Accountant
12/31/2006
Assess
3/31/2007
Audit
12/31/2007
Air Force Working Capital Fund (WCF)
Validation by Air Force Audit Agency
12/31/2006

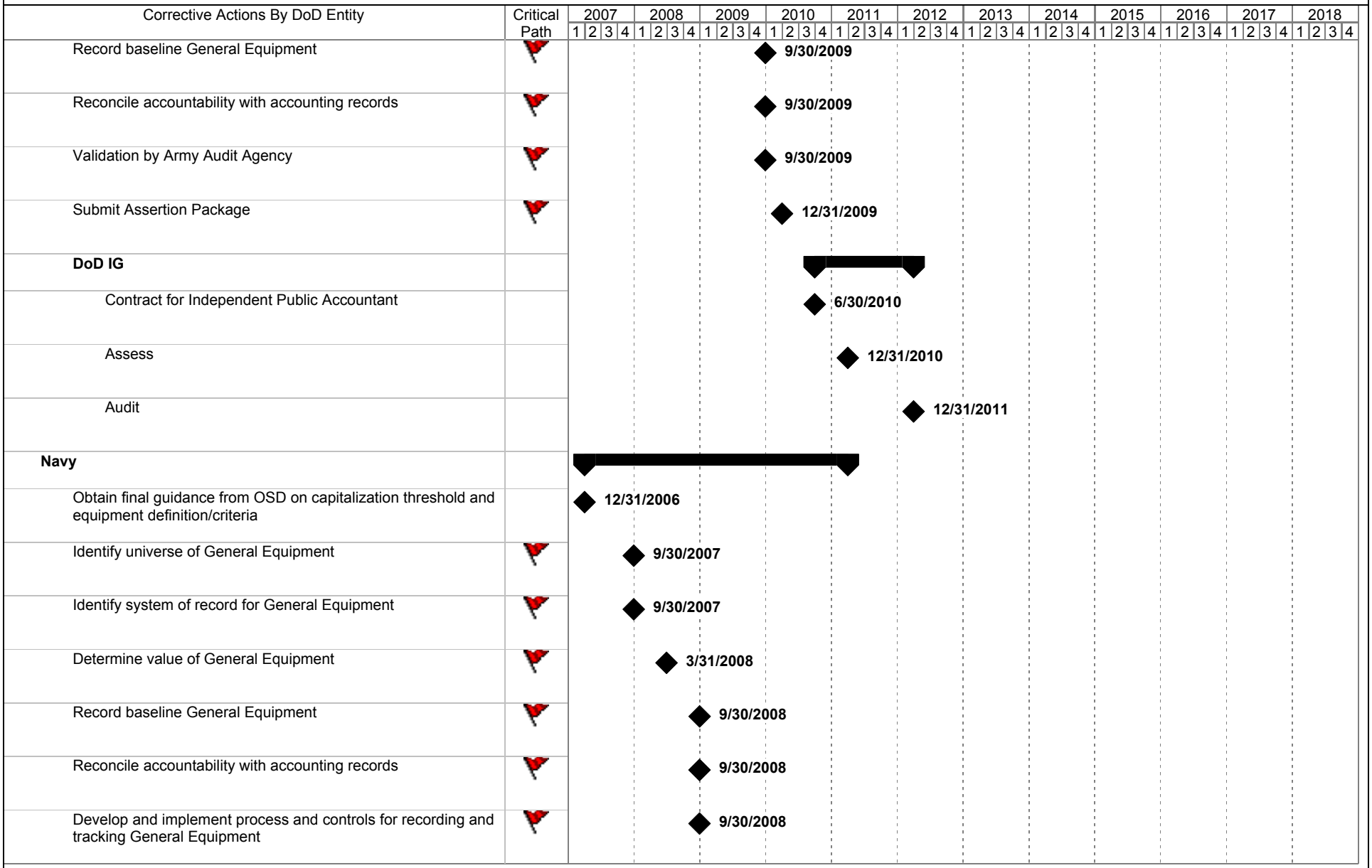

Corrective Actions By DoD Entity
Critical Path
2007
2008
2009
2010
2011
2012
1 2 3 4 1 2 3 4 1 2 3 4 1 2 3 4 1 2 3 4 1 2 3 4
Submit Assertion Package
3/31/2007
DoD IG
Contract for Independent Public Accountant
9/30/2007
Assess
3/31/2008
Audit
12/31/2008
DLA General Fund (GF)
Perform Discovery and Correction effort in documenting and analyzing the end-to-end business process and associated internal controls at DFAS
12/31/2006
Document processes and controls for reconciling, tracking, and reporting intransit disbursements and collections and resolve deficiencies identified as part of this Discovery & Correction process at DFAS
3/31/2007
Document processes and controls for reconciling, tracking, and reporting clearing accounts (suspense) and resolve deficiencies identified as part of this Discovery & Correction process at DFAS
9/30/2007
Document processes and controls for reconciling, tracking, and reporting Statement of Differences for deposits, payments and collections, Check Issue Differences, and resolve deficiencies identified as part of this Discovery an Correction process at DFAS
12/31/2007
Document processes and controls for reconciling, tracking, and reporting unsupported undistributed disbursements and collections and resolve deficiencies identified as part of this Discovery and Correction process at DFAS
3/31/2008
Document processes and controls for reconciling, tracking, and reporting unmatched disbursements and collections and resolve deficiencies identified as part of this Discovery and Correction process at DFAS
3/31/2008
Perform Discovery and Correction effort on critical systems and implement compensating controls to mitigate and assist with the tracking, reporting, and correction of undistributed disbursement and collection balances at DFAS
3/31/2008
Prepare and submit the DFAS Fund Balance with Treasury (FBWT) Validation package in accordance with the OUSD(C) business rules
3/31/2008

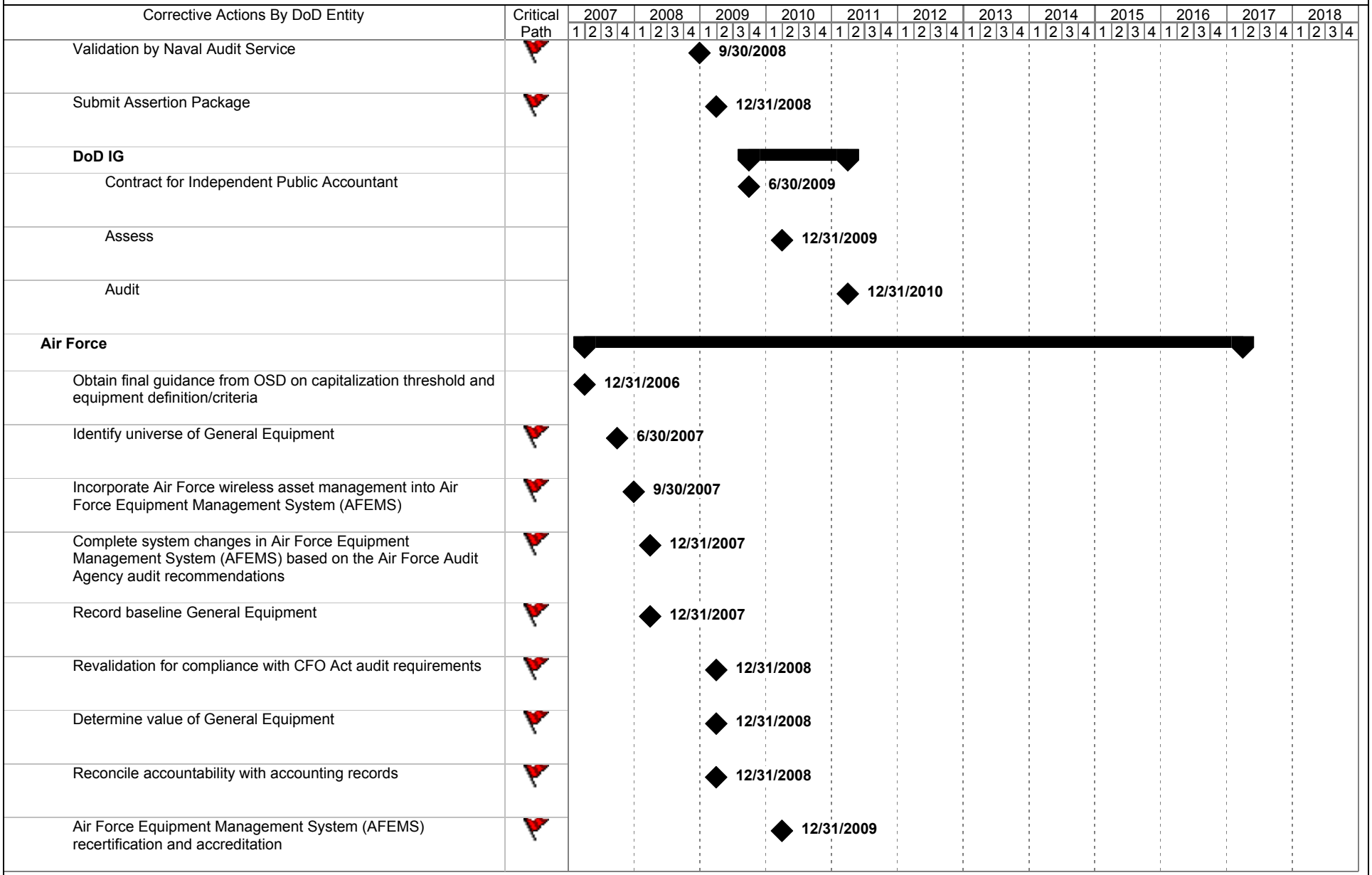

Corrective Actions By DoD Entity
Critical Path
2007
2008
2009
2010
2011
2012
1 2 3 4 1 2 3 4 1 2 3 4 1 2 3 4 1 2 3 4 1 2 3 4
Document Business Processes, Assess Internal Controls, and Complete Findings Template at the Command Level
3/31/2008
Validate
6/30/2008
Submit Assertion Package
9/30/2008
DoD IG
Contract for Independent Public Accountant
3/31/2009
Assess
9/30/2009
Audit
12/31/2010
DLA Working Capital Fund (WCF)
Perform Discovery and Correction effort in documenting and analyzing the end-to-end business process and associated internal controls at DFAS
12/31/2006
Document processes and controls for reconciling, tracking, and reporting intransit disbursements and collections and resolve deficiencies identified as part of this Discovery & Correction process at DFAS
3/31/2007
Document processes and controls for reconciling, tracking, and reporting Statement of Differences for deposits, payments and collections, Check Issue Differences, and resolve deficiencies identified as part of this Discovery an Correction process at DFAS
12/31/2007
Document processes and controls for reconciling, tracking, and reporting unsupported undistributed disbursements and collections and resolve deficiencies identified as part of this Discovery and Correction process at DFAS
3/31/2008
Document processes and controls for reconciling, tracking, and reporting unmatched disbursements and collections and resolve deficiencies identified as part of this Discovery and Correction process at DFAS
3/31/2008
Perform Discovery and Correction effort on critical systems and implement compensating controls to mitigate and assist with the tracking, reporting, and correction of undistributed disbursement and collection balances at DFAS
3/31/2008

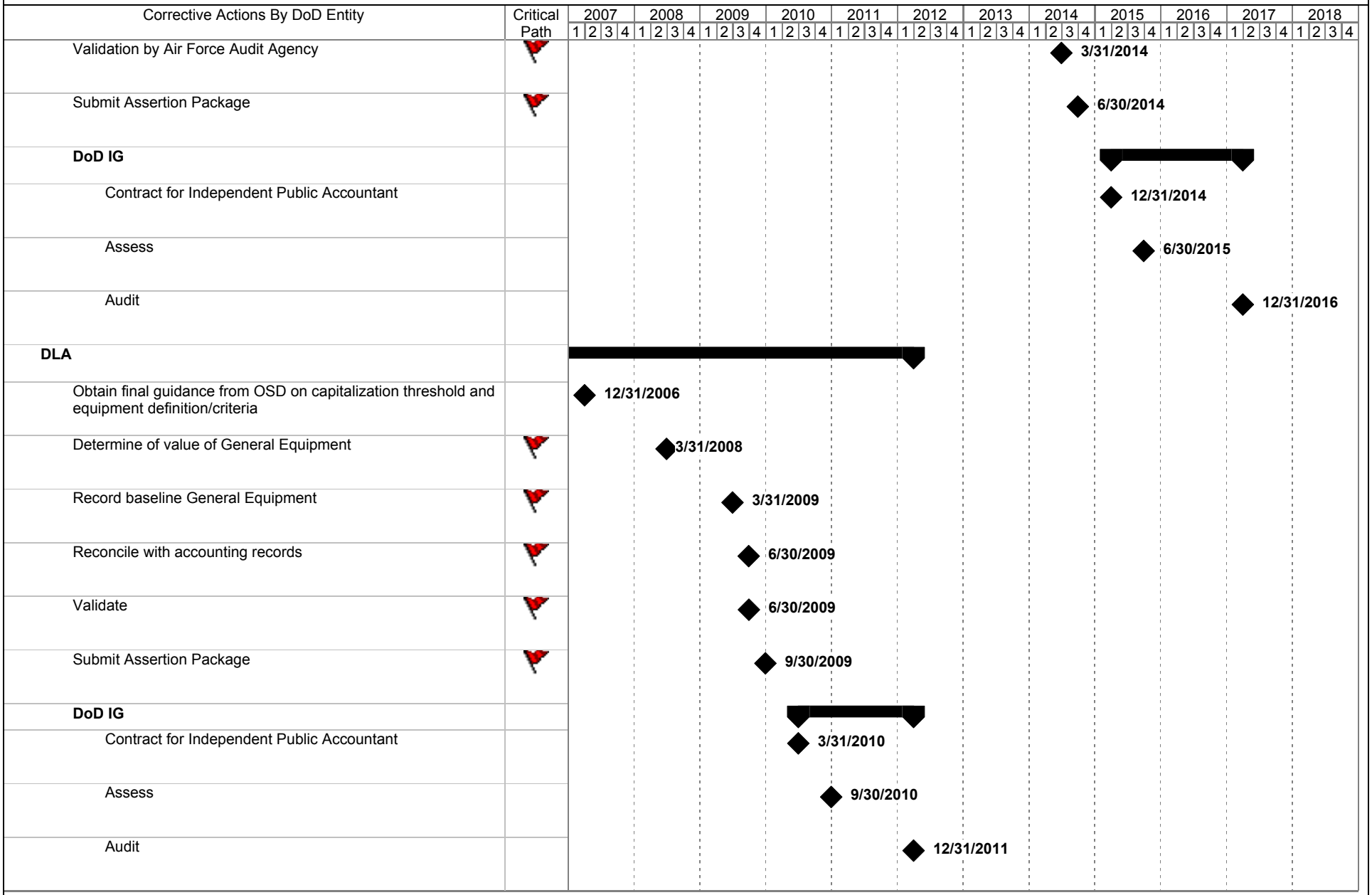

Corrective Actions By DoD Entity
Critical Path
2007
2008
2009
2010
2011
2012
1 2 3 4 1 2 3 4 1 2 3 4 1 2 3 4 1 2 3 4 1 2 3 4
Prepare and submit the DFAS Fund Balance with Treasury (FBWT) Validation package in accordance with the OUSD(C) business rules
3/31/2008
Document Business Processes, Assess Internal Controls, and Complete Findings Template at the Command Level
3/31/2008
Validate
6/30/2008
Submit Assertion Package
9/30/2008
DoD IG
Contract for Independent Public Accountant
3/31/2009
Assess
9/30/2009
Audit
12/31/2010

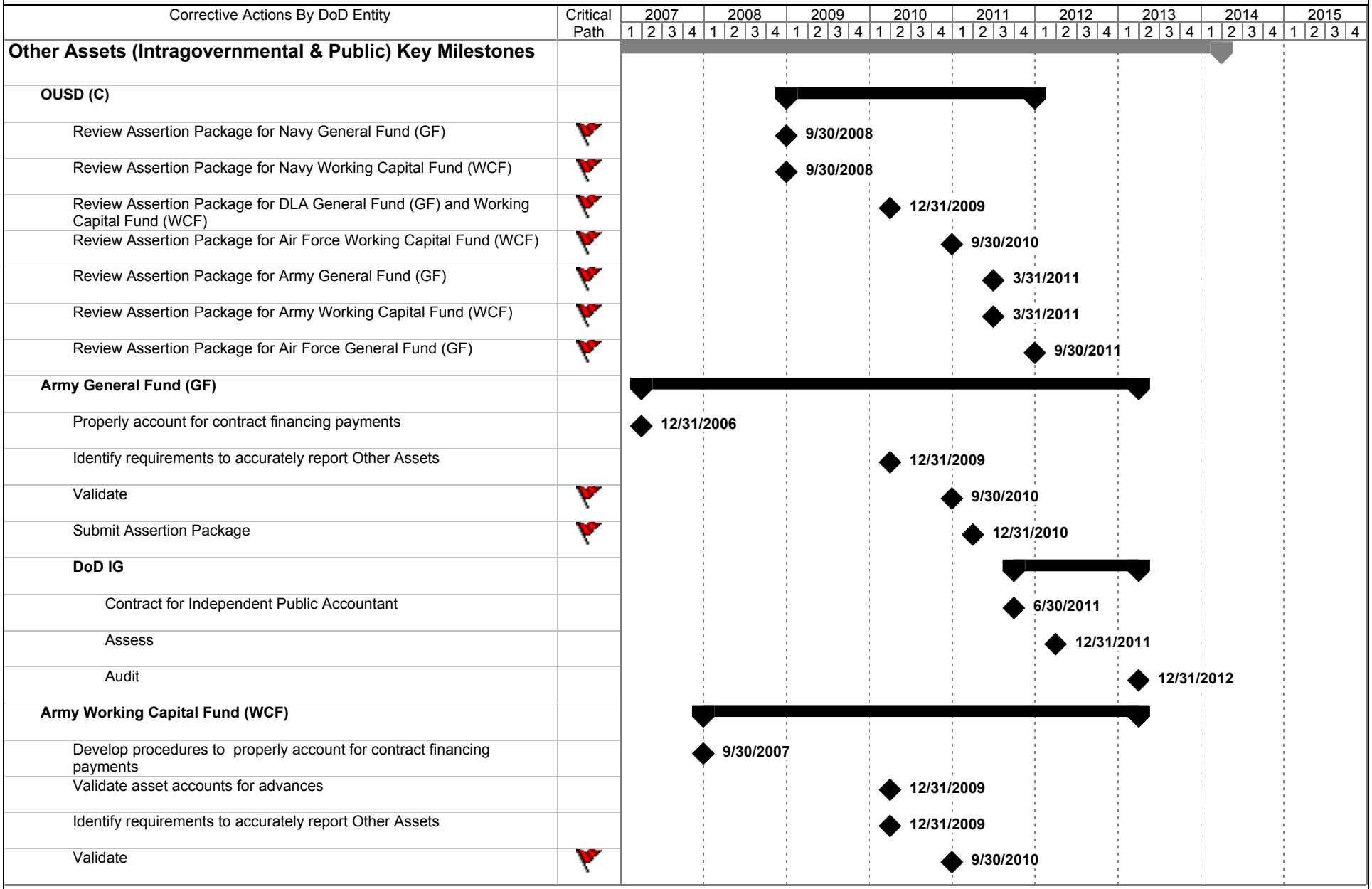
PAGE LEFT INTENTIONALLY BLANK

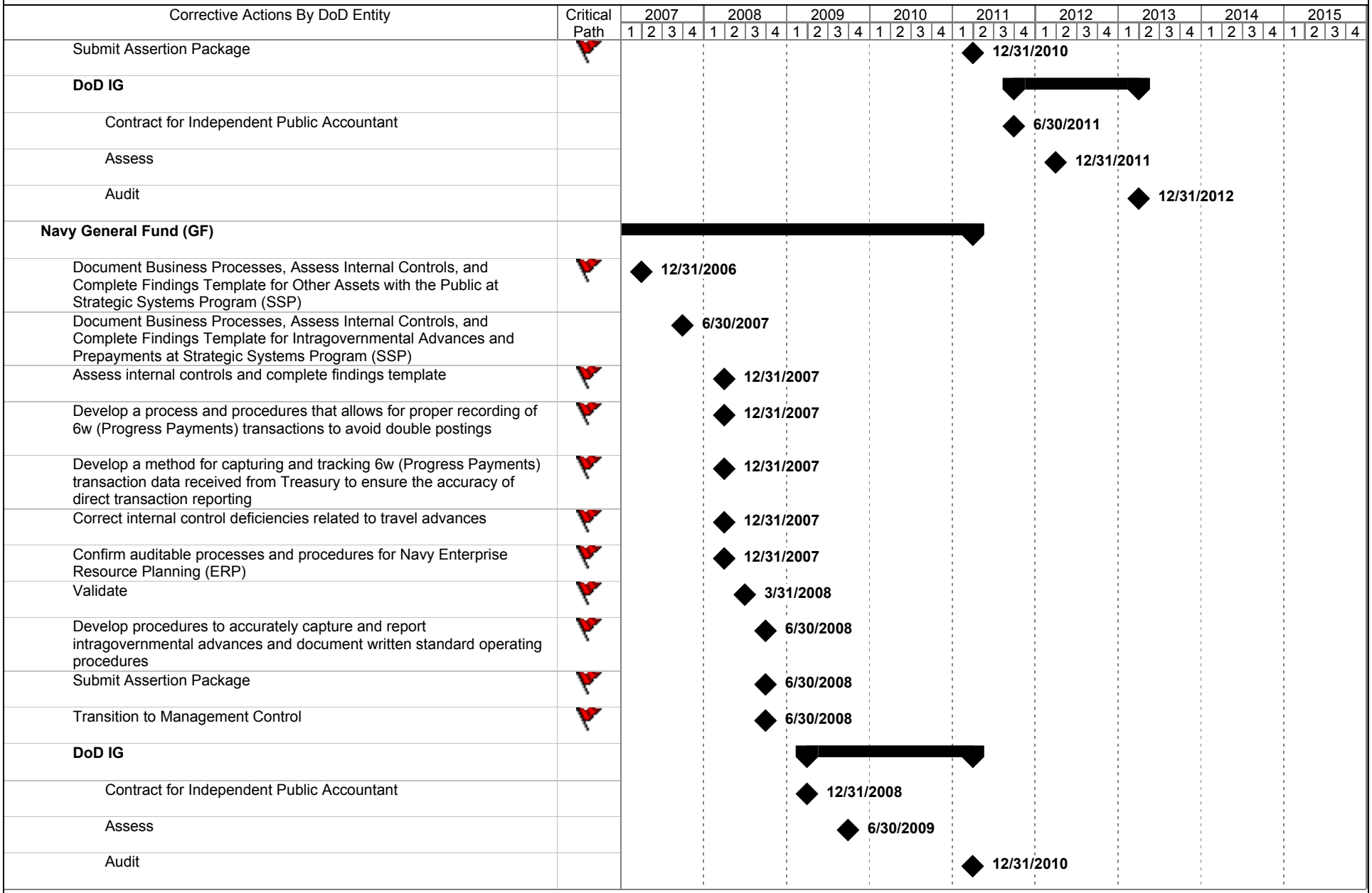

Corrective Actions By DoD Entity
Critical Path
2007
2008
2009
2010
2011
2012
2013
2014
2015
2016
2017
2018
1 2 3 4 1 2 3 4 1 2 3 4 1 2 3 4 1 2 3 4 1 2 3 4 1 2 3 4 1 2 3 4 1 2 3 4 1 2 3 4 1 2 3 4 1 2 3 4 1 2 3 4
General Property & Equipment Key Milestones
OUSD (C)
Review Assertion Package for Navy
3/31/2009
Review Assertion Package for DLA
12/31/2009
Review Assertion Package for Army
3/31/2010
Review Assertion Package for Air Force
9/30/2014
OUSD (AT&L)
Establish Personal Property Metric Reporting Requirements
3/31/2007
Revise/Publish DoD Instruction 5000.64 (Equipment and Administrative Property)
3/31/2007
Publish Concept of Operations
3/31/2007
Charter Personal Property Council
3/31/2007
Complete Functional Requirements Document for Defense Property Accountability System (DPAS)
3/31/2007
Complete technical refresh of Defense Property Accountability System (DPAS)
9/30/2008
Army
Obtain final guidance from OSD on capitalization threshold and equipment definition/criteria
12/31/2006
Identify universe of General Equipment
9/30/2009
Determine value of General Equipment
9/30/2009

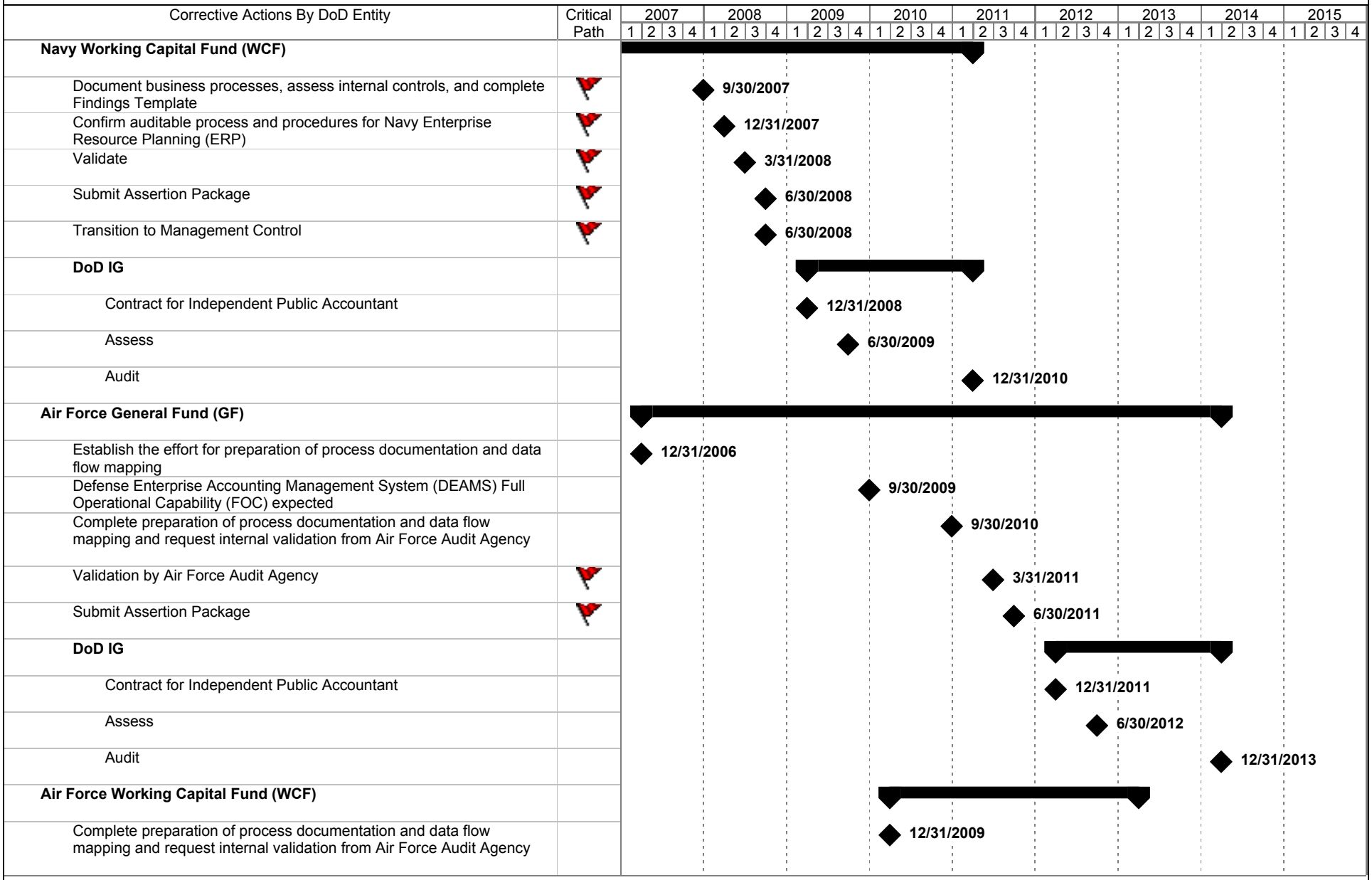

Corrective Actions By DoD Entity
Critical Path
2007
2008
2009
2010
2011
2012
2013
2014
2015
2016
2017
2018
1 2 3 4 1 2 3 4 1 2 3 4 1 2 3 4 1 2 3 4 1 2 3 4 1 2 3 4 1 2 3 4 1 2 3 4 1 2 3 4 1 2 3 4 1 2 3 4 1 2 3 4
Record baseline General Equipment
9/30/2009
Reconcile accountability with accounting records
9/30/2009
Validation by Army Audit Agency
9/30/2009
Submit Assertion Package
12/31/2009
DoD IG
Contract for Independent Public Accountant
6/30/2010
Assess
12/31/2010
Audit
12/31/2011
Navy
Obtain final guidance from OSD on capitalization threshold and equipment definition/criteria
12/31/2006
Identify universe of General Equipment
9/30/2007
Identify system of record for General Equipment
9/30/2007
Determine value of General Equipment
3/31/2008
Record baseline General Equipment
9/30/2008
Reconcile accountability with accounting records
9/30/2008
Develop and implement process and controls for recording and tracking General Equipment
9/30/2008

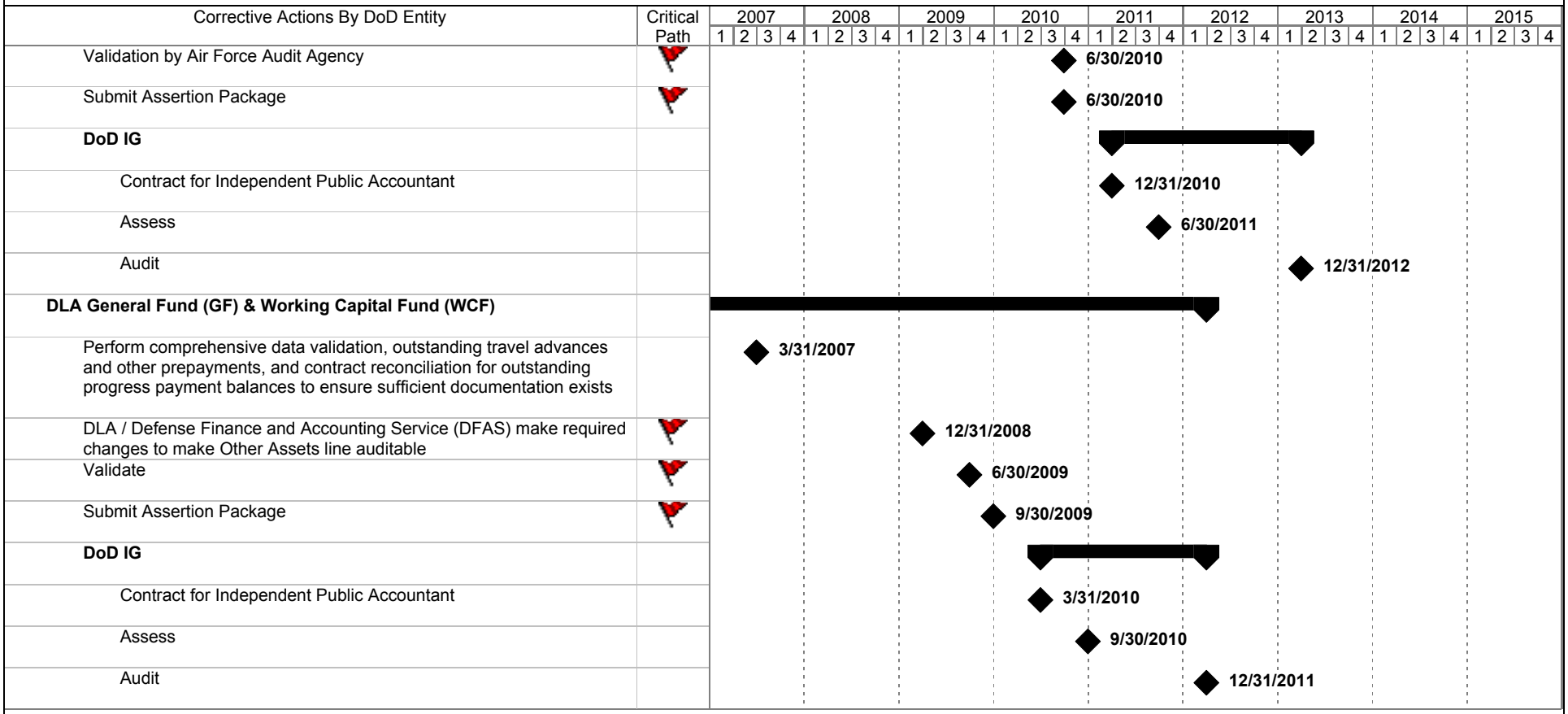

Corrective Actions By DoD Entity
Critical Path
2007
2008
2009
2010
2011
2012
2013
2014
2015
2016
2017
2018
1 2 3 4 1 2 3 4 1 2 3 4 1 2 3 4 1 2 3 4 1 2 3 4 1 2 3 4 1 2 3 4 1 2 3 4 1 2 3 4 1 2 3 4 1 2 3 4 1 2 3 4
Validation by Naval Audit Service
9/30/2008
Submit Assertion Package
12/31/2008
DoD IG
Contract for Independent Public Accountant
6/30/2009
Assess
12/31/2009
Audit
12/31/2010
Air Force
Obtain final guidance from OSD on capitalization threshold and equipment definition/criteria
12/31/2006
Identify universe of General Equipment
6/30/2007
Incorporate Air Force wireless asset management into Air Force Equipment Management System (AFEMS)
9/30/2007
Complete system changes in Air Force Equipment Management System (AFEMS) based on the Air Force Audit Agency audit recommendations
12/31/2007
Record baseline General Equipment
12/31/2007
Revalidation for compliance with CFO Act audit requirements
12/31/2008
Determine value of General Equipment
12/31/2008
Reconcile accountability with accounting records
12/31/2008
Air Force Equipment Management System (AFEMS) recertification and accreditation
12/31/2009

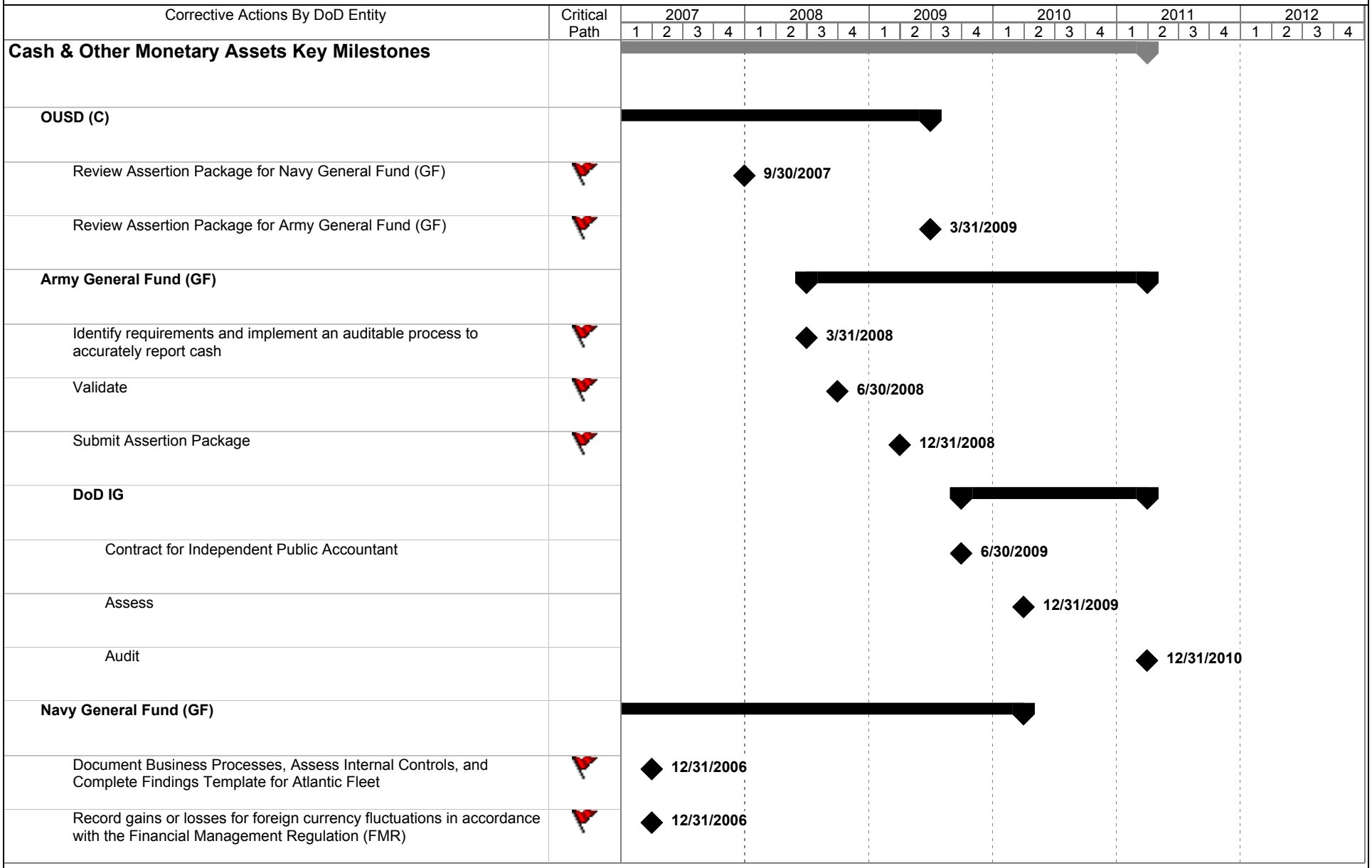

Corrective Actions By DoD Entity
Critical Path
2007
2008
2009
2010
2011
2012
2013
2014
2015
2016
2017
2018
1 2 3 4
Validation by Air Force Audit Agency
3/31/2014
Submit Assertion Package
6/30/2014
DoD IG
Contract for Independent Public Accountant
12/31/2014
Assess
6/30/2015
Audit
12/31/2016
DLA
Obtain final guidance from OSD on capitalization threshold and equipment definition/criteria
12/31/2006
Determine of value of General Equipment
3/31/2008
Record baseline General Equipment
3/31/2009
Reconcile with accounting records
6/30/2009
Validate
6/30/2009
Submit Assertion Package
9/30/2009
DoD IG
Contract for Independent Public Accountant
3/31/2010
Assess
9/30/2010
Audit
12/31/2011

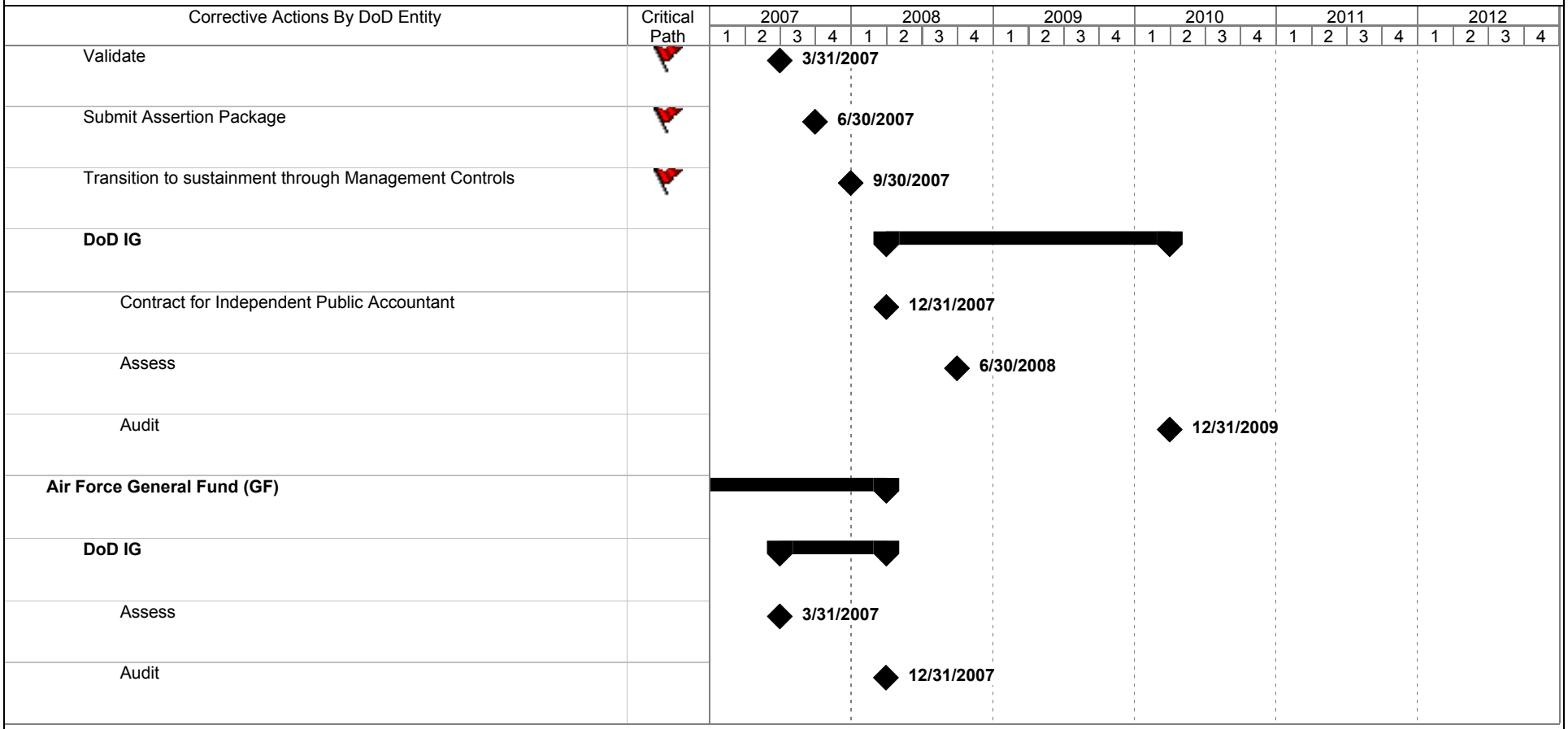

Corrective Actions By DoD Entity
Critical Path
2007
2008
2009
2010
2011
2012
2013
2014
2015
1 2 3 4
Other Assets (Intragovernmental & Public) Key Milestones
OUSD (C)
Review Assertion Package for Navy General Fund (GF)
9/30/2008
Review Assertion Package for Navy Working Capital Fund (WCF)
9/30/2008
Review Assertion Package for DLA General Fund (GF) and Working Capital Fund (WCF)
12/31/2009
Review Assertion Package for Air Force Working Capital Fund (WCF)
9/30/2010
Review Assertion Package for Army General Fund (GF)
3/31/2011
Review Assertion Package for Army Working Capital Fund (WCF)
3/31/2011
Review Assertion Package for Air Force General Fund (GF)
9/30/2011
Army General Fund (GF)
Properly account for contract financing payments
12/31/2006
Identify requirements to accurately report Other Assets
12/31/2009
Validate
9/30/2010
Submit Assertion Package
12/31/2010
DoD IG
Contract for Independent Public Accountant
6/30/2011
Assess
12/31/2011
Audit
12/31/2012
Army Working Capital Fund (WCF)
Develop procedures to properly account for contract financing payments
9/30/2007
Validate asset accounts for advances
12/31/2009
Identify requirements to accurately report Other Assets
12/31/2009
Validate
9/30/2010

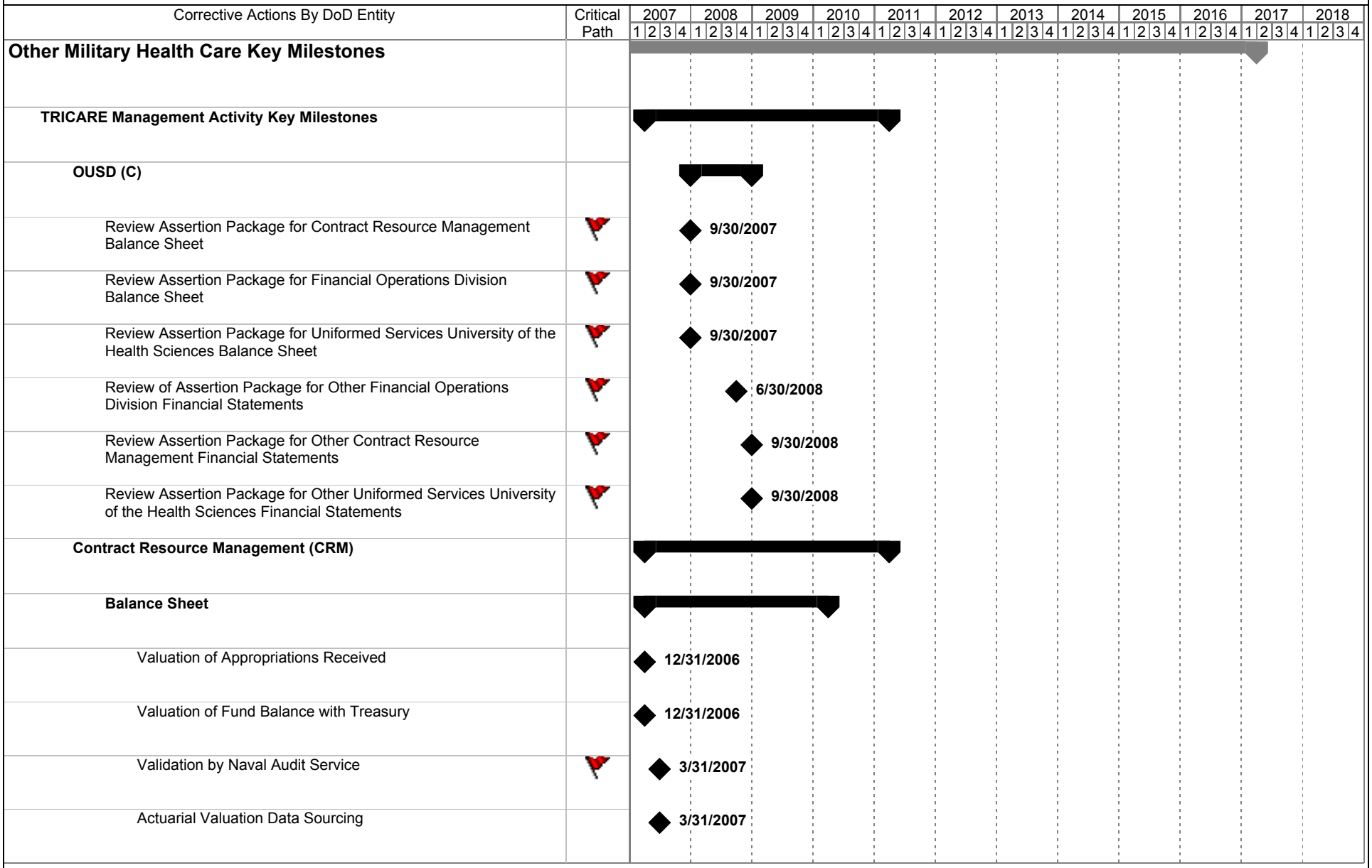

Corrective Actions By DoD Entity
Critical Path
2007
2008
2009
2010
2011
2012
2013
2014
2015
1 2 3 4
Submit Assertion Package
12/31/2010
DoD IG
Contract for Independent Public Accountant
6/30/2011
Assess
12/31/2011
Audit
12/31/2012
Navy General Fund (GF)
Document Business Processes, Assess Internal Controls, and Complete Findings Template for Other Assets with the Public at Strategic Systems Program (SSP)
12/31/2006
Document Business Processes, Assess Internal Controls, and Complete Findings Template for Intragovernmental Advances and Prepayments at Strategic Systems Program (SSP)
6/30/2007
Assess internal controls and complete findings template
12/31/2007
Develop a process and procedures that allows for proper recording of 6w (Progress Payments) transactions to avoid double postings
12/31/2007
Develop a method for capturing and tracking 6w (Progress Payments) transaction data received from Treasury to ensure the accuracy of direct transaction reporting
12/31/2007
Correct internal control deficiencies related to travel advances
12/31/2007
Confirm auditable processes and procedures for Navy Enterprise Resource Planning (ERP)
12/31/2007
Validate
3/31/2008
Develop procedures to accurately capture and report intragovernmental advances and document written standard operating procedures
6/30/2008
Submit Assertion Package
6/30/2008
Transition to Management Control
6/30/2008
DoD IG
Contract for Independent Public Accountant
12/31/2008
Assess
6/30/2009
Audit
12/31/2010


Corrective Actions By DoD Entity
Critical Path
2007
2008
2009
2010
2011
2012
2013
2014
2015
1 2 3 4 1 2 3 4 1 2 3 4 1 2 3 4 1 2 3 4 1 2 3 4 1 2 3 4 1 2 3 4 1 2 3 4
Navy Working Capital Fund (WCF)
Document business processes, assess internal controls, and complete Findings Template
9/30/2007
Confirm auditable process and procedures for Navy Enterprise Resource Planning (ERP)
12/31/2007
Validate
3/31/2008
Submit Assertion Package
6/30/2008
Transition to Management Control
6/30/2008
DoD IG
Contract for Independent Public Accountant
12/31/2008
Assess
6/30/2009
Audit
12/31/2010
Air Force General Fund (GF)
Establish the effort for preparation of process documentation and data flow mapping
12/31/2006
Defense Enterprise Accounting Management System (DEAMS) Full Operational Capability (FOC) expected
9/30/2009
Complete preparation of process documentation and data flow mapping and request internal validation from Air Force Audit Agency
9/30/2010
Validation by Air Force Audit Agency
3/31/2011
Submit Assertion Package
6/30/2011
DoD IG
Contract for Independent Public Accountant
12/31/2011
Assess
6/30/2012
Audit
12/31/2013
Air Force Working Capital Fund (WCF)
Complete preparation of process documentation and data flow mapping and request internal validation from Air Force Audit Agency
12/31/2009

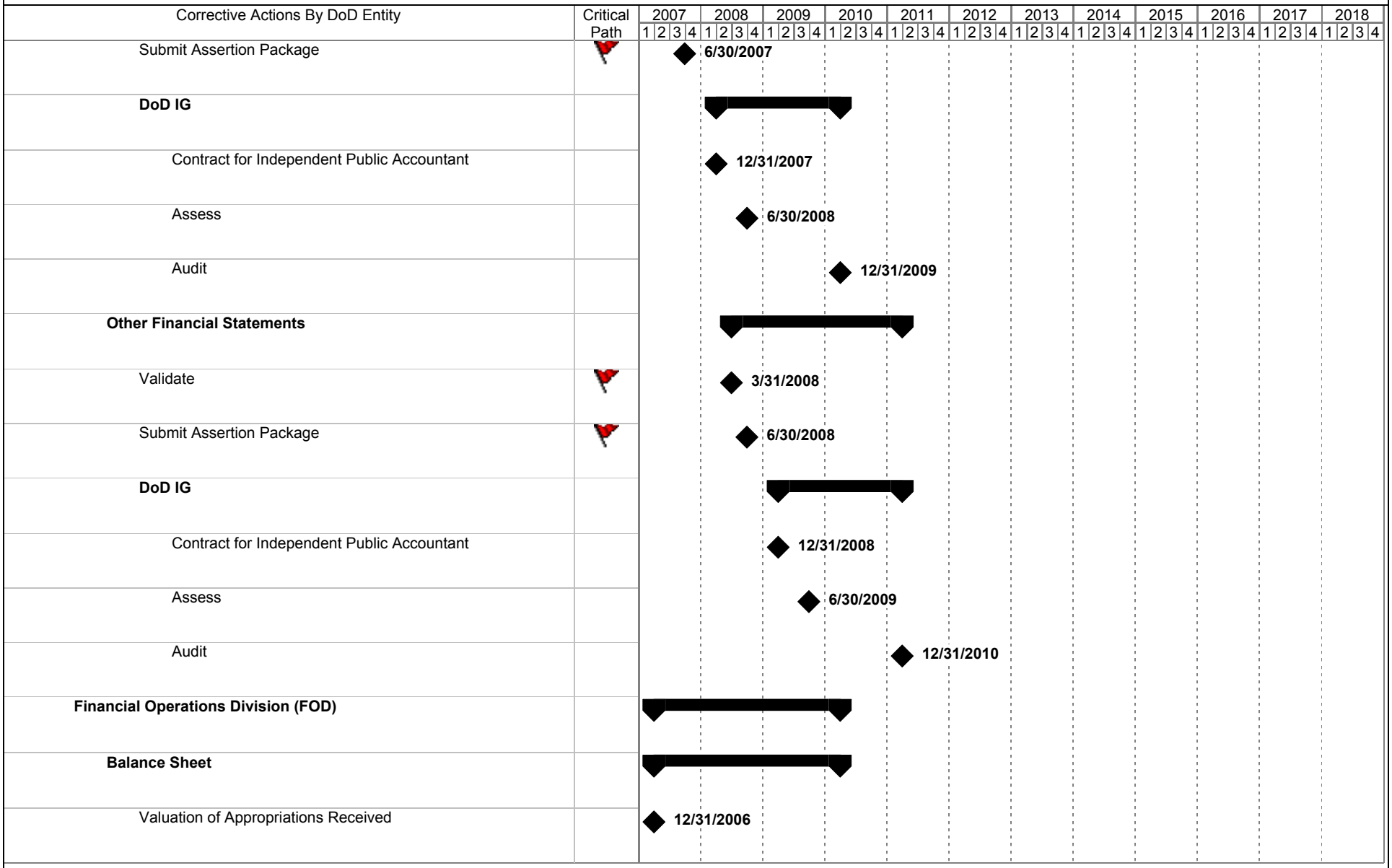

Corrective Actions By DoD Entity
Critical Path
2007
2008
2009
2010
2011
2012
2013
2014
2015
1 2 3 4 1 2 3 4 1 2 3 4 1 2 3 4 1 2 3 4 1 2 3 4 1 2 3 4 1 2 3 4 1 2 3 4
Validation by Air Force Audit Agency
6/30/2010
Submit Assertion Package
6/30/2010
DoD IG
Contract for Independent Public Accountant
12/31/2010
Assess
6/30/2011
Audit
12/31/2012
DLA General Fund (GF) & Working Capital Fund (WCF)
Perform comprehensive data validation, outstanding travel advances and other prepayments, and contract reconciliation for outstanding progress payment balances to ensure sufficient documentation exists
3/31/2007
DLA / Defense Finance and Accounting Service (DFAS) make required changes to make Other Assets line auditable
12/31/2008
Validate
6/30/2009
Submit Assertion Package
9/30/2009
DoD IG
Contract for Independent Public Accountant
3/31/2010
Assess
9/30/2010
Audit
12/31/2011


Corrective Actions By DoD Entity
Critical Path
2007
2008
2009
2010
2011
2012
1 2 3 4 1 2 3 4 1 2 3 4 1 2 3 4 1 2 3 4 1 2 3 4
Cash & Other Monetary Assets Key Milestones
OUSD (C)
Review Assertion Package for Navy General Fund (GF)
9/30/2007
Review Assertion Package for Army General Fund (GF)
3/31/2009
Army General Fund (GF)
Identify requirements and implement an auditable process to accurately report cash
3/31/2008
Validate
6/30/2008
Submit Assertion Package
12/31/2008
DoD IG
Contract for Independent Public Accountant
6/30/2009
Assess
12/31/2009
Audit
12/31/2010
Navy General Fund (GF)
Document Business Processes, Assess Internal Controls, and Complete Findings Template for Atlantic Fleet
12/31/2006
Record gains or losses for foreign currency fluctuations in accordance with the Financial Management Regulation (FMR)
12/31/2006

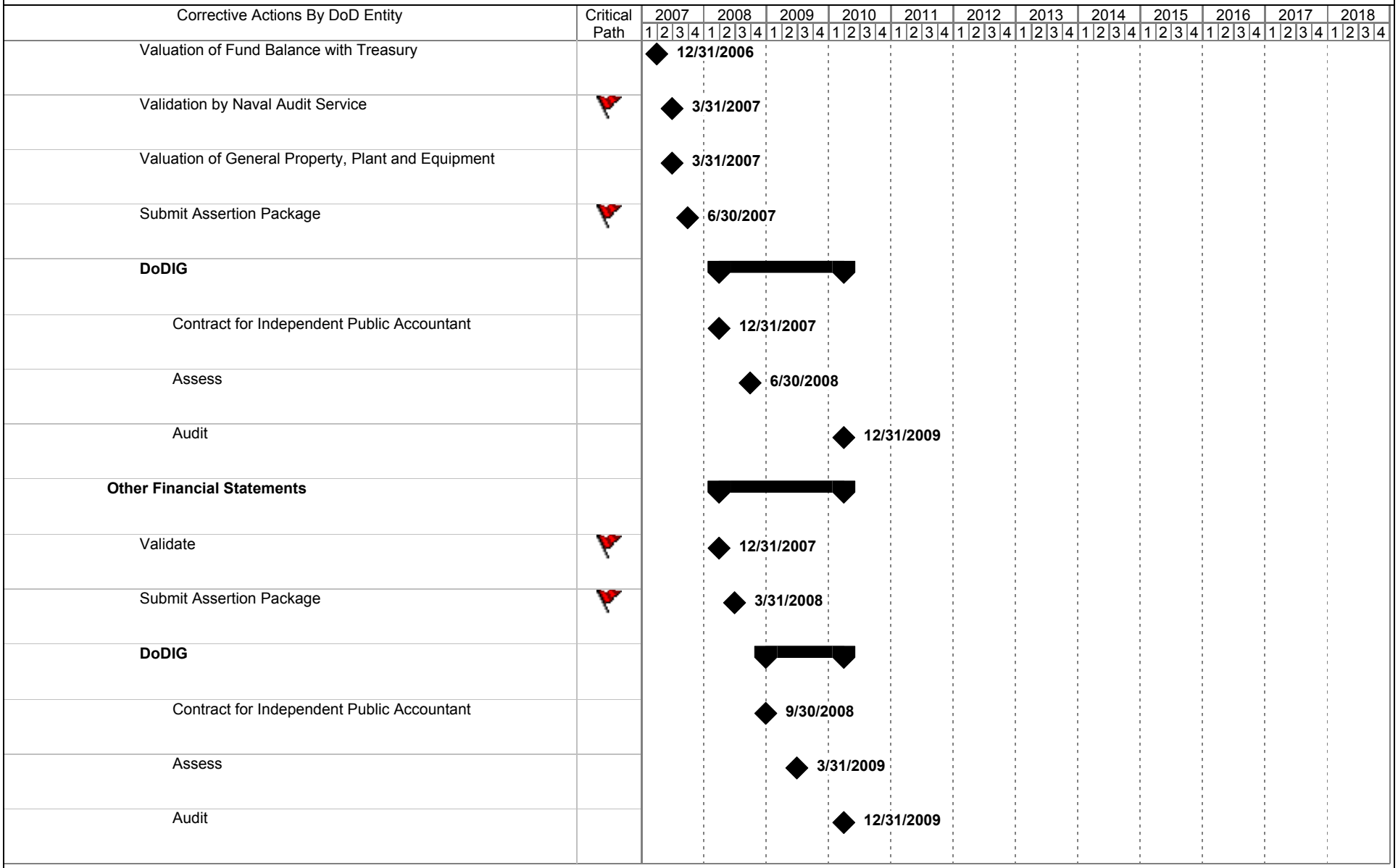

Corrective Actions By DoD Entity
Critical Path
2007
2008
2009
2010
2011
2012
1 2 3 4 1 2 3 4 1 2 3 4 1 2 3 4 1 2 3 4 1 2 3 4
Validate
3/31/2007
Submit Assertion Package
6/30/2007
Transition to sustainment through Management Controls
9/30/2007
DoD IG
Contract for Independent Public Accountant
12/31/2007
Assess
6/30/2008
Audit
12/31/2009
Air Force General Fund (GF)
DoD IG
Assess
3/31/2007
Audit
12/31/2007

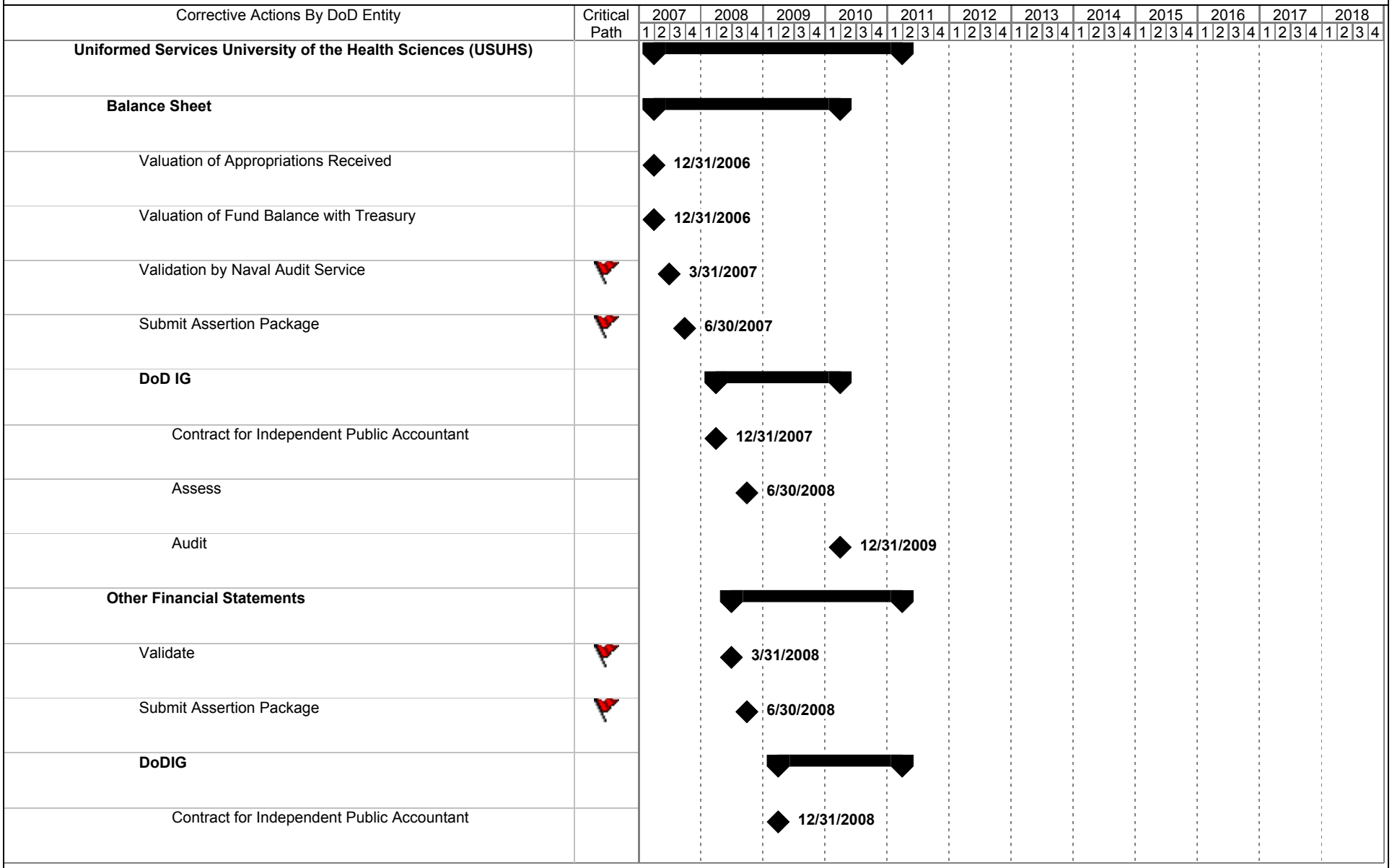

Corrective Actions By DoD Entity
Critical Path
2007
2008
2009
2010
2011
2012
2013
2014
2015
2016
2017
2018
1 2 3 4 1 2 3 4 1 2 3 4 1 2 3 4 1 2 3 4 1 2 3 4 1 2 3 4 1 2 3 4 1 2 3 4 1 2 3 4 1 2 3 4 1 2 3 4
Other Military Health Care Key Milestones
TRICARE Management Activity Key Milestones
OUSD (C)
Review Assertion Package for Contract Resource Management Balance Sheet
9/30/2007
Review Assertion Package for Financial Operations Division Balance Sheet
9/30/2007
Review Assertion Package for Uniformed Services University of the Health Sciences Balance Sheet
9/30/2007
Review of Assertion Package for Other Financial Operations Division Financial Statements
6/30/2008
Review Assertion Package for Other Contract Resource Management Financial Statements
9/30/2008
Review Assertion Package for Other Uniformed Services University of the Health Sciences Financial Statements
9/30/2008
Contract Resource Management (CRM)
Balance Sheet
Valuation of Appropriations Received
12/31/2006
Valuation of Fund Balance with Treasury
12/31/2006
Validation by Naval Audit Service
3/31/2007
Actuarial Valuation Data Sourcing
3/31/2007

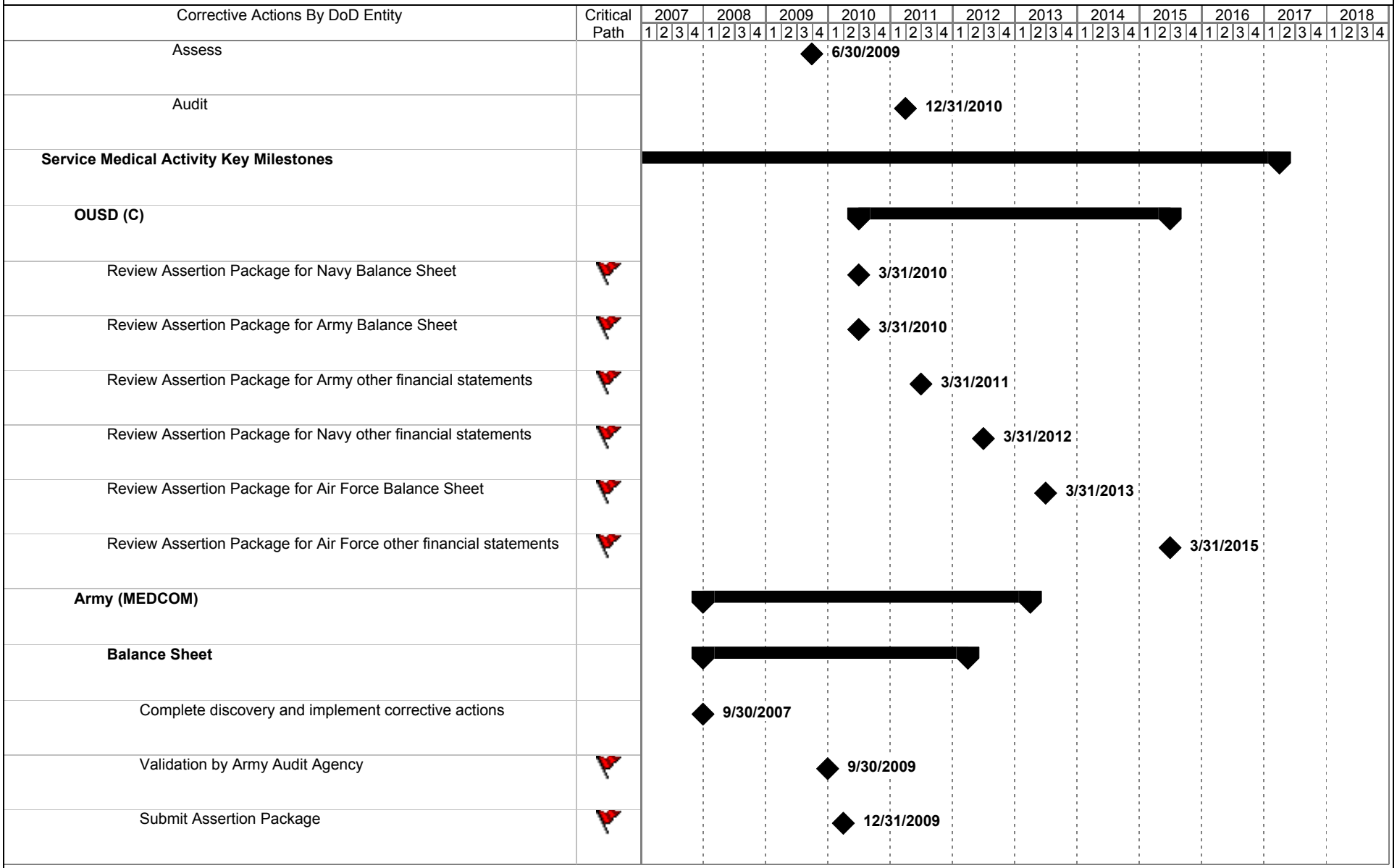
Financial Improvement and Audit Readiness Plan
September 2006

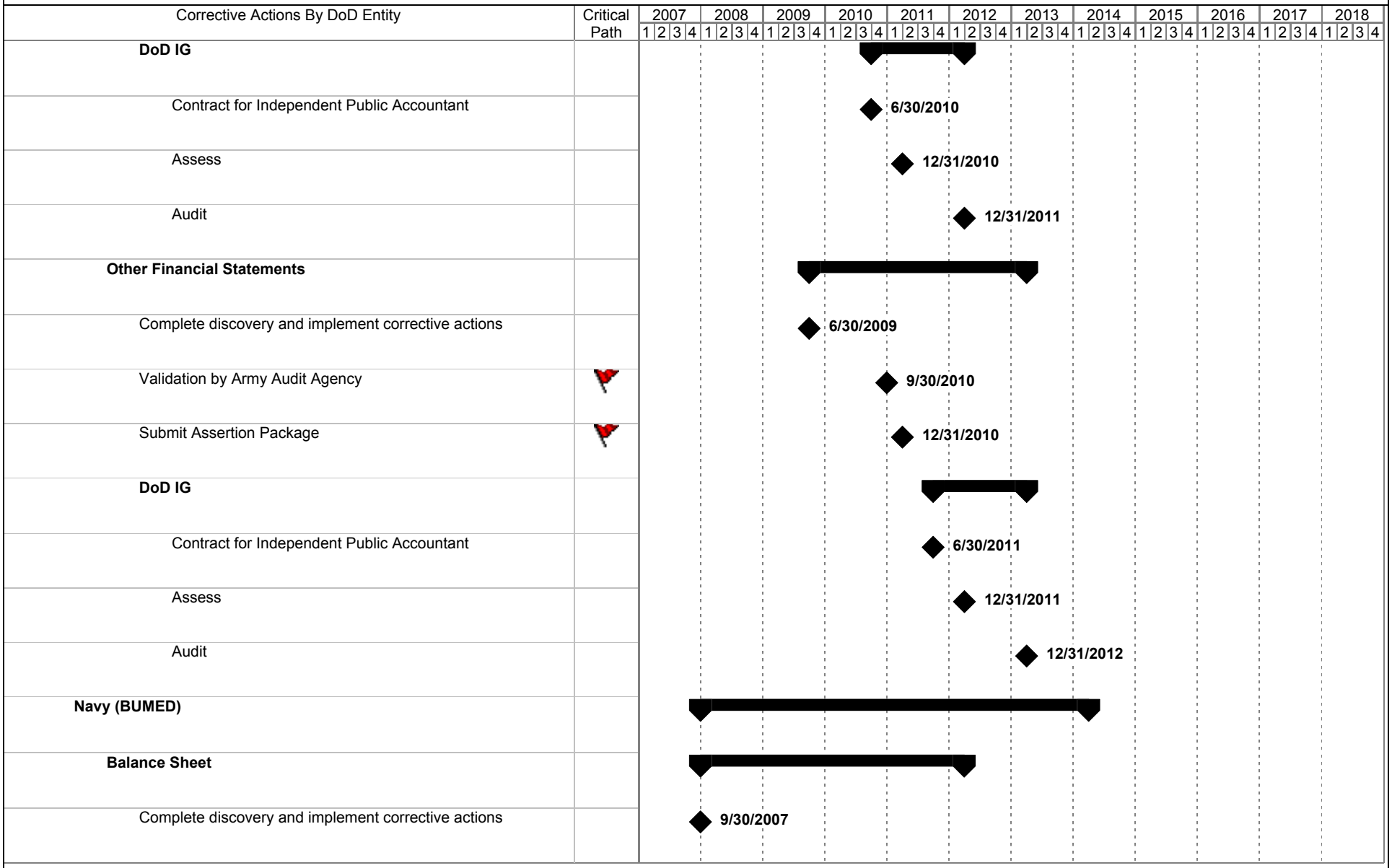


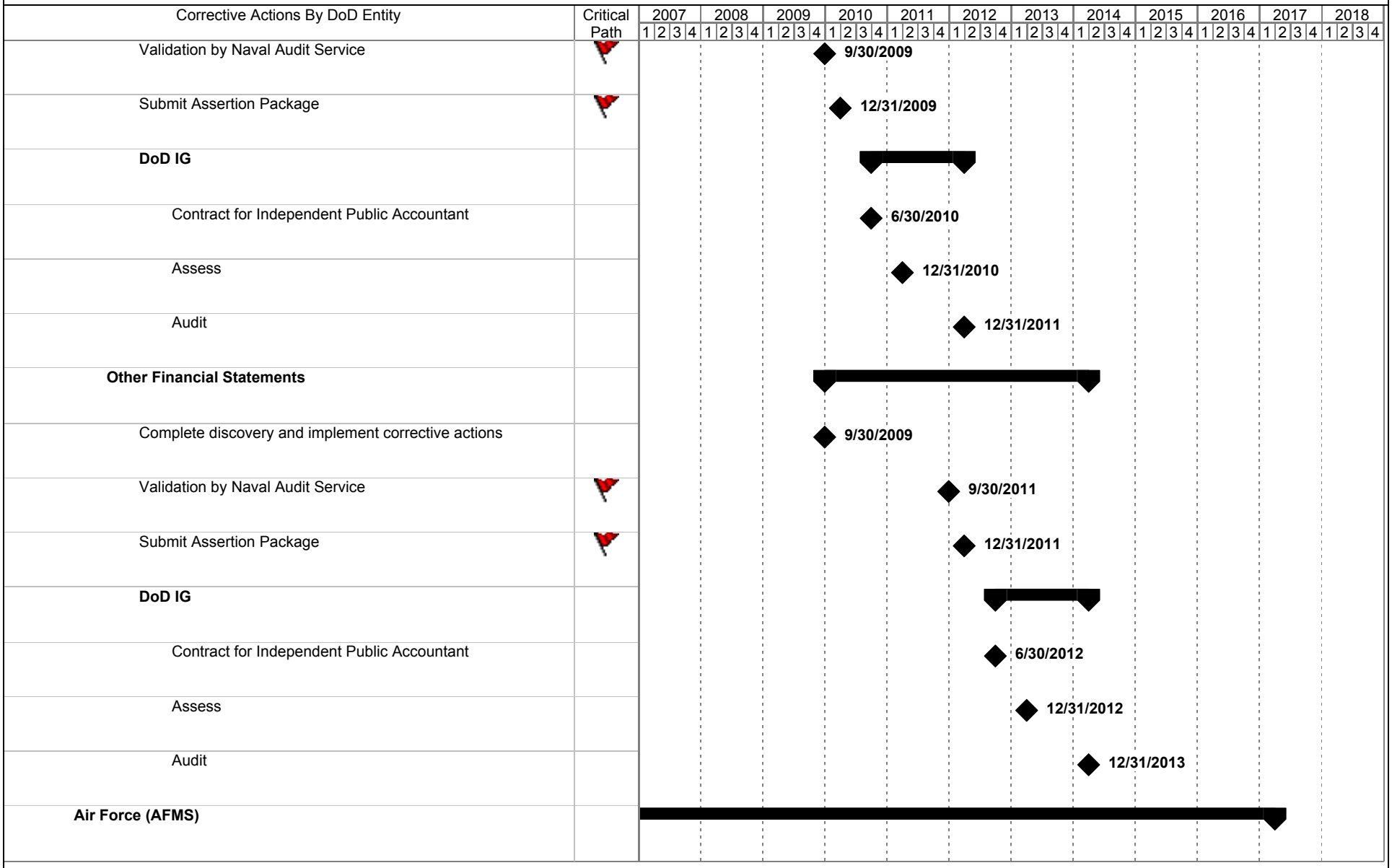
Financial Improvement and Audit Readiness Plan
September 2006

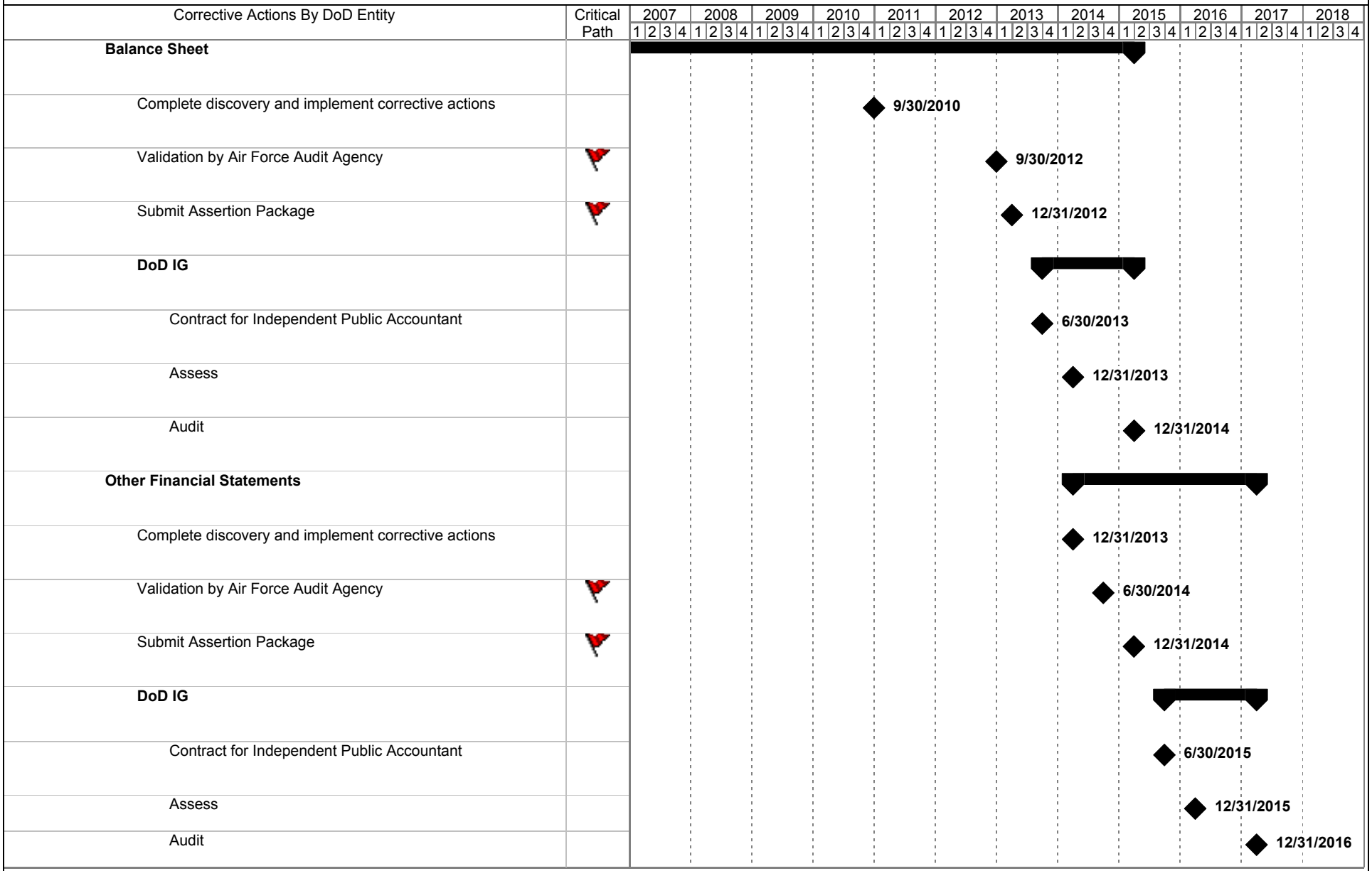


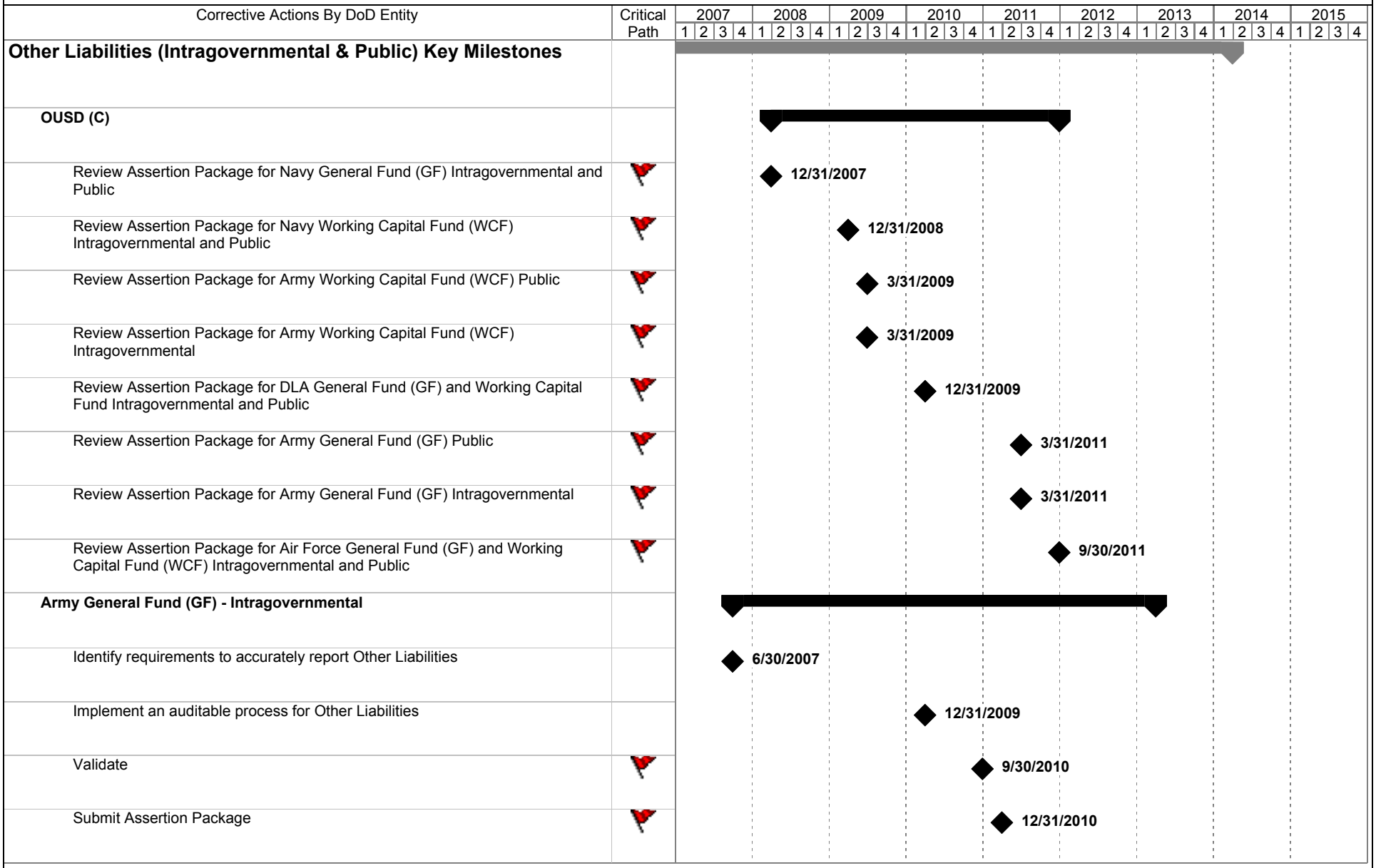

Corrective Actions By DoD Entity
Critical Path
2007
2008
2009
2010
2011
2012
2013
2014
2015
2016
2017
2018
1 2 3 4
Uniformed Services University of the Health Sciences (USUHS)
Balance Sheet
Valuation of Appropriations Received
12/31/2006
Valuation of Fund Balance with Treasury
12/31/2006
Validation by Naval Audit Service
3/31/2007
Submit Assertion Package
6/30/2007
DoD IG
Contract for Independent Public Accountant
12/31/2007
Assess
6/30/2008
Audit
12/31/2009
Other Financial Statements
Validate
3/31/2008
Submit Assertion Package
6/30/2008
DoDIG
Contract for Independent Public Accountant
12/31/2008

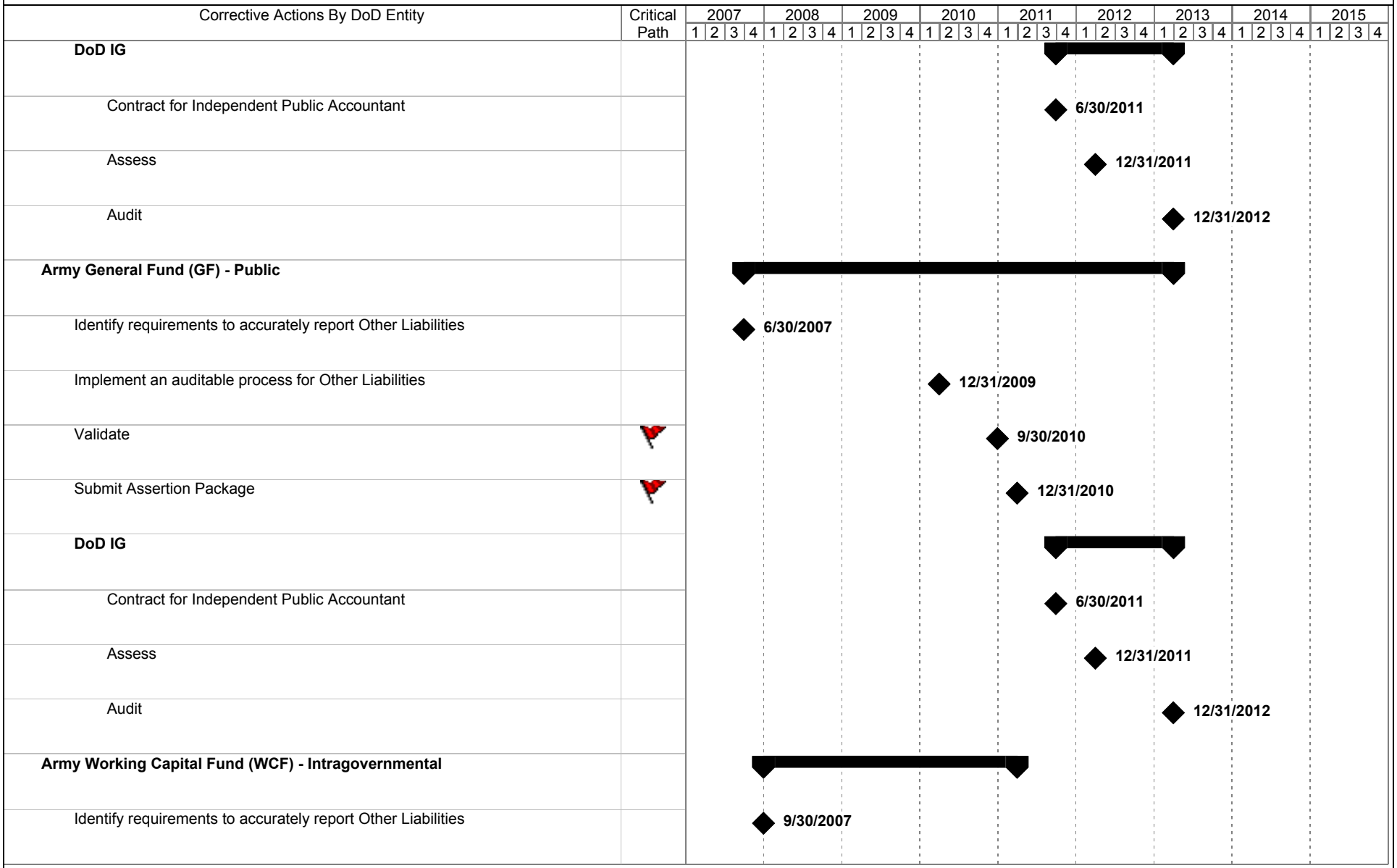

Corrective Actions By DoD Entity
Critical Path
2007
2008
2009
2010
2011
2012
2013
2014
2015
2016
2017
2018
1 2 3 4
Assess
6/30/2009
Audit
12/31/2010
Service Medical Activity Key Milestones
OUSD (C)
Review Assertion Package for Navy Balance Sheet
3/31/2010
Review Assertion Package for Army Balance Sheet
3/31/2010
Review Assertion Package for Army other financial statements
3/31/2011
Review Assertion Package for Navy other financial statements
3/31/2012
Review Assertion Package for Air Force Balance Sheet
3/31/2013
Review Assertion Package for Air Force other financial statements
3/31/2015
Army (MEDCOM)
Balance Sheet
Complete discovery and implement corrective actions
9/30/2007
Validation by Army Audit Agency
9/30/2009
Submit Assertion Package
12/31/2009

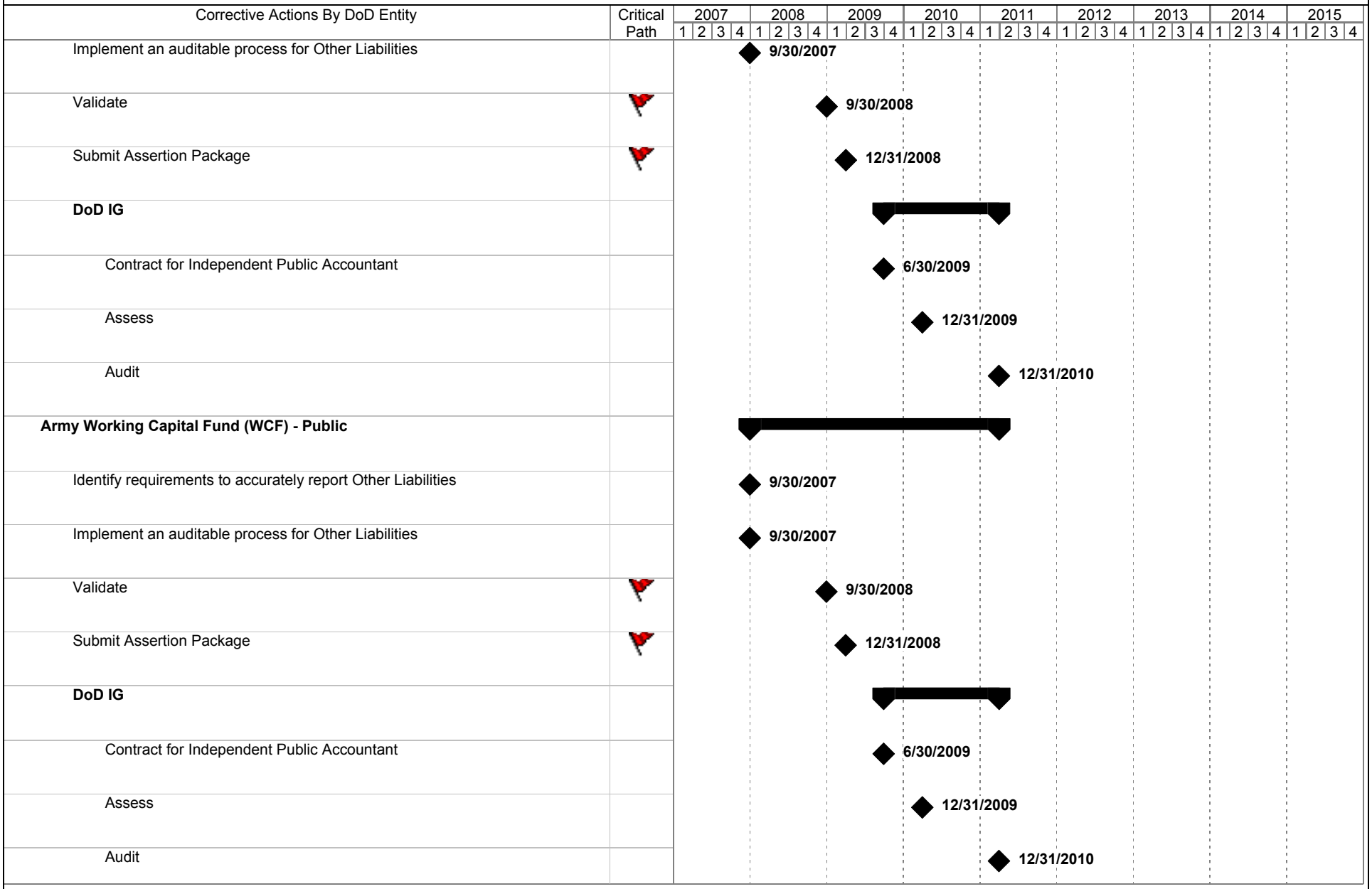

Corrective Actions By DoD Entity
Critical Path
2007
2008
2009
2010
2011
2012
2013
2014
2015
2016
2017
2018
1 2 3 4
DoD IG
Contract for Independent Public Accountant
6/30/2010
Assess
12/31/2010
Audit
12/31/2011
Other Financial Statements
Complete discovery and implement corrective actions
6/30/2009
Validation by Army Audit Agency
9/30/2010
Submit Assertion Package
12/31/2010
DoD IG
Contract for Independent Public Accountant
6/30/2011
Assess
12/31/2011
Audit
12/31/2012
Navy (BUMED)
Balance Sheet
Complete discovery and implement corrective actions
9/30/2007


Corrective Actions By DoD Entity
Critical Path
2007
2008
2009
2010
2011
2012
2013
2014
2015
2016
2017
2018
1 2 3 4
Validation by Naval Audit Service
9/30/2009
Submit Assertion Package
12/31/2009
DoD IG
Contract for Independent Public Accountant
6/30/2010
Assess
12/31/2010
Audit
12/31/2011
Other Financial Statements
Complete discovery and implement corrective actions
9/30/2009
Validation by Naval Audit Service
9/30/2011
Submit Assertion Package
12/31/2011
DoD IG
Contract for Independent Public Accountant
6/30/2012
Assess
12/31/2012
Audit
12/31/2013
Air Force (AFMS)

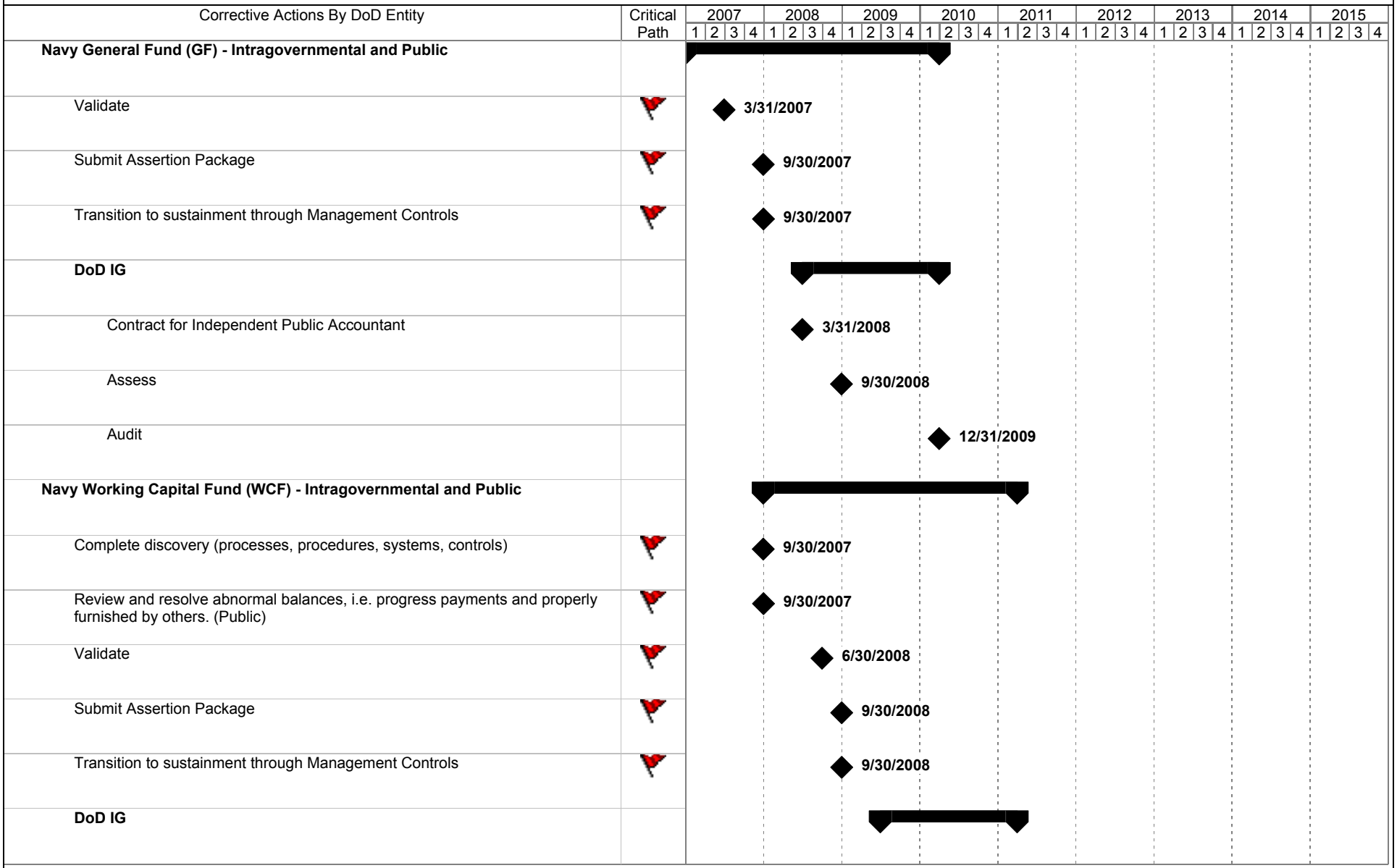

Corrective Actions By DoD Entity
Critical Path
2007 2008 2009 2010 2011 2012 2013 2014 2015 2016 2017 2018
1 2 3 4 1 2 3 4 1 2 3 4 1 2 3 4 1 2 3 4 1 2 3 4 1 2 3 4 1 2 3 4 1 2 3 4 1 2 3 4 1 2 3 4 1 2 3 4
Balance Sheet
Complete discovery and implement corrective actions
9/30/2010
Validation by Air Force Audit Agency
9/30/2012
Submit Assertion Package
12/31/2012
DoD IG
Contract for Independent Public Accountant
6/30/2013
Assess
12/31/2013
Audit
12/31/2014
Other Financial Statements
Complete discovery and implement corrective actions
12/31/2013
Validation by Air Force Audit Agency
6/30/2014
Submit Assertion Package
12/31/2014
DoD IG
Contract for Independent Public Accountant
6/30/2015
Assess
12/31/2015
Audit
12/31/2016

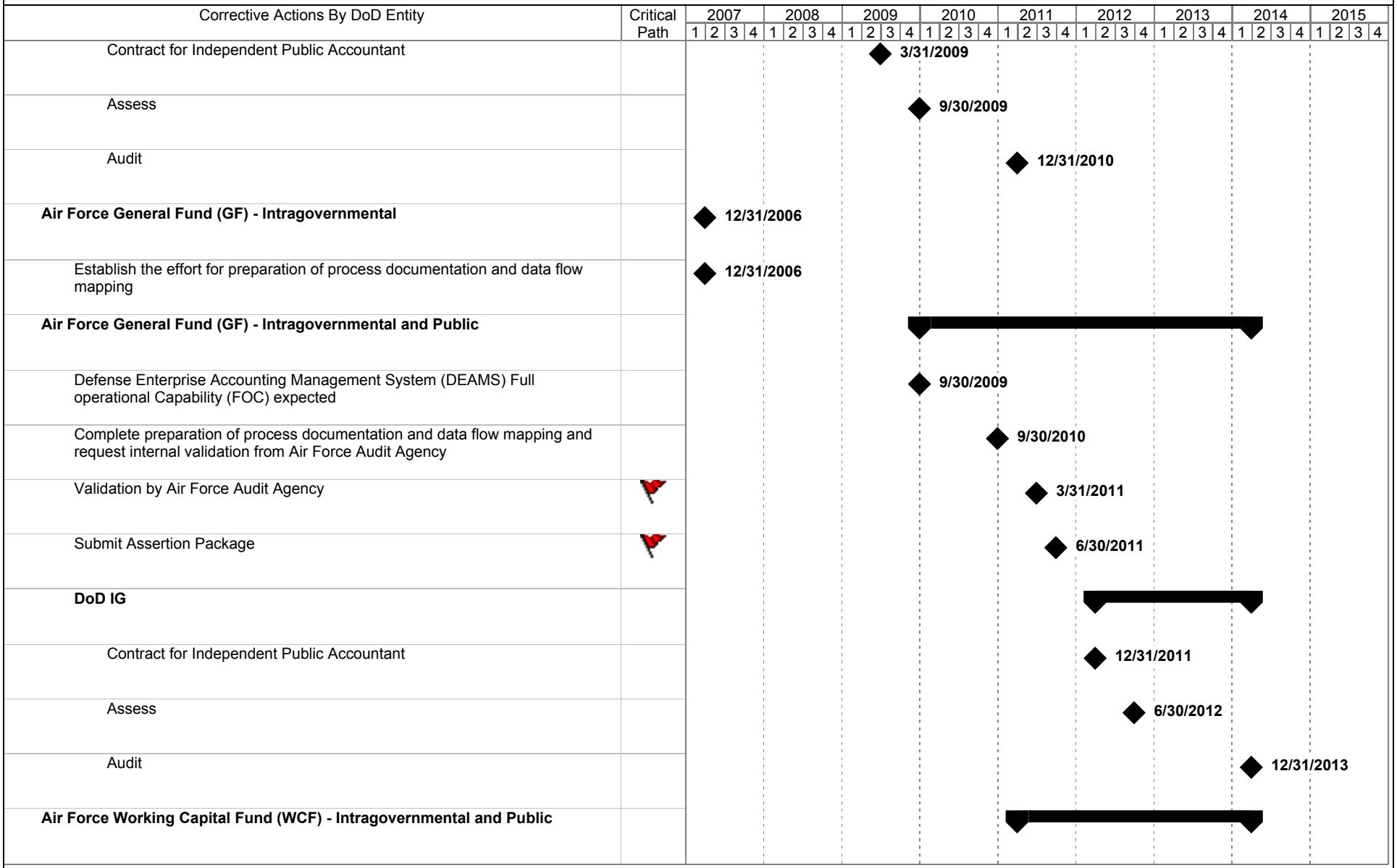

Corrective Actions By DoD Entity
Critical Path
2007
2008
2009
2010
2011
2012
2013
2014
2015
1 2 3 4 1 2 3 4 1 2 3 4 1 2 3 4 1 2 3 4 1 2 3 4 1 2 3 4 1 2 3 4 1 2 3 4
Other Liabilities (Intragovernmental & Public) Key Milestones
OUSD (C)
Review Assertion Package for Navy General Fund (GF) Intragovernmental and Public
12/31/2007
Review Assertion Package for Navy Working Capital Fund (WCF) Intragovernmental and Public
12/31/2008
Review Assertion Package for Army Working Capital Fund (WCF) Public
3/31/2009
Review Assertion Package for Army Working Capital Fund (WCF) Intragovernmental
3/31/2009
Review Assertion Package for DLA General Fund (GF) and Working Capital Fund Intragovernmental and Public
12/31/2009
Review Assertion Package for Army General Fund (GF) Public
3/31/2011
Review Assertion Package for Army General Fund (GF) Intragovernmental
3/31/2011
Review Assertion Package for Air Force General Fund (GF) and Working Capital Fund (WCF) Intragovernmental and Public
9/30/2011
Army General Fund (GF) - Intragovernmental
Identify requirements to accurately report Other Liabilities
6/30/2007
Implement an auditable process for Other Liabilities
12/31/2009
Validate
9/30/2010
Submit Assertion Package
12/31/2010

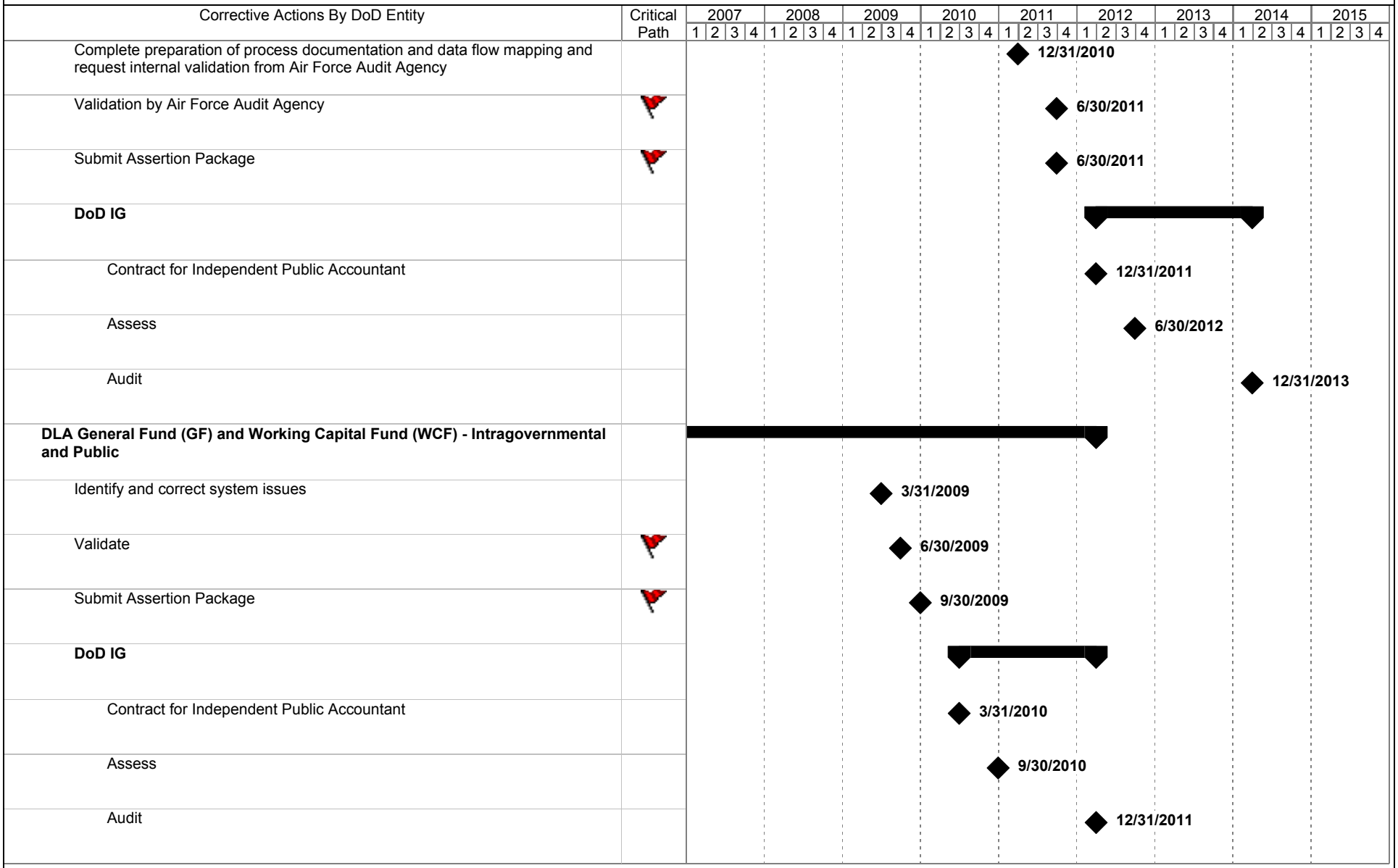

Corrective Actions By DoD Entity
Critical Path
2007
2008
2009
2010
2011
2012
2013
2014
2015
1 2 3 4 1 2 3 4 1 2 3 4 1 2 3 4 1 2 3 4 1 2 3 4 1 2 3 4 1 2 3 4 1 2 3 4
DoD IG
Contract for Independent Public Accountant
6/30/2011
Assess
12/31/2011
Audit
12/31/2012
Army General Fund (GF) - Public
Identify requirements to accurately report Other Liabilities
6/30/2007
Implement an auditable process for Other Liabilities
12/31/2009
Validate
9/30/2010
Submit Assertion Package
12/31/2010
DoD IG
Contract for Independent Public Accountant
6/30/2011
Assess
12/31/2011
Audit
12/31/2012
Army Working Capital Fund (WCF) - Intragovernmental
Identify requirements to accurately report Other Liabilities
9/30/2007


Corrective Actions By DoD Entity
Critical Path
2007
2008
2009
2010
2011
2012
2013
2014
2015
1 2 3 4 1 2 3 4 1 2 3 4 1 2 3 4 1 2 3 4 1 2 3 4 1 2 3 4 1 2 3 4 1 2 3 4
Implement an auditable process for Other Liabilities
9/30/2007
Validate
9/30/2008
Submit Assertion Package
12/31/2008
DoD IG
Contract for Independent Public Accountant
6/30/2009
Assess
12/31/2009
Audit
12/31/2010
Army Working Capital Fund (WCF) - Public
Identify requirements to accurately report Other Liabilities
9/30/2007
Implement an auditable process for Other Liabilities
9/30/2007
Validate
9/30/2008
Submit Assertion Package
12/31/2008
DoD IG
Contract for Independent Public Accountant
6/30/2009
Assess
12/31/2009
Audit
12/31/2010

Financial Improvement and Audit Readiness Plan
September 2006




Corrective Actions By DoD Entity
Critical Path
2007
2008
2009
2010
2011
2012
2013
2014
2015
1 2 3 4 1 2 3 4 1 2 3 4 1 2 3 4 1 2 3 4 1 2 3 4 1 2 3 4 1 2 3 4 1 2 3 4
Contract for Independent Public Accountant
3/31/2009
Assess
9/30/2009
Audit
12/31/2010
Air Force General Fund (GF) - Intragovernmental
12/31/2006
Establish the effort for preparation of process documentation and data flow mapping
12/31/2006
Air Force General Fund (GF) - Intragovernmental and Public
Defense Enterprise Accounting Management System (DEAMS) Full operational Capability (FOC) expected
9/30/2009
Complete preparation of process documentation and data flow mapping and request internal validation from Air Force Audit Agency
9/30/2010
Validation by Air Force Audit Agency
3/31/2011
Submit Assertion Package
6/30/2011
DoD IG
Contract for Independent Public Accountant
12/31/2011
Assess
6/30/2012
Audit
12/31/2013
Air Force Working Capital Fund (WCF) - Intragovernmental and Public


Corrective Actions By DoD Entity
Critical Path
2007
2008
2009
2010
2011
2012
2013
2014
2015
1 2 3 4 1 2 3 4 1 2 3 4 1 2 3 4 1 2 3 4 1 2 3 4 1 2 3 4 1 2 3 4 1 2 3 4
Complete preparation of process documentation and data flow mapping and request internal validation from Air Force Audit Agency
12/31/2010
Validation by Air Force Audit Agency
6/30/2011
Submit Assertion Package
6/30/2011
DoD IG
Contract for Independent Public Accountant
12/31/2011
Assess
6/30/2012
Audit
12/31/2013
DLA General Fund (GF) and Working Capital Fund (WCF) - Intragovernmental and Public
Identify and correct system issues
3/31/2009
Validate
6/30/2009
Submit Assertion Package
9/30/2009
DoD IG
Contract for Independent Public Accountant
3/31/2010
Assess
9/30/2010
Audit
12/31/2011