

U.S. DEPARTMENT OF DEFENSE • SEPTEMBER 30, 2007

Defense Financial Improvement and Audit Readiness Plan

FIAR Plan

Office of the Under Secretary of Defense (Comptroller)
in Collaboration with the Financial Improvement and Audit Readiness Committee



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Two years ago, the Department of Defense undertook an extensive effort to modernize and improve its business and financial operations and prepare the Department for an independent audit. Under the leadership of the Under Secretary of Defense (Comptroller), the Defense Financial Improvement and Audit Readiness (FIAR) Plan was developed and implemented, and is producing significant results.

Since the first FIAR Plan was introduced in 2005, the Department has established a system of detailed accountability, accelerated integration of business transformation initiatives and systems, and prioritized efforts in areas where they will have the most impact. These three cornerstones of our effort - Accountability, Integration, and Prioritization - continue to drive the Department's work today.

The Department is cognizant of the enormous responsibility inherent in its mission, which is to protect and defend the Nation and its interests while being good stewards of the resources entrusted to us by the Congress. The FIAR Plan is instrumental in fulfilling this mission.

On behalf of all of the dedicated financial professionals of the Department of Defense, this latest edition of the FIAR Plan is provided to Congress and the Office of Management and Budget with pride in accomplishments to date.

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Executive Summary

The Department of Defense (DoD) is unequalled in size and complexity and maintains \$3.4 trillion in combined assets and liabilities. Humanitarian, peace-keeping, and war-fighting operations span the globe. If DoD were ranked on the Fortune 500, it would be ranked first and well ahead of Wal-Mart, Exxon, and General Motors, the current top three.

The Defense Financial Improvement and Audit Readiness (FIAR) Plan is the Department's guide for comprehensively improving financial management and preparing for audit. As evidence that progress is being made, DoD is maintaining a green score for progress in Improving Financial Performance under the President's Management Agenda.

The September 2007 FIAR Plan is the fifth submission of the Plan to Congress and the Office of Management and Budget, and covers the period of October 1, 2006 to September 30, 2007. Like previous submissions, the September 2007 FIAR Plan demonstrates an incremental approach that builds on the accomplishments of previous efforts, incorporates lessons learned, and adapts as necessary to sustain and advance progress already achieved.

Accomplishments

Financial management improvement efforts focus on improving the quality, accuracy and timeliness of the Department's financial information and helping the Components achieve audit readiness.

Today, seven Defense reporting entities have received an unqualified audit opinion on their FY 2006 financial statements:

- Defense Commissary Agency,
- Defense Contract Audit Agency,
- Defense Finance and Accounting Service,
- Defense Threat Reduction Agency,
- Military Retirement Fund,
- Office of the Inspector General, and
- Chemical Biological Defense Program.

In addition, the Medicare-Eligible Retiree Health Care Fund has received a qualified opinion, and three DoD-wide financial statement line items have received favorable audit reviews. The U.S. Army Corps of Engineers is undergoing an audit for the second year in a row. The Defense Logistics Agency's contingent legal liabilities have been examined and verified as audit ready by the Inspector General, DoD, and the Defense Information Systems Agency is ready to assert that their FY 2007 Balance Sheet is ready for audit. Additionally, several large business process

segments are undergoing an independent examination to confirm audit readiness. They are:

- The Navy's nuclear and conventional ships Environmental Liability, and
- The Air Force's Appropriations Received, Net Transfers, and Fund Balance with Treasury.

A complete description of the Department's accomplishments can be found in Chapter 1.

Audit Readiness Strategy

Earlier versions of the FIAR Plan established broad goals and objectives, captured baselines, established metrics, and set a long-term course for attaining an unqualified audit opinion on the DoD consolidated financial statements. Throughout the last two years, best practices have been captured, and the FIAR Plan has been refined to reflect lessons learned.

The Department's overall goal is sustainable financial management improvement. Receiving an unqualified opinion on DoD's consolidated financial statements will demonstrate that the goal has been achieved. While the Department remains committed to making incremental improvements, many of the supporting details of that strategy have been refined.

The refined DoD audit strategy:

- Limits audits to entire financial statements rather than audits on financial statement lines.
- Implements alternative methods of verifying incremental progress or audit readiness.
- Incorporates a model to sustain progress once audit readiness of a segment has been verified.
- Focuses on the business processes, or "segments," that underlie the amounts reported on the financial statements rather than exclusively on balance sheet lines.
- Recognizes that financial statement audibility, and the correction of deficiencies for many business processes, must be tied to implementation of Enterprise Resource Planning systems.

The refined audit readiness strategy transitions its approach from one that focuses solely on a line-item to one that focuses on "segments." Segments are formed either by bringing together closely related areas of financial management or breaking apart areas into more manageable portions. Segments more closely align financial improvement initiatives to end-to-end business processes, which is consistent with the methodology frequently used by auditors during audit engagements. An audit strategy that focuses on segments allows greater flexibility in how the Department approaches audit readiness. The Navy has already transitioned to a segment approach, and the Defense Logistics Agency (DLA) has made significant progress toward completing the transition.

The Department's business rules for preparing for and auditing a segment have been modified to better support the segment approach, preserve resources, and emphasize audit readiness sustainment.

A thorough description of the Department's refined audit strategy is provided in Chapter 2, as well as an overview of the progress achieved to date by the Military Services and DLA in updating their plans to reflect the segment approach.

Systems Integration and Compliance

To improve financial management and internal controls, the FIAR Plan organizes and integrates the Department's previously independent activities and aligns them with business systems modernization. The Department has enabled 75 percent of its legacy accounting systems to the Standard Financial Information Structure (SFIS) for financial reporting. By March 31, 2008, 100 percent of DoD's legacy systems are expected to be SFIS compliant.

Both the Military Departments and DLA have defined their future business systems target environments to routinely produce reliable, accurate, and timely financial information. Central to each target system environment is the successful deployment of Enterprise Resource Planning (ERP) systems that comply with the Department's Business Enterprise Architecture. ERP systems catalyze changes to organizational structures, improve workflow through business process reengineering, strengthen internal controls, and help resolve material weaknesses.

Integration of the FIAR Plan, the Enterprise Transition Plan (ETP), the Component Financial Improvement Plans (FIPs), the ERP deployment plans, and system modernization plans has set a comprehensive path for complying with requirements, improving financial visibility into business processes and information, and achieving audit readiness. A description of systems challenges, accomplishments, and plans for moving forward can be found in Chapter 3.

Other Efforts

The September 2007 FIAR Plan also highlights the efforts of the Military Services, DLA, the Marine Corps, the Defense Finance and Accounting Service, the Military Health System, Military Pay, and the U.S. Army Corps of Engineers. Many of these efforts lead directly to audit readiness. All underscore the Department's commitment to improving its overall financial management. Lastly, the Plan, also for the first time, individually profiles the efforts of select Defense organizations that are required to prepare stand-alone financial statements.

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I. Overview and Accomplishments

The Defense Financial Improvement and Audit Readiness (FIAR) Plan is the roadmap for improving the overall state of financial management in the Department of Defense (DoD). Produced semi-annually, the FIAR Plan reports accomplishments and progress; sets the Department's strategy for complying with the Federal Financial Management Improvement Act of 1996 and achieving audit readiness; and consolidates the financial improvement plans of various DoD entities. The September 2007 FIAR Plan further refines its strategy for incremental improvement with an approach that will provide improved planning, correcting, and measuring of financial improvement and audit readiness.

The September 2007 FIAR Plan is the fifth submission of the Plan to Congress and the Office of Management and Budget (OMB). Earlier versions established broad goals and objectives, captured baselines, established metrics and, most importantly, set a long-term course for attaining an unqualified audit opinion on the DoD consolidated financial statements. Throughout the last two years, best practices have been captured and the FIAR Plan refined to reflect lessons learned. Future FIAR Plans will continue to evolve as the Department's overall audit strategy is sharpened.

PROGRESS TOWARD AUDIT READINESS

An unqualified audit opinion on the DoD Consolidated Financial Statements will not be achieved until the Department has successfully deployed new business systems and processes, and improved internal control. However, several Defense reporting entities are making significant progress. As indicated in the chart below, seven reporting entities have received an audit opinion on their FY 2006 financial statements.

DoD REPORTING ENTITY	AUDIT OPINION
Defense Commissary Agency	Unqualified
Defense Contract Audit Agency	Unqualified
Defense Finance and Accounting Service	Unqualified
Defense Threat Reduction Agency	Unqualified
Military Retirement Fund	Unqualified
Office of the Inspector General	Unqualified
Chemical Biological Defense Program	Unqualified
Medicare-Eligible Retiree Health Care Fund	Qualified

For the third consecutive year, the Department has received favorable audit reviews on three DoD-wide financial statement line items.

DoD-WIDE FINANCIAL STATEMENT LINE ITEMS	AUDIT REVIEWS
Investments	Favorable
Federal Employees' Compensation Act Liabilities	Favorable
Appropriations Received	Favorable

OTHER ACCOMPLISHMENTS

Since the first submission of the FIAR Plan in December 2005, progress has been achieved in several important areas. Significant accomplishments achieved during the October 2006 through September 2007 period of performance are highlighted below:

ACCOMPLISHMENTS OCTOBER 2006 THROUGH SEPTEMBER 2007	
✓	Navy Nuclear and Conventional Ships Environmental Liability (\$12.7 billion) is undergoing an independent examination to determine audit readiness.
✓	Air Force Appropriations Received, Net Transfers, and Fund Balance with Treasury are undergoing independent examinations to determine audit readiness.
✓	USACE FY 2007 financial statements are undergoing an audit. This is the second year that USACE has audited its financial statements.
✓	DLA contingent legal liabilities have been examined and verified by the IG, DoD as audit ready.
✓	The Department has enabled 75 percent of its legacy accounting systems to the SFIS for financial reporting. By March 31, 2008, 100 percent of DoD's legacy systems are expected to be SFIS compliant.
✓	DLA deployed the Enterprise Business System that modernizes the management of National Stock Numbers (NSN)/items and users. An NSN ties logistic information to an item of supply. The new system supports the management of 5.2 million NSN/items, 8,000 users, and \$17.7 billion in annual demand.
✓	DFAS added approximately 10,000 FEMA employees and 1,900 Broadcasting Board of Governors employees to the Defense Civilian Payroll System in support of OMB's ePayroll initiative.
✓	DFAS closed 6 sites under BRAC during FY 2007 for a total of 11 sites closed. Closures were completed on time and within budget, while maintaining a high quality of service during workload transition.

ACCOMPLISHMENTS OCTOBER 2006 THROUGH SEPTEMBER 2007	
✓	DFAS eliminated the backlog and reduced the processing time for wounded warrior debt. To date, \$12.6 million in debt has been resolved for 13,000 wounded warriors, and the backlog of \$2 million has been reduced to \$20,000.
✓	DFAS reduced processing time for cost-of-war reporting from 40 days to 31 days.
✓	DFAS established a Financial Management Center of Excellence to standardize DoD finance and accounting business practices, accelerate systems delivery, reduce system risks, optimize costs, and improve overall financial management.
✓	DFAS reduced work years by 743 and validated a savings of over \$49 million using High-Performing Organizations performance measures and metrics.
✓	Army implemented a sustainable process for accurately reporting CONUS Cash and Other Monetary Assets.
✓	Army completed the identification and documentation necessary to record the environmental liability for Chemical Agents and Munitions Destruction Program.
✓	Air Force reduced Cash, Foreign Currency, and Other Monetary Assets by \$8.2 million, or 7 percent, by increasing its use of the International Treasury Service (ITS.gov) for payments to foreign vendors. ITS.gov disburses funds directly to foreign vendors thus reducing the need for U.S. dollars at Air Force disbursing locations.
✓	Air Force Working Capital Fund completed the transition to using the Moving Average Cost method to calculate inventory valuation 4 years ahead of schedule.
✓	DLA installed at 18 CONUS Depots a passive Radio Frequency Identification infrastructure that enables more accurate and detailed data about tagged items.
✓	DLA reduced Unliquidated Obligations for environmental cleanup by \$2.3 million in the Defense Environmental Restoration Account and \$4 million in the BRAC program by improving processes for reconciling Environmental Liability estimates to financial statements.
✓	Army, Navy, and Air Force developed Accountability Improvement Plans that detail steps required for asserting audit readiness on Military Equipment.
✓	AT&L confirmed that military equipment baseline valuations are correct, that all military equipment that should be capitalized has been valued, and that DoD owns and has the rights to all capitalized military equipment.

ACCOMPLISHMENTS OCTOBER 2006 THROUGH SEPTEMBER 2007	
	The Department completed Phase 1 of the DoD-wide “Check It” internal control awareness program.
	AT&L created a Property Council to provide a forum for the discussion of property accountability and management of data, business rules, and processes across functional lines.
	AT&L developed and made available Web-based training for two courses: “Foundations of Government Property, Physical Inventory, and Accountability” and the “Management of Government Property.” These courses teach property accountability and valuation principles, as well as how and why to account, both physically and fiscally, for equipment.
	AT&L published Property, Plant, and Equipment policy to address accounting classification and recording of capitalized equipment.
	AT&L established sustainable business processes and management controls to improve the accuracy of Real Property Construction-In-Progress cost information.
	AT&L assigned unique site identifiers to all DoD-owned Real Property sites, and automated the process for updating and maintaining the identifiers. Unique site identifiers eliminate ambiguity and ensure consistent reporting of Real Property sites.
	Navy implemented new real property business processes to enable accurate reporting of acquisition; existence and completeness; capital improvement; depreciation; capital leases; construction-in-progress; preponderant use; heritage assets and stewardship land; and disposal.
	Navy successfully populated real property data to record acquisition, capital improvement, depreciation, capital leases, heritage assets and stewardship and disposal.
	MERHCF developed metrics to monitor the timely processing of purchased care claims and computation of claims liability.
	TRICARE completed deployment of the Coding Compliance Editor (CCE) to Department of Defense Military Treatment Facilities (MTF). CCE provides MTF clinical staff with an automated tool to improve the accuracy of medical record coding for admissions and appointments.

II. DoD Audit Readiness Strategy

The Department's strategy for achieving unqualified audit opinions on its financial statements is to make and validate incremental improvements. Once sufficient progress is demonstrated and validated at lower levels, the Department can progress to full financial statement audits.

EVOLUTION

While the FIAR Plan continues to focus on making incremental improvements that lead to audit readiness, the business rules supporting that strategy have been refined. Under the original business rules, incremental improvements would be followed by audits on both financial statement lines-items and financial statements. How incremental progress would be sustained was not addressed by the business rules, and financial statement line-items and sub-lines were the exclusive focus. Additionally, solutions to deficiencies were not linked to implementation of Enterprise Resource Planning systems.

Since publication of the initial FIAR Plan, the business rules and solutions have been refined to:

- Limit audits to entire financial statements rather than audits on financial statement lines.
- Implement alternative methods of verifying incremental progress or audit readiness.
- Incorporate a model to sustain progress once audit readiness of a segment has been verified.
- Focus on the business processes that underlie the amounts reported on the financial statements rather than exclusively on balance sheet lines.
- Recognize that financial statement audibility, and the correction of deficiencies for many business processes, must be tied to implementation of Enterprise Resource Planning systems.

Segments

The refined audit readiness strategy transitions its approach from one that focuses solely on a line-item to one that focuses on a business process, or "segment." Segments are formed either by bringing together closely related areas of financial management or by breaking apart areas into more manageable portions. This approach allows the Department greater flexibility in how it organizes and prioritizes financial management improvement efforts. Segments more closely align financial improvement initiatives with end-to-end business processes, which is consistent with the methodology frequently used by auditors during audit engagements.

Segment Examples:

- Business processes that can be addressed end-to-end, such as Civilian Pay and Procure to Pay.
- Closely related groups of financial statement lines that need similar improvements, such as Fund Balance with Treasury, Accounts Payable, and Accounts Receivable.
- Individual financial statement lines in which improvements can be easily segregated, such as Cash and Other Monetary Assets.
- Material sub-lines, such as Military Equipment.

Business Rules

The Department's rules for preparing and evaluating a segment continue the process for examining operations; diagnosing and correcting problems; and reaching audit readiness. However, after discovery and correction have been completed, the business rules now call for an independent validation of segment improvements with an emphasis on sustainment.

Financial improvements are sustained through an evaluation of continued audit readiness rather than by examination engagements.

The revised business rules, which can be applied uniformly regardless of the size, materiality, or scope of a segment, are as follows:

1. **Discovery and Correction:** Management evaluates individual financial segments, identifies weaknesses and deficiencies, and implements corrective actions.
2. **Segment Assertion:** Management asserts audit readiness to OIG and OUSD(C) for concurrence.
3. **Audit Readiness Validation:** OIG or an Independent Public Accounting (IPA) firm validates management's assertion using an examination engagement.
4. **Audit Readiness Sustainment:** Annual verification of segments is conducted using OMB Circular A-123, Appendix A as guidance.
5. **Financial Statement Assertion:** Management asserts financial statement audit readiness to OIG and OUSD(C) for concurrence.
6. **Financial Statement Audit:** OIG or IPA firm audits the organization's financial statements.

The business rules delineate responsibilities between management and the auditors. Management's responsibilities focus on completing discovery and correction, asserting audit readiness of segments, sustaining financial improvements to segments, and asserting audit readiness of the financial statements (phases 1, 2, 4 and 5). Independent auditors validate segment audit readiness and perform the eventual audit of financial statements (phases 3 and 6).

Management can assert segment audit readiness at any time during the year. Following Office of the Under Secretary of Defense (Comptroller) (OUSD(C)) and Office of the Inspector General (OIG) concurrence, management initiates the contracting process for the validation phase. The standard timeline for completion of the independent evaluation and examination engagement is one year and proceeds as follows:

- Three months: OUSD(C) and OIG review of management's assertion.
- Three months: Prepare Statement of Work, Request for Proposals issued, and contract awarded for independent validation.
- Six Months: Independent validation.

The established standard timeline may vary as some of the review and contract preparation actions can be accomplished concurrently. Additionally, the complexity of a given segment may increase or decrease the timeline.

AUDIT READINESS SUSTAINMENT

Under the business rules, Audit Readiness Sustainment links the independent validation of segment audit readiness to the eventual financial statement audit. The Department must maintain audit readiness of validated segments while Discovery and Correction is completed on the remaining segments. The Audit Readiness Sustainment phase is designed to provide continued assurances of segment audit readiness while optimizing the use of limited resources.

Evaluations for audit readiness sustainment will be guided by the Office of Management and Budget Circular A-123; “Management’s Responsibility for Internal Control,” Appendix A, “Internal Control over Financial Reporting” (*hereafter referred to as Appendix A*). Appendix A prescribes a method for the Department to assess, document, and report on internal control over financial reporting at each level.

If material changes to a segment's processes or controls are made following the validation of audit readiness, the segment will be revalidated to assure continued audit readiness. The breadth and depth of the revalidation effort will be limited to the material changes and the resulting impact on audit readiness. When no material changes to a segment’s processes or controls have been made, the Department will apply the following key elements of Appendix A to confirm that audit readiness is being sustained:

- Test and evaluate internal control policies, procedures, and environment to maintain a high degree of assurance and a corresponding low level of risk.
- Identify new or recurring material weaknesses and develop remedial action plans.
- Evaluate and document any business process or internal control changes that impact segment audit readiness.

Case in Point: DeCA Sustains Audit Opinion

For FY 2006, the Defense Commissary Agency (DeCA) received the highest score in DoD for its Statement of Assurance on the effectiveness and efficiency of its operations, the reliability of its financial reporting, and its compliance with applicable laws and regulations. In addition, DeCA was recognized as a leader in the implementation of Appendix A and their aggressive approach to testing and strengthening internal controls over financial reporting has been cited by DoD as a model for the Department. By requiring annual systematic reviews of financial processes, Appendix A imposes strict requirements on the internal controls an agency uses to achieve—and sustain—an unqualified audit opinion.

COMPONENT SEGMENT IDENTIFICATION AND EVALUATION

The refined segment approach significantly improves the Department’s ability to link business process and financial system dependencies to specific functions. This is critical since most systems are being modernized or replaced. The modernization of the Department’s systems drives the timeline for change and improvements to processes and controls, and is essential to

achieving audit readiness. (See Chapter 3: The Critical Path to FFMIA Compliance and Audit Readiness for more information.)

Although segments will provide the framework for the FIAR Plan and Component-level Financial Improvement Plans (FIPs), some FIAR Key Milestone Plans (KMPs) already reflect end-to-end business processes. FIAR KMPs that are expected to continue as segments are:

- Military Equipment
- Real Property
- Environmental Liabilities
- Inventory
- Operating Materials and Supplies
- General Property and Equipment

Identifying segments and establishing segment KMPs is challenging and requires a significant amount of work and coordination. The FIPs not only reflect improvements to be made by the financial community but also the extensive work to be performed by the functional communities. Below are descriptions of the Military Departments' and DLA's progress and plans for modifying their FIPs and respective portions of the FIAR Plan.

Department of the Army

The Army's CFO Strategic Plan for achieving audit readiness, also known as the Army FIP, was developed by the Office of the Assistant Secretary of the Army for Financial Management and Comptroller in collaboration with functional communities throughout the Army and DFAS. The plan includes the goals, objectives, and tasks that must be completed for the Army to provide its commanders, leaders, and managers with the quality financial information necessary for sound decision making. Consistent with previous versions of the FIAR Plan, the Army's CFO Strategic Plan aligns corrective action tasks and milestones by Balance Sheet line item.

Because the Army's CFO Strategic Plan will be updated in November 2007, the Army's portion of the FIAR Plan is currently oriented by Balance Sheet line item. In the coming months, the Army will modify its CFO Strategic Plan, and portions of the FIAR Plan, to the new segment orientation. Key Milestone Plans for Environmental Liabilities, General Property and Equipment, Inventory, Military Equipment, Operating Materials and Supplies, Real Property, Other Assets, and Other Liabilities have been updated.

Department of the Navy

The Navy's FIP employs a vertical and horizontal approach for documenting systems and processes, identifying and correcting weaknesses, and sustaining corrective actions through regular reviews and testing of internal controls. This dual approach enables the Navy-Marines Corps to manage improvement efforts by Balance Sheet line item as well as by end-to-end business processes. As a result, the Department of the Navy was able to migrate to the new segment framework for the September 2007 FIAR Plan. Other refinements to the Department of the Navy's segment framework are still being made.

The Navy uses a vertical approach to manage segments for Navy Working Capital Fund (WCF) commands and organizations. Each Navy command or organization is documenting processes and systems, identifying and correcting deficiencies, and improving internal controls for the WCF segment. Each Navy command or organization will convert to the Navy ERP, and the deployment schedule of the Navy ERP drives the timeline for achieving audit readiness in the WCF segments.

For most of the remaining 19 major commands within the Navy General Fund (GF), the Navy is taking a horizontal approach. A single or limited number of GF commands have responsibility for documenting and correcting deficiencies and improving internal controls for specific end-to-end business process segments. The commands collaboratively standardize the relevant business processes and share the results with other commands using similar accounting systems. This approach has been successful. For example, for Accounts Receivable Intragovernmental (reimbursable orders), the Navy Installation Command's business processes for reimbursable orders will become the standard for much of the Navy GF. By having one or a limited number of commands lead specific segments, the Navy minimizes risk, preserves resources, eliminates duplicative work, and standardizes workflows.

Department of the Air Force

The Air Force's FIP identifies the steps each organizational element must take to fully integrate all financial and non-financial processes and systems into a CFO-compliant environment. The Accountability and Financial Management Integrated Process Team serves as the focal point for task completion and feeder system compliance. Additionally, an Executive Steering Committee monitors the Air Force FIP and acts to ensure its successful implementation. This includes establishing priorities for competing tasks and committing the resources necessary to accomplish the tasks.

The Air Force has identified segments and system dependencies. However, the Air Force Executive Steering Committee must be informed, and the functional communities they represent must be fully engaged before these changes can be fully incorporated into the Air Force FIP and the FIAR KMPs. The Air Force has updated existing FIAR KMPs that will be renamed as segments (Military Equipment, Environmental Liabilities, General Property and Equipment, Inventory and Operating Materials and Supplies, and Real Property).

Defense Logistics Agency

The Defense Logistics Agency (DLA) has made significant progress in revising its approach to financial improvement from Balance Sheet line items to segments, and will complete the process during the next six months.

Following segment identification, DLA "decomposes" each business process into individual, interconnected business events or tasks to identify cross-functional business processes (i.e., processes that span more than one DLA organization) as well as touch-points between business processes. The business events or tasks of each process are then reviewed to identify which DLA organization is preponderant within that process.

Each business process that spans more than one DLA organization is assigned to a Senior Executive Service (SES) executive who will have overall responsibility for improving that process's audit readiness DLA-wide.

Since DLA-wide business processes are cross-functional, the supporting DLA organizations are being identified and will be accountable to the SES business process owner for their events or tasks and appropriate corrective actions. After all DLA-wide business process owners have been assigned, DLA will review and revise its work plans, key milestones, and FIPs to ensure that all end-to-end business processes are covered. For this edition of the FIAR Plan, DLA has updated its key milestones for Environmental Liabilities, General Property and Equipment, Inventory, Real Property, Other Assets, and Other Liabilities.

AUDIT ADVISORY COMMITTEE

As the business transformation efforts of the Department grew in complexity and scope, the OUSD(C) recognized a need for an independent, Department-level committee to offer insight into the audit strategy and support coordination between the Enterprise Transition Plan and the FIAR Plan.

Under the provisions of the Federal Advisory Committee Act of 1972 (PL 92-463, as amended), the DoD Audit Advisory Committee is being formed to advise and make recommendations on DoD financial management, including reporting processes, internal controls, audit readiness, and compliance.

The Audit Committee will comprise not more than five distinguished members of the audit, accounting, and financial communities appointed by the Secretary of Defense to three-year terms. None of the members may be a DoD employee, and terms are limited to not more than three consecutive terms. Meetings will be held an estimated four times per year.

An annual report on the Committee's activities and recommendations will be submitted to the Deputy Secretary of Defense. It is envisioned that the Committee will monitor and oversee audit engagements throughout the Department, and foster awareness of the available options to achieve audit readiness.

III. The Critical Path to FFMIA Compliance and Audit Readiness

Today, thousands of business and financial information management systems—ranging from 40-year-old legacy systems to state of the art Enterprise Resource Planning (ERP) systems—exist in the Department. Few can reliably interact, most do not meet the requirements of the Federal Financial Management Improvement Act of 1996 (PL 104-208) (FFMIA), and many do not provide the level of detail, accuracy, and timeliness demanded by today’s complex business environment. As a result, decision makers lack the ready access or “visibility” to accurate and reliable planning, programming, accounting, cost, and other financial information.

To correct this situation, each Military Department and DLA has defined their future or “to be” business and financial systems target environment, an environment capable of routinely producing reliable, accurate, and timely information. Central to each target system environment are ongoing ERP system deployments and Enterprise initiatives, which are being developed and implemented by the Business Transformation Agency (BTA).

FFMIA defines financial management systems as financial systems and financial portions of mixed systems, automated and manual processes, procedures, controls, data, hardware software, and personnel. The FIAR Plan defines the Department’s comprehensive path for achieving FFMIA compliance and audit readiness by integrating process and control improvements with the Enterprise Transition Plan (ETP), Component Financial Improvement Plans (FIPs), ERP deployment plans, and system modernization plans. The critical thread that ties the FIAR Plan and FIPs together are ERP deployment schedules. ERP deployment schedules often drive audit readiness dates as well as the eventual financial statement audit dates.

The Federal Financial Management Improvement Act requires financial management systems to comply with:

- Federal financial management system requirements
- Applicable Federal accounting standards
- U.S. Government Standard General Ledger at the transaction level

The Act also requires the entity whose financial management systems do not comply to prepare a plan with remedial actions and timeframes. DoD’s FFMIA remediation plan is the FIAR Plan.

ENTERPRISE RESOURCE PLANNING SYSTEMS

ERP implementations are catalysts for changing organizational structures, improving workflow through business process reengineering, strengthening internal controls, and resolving material weaknesses. The Department is deploying ERPs, including the General Funds Enterprise Business System, Logistics Modernization Program, and Global Combat Support System in the Army; Defense Enterprise Accounting Management System and Expeditionary Combat Support System in the Air Force; the Navy ERP; and Enterprise Business System in DLA.

Timelines for deploying the ERPs vary depending on when the acquisition programs began and the complexity of the environment in which they are being deployed. Each ERP deployment requires extensive business process reengineering, significant efforts to cleanse and migrate data, and the development of interface capabilities.

ERP schedules and activities are the critical path to achieving FFMIA compliance and unqualified audit opinions on the Department's financial statements, and ERP deployment timelines are tightly linked to activities reflected in many of the FIAR KMPs. ERP deployments will take from 5 to 10 years to complete. (See Appendix O for ERP deployment timelines.)

The following sections describe some of the key Enterprise initiatives being implemented by the Business Transformation Agency, and a brief description of the status and progress of the Army, Navy, Air Force, and DLA in implementing their target systems environments.

ENTERPRISE INITIATIVES

The Department is implementing Enterprise initiatives to improve financial visibility, eliminate material weaknesses, achieve FFMIA compliance, and achieve audit readiness. A description of each Enterprise initiative, related accomplishments, and near-term plans for implementation follows.

Standard Financial Information Structure (SFIS): SFIS is DoD's common business language for consistent compiling and reporting of financial information. All target systems must incorporate SFIS. SFIS provides standard definitions, lengths, values, and business rules that enable transparency and interoperability across the DoD enterprise. These standards contain six financial information categories: appropriation, budget program, organization, transaction, trading partner, and cost accounting.

In the SFIS environment, the transaction cycle continues from budget programming through disbursement to output. That output then becomes the input into the next purchasing cycle. SFIS elements are used at each stage of the process. SFIS enables the Department to track financial transactions during all phases of the cycle and is critical to building auditable financial systems.

The success of SFIS can be attributed to a cross-functional governance board that must approve all requirements and changes to the SFIS structure. Most SFIS requirements have been defined, and SFIS implementation is now focused on training and implementation. Training, which will be delivered on-line, is being led by BTA's Enterprise Integration team. The team works closely with all major ERP programs to ensure that standard implementation and configuration is achieved across DoD. SFIS also aligns with and supports OMB's Common Government-wide Accounting Classification (CGAC). The CGAC supports financial, cost, and managerial reporting requirements, and provides insight into the strategic decision-making process at multiple levels in the government.

Accomplishments for October 2006 through September 2007

- ✓ SFIS Phase III: Cost accumulation structure. Added 12 new data elements and deleted 1 data element released in BEA 4.1.
- ✓ Completed an enterprise SFIS Compliance Plan that schedules when each DoD business feeder and accounting system will be SFIS compliant.
- ✓ Established SFIS compliance criteria for all systems.
- ✓ Established evaluation and tracking mechanism through the Investment Review Board.

Near-Term Plans

- Focus on SFIS training and implementation in target systems.
- Develop cost-effective, Department-wide SFIS on-line training for basic and advanced users by December 31, 2007.
- Develop SFIS ERP standard configuration implementation guidance by December 31, 2007.
- Integrate SFIS requirements into OMB Financial Management Line of Business Common Government-wide Accounting Classification.

Business Enterprise Information Service (BEIS): BEIS is an Enterprise-level suite of services that replaces and modernizes several independent systems: Defense Departmental Reporting System, Defense Cash Accountability System, Defense Corporate Database/Defense Corporate Warehouse, and Transportation Global Edit Table. BEIS provides financial reporting services, cash reporting and reconciliation services, general ledger services, reference data services, and enterprise business intelligence. BEIS will yield timely, accurate, and reliable financial information and comparison of financial data across the Department. BEIS aligns with other financial management initiatives such as SFIS to provide the information that DoD management needs to make more informed financial decisions.

Accomplishments for October 2006 through September 2007

- ✓ Automated input of Special Interest and Global War on Terrorism data.
- ✓ Delivered master requirements document for cash accountability reporting and Fund Balance with Treasury reconciliation capabilities.
- ✓ Expanded SFIS Library to encompass enterprise cost accounting data elements.
- ✓ Implemented daily trial balances supporting Enterprise-level business intelligence.
- ✓ Implemented SFIS compliant Financial Reporting for five reporting entities including:
 - Air Force General Funds
 - Marine Corps General Funds
 - Navy Working Capital Fund
 - Air Force Working Capital Fund
 - Marine Corps Working Capital Fund

Near-Term Plans

- Complete BEIS System Development and Demonstration (Milestone B) review by the Milestone Decision Authority by December 31, 2007.
- Implement the SFIS-compliant financial reporting for Navy General Funds by December 31, 2007.
- Implement the SFIS-compliant financial reporting for Army Working Capital Fund by September 30, 2008.

- Complete BEIS Milestone C Review by the Milestone Decision Authority by September 30, 2008.
- Complete SFIS-compliant financial reporting for Defense Agencies by September 30, 2008.

Enterprise Funds Distribution (EFD): The objective of EFD is to increase the visibility, auditability, and efficiency of the management of distributed funds and congressional actions. Specifically, EFD will:

- Establish full visibility of appropriated funds as they pass through and across different levels of DoD.
- Automate the processing of funds authorization documents (FADs).
- Standardize capabilities across Components to provide visibility both vertically and horizontally.
- Employ middleware services that integrate legacy funds distribution systems until full migration EFD is achieved.
- Leverage SFIS, which includes the Organization Unique Identifier (OUID), to provide fully visible funding data (e.g., appropriation, apportionment, etc.).

Accomplishments for October 2006 through September 2007

- ✓ Completed Concept Refinement and Technology Development phases of the Department's Acquisition development lifecycle.
- ✓ Received Milestone A/B decision and approval to proceed to the System Development and Demonstration phase.
- ✓ Developed a standard Financial Management OUID alias structure needed for Enterprise funds distribution.

Near-Term Plans

- Complete System Development and Demonstration phase.
- Design electronic feed of approved Apportionment and Reapportionment Schedule (SF 132) from OMB.

Intragovernmental Transactions/Intragovernmental Value Added Network (IVAN): IVAN addresses DoD's financial transaction eliminations and accounts payable material weaknesses. It will standardize, consolidate, and integrate processes and system components, and enhance the visibility of intragovernmental transactions both within DoD and across the federal government. IVAN proof-of-concept objectives validate the reimbursable model through order creation; the provision of transaction data; and aid reconciliation.

Accomplishments for October 2006 through September 2007

- ✓ Tested and evaluated initial capabilities of the IVAN proof-of-concept solution for intragovernmental orders.
- ✓ Focused on validation of the order creation and acceptance elements of the reimbursable process model as defined in the BEA.

Near-Term Plans

- Review by OUSD(C) and BTA the findings of the proof-of-concept as well as alternative approaches to determine the preferred solution for IVAN.

Defense Agencies Initiative (DAI): DAI, an ERP, will streamline financial management capabilities, reduce material weaknesses, improve internal controls, and achieve financial statement auditability for approximately 28 Agencies and Field Activities across DoD. The objective of DAI is to achieve an auditable, CFO-compliant business environment for the Defense Agencies with accurate, timely, and authoritative financial data. The primary goal is to deploy a standardized system that complies with the Business Enterprise Architecture (BEA), SFIS, and Office of Federal Financial Management (OFFM) requirements while improving overall financial management. DAI provides the following business functions: procure to pay; order to fulfill; acquire to retire; budget to report; cost accounting; grants accounting; time and attendance; and re-sales accounting.

Accomplishments for October 2006 through September 2007

- ✓ Established the Business Operations Leadership Team comprised of representatives from DAI stakeholders.
- ✓ Established the DAI Executive Steering Committee Governance structure with executive sponsorship from OUSD(C).
- ✓ Selected a system integrator and software solution.

Near-Term Plans

- Initiate Blueprinting phase of DAI by December 31, 2007.
- Achieve Milestone B by December 31, 2007.
- Determine the Global Model for all Defense Agencies, based on blueprinting, by March 31, 2008.

TARGET SYSTEM ENVIRONMENT AND ERP DEPLOYMENTS

Systems include financial systems, business systems, and “mixed” systems that support both financial and non-financial business functions. The Military Departments and DLA have defined their systems target environments. Central to each environment is an ERP system deployment strategy. Implementing an ERP enables the transformation of organizational structures, improving workflow through business process reengineering, strengthening of internal controls, and improving the availability and usefulness of information needed by decision makers.

Below is a brief overview of the ERPs being implemented by the Army, Navy, Air Force, and DLA. Deploying these ERPs is one element of each Defense department’s extensive Business Transformation strategy. (Additional information on the Department’s ERPs and Transformation priorities and projects can be found in the DoD Enterprise Transition Plan.)

Department of the Army

The Army is implementing three ERPs: General Funds Enterprise Business System (GFEB), Global Combat Support System-Army (GCSS-Army), and Logistics Modernization Program

(LMP). Together, these ERPs are planned to replace 100 legacy systems. A brief description of the objectives of each ERP is provided below.

GFEBs: GFEBs will become the Army's new core financial management system for administering its General Fund. It will improve performance, standardize processes, and ensure that it can meet future needs. GFEBs will serve as the Army's financial backbone—capturing general ledger data into a single system—and serve as the Single Army Financial Enterprise (SAFE) system of record.

A Web-based system, GFEBs will provide six core financial functions: U.S. Government Standard General Ledger (USSGL), Cost Management, Funds Control, Accounts Payable Management, Accounts Receivable Management, and Reports. The ability to perform these core financial functions in a single system will allow the Army to standardize and streamline current business processes and make them more efficient and effective.

GFEBs will close deficiencies within today's financial systems, such as the lack of transaction-based general ledger controls, non-standard general ledger charts of accounts, a lack of integrated, accurate, accessible, and relevant in near-real time financial data, the lack of traceability of cost transactions, and an inability to link budget to performance information. GFEBs will also maintain Real Property accountability information. It will replace a total of 87 legacy systems by FY 2010, while continuing to serve more than 79,000 end-users at nearly 200 Army resource management organizations around the world.

GCSS-Army: GCSS-Army is the tactical-level building block of its transformation to a Single Army Logistics Enterprise (SALE). SALE will allow for real-time visibility of personnel, equipment, and supplies anywhere in the distribution pipeline and within the battle space.

GCSS-Army will allow the Army to obtain accurate equipment-readiness information, support split base operations, and receive up-to-date status of maintenance actions and supplies. GCSS-Army consists of two components: field-level and operational-level. At the field level, GCSS-Army Field/Tactical will provide logistical readiness information to the Army's Combat Support and Combat Service Support warfighter and allow the Army to reengineer tactical logistics business processes in accordance with commercial best practices. At the operational level, GCSS-Army Product Lifecycle Management Plus will act as the data warehouse for the exchange of Tactical and Strategic information with Army Battle Command, joint systems, and DLA and Army national-level logistical and procurement systems. GCSS-Army will allow the Army to retire 11 automated systems currently supporting tactical logistics.

Logistics Modernization Program (LMP): LMP is the strategic-level building block of the Army's transformation to a SALE. LMP is Army's core initiative to totally replace the two largest warfighting support national-level logistics systems: the inventory management Commodity Command Standard System (CCSS), and the depot and arsenal operations Standard Depot System (SDS). LMP delivers an integrated production management capability that supports critical systems such as command and control electronics delivery systems for the warfighter and foreign military sales operations. LMP implementation benefits include a reduction in spares inventory and inventory obsolescence, storage, and loss, and an increase in labor productivity in the logistics and acquisition areas.

Department of the Navy

The Department of the Navy is implementing one ERP (Navy ERP) that will eliminate many legacy systems. The Navy's business transformation vision is to significantly increase the readiness, effectiveness, and availability of warfighting forces and to assure continued mission superiority. To accomplish this vision, the Navy will change business processes to reduce costs, maximize the value of process improvements and technology enhancements, and employ an effective human capital strategy.

Navy ERP facilitates business process reengineering by standardizing 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 by linking operating forces and the Navy's support echelons.

The Navy ERP:

- Reduces Navy costs by applying proven industry best practices and processes, and replacing legacy systems.
- Facilitates an end-to-end solution for receiving requests for resources and processing them to fulfillment.
- Replaces stove-piped systems used for financial management, personnel management, inventory management, and industrial operations with an integrated system.
- Enables rapid response to operating force logistics needs through integrated visibility and status data.

The Navy 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.

Department of the Air Force

The Air Force is implementing two ERPs: Defense Enterprise Accounting and Management System (DEAMS) and Expeditionary Combat Support System (ECSS). Together, these ERPs are expected to replace 235 legacy systems. These ERPs consolidate functions spread across numerous systems, thereby reducing transactions and data interfaces while establishing transparent business processes.

The Air Force will use resources across agencies, conform to governing policies and regulations, standardize business processes, apply COTS solutions along with GCSS-Air Force common services, and integrate systems through standards based approaches. Through these efforts, the Air Force will provide timely, reliable, and accurate information to decision makers and achieve audit readiness.

DEAMS: DEAMS, which has an enterprise architecture, will replace multiple legacy systems with COTS financial accounting software (general ledger, accounts payable, accounts receivable, financial reporting, billing, etc.) and will result in lower operating costs. It will provide accurate, reliable, and timely financial information, which is a top priority of the Secretary of the Air

Force and Chief of Staff of the Air Force. DEAMS will achieve this outcome through a modernization and integrated software solution accompanied by sound accounting processes.

ECSS: ECSS will serve as a primary business feeder system in the target environment to feed financial information to DEAMS. Efforts are currently underway to synchronize DEAMS and ECSS efforts as the Air Force ERP systems of the target environment.

Defense Logistics Agency

To fulfill Defense Logistics Agency's (DLA) mission as a combat support agency, DLA must build its wholesaler excellence. It must maximize capabilities being delivered in the Agency's transformational initiatives, such as BRAC 2005 consolidations and the recently completed Business Systems Modernization (BSM). DLA has now begun implementation of Enterprise Business System (EBS)—the cornerstone of DLA's capability to manage its 5.2 million hardware and troop support items and meet its mission. DLA's vision is to extend the enterprise to meet the needs of the warfighter by providing the right item, right place, right price, right time... every time.

EBS and other efforts to bring DLA under a single ERP, is changing the way DLA manages its business. Every business decision has a stewardship implication with a potential financial impact. Under EBS, the reengineered processes more fully integrate financial considerations into overall business decisions. For example, procurement analysts ensure that vendors are timely paid and clear up any payment difficulties.

EBS helps DLA achieve audit readiness and provides the following benefits:

- DLA funding is loaded directly into the ERP upon receipt. This makes reprogramming of funds between internal DLA activities easier, more timely, and better controlled.
- Inventory value is calculated at moving average cost in accordance with DoD policy.
- The automated and manual controls environment is strengthened.
- DLA's ability to comply with the Prompt Payment Act is improved.

Along with EBS, DLA is improving performance through the development of better processes and business arrangements that reduce cost, increase logistics capabilities, and link customer demands with DoD supply chains. Supply chain management practices provide the tools to manage internal processes. Strategies to support this priority include aligning demand and supply chain capabilities within the supply chain management model; applying industry best practices to provide world-class support to the warfighter at the lowest possible cost; achieving world-class supply chain performance by completing DLA's transition from wholesale to end-to-end supply chain management excellence; and designing, implementing, and sustaining a best value enterprise IT environment.

DLA's future business blueprint includes initiatives to add additional capabilities into the EBS, allowing for further replacement of legacy accounting and business systems. Once completed, DLA's businesses will be within a single architecture.

AUDITABILITY RISK ASSESSMENTS

The Department is committed to improving its systems environment to achieve financial visibility, FFMIA compliance, and audit readiness. U.S. Code Title 10 assigns oversight responsibility for the Department's financial systems, including mixed systems, to the OUSD(C). The OUSD(C) has recently initiated Auditability Risk Assessments, which are being conducted at key decision points in the development and deployment life-cycle of new financial and mixed systems such as the ERPs.

The assessments aim to identify auditability risks that if not mitigated will impede the Component's ability to achieve unqualified opinions on financial statement audits following the deployment of a new system. Risks can be mitigated by identifying auditability risks early in the development and deployment of a new system and by taking appropriate action to manage those risks.

The scope of Auditability Risk Assessments includes obtaining responses to the following important questions:

- Has the Component identified its target system environment, and is it managing the improvement and auditability of all systems that will interface with the new system?
- Is the new system's deployment plan fully integrated in the Component's Financial Improvement Plan and the FIAR Plan?
- Does the Component have a data cleansing and migration strategy that will support a financial statement audit?
- Is FFMIA compliance testing independent, comprehensive, and adequate, and are identified defects properly resolved?
- Is there a strong internal control environment, and are general and application controls being properly implemented, documented, and tested?

Auditability Risk Assessments are independently conducted by senior professionals with extensive experience in implementing systems within federal and commercial entities. The results of the assessments are provided to the OUSD(C) and Components for action, and subsequent limited reviews are conducted.

IV. Areas of Special Interest

U.S. MARINE CORPS

The Department of the Navy devotes substantial resources to viable, long-term financial improvements and remains committed to sustaining effective and efficient business processes and accurate financial management information. The Marine Corps, an operating force under the Department of the Navy, is working diligently to improve financial management practices, identify material deficiencies, and document policies, processes, and procedures.

The Marine Corps has established the goal of becoming audit ready and achieving unqualified audit opinions on its financial statements, starting in FY 2008. When accomplished, the Marine Corps will be the first Service to have achieved a level of financial management comparable to leading private sector companies and following generally-accepted auditing standards.

The Marine Corps' aims to assert audit readiness, undergo an audit of its financial statements, and achieve a favorable opinion over the next year. Metrics are being developed to gauge value returned by the audit process. Department leaders, as well as Congress and American taxpayers, can then point to a quantifiable return from the investment in audit, beyond the value of legal compliance. Improvements that will be measured include overhead reduction, improvement in funds control, and reduction in improper payments. The Marine Corps' plan and approach have been designed to improve financial management capabilities by integrating sustainable, repeatable processes and quality review into daily operations.

Challenges

In the past year, the Marine Corps has significantly increased its understanding of financial audit readiness and the relationship of business processes to financial statement lines. Dependencies on external systems and external service providers have also been catalogued. As a result, the Marine Corps has modified its strategy and the associated timeline.

The audit process gives the Marine Corps team an assessment of its financial controls' effectiveness. Controls which must be strengthened will undergo scrutiny using proven process improvement methodology, such as Lean Six Sigma. As the Marine Corps pursues its goal, it will significantly increase understanding and awareness across DoD, and demonstrate compliance with Generally Accepted Accounting Principles (GAAP).

Accomplishments October 2006 through September 2007

- ✓ Defined business process flows and conducted associated risk analysis and control analysis to support audit readiness assertion packages and to fulfill OMB Circular A-123 requirements.
- ✓ Established a disciplined process for ensuring the supporting systems are themselves auditable. This included documenting requirements and defining corrective actions where deficiencies are discovered in preparation for the general assertion of audit readiness.

- ✓ Reviewed transactional accuracy of the primary Marine Corps financial system, SABRS, specifically addressing data entry and trading partner information while institutionalizing trading partner information requirements.
- ✓ Sought and received assurances from supporting business partners regarding the critical auditability of their supporting business processes.
- ✓ Conducted Audit Readiness “Summits” with field level activities to deepen the awareness of the audit process and audit requirements.
- ✓ Implemented refined reconciliation process for personal property between DPAS and SABRS to improve the reliability of financial reporting.
- ✓ Improved automated system interface for OM&S non-ammunition to reliably reconcile property records with consumption.
- ✓ Completed a Naval Audit Service validation of Real Property business processes and internal controls and received a favorable valuation.
- ✓ Implemented a strategy applying more internet applications, including a review process to validate transactions and requiring all vendors to use Wide Area Work Flow when billing.
- ✓ Conducted a thorough analysis to ensure the items listed by the FY 2006 financial statements could be reconciled at various levels with transactional data. This included mapping the linkage between budget and execution data provided by underlying business processes.

Next Steps

- Obtain audit readiness assertions from external service providers that process Marine Corps financial data and transactions.
- Define business processes, evaluate internal controls, and assess associated risk.
- Implement corrective actions so that audit readiness can be asserted and an audit conducted.
- Establish review procedures, including quality control and documentation of each transaction supporting financial statement line items.

DEFENSE FINANCE AND ACCOUNTING SERVICE

The Defense Finance and Accounting Service takes a comprehensive approach to improving financial management. DFAS has developed Key Milestone Plans for improvements that will facilitate Department-wide audit readiness on Accounts Receivable and Accounts Payable and is implementing a series of short- and long-term solutions that will improve the quality and timeliness of data reported on financial statements. Short-term solutions incorporate policy and process changes with COTS database programs to improve data integrity, reconciliations, and timeliness. Long-term solutions call for ERP implementations.

Accounts Receivable

Accounts Receivable represents amounts owed to DoD by individuals, organizations, public entities, or other government organizations. Examples include sales of goods and services, return of overpayments to contractor or employee salaries, and penalties and interest. Receivables should be recorded when recognized or earned, and collected when due. So that assets and liabilities are not misstated on consolidated DoD financial statements, intragovernmental transactions (transactions between DoD Components or between a DoD Component and another federal agency) must be eliminated. As of June 30, 2007, intragovernmental receivables from other federal agencies amounted to \$1.6 billion and public receivables totaled \$7.8 billion.

Accurate reporting, timely collection of debts, and management of receivables are essential to achieving reliable accounts receivable information. Reliable information permits improved management of the Department's cash flow and accelerates billing and collecting, optimizes collection potential of debts, and minimizes losses due to uncollectible debts.

Weaknesses in Accounts Receivable

The Department has documented several deficiencies within accounts receivable that hinder sound receivable management execution and impede reporting accounts receivable in compliance with GAAP.

- Accounting systems often are not USSGL-driven at the transaction level. Such systems do not contain a debt management module for public receivables and do not allow for proper recording, management, reconciliation, aging, and reporting.
- Intragovernmental transactions cannot always be identified by customer. This hinders the proper elimination of accounts receivable and accounts payable between federal activities.
- Systems are not fully integrated and do not provide an adequate audit trail or internal controls from the detailed transactions to the financial statements. This impedes DoD's ability to substantiate financial statement balances and support transactions with proper auditable documentation.

Accomplishments for October 2006 through September 2007

- ✓ Developed a monthly reporting metric that rates the timeliness of reporting accounts receivable data.
- ✓ Developed a reconciliation of contractor debt on monthly Debt Management Report to the Accounts Receivable Tool and subsequently to the Treasury Report on Receivables (TROR). Reconciliations improve the accuracy of reporting by highlighting out-of-balance conditions. Unmatched debts have been reduced from \$86 million in March 2007 to \$39 million in June 2007.
- ✓ Automated TROR Beginning Balance reconciliation—the month-to-month comparison of beginning balances to highlight out-of-balance conditions. Potential cash flow from accounts receivable must be accurately stated on the TROR. Overall beginning balance variance for the Department is now zero, and reconciliation was completed a full quarter ahead of the planned deadline.

- ✓ Developed the Accounts Receivable Tool (AR Tool). The AR Tool standardizes reporting and ensures that debt created by overpayment to individuals and vendors is recorded in the financial statements. The AR Tool also produces the TROR, supports balancing tools, and supports ad hoc reporting.

Short-Term Initiatives and Solutions

- Automate the transfer of debts from the payment office to the Debt Management Office into the Contracting Debt System (CDS). The CDS will also automate the production of demand letters to provide due process to debtors. The CDS will decrease debt transfer from several days to same day, and provide a daily status of all vendor debts.
- Develop a customer service database to better address customer concerns. The database enables DFAS to track reporting issues, identify troubleshooting techniques, and record actions taken for resolving accounts receivable reporting issues.
- Standardize accounts receivable processes and procedures, implement best business processes, and eliminate non-value added procedures.
- Standardize time and attendance coding used to report the hours each DFAS employee spends in support of accounts receivable. This will improve DFAS' ability to match available resources with operational needs and improve the timeliness and efficiency of services.

Accounts Payable

Accounts Payable are amounts DoD owes to other entities for goods and services, progress in contract performance, and rents. Accounts Payable does not include liabilities that relate to continuous expenses such as employees' salary and benefits. There are two categories of accounts payable: intragovernmental and public. Intragovernmental is activity between federal entities that result in one entity owing the other entity. When the government produces financial statements, intragovernmental transactions must be offset between entities. Public accounts payable refer to transactions with contractors and commercial vendors, for example, amounts owed for the production of an airplane or the delivery of food. As of June 30, 2007, the Department of Defense reported \$1.9 billion of intragovernmental payables and \$24.8 billion of public payables.

Proper authorization, timely recording of receipt of goods and services, valid and accurate payment, and management of payables are essential to the Department's ability to produce reliable accounts payable information. Reliable accounts payable information improves the Department's management of cash balances thereby decreasing improper payments, optimizing vendor discounts, and helping to avoid interest payments and penalties. These savings are passed on to other DoD Components.

Weaknesses in Accounts Payable

The Department has documented several deficiencies within the accounts payable process that hinder its administration and impede reporting accounts payable in compliance with GAAP.

- Intragovernmental transactions cannot always be identified by customer, which hinders the proper elimination of accounts payable and accounts receivable between federal activities.

- Actual or constructive receipt or acceptance of goods and services is not always used as the basis for recording accounts payable.
- Adequate procedures for accounting recognition of unbilled purchases of goods and services do not exist.
- Accounts payable balances cannot be reconciled to detailed transactions.
- Accounts payable are not aged or validated on a recurring basis.
- No standard estimation methodology exists for accounts payable when acceptance of title has occurred and amounts are not available at the end of an accounting period.

Accomplishments for October 2006 through September 2007

- ✓ Developed for public accounts payable a plan to ensure that the reporting of public payables comply with GAAP.
- ✓ Published instructions for standard Mechanization of Contract Administration Services (MOCAS) reporting and recording that codifies a single procedure for MOCAS accrual. The reporting is applicable to all DoD Components.
- ✓ Implemented a monthly certification and a quarterly reconciliation process. Monthly, Accounts Payable managers certify that accounts payable have been reconciled between payment and accounting systems and that differences are explained. Quarterly, accounts payable—public are reconciled to the field accounting trial balances.

Short-Term Initiatives and Solutions

- Complete a comprehensive analysis of the MOCAS system. MOCAS is the Department's main contract administration and payment system, and accounts for between 20 and 25 percent of the Department's public payable balance that ranges from \$6–\$7 billion monthly. An end-to-end review identified several categories of MOCAS liabilities, which had been previously excluded from the Department's accounts payable balances. The software change package scheduled for first quarter FY 2009 release will add approximately \$500 million of liabilities to the Department's financial reports.
- Launch the Business Activity Monitoring (BAM) tool. BAM provides an automated mechanism for analyzing transactions to reduce the risk of making improper/erroneous payments and aids in reconciling the payment system and accounting system accounts payable transactions.

Case in Point: Vendor Payment Process Improvement

Wide Area Workflow (WAWF) is a secure, Web-based system for managing acquisitions. WAWF electronically collects and organizes the three documents required to pay a vendor—the contract, the invoice, and the receiving report. The electronic submission of invoices and government inspection and acceptance documents allows for timely posting of Accounts Payable and more efficiently accommodates the electronic practices of government contractors.

Vendors see a decrease in the time it takes to generate a document and get it into government hands for acceptance. What normally took 10 days can now be accomplished in 1 day. Since WAWF significantly decreases processing time, WAWF also reduces the number of Prompt Payment Act penalties. The Defense Contract Management Agency has realized the following benefits from WAWF over the past year:

- 80 percent reduction in Prompt Payment Act interest penalties*
- Elimination of 70,000 lost documents per year*
- 60 percent reduction in progress payment rejects*
- 50-80 percent reduction in invoice cycle time*
- Elimination of the manual entry of over 1 million documents per year*
- 70 percent reduction in cost to process invoices*
- 90 percent reduction in the shipment notification cycle time*

Long-Term Initiatives for Accounts Receivable and Accounts Payable

The Military Departments and DLA are implementing ERPs to support their related business events. DFAS is assisting by evaluating current statutory laws, regulations, and guidance in order to develop standardized finance and accounting functional requirements, business rules, and best practices.

ERPs address the implementation of SFIS and USSGL, which will correct many current deficiencies. In addition, ERP systems will receive detailed accounts receivable transactions from the Defense Debt Management System (DDMS) and Contracting Debt System (CDS) for complete and supportable postings to the ERP. Wide Area Workflow, which manages acquisitions and improves accounts payable processes, is addressed in the ERPs.

DFAS also works closely with the BTA, the Military Departments, and DLA on the implementation of the Enterprise initiative IVAN (the Intragovernmental Value Added Network). IVAN, which will resolve non-public receivables and payables issues, has two phases. The first phase concentrates on the proper elimination of intragovernmental transactions between DoD and other federal departments; the second phase focuses on eliminating transactions between DoD Components.

(See Chapter 3 for more information on ERPs and Enterprise initiatives.)

THE MILITARY HEALTH SYSTEM

The Military Health System (MHS) aims to provide a medically ready force and medical protection for communities; create a deployable medical capability that can go anywhere, anytime with flexibility, interoperability and agility; and manage and deliver a superb health benefit.

In order to meet these objectives, the MHS uses the integrated health delivery system to partner with beneficiaries. The system encompasses Military Treatment Facilities (MTFs), private sector care, and other federal health care facilities.

A transparent stream of resources is essential to the MHS mission. The Department's health care costs continue to rise at a faster rate than the DoD budget growth. Cost drivers include an expansion of benefits, increased participation by retiree beneficiaries, and health inflation. The Health Care Benefit is funded primarily through two sources: the Medicare-Eligible Retiree Health Care Fund (MERHCF) and the Defense Health Program (DHP) Appropriation.

Medicare-Eligible Retiree Health Care Fund

Since 2003, MERHCF has received qualified annual audit opinions. In conducting the FY 2006 audit, independent auditors identified three material weaknesses: a lack of transaction-based accounting for direct care costs; inadequate controls for accumulating direct care cost data; and a backlog of purchased care claims. Simply stated, the MERHCF needs auditable cost data tied to the health care provided.

A reliable audit trail of patient-level expenses incurred in the MTFs must be documented and maintained. Health care cost data move through MTF, Service, TRICARE, DFAS, and Office of the Actuary. Auditors must be able to follow the cost data. Each process owner must assume responsibility for establishing reliable audit trails of transaction-based accounting activities and correcting deficiencies in the coding of medical records before MERHCF can receive an unqualified audit opinion.

MERHCF management, OUSD(C), DFAS, and the Services are coordinating plans to identify key milestones for improving financial processes and medical record audit trails.

MILITARY PAY

DFAS manages a payroll of almost six million military members, civilians, retirees, and annuitants and is continuously seeking to improve the timeliness and quality of its pay services. The Military compensation systems have more than 70 separate types of pay and allowances, including regular military pay, and special pay and allowances based on skill, location, duty, or status.

The systems, interfaces, processes, and activities of the Military Departments must work in conjunction with each other in order to produce military payrolls. As part of the Department's efforts to improve Military Pay, the Office of the Secretary of Defense established a Personnel/Pay Council to address integration gaps and system overlaps. In July 2007, DFAS processed an additional 108,000 timely transactions, a 3.6 percent improvement in the monthly average and the largest increase since the inception of the Personnel/Pay Council. The Department has also established the Wounded Warrior Program to improve the timeliness and

accuracy of pay to injured warriors. A joint Army/DFAS Plan to improve pay services to Army Reserve and National Guard members is being implemented.

The Defense Integrated Military Human Resources System (DIMHRS)—perhaps the most important initiative under development for improving military pay processing—integrates the active, reserve, and guard databases with personnel and pay management. It also streamlines automated support to mobilization and deployment processes. In addition, the program puts into practice standard data that reflect the core requirements of the Military Departments, the Combatant Commanders, the Joint Chiefs of Staff, other DoD organizations, and other Federal agencies. The planned integrated architecture will provide accurate, timely, and reliable financial information at all levels of command (including joint forces operations). DIMHRS will begin replacing existing Active and Reserve military pay systems in early FY 2009.

While DIMHRS is the most critical step in the improvement of pay support, other interim and complementary efforts are in process. For example, the Military Pay Improvement Action Plan (MPIAP) provides information on specific Military Department pay structures; outlines the challenges impacting the quality of pay services; and identifies the actions necessary for ensuring that service members are paid accurately and on time. The MPIAP addresses five major areas for improvement:

- Roles and responsibilities for administering pay within the Department.
- Development, implementation, and deployment of DIMHRS to the Services.
- Interim manual intervention and maintenance of two major pay systems, the Defense Joint Military Pay System and the Marine Corps Total Force System.
- Paying mobilized Army and Air Force service members on the reserve pay system until DIMHRS is deployed.
- Improving the implementation of new legislative requirements and compensation systems for warfighters.

Accomplishments for October 2006 through March 2007

- ✓ Evaluated and confirmed the effectiveness of military pay programs instruction at each Military Department Service School. The evaluation ensures that the instruction support the objective of well-trained finance technicians.
- ✓ Streamlined the application and processing procedures for soldiers applying for Family Separation Allowance by allowing input of the allowance upon departure for temporary duty, rather than when the member returns to duty station.
- ✓ Improved the timeliness of processing pay transactions.
- ✓ Delivered to the Services an automated capability for dating the receipt of pay documents via the Defense Military Pay Office to better measure the timeliness of pay documents.
- ✓ Completed a review of improvements to oversight of the Savings Deposit Program. The MPIAP will track the progress of implementing improvements to reduce the withdrawal time for returning warfighters.

U.S. ARMY CORPS OF ENGINEERS

For more than 200 years, the U.S. Army Corps of Engineers (USACE) has served the Nation in peace and war. USACE comprises approximately 34,600 civilian and 650 military engineers, scientists, and other specialists dedicated to providing quality, responsive engineering services. Operations include the following:

- Planning, designing, building and operating water resources and other civil works projects (i.e. Navigation, Flood Control, Environmental Protection, Disaster Response).
- Designing and managing the construction of military facilities for the Army and Air Force (Military Construction).
- Providing design and construction management support for other Defense and federal agencies (Interagency and International Services).

USACE has adapted to today's changing needs and priorities. Organizational and process changes have improved overall services. In December 2005, USACE asserted audit readiness on its FY 2006 financial statements. In May 2006, DoD began a full audit of all principal financial statements; an award to an independent accounting firm was made shortly thereafter. Audits are now being conducted annually.

V. Spotlight on Financial Improvement Efforts

DEPARTMENT OF THE ARMY

“Reducing Waste and Variances through Lean Six Sigma”

Army Business Transformation cuts across all functions and components. It aims to streamline or eliminate redundant operations to free up resources for the core warfighting mission.

Army is using Business Transformation to reduce the number of people needed for everything from aircraft repair to recruiting, and rein-in its rising manpower costs. As an incentive, units that streamline their operation can keep some of the savings. The Army is nearing its goal of saving \$2 billion to \$2.5 billion per year by adopting private-sector business practices, such as the Lean and Six Sigma methods pioneered by the auto and telecom industries.

Lean Six Sigma gives the Army greater flexibility when managing resources. Lean Six Sigma is a combination of two business-improvement systems, Lean and Six Sigma. Lean refers to the reduction of waste or the elimination of unnecessary steps to increase speed and productivity. Six Sigma reduces variances in system performance and outputs. Together, they free up resources and help ensure that quality equipment and services are quickly provided to soldiers.

“We now have people that know how to lean their processes, to study their processes, and get the savings they need.”

Michael Kirby, Deputy Under Secretary of the Army for Business Transformation

For projects that are expected to produce savings, reduce costs, or generate revenue, Army Commands must report baseline costs, projected costs, and actual costs. To ensure the accuracy of the data and an independent analysis, a financial manager from the Army transformation team supports each command.

An Army depot responsible for overhauling helicopters exemplifies how this works. The depot has \$75 million to meet an Army requirement to overhaul 100 helicopters at \$750,000 per aircraft. The depot redesigns the overhaul process and reduces the cost per aircraft to \$500,000. As a result, the depot reduces by \$25 million the cost of overhauling 100 helicopters. The savings are verified and reported. The Army could either remove the \$25 million from the depot for another use, or the Army could continue to fund the depot at \$75 million and increase the workload to 150 helicopters. Either way, the Army saves money without adversely impacting the existing requirement.

During FY 2005, the Army Materiel Command generated \$110 million in savings and cost avoidance by implementing Lean Six Sigma. By removing waste and better controlling output, Letterkenny Army Depot reduced costs by \$11.9 million in Patriot air defense missile system recapitalization. The Pine Bluff Arsenal reduced repair cycle time by 90 percent and increased its production of M-40 protective masks by 50 percent. At Kunke's depot, employees decreased the time it took to rebuild the UH-60 Blackhawk from 256 days to an average of 70.

In August 2006, in Yongsan Garrison, South Korea, the 8th U.S. Army graduated its first class of 22 Lean Six Sigma trainees. This marked the first time an Army command used its own training dollars to activate this new efficiency program. The 8th Army spent more than \$300,000 to train

civilians and soldiers to revamp policies ranging from tank maintenance to accounting systems and to shed excess spending within the Pentagon's overall budget.

Just as the Army is changing the way it fights and deploys, it is rethinking everyday work and being more efficient through business improvement systems like Lean Six Sigma.

DEPARTMENT OF THE NAVY

“A Leader in DoD Transformation”

The Department of the Navy (DON) Financial Improvement Program (FIP) is a multi-year Department-wide effort to modernize Navy-Marine Corps financial processes and systems to better serve worldwide operations. The program's goal is to produce financial management information with greater accuracy, reliability, and accessibility. With improved information, DON managers can allocate the Department's resources in a more precise way.

The Navy's strategic plan for improving financial management moves beyond the traditional roles of budgeting, bookkeeping, and compliance—it sets a broad course for becoming an engaged business partner and servant-leader to the improvement efforts of Navy commands.

The DON FIP strategy uses three mechanisms for financial improvement: strengthening and standardizing financial processes; implementing 21st century information systems; and employing a trained, talented workforce. Financial managers throughout the Department are scrutinizing processes to identify risks and weaknesses that reduce the accuracy of financial information. DON will work to mitigate these risks and weaknesses, and strengthen and standardize existing processes.

One of the tools that DON is employing is a new breed of financial systems. Navy Enterprise Resource Planning, or Navy ERP, is an integrated business management system, and the Navy's most powerful and comprehensive tool.

An integrated business management system, the Navy ERP will support standardized business operations, increase effectiveness, and provide decision makers with a broader field of vision across the Navy Enterprise. Navy ERP will allow Navy organizations to unify various business support activities into a single information processing system that will produce accurate, accessible data.

Navy ERP uses a COTS systems solution, portions of which the Navy tested extensively in four different pilot programs. These pilot programs proved that a commercially available system could be implemented successfully with some adaptations, and that the system's new processes will provide substantial benefits to the Navy. Ultimately, Navy ERP will be deployed at more than 120 Navy sites, with a total of nearly 90,000 end users.

Significant gains are expected as a result of Navy ERP. These include:

- A wider management view across the Navy. Leaders will have a comprehensive perspective of workforce, supply chain, maintenance, and financial information. Conclusions derived from precise, accessible data will produce better informed management decisions.

- More effective and efficient business operations. Best commercial practices will be applied consistently throughout the Navy. Multiple, redundant legacy systems will be eliminated. Standard business data can be shared among functions and organizations; re-work, that results when non-standard data passes unsuccessfully between systems that use different processes, can be reduced. Training costs will also be lower as the number of business systems shrinks.

Navy ERP is scheduled to “go live” in FY 2008, with implementation commencing at Naval Air Systems Command. Increment 1.0 of Navy ERP will encompass Financial and Acquisition functions. Increment 1.1 will cover Wholesale and Retail Supply, and is scheduled to begin implementation in FY 2009 at the Naval Supply Systems Command. Increment 1.2, which will cover Maritime and Aviation Maintenance, will provide intermediate-level maintenance functions for both ships and aircraft.

Navy ERP is one of the pillars of the Department of the Navy’s business transformation strategy that seeks to improve business processes, systems capabilities, and workforce skills. Navy ERP’s operating precepts are the same as those embraced by the DON FIP—lean, consistent business processes, reliable and effective internal controls, and transparent and auditable data.

DEPARTMENT OF THE AIR FORCE

“Creating a New Center of Excellence in Customer Service”

Integrity, service, excellence—the core values that guide every Airman and every action—underpin the Air Force’s strategic vision for transforming its business practices and operations. The Air Force Financial Services Center (AFFSC), located at Ellsworth Air Force Base, South Dakota, exemplifies that commitment to continually improving the quality of life for Airmen and achieving financial management excellence.

The AFFSC, which will be fully operational by October 2009, will provide Airmen access to world-class financial services and support 24/7, 365 days a year. With services available anytime and from anywhere, Airmen can spend their time on essential tasks instead of waiting in line at their local Financial Services Office.

Transitioning services to the AFFSC will occur in two phases beginning in October 2007 and October 2008, respectively:

Phase 1: Consolidate the processing of financial services and related personnel from 93 Air Force Bases (Active and Reserve) to the AFFSC. Face-to-face customer service at bases will remain, making this change seamless to the customer.

Phase 2: Grow the AFFSC from a processing center only to a full service center staffed by experts in pay and travel matters. To the customer, one-stop service from financial management experts will be available anywhere in the world by phone or computer.

The AFFSC will add up to 750 civilian and military personnel to the Ellsworth AFB community. The Ellsworth Town Center will also benefit from newly renovated buildings to house an administrative headquarters, an operational center, and a state-of-the-art technology center.

“This new center will save the Air Force more than \$200 million in the first ten years after the center opens.”

John G. Vonglis, Principal Deputy Assistant Secretary of the Air Force (Financial Management)

Quality on-base housing is available with little or no wait, and the first group of 57 personnel started arriving in February 2007. In April, the AFFSC team began component and integration testing, and ensured that training materials were available to support the operational requirements of the AFFSC staff. The grand opening was held in September, and Phase 1 initial operational capability begins on October 1, 2007.



By improving services for Airmen and their families, preserving resources, and streamlining financial management processes, the AFFSC demonstrates how DoD can accomplish various administrative and operational goals through one, comprehensive center.

DEFENSE LOGISTICS AGENCY

“Optimizing Troop Support”

The biggest wholesale distributor in the United States is UPS, but the second largest is not FedEx. The Defense Logistics Agency, which sends supplies ranging from meals to jet fuel, to troops from Alabama to Afghanistan, holds that distinction.

DLA’s budget, now \$35 billion, has doubled since 2001—as has the amount of material it moves. Working with the U.S. Transportation Command, DLA’s mostly civilian work force of 22,000 provides about 85 percent of the goods shipped to U.S. forces.

The agency is overhauling its mission, moving from a focus on optimizing purchasing efficiency to optimizing troop support. Its vision is to dramatically improve warfighter support at a reduced cost through business process reengineering, workforce development, technology transformation, and organizational change.

DLA’s Enterprise Business System (EBS) is a \$740 million development effort to consolidate information technology systems and create an Enterprise Resource Planning (ERP) system. It replaces legacy business and systems environment with a new business model and organizational structure that will enable DLA to become a single, fully integrated enterprise and a more robust customer-focused agency.

In December 2006, DLA accomplished a major milestone when the last of the Medical Supply Chain inventory was transferred from the legacy system and EBS reached full operational capability. EBS now contains approximately \$12 billion in non-energy supply materiel inventory. The small amount of inventory remaining that remains in legacy systems is scheduled to be cleared by the end of FY 2007. EBS provides DLA the capability to manage with visibility and transparency across the enterprise—a capability that was not possible before.

Moreover, the companion capabilities of Customer Relationship Management (CRM), Distribution Planning and Management System, and the Product Data Management Initiative have also achieved full operational capability. Currently, 1,400 DLA employees are using the CRM system, the first of its kind in DoD to perform customer outreach, account management, opportunity management, and services processes. From the CRM-streamlined business process, the agency has reduced manual processes by a total of 17 full-time equivalent employees, effectively reducing the costs associated with the maintenance of the legacy system and significantly advancing DLA's goal of a single, integrated enterprise business system. This "suite of capabilities" enables DLA to provide warfighter support that is better than ever.

Finally, armed with this ERP capability, DLA is embarking on an effort to forward position people, processes, and systems that will allow it to move from an agency that manages suppliers to one that links supply with demand—both at customer industrial facilities and operational force locations worldwide.

Case in Point: Focus Plus Training Equals Success

Inventory is a key component of troop support. In 2003, DLA set a goal of removing any impediments to maintaining accurate inventory counts. DLA personnel were instructed to focus on known issues and improve the integrity of the inventory records. A massive inventory clean-up effort at the depots began, and DLA trained over 3,000 employees on the Distribution Standard System.

These concentrated clean-up and training efforts have been very successful. DLA earned its best ever inventory accuracy rating in the August 2006 performance inventory review, and the Defense Distribution Center met all DoD inventory accuracy goals. The 2006 total reconciliation between the Distribution Standard System and Business Systems Modernization (now called EBS) was 99 percent. The statistical valuation sample in September 2006 was well within the targeted materiality range.

DEFENSE FINANCE AND ACCOUNTING SERVICE

“Being a Trusted Financial Partner”

The Defense Finance and Accounting Service, which directs, approves, and performs finance and accounting activities for the entire Department, is the world's largest finance and accounting operation.

In order to meet customer needs and maintain flexibility in the dynamic DoD environment, DFAS reorganized its activities, streamlined its structure, and established a vision of being a “trusted financial partner” to its customers.

Since its inception in 1991, DFAS has consolidated more than 300 installation-level finance and accounting offices into 19 and reduced its work force from about 27,000 to approximately

13,000 authorized personnel in FY 2007. Today, DFAS comprises three key organizations:

- Operations, which consolidates key products and services under a single leadership.
- Agency Support Services, such as Information Technology and Corporate Resources.
- Strategic Business Management, which sets the strategic plan, manages performance, and executes transformation programs to ensure that DFAS remains a top quality finance and accounting organization.

In FY 2006, DFAS:

- Made 145.3 million pay transactions (5.9 million people)
- Made 7 million travel payments
- Paid 13.8 million commercial invoices
- Posted 57 million general ledger transactions
- Managed \$255 billion in military retirement and health benefits funds
- Managed \$424 billion in disbursements to pay recipients
- Managed \$20.9 billion in foreign military sales
- Accounted for 878 active DoD appropriations

DFAS is financed by its *customers* rather than through direct appropriations. This service-provider relationship pushes DFAS to continually improve the quality of its services while reducing the cost to customers. DFAS has already implemented several initiatives to improve cost effectiveness, eliminate waste, improve quality and productivity, shorten response time, and increase overall customer satisfaction.

To specifically address customer satisfaction, DFAS assessed customer perceptions of their services and operations. Three customer-identified goals emerged:

- Accountability—be accountable for all costs to the customer;
- Visibility—make the calculation of costs transparent to the customer;
- Partnerships—foster partnerships with customers that improve services while reducing costs.

A four-part strategy for meeting these customer-identified goals is being implemented.

First, DFAS developed new rates based on services and workloads. DFAS executives engaged senior-level executives from various services to discuss ways of keeping down the cost of services. Currently, 57 percent of DFAS' budget goes to labor. Any reduction in labor time ultimately reduces costs to the customer. For example, DFAS estimates a cost of \$45 to manually process a travel voucher. By comparison, it costs DFAS less than \$2 to process an electronic transaction. The savings potential is clear.

Second, DFAS met with each customer to discuss the new pricing structure and its impact on their next budget cycle. This not only helped the customer see how DFAS determines costs but gave the customer time to plan for possible cost changes and begin to identify ways that they could work together to generate savings.

Third, DFAS is forming partnerships with its customers that encourage cost-saving changes, such as automation. Wide Area Workflow and Defense Travel System are examples of automated systems that are already saving time and money for many DoD organizations. By investing time and resources in these systems now, all DFAS customers can preserve future resources.

Finally, to complete its initial customer outreach, DFAS showed each customer its bill over the last 10 years and the reason for those costs. The demonstration gave everyone a point from which to move forward.

DFAS will continue to look for ways to reduce its operating costs and pass on savings. Prudent strategic planning and dedication to excellence will promote fiscal stewardship while maintaining a high-quality business environment. DFAS' versatility will ensure workforce readiness, enhance technological capabilities, improve financial management processes, and provide the flexibility needed to adapt to changing customer needs.

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VI. Other Defense Organizations

Fourteen Defense organizations are required to produce auditable financial statements in compliance with the Department's Financial Management Regulation (FMR). Five of those entities were introduced in the June 2007 update to the FIAR Plan. Those entities are profiled in more detail below:

U.S. SPECIAL OPERATIONS COMMAND

The U.S. Special Operations Command (USSOCOM) constitutes one of nine Unified Combatant Commands within the Department of Defense. Established in 1987, USSOCOM brings the special operations elements of the Army, Navy, Air Force, and Marine Corps together under one worldwide command with control over its own resources.

The Global War on Terror has heightened demand for an agile and efficient force of special operators. To ensure continued success, USSOCOM embraces a steadfast vision of being a premier team of special warriors, thoroughly prepared, properly equipped, and highly motivated to accomplish strategic objectives of the United States.

The mission of USSOCOM is to provide fully capable Special Operations Forces to defend the U.S. and its interests, and to plan and synchronize operations against terrorist networks.

USSOCOM's vision for financial improvement continues this commitment to excellence and foresees three ultimate results:

- Financial statements that correctly state dollar amounts, content, and disclosures;
- Financial information that facilitates operations; and
- An unqualified opinion by independent auditors.

In FY 2006, USSOCOM produced stand-alone financial statements for the first time, and created a CFO/Auditable Financial Statements team to accomplish financial improvement goals. The first USSOCOM Financial Improvement Plan was completed in March 2007.

Challenges

The collective and classified nature of the Special Operations community increases dependencies and challenges. For example, USSOCOM owns no data processing systems. Each Component Command uses the systems of their respective Military Service. The Air Force Special Operations Command processes financial data using Air Force automated systems, the Naval Special War Command uses the Navy's systems, and so forth. USSOCOM, therefore, faces the same weaknesses and obstacles in financial reporting that face all Military Services. Audit readiness cannot be achieved by USSOCOM until after the last Military Service achieves audit readiness.

Additionally, USSOCOM depends on the Military Services for information on "preponderant use" assets. The DoD Financial Management Regulation requires USSOCOM to report assets that they do not own but of which they are the preponderant user. However, the value of those assets must come from the owner, in this case the Military Services. Any delay in the Military Services providing this information affects USSOCOM's ability to report these assets.

Finally, collecting reportable information related to classified programs and purchases presents challenges.

Accomplishments for October 2006 through September 2007

- ✓ Completed stand-alone financial statements for FY 2006 and FY 2007.
- ✓ Prepared a Financial Improvement Plan for systematically achieving audit readiness.
- ✓ Created financial improvement tools, such as process narratives and internal control risk documents, which address OMB Circular A-123, Appendix A, requirements.
- ✓ Submitted valuation of baseline non-classified Military Equipment assets (not including preponderant use) to Acquisition, Technology and Logistics.

DEFENSE ADVANCED RESEARCH PROJECTS AGENCY

Established in 1958, DARPA comprises 240 personnel (approximately 140 of which are technical) and directly manages a budget of about \$3 billion.

The Defense Advanced Research Projects Agency (DARPA), the central research and development organization for DoD, pursues research and technology where risk and payoff are very high and where success may provide dramatic advances for traditional military roles and missions. Financial management and business processes must be sound and reliable to support DARPA's innovative and entrepreneurial atmosphere.

DARPA relies on financial information from several DoD finance and accounting systems and support providers, including the systems of the Military Services, a Defense agency system, and several payment systems.

DARPA receives detailed reports on funds executed directly by DARPA and on payment data, as well as monthly summary budget expenditure and allotment information. DARPA is reconciling this data to financial reports. Errors in the recorded data and system problems are being identified and corrected.

Challenges

DARPA depends on the Military Services for improvements to the quality and timeliness of financial information related to funding issued by DARPA. The Department's efforts toward standardized financial data will help ensure the smooth interoperability of systems and the consistent classification of data in the future.

Accomplishments for October 2006 through September 2007

- ✓ Validated Fund Balance with Treasury transactions (quarterly since September 2003). FBWT comprises over 98 percent of DARPA's assets. DARPA is sustaining improvements and is prepared to assert audit readiness once the Military Services have completed their assertions.
- ✓ Validated Accounts Receivable and Accounts Payable (annually since September 2003). DARPA is sustaining improvements and is prepared to assert audit readiness once the Military Services have completed their assertions.

DEFENSE INFORMATION SYSTEMS AGENCY

The Defense Information Systems Agency (DISA) plans, engineers, acquires, fields, and supports global net-centric solutions to serve the needs of the President, the Vice President, the Secretary of Defense, DoD Components, and warfighters under all conditions of peace and war. DISA provides telecommunications and information technology services common to Components more effectively, economically, and efficiently than the Components could do individually.

With new leadership in 2006 came a new vision: to obtain an unqualified audit opinion in three years. DISA launched a threefold financial account remediation program to correct long-standing deficiencies:

1. Establish comprehensive objectives for solving problems identified in past audits and reviews.
2. Sustain financial improvement accomplishments through continued validation of internal controls, best practices, and new policies and procedures.
3. Integrate remediation, sustainment, and audit into day-to-day operations.

DISA plans to assert audit readiness on its FY 2007 balance sheet.

Challenges

The three-year timeline intersects with other DoD financial offices at critical junctures. DISA is working closely with the FIAR Directorate to ensure that the audit assertion package will be accurate, thorough, and complete, and that DISA is able to meet its critical milestones.

Accomplishments for October 2006 through September 2007

- ✓ Submitted assertion packages for Fund Balance with Treasury, Accounts Payable, and Accounts Receivable.
- ✓ Reconciled Fund Balance with Treasury (Working Capital Fund) in FY 2006, and Fund Balance with Treasury (General Fund) in January 2007.
- ✓ Implemented the Columbus Cash Accountability System for Computing Services and Telecommunications Service and Enterprise Acquisition Services Fund Balance with Treasury.
- ✓ Completed a comprehensive plan of action and identified milestones and critical paths for improving management Plant, Property, and Equipment.
- ✓ Strengthened internal controls and improved accounting and financial management for Chief Financial Executive operations, such as ensuring all Transactions by Others are posted to the correct line of accounting for General Funds.

Case in Point: DISA's Cash Reconciliation Process The Columbus Cash Accountability System

DISA partnered with DFAS Columbus to implement the Columbus Cash Accountability System (CCAS). CCAS applies an automated, tiered approach to reconciling cash, beginning at a higher, summary-level and ending at a detailed, voucher-level reconciliation. CCAS generates reports that clearly identify differences between DISA's Fund Balance with Treasury accounting records and those maintained by Treasury. CCAS has been successfully reviewed and tested by independent audit agencies.

DISA, in concert with DFAS, completed a cash re-build for Computing Services and Telecommunications Services and Enterprise Acquisition Services funds in the amount of \$191 million in the fourth quarter of FY 2005. This resulted in the reconciliation of the entire \$200 million General Fund.

MISSILE DEFENSE AGENCY

The Missile Defense Agency (MDA) develops and fields an integrated, layered ballistic missile defense system to defend the United States, its deployed forces, allies, and friends against all ranges of ballistic missiles in all phases of flight. With a strong focus on research and development, the MDA must be able to precisely control its financial resources, management, and systems in order to sustain and evaluate its mission critical programs.

Recently, MDA established the Chief Financial Officers Compliance and Systems Directorate, an oversight office dedicated to improving financial management. The directorate developed a detailed Financial Improvement Plan for audit readiness. All MDA organizations are involved, and senior leadership continually emphasizes agency-wide collaboration and accountability.

Challenges

Approximately 45 percent of the Missile Defense Agency's funding is executed by the Military Services. As a result, the Military Services will address weaknesses and assert audit readiness prior to MDA asserting audit readiness.

Accomplishments for October 2006 through September 2007

- ✓ Documented MDA's business processes, including Budget, Accounting, Information Systems, Contracting, and other functional areas.
- ✓ Trained over 300 employees and contractors on OMB Circular A-123 internal control risk assessments.
- ✓ Provided full-time personnel and funding for acquiring and implementing a compliant financial management system in support of the Defense Agencies Initiative program office.
- ✓ Launched a Program Element Integration Project to increase use of MDA's financial management system for funds executed by the Military Services. The system facilitates oversight of MDA's funds and aids audit readiness efforts.

- ✓ Established a workgroup to address property accountability and reporting issues in order to develop effective internal controls and processes for property, contract, and financial management.
- ✓ Established a short-term Process Evaluation Team to review and improve business processes.

DEFENSE SECURITY SERVICE

The Defense Security Service (DSS) is actively pursuing audit readiness by improving financial management and correcting internal control deficiencies. Similar to the FIAR Plan's incremental strategy, DSS has adopted a phased approach that focuses on processes that have a material impact on the DSS financial statements. In FY 2006, these efforts focused on Appropriations Received, Fund Balance with Treasury; Federal Employee's Compensation Act (FECA) liability; Civilian Pay; and Property, Plant and Equipment. For FY 2007, DSS financial improvement efforts include Accounts Payable and Accounts Receivable, and business processes for Advances.

DSS aims to identify and correct all internal control deficiencies and implement business process changes that improve the effectiveness and efficiency of financial management operations throughout the Agency. For example, DoD's Wide Area Work Flow initiative represents a major business process change at DSS by enabling the electronic submission of invoices and receipt and acceptance documents. This will ensure consistent accrual-based accounting and result in reduced costs for commercial pay services received from DFAS.

Challenges

The National Industrial Security Program (NISP) and DSS' role as the Executive Agent for Personnel Security Investigations (PSI) for DoD have caused DSS to reallocate personnel and funding resources to solve NISP and PSI financial management issues. As a result, established timelines for correcting identified deficiencies have slipped. However, DSS successfully obtained additional budgetary resources from Congress and OUSD(C) and increased its FY 2007 and FY 2008 funding baselines. Increased funding enables the Agency to accomplish its primary mission and hire the staff needed to improve DSS audit readiness capabilities.

Accomplishments for October 2006 through September 2007

- ✓ Corrected the FECA actuarial liability amounts on the DSS financial statements resulting in a \$7.7 million reduction of the actuarial liability being reported.
- ✓ Reported Property, Plant, and Equipment balances and fully documented the valuation for the October 1, 2006, beginning balance in DSS financial statements.
- ✓ Developed internal database for monitoring DSS internal control deficiencies.
- ✓ Standardized procedures for several key business processes related to financial operations.
- ✓ Performed complete reconciliation of Accounts Receivable resulting in more accurate accounting of unbilled accounts receivable, and identified \$3 million due to DSS.

- ✓ Implemented a comprehensive quarterly financial statement review process that includes DSS budget execution personnel, accountants, and contractors to ensure that balances reported on the financial statements accurately represent business operations and footnotes are complete.

KEY MILESTONE PLANS

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APPENDIX A

Fund Balance with Treasury

Total amount of funds on deposit with the Treasury Department for DoD, not including seized cash.

The Fund Balance with Treasury (FBWT) asset account reflects the available spending authority of federal agencies. The account balance fluctuates throughout the year as collections and disbursements by agencies increase or decrease the balance in the account, respectively. At year-end FY 2006, the Department reported \$327 billion in FBWT, or 24 percent of assets. Funds are deposited in the account from appropriations, transfers, reimbursements from other agencies, and borrowed funds. The balance decreases when funds are spent, invested, or transferred to other federal agencies.

To correct the FBWT material weakness, transparency—the ability to clearly see the fund’s current balance and all supporting transactions—must be achieved. Transparency makes it easier for Department managers to reconcile accounts with Treasury. Reconciling accounts not only helps the Department comply with the Antideficiency Act, but also improves information necessary for financial decisions and resource allocation.

The September 2006 FIAR Plan projected that the Air Force would receive an opinion on FBWT in FY 2007. Extended discussion with the IG, DoD on the scope of the account has delayed the audit results. The Army projection for audit was also delayed pending resolution of the issue. Validation results are projected for the Air Force in FY 2008 and for the Army in FY 2009.

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Financial Improvement and Audit Readiness Plan
September 2007

Corrective Actions By DoD Entity	Critical Path	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
Fund Balance With Treasury Key Milestones		[Timeline bar spanning from start of 2008 to end of 2011]																			
OUSD (C)		[Timeline bar spanning from start of 2008 to end of 2009]																			
Review Segment Assertion Package for Army General Fund (GF)						◆ 12/31/2008															
Review Segment Assertion Package for DLA General Fund (GF) and Working Capital Fund (WCF)						◆ 12/31/2008															
Review Segment Assertion Package for Navy General Fund (GF)										◆ 3/31/2009											
Review Segment Assertion Package for Navy Working Capital Fund (WCF)										◆ 3/31/2009											
Review Segment Assertion Package for Army Working Capital Fund (WCF)														◆ 6/30/2010							
Army General Fund (GF)						[Timeline bar spanning from start of 2008 to end of 2009]															
Submit Segment Assertion Package						◆ 9/30/2008															
Contract for Independent Public Accountant										◆ 3/31/2009											
Independent Audit Readiness Validation										◆ 9/30/2009											
Army Working Capital Fund (WCF)		[Timeline bar spanning from start of 2007 to end of 2011]																			
Identify Requirements to Accurately Report Fund Balance with Treasury (FBWT)		◆ 12/31/2007																			
Internal Validation										◆ 9/30/2009											
Implement sustainable process to Report Fund Balance with Treasury (FBWT)										◆ 12/31/2009											
Submit Segment Assertion Package														◆ 3/31/2010							
Contract for Independent Public Accountant														◆ 9/30/2010							
Independent Audit Readiness Validation																		◆ 3/31/2011			
Navy General Fund (GF)		[Timeline bar spanning from start of 2008 to end of 2010]																			

Financial Improvement and Audit Readiness Plan
September 2007

Corrective Actions By DoD Entity	Critical Path	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
Document processes and controls for reconciling, tracking, and reporting unmatched disbursements and collections		◆ 12/31/2007																			
Perform Discovery effort on critical systems Business Activity Monitoring (BAM) Tool to mitigate and assist with the tracking and reporting, of undistributed disbursements and collections		◆ 12/31/2007																			
Correct deficiencies identified during discovery effort on critical systems for tracking and reporting of undistributed disbursement and collection balances and implement Business Activity Monitoring (BAM) Tool		◆ 12/31/2007																			
Document processes and controls for reconciling, tracking, and reporting unsupported undistributed disbursements and collections		◆ 3/31/2008																			
Correct deficiencies identified during the documenting of processes and controls for reconciling, tracking, and reporting unsupported undistributed disbursements and collections		◆ 3/31/2008																			
Transition to sustainment through Management Controls						◆ 9/30/2008															
Internal Validation						◆ 9/30/2008															
Submit Segment Assertion Package										◆ 12/31/2008											
Contract for Independent Public Accountant														◆ 6/30/2009							
Independent Audit Readiness Validation																		◆ 12/31/2009			
Navy Working Capital Fund (WCF)		◆																			
Transition to sustainment through Management Controls						◆ 9/30/2008															
Internal Validation						◆ 9/30/2008															
Confirm auditable processes and procedures for Navy Enterprise Resource Planning (ERP)										◆ 12/31/2008											
Submit Segment Assertion Package										◆ 12/31/2008											
Contract for Independent Public Accountant														◆ 6/30/2009							
Independent Audit Readiness Validation																		◆ 12/31/2009			
Air Force General Fund (GF)		◆																			

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Corrective Actions By DoD Entity	Critical Path	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
Independent Audit Readiness Validation					◆ 6/30/2008																
Air Force Working Capital Fund (WCF)		████████████████████																			
Independent Audit Readiness Validation					◆ 6/30/2008																
Defense Logistics Agency (DLA) General Fund (GF)		████████████████████																			
Document processes and controls for reconciling, tracking, and reporting Statement of Differences for deposits, payments and collections, Check Issue Differences, and resolve deficiencies identified	▲				◆ 12/31/2007																
Document processes and controls for reconciling, tracking, and reporting unsupported undistributed disbursements and collections and resolve deficiencies identified	▲				◆ 3/31/2008																
Document processes and controls for reconciling, tracking, and reporting unmatched disbursements and collections and resolve deficiencies identified identified	▲				◆ 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 disbursements and collections	▲				◆ 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																
Document Business Processes, Assess Internal Controls, and Complete Findings Template at the Command Level					◆ 3/31/2008																
Internal Validation	▲				◆ 6/30/2008																
Submit Segment Assertion Package	▲				◆ 9/30/2008																
Contract for Independent Public Accountant									◆ 3/31/2009												
Independent Audit Readiness Validation													◆ 9/30/2009								
Defense Logistics Agency (DLA) Working Capital Fund (WCF)		████████████████████																			

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Corrective Actions By DoD Entity	Critical Path	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				
Document processes and controls for reconciling, tracking, and reporting Statement of Differences for deposits, payments and collections, Check Issue Differences, and resolve deficiencies		◆ 12/31/2007																							
Document processes and controls for reconciling, tracking, and reporting unsupported undistributed disbursements and collections						◆ 3/31/2008																			
Document processes and controls for reconciling, tracking, and reporting unmatched disbursements and collections						◆ 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 disbursements and collections						◆ 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																			
Document Business Processes, Assess Internal Controls, and Complete Findings Template at the Command Level						◆ 3/31/2008																			
Internal Validation										◆ 6/30/2008															
Submit Segment Assertion Package														◆ 9/30/2008											
Contract for Independent Public Accountant																		◆ 3/31/2009							
Independent Audit Readiness Validation																						◆ 9/30/2009			

APPENDIX B

Real Property

Land and improvements to land, buildings, and structures. Real Property includes equipment affixed and built into the facility.

The Department's \$100 billion of real property (net book value) accounted for 7.3 percent of the Department's assets in FY 2006. Real property data reside in the native inventory systems of the three Military Departments (Army, Navy, and Air Force), the Washington Headquarters Services, and the United States Army Corps of Engineers. Real property data are consolidated at the Department-level in the Real Property Asset Database (RPAD), a net-centric data warehouse that when fully implemented will be the single source of standardized real property data.

In the past, functional and financial processes for managing real property differed by Military Department. Several transformation initiatives are being implemented that will change business processes and improve standardization. Progress has been seen in the publication of Real Property Inventory Instruction and the development and execution of Real Property Inventory Requirements (RPIR) implementation plans.

The RPIR initiative, part of the ETP, establishes standards for implementing sustainable business processes, management controls, and real property data elements to support all stakeholders requiring real property information. Through the implementation of these initiatives and the availability of RPAD, reliable and timely information will be readily accessible by managers when making strategic decisions on acquisition, operation, and disposal of assets.

By integrating the real property transformation initiatives with the FIAR Plan and achieving audit readiness, the Department will also achieve real property fiscal and physical accountability. The financial community is working closely with the installations and environment community to implement these transformation initiatives.

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Corrective Actions By DoD Entity	Critical Path	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
Real Property Key Milestones																					
OUSD (C)																					
Review Segment Assertion Package for Air Force		◆ 12/31/2009																			
Review Segment Assertion Package for DLA		◆ 12/31/2009																			
Review Segment Assertion Package for Navy		◆ 6/30/2010																			
Review Segment Assertion Package for Army		◆ 12/31/2010																			
OUSD (AT&L)																					
Attain Full Operational Capability (FOC) for Asset Unique Identifier Registry and populate with all assets in which the Department holds a reportable financial interest		◆ 12/31/2007																			
Army																					
Accurately report and record acquisition																					
System Change (Acquisition)		◆ 9/30/2008																			
Process Change (Acquisition)		◆ 9/30/2008																			
Data Population (Acquisition)		◆ 9/30/2008																			
Verifiable Sustainable Process (Acquisition)		◆ 9/30/2009																			
Accurately report and record disposal																					
System Change (Disposal)		◆ 9/30/2008																			

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Corrective Actions By DoD Entity	Critical Path	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
Process Change (Disposal)					◆ 9/30/2008																
Data Population (Disposal)					◆ 9/30/2008																
Verifiable Sustainable Process (Disposal)												◆ 9/30/2009									
Accurately recognize capital improvement (including leaseholds)					◆	◆				◆											
System Change (Capital Improvement)					◆ 9/30/2008																
Process Change (Capital Improvement)					◆ 9/30/2008																
Data Population (Capital Improvement)					◆ 9/30/2008																
Verifiable Sustainable Process (Capital Improvement)												◆ 9/30/2009									
Accurately compute and record depreciation					◆	◆				◆											
System Change (Depreciation)					◆ 9/30/2008																
Process Change (Depreciation)					◆ 9/30/2008																
Data Population (Depreciation)					◆ 9/30/2008																
Verifiable Sustainable Process (Depreciation)												◆ 9/30/2009									
Accurately record and report capital leases					◆	◆				◆											
System Change (Capital Lease)					◆ 9/30/2008																
Process Change (Capital Lease)					◆ 9/30/2008																

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Corrective Actions By DoD Entity	Critical Path	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
Data Population (Capital Lease)					◆ 9/30/2008																
Verifiable Sustainable Process (Capital Lease)													◆ 9/30/2009								
Accurately record and report construction in progress (CIP)					◆				◆												
System Change (CIP)					◆ 9/30/2008																
Process Change (CIP)					◆ 9/30/2008																
Data Population (CIP)					◆ 9/30/2008																
Verifiable Sustainable Process (CIP)													◆ 9/30/2009								
Report assets in accordance with preponderance of use policy					◆				◆												
System Change (Preponderant Use)					◆ 9/30/2008																
Process Change (Preponderant Use)					◆ 9/30/2008																
Data Population (Preponderant Use)					◆ 9/30/2008																
Verifiable Sustainable Process (Preponderant Use)													◆ 9/30/2009								
Accurately report Heritage Assets & Stewardship Land					◆				◆												
System Change (Heritage Assets & Stewardship Land)					◆ 9/30/2008																
Process Change (Heritage Assets & Stewardship Land)					◆ 9/30/2008																
Data Population (Heritage Assets & Stewardship Land)					◆ 9/30/2008																

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Corrective Actions By DoD Entity	Critical Path	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				
Verifiable Sustainable Process (Heritage Assets & Stewardship Land)																									
Existence and completeness (including reconciliation and deconfliction)																									
System Change (Existence & Completeness)																									
Process Change (Existence & Completeness)																									
Data Population (Existence & Completeness)																									
Verifiable Sustainable Process (Existence & Completeness)																									
Submit Segment Assertion Package																									
Contract for Independent Public Accountant																									
Independent Audit Readiness Validation																									
Navy																									
Perform discovery and document "as-is" processes for Real Property																									
Implement document retention process to ensure that supporting documents are readily available to support Real Property reported values																									
Implement Construction In Progress Requirements and Real Property Unique Identifier (CIPR/RPUID) and update process documentation to accurately report and record acquisition and construction in progress																									
Implement Real Property Acceptance Requirements (RPAR) and update process documentation to accurately report and record acquisition, capital improvements, and construction in progress																									

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Corrective Actions By DoD Entity	Critical Path	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
Perform discovery and document Real Property lease processes and internal controls to accurately record and report capital leases under standard general ledger accounting								◆	3/31/2009												
Perform discovery and document Real Property Capital Improvement and Leasehold Improvement processes and internal controls to accurately record and report modifications to Capital Improvements and Leasehold Improvements								◆	3/31/2009												
Implement process to accurately record and report Base Realignment and Closure (BRAC) disposals and depreciation in standard general ledger accounts at Net Realizable Value								◆	3/31/2009												
Complete data clean up and expense of outstanding design accruals to accurately record and report construction in progress								◆	3/31/2009												
Implement processes and controls to validate that periodic inventories occur as required to validate existence and completeness of Real Property inventory								◆	3/31/2009												
Validate Preponderant Users of all Real Property and reconcile inventory with DoD records in accordance with preponderance of use policy								◆	3/31/2009												
Complete process and/or system changes to ensure accurate Standard Accounting and Reporting System - Field Level (STARS-FL) Customer Reporting for reimbursable Military Construction (MILCON) funding								◆	3/31/2009												
Identify and document Real Property Acquisition process and internal controls to accurately report Heritage Assets & Stewardship Land								◆	3/31/2009												
Update baseline valuation for years 1999-2007 to support existence and completeness (including reconciliation and deconfliction)								◆	3/31/2009												
Transition to sustainment through management control reviews												◆	9/30/2009								
Internal Validation for Real Property																◆	12/31/2009				

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Corrective Actions By DoD Entity	Critical Path	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
Submit Segment Assertion Package												◆ 3/31/2010									
Contract for Independent Public Accountant													◆ 9/30/2010								
Independent Audit Readiness Validation																◆ 3/31/2011					
Air Force		◆																			
Accurately report and record acquisition		◆																			
Data Population (Acquisition)												◆ 9/30/2008									
Verifiable Sustainable Process (Acquisition)												◆ 9/30/2008									
Accurately report and record disposal		◆																			
Data Population (Disposal)												◆ 9/30/2008									
Verifiable Sustainable Process (Disposal)												◆ 9/30/2008									
Accurately recognize capital improvement (including leaseholds)		◆																			
Data Population (Capital Improvement)												◆ 9/30/2008									
Verifiable Sustainable Process (Capital Improvement)												◆ 9/30/2008									
Accurately compute and record depreciation												◆ 9/30/2008									
Process Change (Depreciation)												◆ 9/30/2008									
Data Population (Depreciation)												◆ 9/30/2008									

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Corrective Actions By DoD Entity	Critical Path	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	
Verifiable Sustainable Process (Depreciation)					◆ 9/30/2008																	
Accurately record and report capital leases		■																				
Data Population (Capital Lease)			◆ 3/31/2008																			
Verifiable Sustainable Process (Capital Lease)					◆ 9/30/2008																	
Accurately record and report construction in progress (CIP)		■																				
Data Population (CIP)					◆ 9/30/2008																	
Verifiable Sustainable Process (CIP)					◆ 9/30/2008																	
Report assets in accordance with preponderance of use policy		■																				
Data Population (Preponderant Use)					◆ 9/30/2008																	
Verifiable Sustainable Process (Preponderant Use)					◆ 9/30/2008																	
Accurately report Heritage Assets & Stewardship Land		■																				
Verifiable Sustainable Process (Heritage Assets & Stewardship Land)					◆ 9/30/2008																	
Existence and completeness (including reconciliation and deconfliction)		■																				
Data Population (Existence & Completeness)					◆ 9/30/2008																	
Verifiable Sustainable Process (Existence & Completeness)					◆ 9/30/2008																	
Submit Segment Assertion Package										◆ 9/30/2009												

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Corrective Actions By DoD Entity	Critical Path	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			
Contract for Independent Public Accountant												◆ 3/31/2010												
Independent Audit Readiness Validation														◆ 9/30/2010										
DLA										◆—————◆														
Complete real property valuation	◆					◆ 3/31/2009																		
Complete system testing for property	◆						◆ 6/30/2009																	
Internal Validation							◆ 6/30/2009																	
Submit Segment Assertion Package	◆								◆ 9/30/2009															
Contract for Independent Public Accountant												◆ 3/31/2010												
Independent Audit Readiness Validation														◆ 9/30/2010										

APPENDIX C

Military Equipment

Weapon systems that can be used directly by the Armed Forces to carry out battlefield missions. Military equipment has an expected useful life of two or more years. Examples include combat aircraft, combat ships, satellites, and combat vehicles.

For FY 2006, the Department reported a baseline net book value of \$345 billion. This represents 25 percent of DoD assets and 74 percent of General Property, Plant, and Equipment.

The Military Equipment Key Milestone Plan captures valuation activities, acquisition and disposal decisions, and addresses related financial management systems modifications to enhance the usefulness and reliability of military equipment information. More accurate information helps managers determine the true cost of military equipment acquisition programs, replacement values, and remaining useful lives of the equipment, thus ensuring continuing support of the warfighter.

Achieving audit readiness in Military Equipment will enhance a multitude of financial management functions and result in improved asset management, better visibility into operational and program costs, timely and accurate pay for vendors, and better data for financial reporting, budgeting, and decision making. Improved business capabilities are essential to being able to report the full cost of military equipment assets, capture the cost of major acquisition programs, track the useful life of military equipment in times of war, and use such information in the planning, programming, and budgeting process.

The September 2006 FIAR Plan projected that the Military Equipment baseline would receive an opinion in FY 2009. An internal verification determined that the weakness between property accountability systems and asset accountability has not been completely corrected. The Military Departments are implementing accountability improvements plans for full assertion. The Air Force projects audit readiness in FY 2009, the Army in FY 2011, and the Navy in FY 2012.

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Corrective Actions by DoD Entity	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
Military Equipment Key Milestones	[Timeline bar with arrow pointing right]																															
OUIS (C)	[Timeline bar with arrow pointing right]																															
Review Segment Assertion Package for Air Force	◆ 3/31/2010																															
Review Segment Assertion Package for Army	◆ 3/31/2012																															
Review Segment Assertion Package for Department of Navy	◆ 12/31/2012																															
Review Segment Assertion Package for SOCOM	◆ 3/31/2013																															
OUIS (AT&L)	[Timeline bar with arrow pointing right]																															
Attestations: P&E Policy Office provides attestation on FY 2007 Military Equipment values (12/1/07)	◆ 12/31/2007																															
Spiral A IOC: Capital Asset Management System - Military Equipment (CAMS-ME) Increment 2 (Replace manual update of asset status, e.g., asset transfers, retirements, and loss data)	◆ 12/31/2007																															
DoDIG audit valuations, program completeness, and right and obligations on Military Equipment (ME) baseline	◆ 3/31/2008																															
Issue Environmental Liabilities financial reporting guidance for Military Equipment	◆ 3/31/2008																															
Implement contract-based methodology for Military Equipment Valuation	◆ 6/30/2008																															
Acquisition Program Unique Identifier (APUID) Registry Interface	◆ 6/30/2008																															
Develop and issue revised guidance for Modifications / Modernization capitalization for Military Equipment	◆ 9/30/2008																															
Issue Military Equipment valuation full cost guidance in compliance with Statements of Federal Financial Accounting Standard (SFFAS) Number 6	◆ 9/30/2008																															

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Corrective Actions by DoD Entity	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				
Spiral B IOC: Capital Asset Management System - Military Equipment (CAMS-ME) Increment 2 (Replace manual update of asset status, e.g., asset transfers, retirements, and loss data)				◆	9/30/2008																															
Attestations: P&E Policy Office provides attestation on FY 2008 Military Equipment (ME) values (12/1/08)					◆	12/31/2008																														
Spiral C IOC: Capital Asset Management System - Military Equipment (CAMS-ME) Increment 2									◆	9/30/2009																										
Attestations: P&E Policy Office provides attestation on FY 2009 Military Equipment values (12/1/09)									◆	12/31/2009																										
Spiral A FOC: Capital Asset Management System - Military Equipment (CAMS-ME) Increment 2 (Replace manual update of asset status, e.g., asset transfers, retirements, and loss data)													◆	9/30/2010																						
Spiral B FOC: Capital Asset Management System - Military Equipment (CAMS-ME) Increment 2 (Replace manual update of asset additions)													◆	9/30/2010																						
Attestations: P&E Policy Office provides attestation on FY 2010 Military Equipment values (12/1/10)													◆	12/31/2010																						
Attestations: P&E Policy Office provides attestation on FY 2011 Military Equipment values (12/1/11)																					◆	12/31/2011														
Army	◆—————▶																																			
Attestations: Validated information and FY 2007 attestation returned to P&E Policy Office (11/10/07)	◆	12/31/2007																																		
Attestations: Validated information and FY 2008 attestation returned to P&E Policy Office (11/10/08)					◆	12/31/2008																														
Attestations: Validated information and FY 2009 attestation returned to P&E Policy Office (11/10/09)									◆	12/31/2009																										
Army Accountability Systems Interface to Item Unique Identification (IUID) Registry Complete: Capital Asset Management System - Military Equipment (CAMS-ME) Increment 2													◆	9/30/2010																						
Implementation of Property Book Unit Supply Enhanced (PBUSE) for Accountability Management of Military Equipment													◆	9/30/2010																						
Attestations: Validated information and FY 2010 attestation returned to P&E Policy Office (11/10/10)													◆	12/31/2010																						

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Corrective Actions by DoD Entity	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
Submit Segment Assertion Package																	◆															
Contract for Independent Public Accountant																					◆											
Independent Audit Readiness Validation																									◆							
Department of the Navy (DON)	◆																															
Attestations: Validated information and FY 2007 attestation returned to P&E Policy Office (11/10/07)	◆																															
Navy Accountability Systems (Naval Vessel Registry NVR and Aircraft Inventory and Readiness Reporting) Interface to Item Unique Identification (IUID) Registry Complete: Capital Asset Management System - Military Equipment (CAMS-ME) Increment 2	◆																															
Implement Proper Financial Accounting Treatment for Military Equipment and train personnel			◆																													
Attestations: Validated information and FY 2008 attestation returned to P&E Policy Office (11/10/08)							◆																									
Marine Corps implementation of Global Combat Support System-Marine Corps (GCSS - MC)							◆																									
Identify all DON Accountability Systems of Record								◆																								
Marine Corps Accountability Systems Interface to Item Unique Identification (IUID) Registry Complete: Capital Asset Management System - Military Equipment (CAMS-ME) Increment 2												◆																				
Attestations: Validated information and FY 2009 attestation returned to P&E Policy Office (11/10/09)																◆																
Identify and train Accountable Property Officers (APOs)																◆																
Implement Interface with Item Unique Identification (IUID) Registry for all DON Accountability Systems																◆																
Attestations: Validated information and FY 2010 attestation returned to P&E Policy Office (11/10/10)																																◆

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APPENDIX D

Inventory

Tangible personal property that is held for resale; used in the process of production for sale; consumed in the production of goods for sale or in the provision of service for a fee. Inventory includes generators, fuel, rations, aircraft and combat vehicle engines held for repair, etc.

For FY 2006, the Department reported \$84 billion for Inventory, 6 percent of the Department's assets. The Inventory KMP improves the Department's ability to identify quantities and locations of materiel, and report the cost. Improvements help ensure that necessary items are available to the warfighter at the right time and place, and in the accurate quantities. Other benefits include enhanced ability to provide precise location and cost information (historical and latest acquisition) both per unit and by program. Improvements also enhance the Department's ability to formulate, justify, and defend budget submissions to the Congress in this critical area.

Achieving Inventory audit readiness will allow the Department to utilize precise location and cost information (historical and latest acquisition) both per unit and by program. Inventory improvement efforts are very complex and heavily dependent upon system improvements. Effectively improving these capabilities is essential to the Department's ability to formulate, justify, and defend budget submissions.

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Corrective Actions By DoD Entity	Critical Path	2008				2009				2010				2011				2012				2013				2014				2015				2016				2017			
		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				
Inventory Key Milestones																																									
OUSD (C)																																									
Publish revised DoD Financial Management Regulation Policy for Inventory and Related Property (DoDFMR, Volume 4, Chapter 4)		◆ 6/30/2008																																							
Review Segment Assertion Package for Defense Logistics Agency (DLA) non-energy Inventory	⚠	◆ 3/31/2010																																							
Review Segment Assertion Package for Army Inventory	⚠	◆ 6/30/2012																																							
Review Segment Assertion Package for Navy Inventory	⚠	◆ 3/31/2013																																							
Review Segment Assertion Package for Defense Logistics Agency (DLA) energy Inventory	⚠	◆ 12/31/2013																																							
Review Segment Assertion Package for Air Force Inventory	⚠	◆ 9/30/2015																																							
OUSD (AT&L)																																									
Publish updated DoD 4140.1-R and "in-transit" accountability policy		◆ 12/31/2007																																							
Army																																									
Identify requirements to accurately report Inventory		◆ 6/30/2008																																							
Full Operational Capability for Army ERP Logistics Modernization Program (LMP)		◆ 9/30/2010																																							
Develop and implement a sustainable process for capturing and reconciling physical inventories supported by documentation and internal controls		◆ 3/31/2011																																							
Convert all inventory valuation processes to the moving average cost (MAC)	⚠	◆ 3/31/2011																																							

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Corrective Actions By DoD Entity	Critical Path	2008				2009				2010				2011				2012				2013				2014				2015				2016				2017							
		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				
Implement sustainable business process to report Inventory and Related Property																																													
Complete and document baseline valuation and obtain supporting documentation to establish auditable baseline values based upon historical acquisition data																																													
Establish a sustainable process to track "in-transit" inventory moving between systems, service organizations or third party inventory control points																																													
Independent Audit Readiness Validation																																													
Submit Segment Assertion Package																																													
Contract for Independent Public Accountant																																													
Independent Audit Readiness Validation																																													
Navy																																													
Implement a sustainable physical inventory process that includes regular reconciliations supported by documentation and internal controls																																													
Convert all inventory valuation processes to the moving average cost (MAC)																																													
Implement a sustainable, auditable process to track and document "In-transit" inventory moving between systems, Service organizations, or third party inventory control points																																													
Complete and document baseline valuation process with values based upon available historical acquisition data and other supporting documentation																																													
Submit Segment Assertion Package																																													
Contract for Independent Public Accountant																																													

Financial Improvement and Audit Readiness Plan
September 2007

Corrective Actions By DoD Entity	Critical Path	2008				2009				2010				2011				2012				2013				2014				2015				2016				2017							
		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				
Submit Segment Assertion Package																																													
Contract for Independent Public Accountant for Energy																																													
Independent Audit Readiness Validation																																													

◆ 9/30/2013

◆ 3/31/2014

◆ 9/30/2014

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APPENDIX E

Operating Material and Supplies

Tangible personal property that will be consumed in normal operations. Operating Material and Supplies includes such things as centrally managed aircraft engines, spare parts for military equipment, uniforms, ammunition, bombs, and tactical missiles.

For FY 2006, the Department reported \$147 billion for Operating Materials and Supplies (OM&S), representing 11 percent of the Department's assets. Similar to improvements in the Inventory focus area, the OM&S KMP improves the Department's ability to identify quantities and locations of materiel, and report the cost. Corrective actions also enhance the Department's ability to formulate, justify, and defend budget submissions in this critical area.

Achieving OM&S audit readiness will allow the Department to identify precise quantities and locations of material, which is essential to supporting the warfighter. In addition, the benefits of effectively accomplishing these capabilities are essential to the Department's ability to formulate, justify, and defend OM&S budget submissions.

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Financial Improvement and Audit Readiness Plan
September 2007

Corrective Actions by DoD Entity	Critical Path	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
Operating Material & Supplies (OM&S) Key Milestones																											
OU&S (C)																											
Publish revised DoD Financial Management Regulation Policy for Inventory and Related Property (DoDFMR, Volume 4, Chapter 4)		 6/30/2008																									
Review Segment Assertion Package for Navy Operating Materials & Supplies		 6/30/2015																									
Review Segment Assertion Package for Air Force Operating Materials & Supplies		 9/30/2015																									
Review Segment Assertion Package for Army Operating Materials & Supplies		 12/31/2015																									
OU&S (AT&L)																											
Publish updated DoD 4140.1-R and "in-transit" accountability policy		 12/31/2007																									
Army																											
Identify Requirements to accurately report Operating Materials and Supplies (OM&S)		 6/30/2010																									
Full Operational Capability for Army Enterprise Resource Planning (ERP) General Fund Enterprise Business System (GFEBs)		 12/31/2010																									
Complete and document baseline valuation and obtain supporting documentation to establish auditable baseline values based upon historical acquisition data		 6/30/2011																									
Convert all Operating Materials & Supplies valuation processes to the Moving Average Cost (MAC)		 6/30/2011																									
Full Operational Capability for Army Enterprise Resource Planning (ERP) Global Combat Support System-Army (GCSS-Army)		 3/31/2014																									
Develop and implement a sustainable business process for capturing and reconciling physical OM&S inventories supported by documentation and internal controls		 9/30/2014																									

Financial Improvement and Audit Readiness Plan
September 2007

Corrective Actions by DoD Entity	Critical Path	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				
Implement a sustainable physical OM&S inventory process that includes regular reconciliations supported by documentation and internal controls																																																	
Full Operational Capability (FOC) for Expeditionary Combat Support System (ECSS)																																																	
Convert all OM&S inventory valuation processes to the moving average cost (MAC)																																																	
Implement a sustainable, auditable process to track and document "In-transit" OM&S moving between systems, Service organizations, or third party inventory control points																																																	
Submit Segment Assertion Package																																																	
Contract for Independent Public Accountant																																																	
Independent Audit Readiness Validation																																																	

APPENDIX F

Medicare-Eligible Retiree Health Care Fund

A trust fund for paying the cost of providing health care through the TRICARE program to all Medicare-eligible Uniformed Services retirees, family members, and survivors. The Fund receives income from Uniformed Services contributions, Treasury contributions, and investment interest.

The future cost of providing Medicare-eligible health care is estimated at \$538 billion, or 27 percent of the Department's liabilities. Beginning with the FY 2003 financial statements, the Medicare-Eligible Retiree Health Care Fund (MERHCF) has been audited annually and received qualified opinions. This is a significant achievement for the Department. The MERHCF KMP addresses auditor-identified material weaknesses and other improvement efforts. Resolving process and systems issues will result in a more accurate representation of direct care costs and projection of the associated actuarial liability.

Audit readiness in MERHCF allows the Department to address auditor-identified material weaknesses. Achieving these business capabilities is essential to the Department's ability to accurately calculate direct health care costs.

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Financial Improvement and Audit Readiness Plan
September 2007

Corrective Actions By DoD Entity	Critical Path	2008				2009				2010			
		1	2	3	4	1	2	3	4	1	2	3	4
Medicare-Eligible Retiree Health Care Fund (MERHCF) Key Milestones													
OUSD (P&R) Health Affairs													
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					◆ 6/30/2008								
Procure/deploy pharmacy system to interface with Armed Forces Health Longitudinal Technology App. Interface will improve Pharmacy Data Transaction Service (PDTs) accuracy of the ingredient costs of pharmaceuticals issued at MTF outpatient pharmacies								◆ 3/31/2009					
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								◆ 3/31/2009					
MERHCF assertion letter to Independent Public Accountant								◆ 3/31/2009					
DoD IG												◆ 12/31/2009	
Audit												◆ 12/31/2009	

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APPENDIX G

Environmental Liabilities

Estimated future outflow or expenditure for environmental costs from past activities, including environmental cleanup, closure, and disposal.

For FY 2006 financial statements, the Environmental Liabilities balance sheet line cited \$70 billion in Environmental Liabilities, or 4 percent of the Department's liabilities. Base Realignment and Closure decisions will likely contribute to future increases in Environmental Liabilities.

In the past, incomplete environmental liabilities records have caused a misstatement of the Department's financial position. The Components are in the process of reconciling environmental liabilities to the corresponding General Property, Plant, and Equipment asset records, and the Department is overcoming inconsistencies in the reporting of Defense Environmental Restoration Program (DERP) and non-DERP site liabilities. Once complete and accurate accounting of environmental liabilities is achieved, the Department can more accurately forecast environmental costs.

Achieving audit readiness for Environmental Liabilities improves the Department's ability to produce accurate estimates of clean-up costs. An environmental liability can be associated with both real and personal properties. The acquisition communities also play a role and must work together to develop an integrated plan.

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Financial Improvement and Audit Readiness Plan
September 2007

Corrective Actions By DoD Entity	Critical Path	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				
Environmental Liabilities Key Milestones																									
OUSD (C)																									
Review Segment Assertion Package for Navy Defense Environmental Restoration Program (DERP)																									
Review Segment Assertion Package for Navy Non-Defense Environmental Restoration Program (Non-DERP)																									
Review Segment Assertion Package for Navy Base Realignment and Closure (BRAC) Program Management Office (PMO)																									
Review Segment Assertion Package for Air Force Defense Environmental Restoration Program (DERP) Installation Restoration Program/ Building Demolition/Disposal Program (IRP/BDDR)																									
Review Segment Assertion Package for Air Force Defense Environmental Restoration Program (DERP) Military Munitions Resource Program (MMRP)																									
Review Segment Assertion Package for Air Force Non-Defense Environmental Restoration Program (Non-DERP) Environmental Corrective Action (ECA)																									
Review Segment Assertion Package for Air Force Non-Defense Environmental Restoration Program (Non-DERP) Environmental Closure Requirements (ECR)																									
Review Segment Assertion Package for Air Force Base Realignment and Closure (BRAC) Program																									
Review Segment Assertion Package for Defense Logistics Agency (DLA) Defense Environmental Restoration Program (DERP), Non-DERP and Base Realignment and Closure (BRAC)																									
Review Segment Assertion Package for Army Non-Defense Environmental Restoration Program (Non-DERP) and Base Realignment and Closure (BRAC) Non-DERP																									
Review Segment Assertion Package for Army Defense Environmental Restoration Program (DERP) and Base Realignment and Closure (BRAC) DERP																									

Financial Improvement and Audit Readiness Plan
September 2007

Corrective Actions By DoD Entity	Critical Path	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
Review Segment Assertion Package for Army Chemical Agents and Munitions Destruction (CAMD) Assembled Chemical Weapons Alternatives (ACWA)																	◆ 3/31/2011				
Review Segment Assertion Package for Army Chemical Demilitarization / Chemical Agents and Munitions Destruction (CAMD)																	◆ 3/31/2011				
OUSD (AT&L)			▼																		
Assign proponency for Buried Chemical Weapons (BCW) disposition			◆ 3/31/2008																		
Army: Defense Environmental Restoration Program (DERP) and Base Realignment and Closure (BRAC) DERP		▶																			
Submit Segment Assertion Package																	◆ 9/30/2010				
Contract for Independent Public Accountant																	◆ 3/31/2011				
Independent Audit Readiness Validation																					◆ 9/30/2011
Army: Non-Defense Environmental Restoration Program (Non-DERP) and Base Realignment and Closure (BRAC) Non-DERP		▶																			
Identify universe of Environmental Liabilities (EL) candidate units, facilities, property and/or operations where environmental issues have been identified																					◆ 9/30/2008
Document that all property plant and equipment (PP&E) records have been reviewed for Environmental Liabilities (EL) and liability properly recorded																					◆ 9/30/2008
Populate data gathering tool with the inventory of all sites, associated estimates, anticipated closure dates and costs, and cumulative costs incurred																					◆ 9/30/2008
Complete and document initial estimates for all sites in the Environmental Liabilities (EL) universe																					◆ 9/30/2008

Financial Improvement and Audit Readiness Plan
September 2007

Corrective Actions By DoD Entity	Critical Path	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		
Complete documentation and correction of processes & procedures for creating, changing, reviewing, approving and liquidating environmental liability estimates					◆	9/30/2008																	
Establish and document process to accomplish supervisory review and approval of the liability estimates									◆	9/30/2009													
Submit Segment Assertion Package													◆	9/30/2010									
Contract for Independent Public Accountant																◆	3/31/2011						
Independent Audit Readiness Validation																				◆	9/30/2011		
Army: Chemical Materials Agency / Chemical Agents Munitions Destruction (CAMD)																							
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									
Submit Segment Assertion Package																◆	12/31/2010						
Contract for Independent Public Accountant																				◆	6/30/2011		
Independent Audit Readiness Validation																					◆	12/31/2011	
Army: Chemical Agents Munitions Destruction (CAMD) Assembled Chemical Weapons Alternatives (ACWA)																							

Financial Improvement and Audit Readiness Plan
September 2007

Corrective Actions By DoD Entity	Critical Path	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
Populate data gathering tool with the Assembled Chemical Weapons Alternatives (ACWA) inventory, associated estimates, anticipated closure dates and costs, and cumulative costs incurred									◆ 12/31/2008												
Develop implementation plan with milestones and schedules to aid in transition to the enterprise architecture process and data model									◆ 12/31/2008												
Complete and document initial estimates for Assembled Chemical Weapons Alternatives (ACWA) universe									◆ 12/31/2008												
Document that all property plant and equipment (PP&E) records have been reviewed for Environmental Liabilities (EL) and liability properly recorded													◆ 12/31/2009								
Complete documentation and correction of processes & procedures for creating, changing, reviewing, approving and liquidating Assembled Chemical Weapons Alternatives (ACWA) estimates													◆ 12/31/2009								
Submit Segment Assertion Package																					◆ 12/31/2010
Contract for Independent Public Accountant																					◆ 6/30/2011
Independent Audit Readiness Validation																					◆ 12/31/2011
Navy: Defense Environmental Restoration Program (DERP)																					
Internal Validation									◆ 9/30/2008												
Submit Segment Assertion Package									◆ 12/31/2008												
Contract for Independent Public Accountant													◆ 6/30/2009								
Independent Audit Readiness Validation													◆ 12/31/2009								
Navy: Non-Defense Environmental Restoration Program (Non-DERP)																					

Financial Improvement and Audit Readiness Plan
September 2007

Corrective Actions By DoD Entity	Critical Path	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
Develop method to record Environmental Liabilities outside the United States and its territories and document the new process.					◆ 6/30/2008																
Internal Validation	🚩				◆ 9/30/2008																
Submit Segment Assertion Package	🚩					◆ 12/31/2008															
Contract for Independent Public Accountant								◆ 6/30/2009													
Independent Audit Readiness Validation												◆ 12/31/2009									
Navy: Base Realignment and Closure (BRAC) Program Management Office (PMO)		◆																			
Internal Validation	🚩				◆ 9/30/2008																
Submit Segment Assertion Package	🚩					◆ 12/31/2008															
Contract for Independent Public Accountant								◆ 6/30/2009													
Independent Audit Readiness Validation												◆ 12/31/2009									
Navy: Nuclear and Conventional Ships and Submarines		◆																			
Independent Audit Readiness Validation					◆ 9/30/2008																
Air Force: Defense Environmental Restoration Program (DERP) Installation Restoration Program/ Building Demolition and Debris Removal (IRP/BDDR)		◆																			
Complete and document initial estimates for all sites in the Environmental Liabilities (EL) universe	🚩	◆ 12/31/2007																			

Financial Improvement and Audit Readiness Plan
September 2007

Corrective Actions By DoD Entity	Critical Path	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
Complete documentation and correction of processes & procedures for creating, changing, reviewing, approving and liquidating environmental liability estimates		◆ 12/31/2007																			
Document that all property plant and equipment (PP&E) records have been reviewed for Environmental Liabilities (EL) and liability properly recorded																					
Populate data gathering tool with the inventory of all sites, associated estimates, anticipated closure dates and costs, and cumulative costs incurred																					
Correct compliance areas and resolve issues for Installation Restoration Program/Building Demolition and Debris Removal (IRP/BDDR) assertion and advise Air Force Audit Agency (AFAA) of audit readiness for internal validation.																					
Submit Segment Assertion Package																					
Contract for Independent Public Accountant																					
Independent Audit Readiness Validation																					
Air Force: Defense Environmental Restoration Program (DERP) Active Military Munitions Response Program (MMRP)																					
Identify universe of Environmental Liabilities (EL) candidate units, facilities, property and/or operations where environmental issues have been identified		◆ 12/31/2007																			
Complete documentation and correction of processes & procedures for creating, changing, reviewing, approving and liquidating environmental liability estimates		◆ 12/31/2007																			
Document that all property plant and equipment (PP&E) records have been reviewed for Environmental Liabilities (EL) and liability properly recorded																					
Populate data gathering tool with the inventory of all sites, associated estimates, anticipated closure dates and costs, and cumulative costs incurred																					

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Corrective Actions By DoD Entity	Critical Path	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
Complete and document initial estimates for all sites in the Environmental Liabilities (EL) universe					◆ 6/30/2008																
Correct compliance areas and resolve issues for active Air Force Military Munitions Response Program (MMRP) assertion and advise Air Force Audit Agency (AFAA) of audit readiness for internal validation (DERP).					◆ 6/30/2008																
Submit Segment Assertion Package													◆ 9/30/2009								
Contract for Independent Public Accountant													◆ 3/31/2010								
Independent Audit Readiness Validation																	◆ 9/30/2010				
Air Force: Non-Defense Environmental Restoration Program (Non-DERP) Environmental Correction Action (ECA)		◆																			
Complete documentation and correction of processes & procedures for creating, changing, reviewing, approving and liquidating environmental liability estimates		◆ 12/31/2007																			
Complete and document initial estimates for all sites in the Environmental Liabilities (EL) universe			◆ 3/31/2008																		
Identify universe of Environmental Liabilities (EL) candidate units, facilities, property and/or operations where environmental issues have been identified				◆ 6/30/2008																	
Document that all property plant and equipment (PP&E) records have been reviewed for Environmental Liabilities (EL) and liability properly recorded					◆ 9/30/2008																
Populate data gathering tool with the inventory of all sites, associated estimates, anticipated closure dates and costs, and cumulative costs incurred					◆ 9/30/2008																
Correct compliance areas and resolve issues for Environmental Corrective Action (ECA) assertion and advise Air Force Audit Agency (AFAA) of audit readiness for internal validation (non-DERP).					◆ 9/30/2008																

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Corrective Actions By DoD Entity	Critical Path	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				
Submit Segment Assertion Package										◆															
Contract for Independent Public Accountant														◆											
Independent Audit Readiness Validation																		◆							
Air Force: Non-Defense Environmental Restoration Program (Non-DERP) Environmental Closure Requirements (ECR)																									
Complete documentation and correction of processes & procedures for creating, changing, reviewing, approving and liquidating environmental liability estimates		◆																							
Establish and document process to accomplish supervisory review and approval of the liability estimates			◆																						
Identify universe of Environmental Liabilities (EL) candidate units, facilities, property and/or operations where environmental issues have been identified										◆															
Document that all property plant and equipment (PP&E) records have been reviewed for Environmental Liabilities (EL) and liability properly recorded										◆															
Complete and document initial estimates for all sites in the Environmental Liabilities (EL) universe										◆															
Populate data gathering tool with the inventory of all sites, associated estimates, anticipated closure dates and costs, and cumulative costs incurred										◆															
Correct compliance areas and resolve issues for Environmental Closure Requirements (ECR) assertion and advise Air Force Audit Agency (AFAA) of audit readiness for internal validation (non-DERP).										◆															
Submit Segment Assertion Package														◆											
Contract for Independent Public Accountant																		◆							

Financial Improvement and Audit Readiness Plan
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Corrective Actions By DoD Entity	Critical Path	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	
Independent Audit Readiness Validation														◆ 9/30/2010								
Air Force: Base Realignment and Closure (BRAC)		◆																				
Complete and document initial estimates for all sites in the Environmental Liabilities (EL) universe	◆	◆ 12/31/2007																				
Establish and document process to accomplish supervisory review and approval of the liability estimates	◆	◆ 12/31/2007																				
Populate data gathering tool with the inventory of all sites, associated estimates, anticipated closure dates and costs, and cumulative costs incurred	◆	◆ 12/31/2007																				
Complete documentation and correction of processes & procedures for creating, changing, reviewing, approving and liquidating environmental liability estimates	◆	◆ 12/31/2007																				
Identify universe of Environmental Liabilities (EL) candidate units, facilities, property and/or operations where environmental issues have been identified	◆	◆ 3/31/2008																				
Correct compliance areas and resolve issues for Base Realignment and Closure (BRAC) assertion and advise Air Force Audit Agency (AFAA) of audit readiness for internal validation	◆	◆ 3/31/2008																				
Submit Segment Assertion Package	◆									◆ 9/30/2009												
Contract for Independent Public Accountant														◆ 3/31/2010								
Independent Audit Readiness Validation														◆ 9/30/2010								
DLA: Defense Environmental Restoration Program (DERP), Non-DERP and Base Realignment and Closure (BRAC)		◆																				
Complete and document initial estimates for all sites in the Environmental Liabilities (EL) universe	◆	◆ 3/31/2008																				

Financial Improvement and Audit Readiness Plan
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Corrective Actions By DoD Entity	Critical Path	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
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												
Document that all property plant and equipment (PP&E) records have been reviewed for Environmental Liabilities (EL) and liability properly recorded									◆ 12/31/2008												
Internal Validation													◆ 6/30/2009								
Submit Segment Assertion Package																					
Contract for Independent Public Accountant																					
Independent Audit Readiness Validation																					

APPENDIX H

General Property and Equipment

Includes general-purpose property and all other tangible property of a durable nature, not addressed by Military Equipment, Real Property, Inventory, OM&S, or Internal Use Software. Examples include furniture, fixtures, and certain vehicles.

General Property and Equipment (GP&E) amounts to \$16.7 billion or 1 percent of the Department's assets. 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.

Achieving GP&E audit readiness will enhance a multitude of financial management functions, including improved asset management and better visibility into operational and program costs. Achieving these capabilities is essential to the Department's ability to accurately and timely record acquisitions and disposals.

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ID	Corrective Actions By DoD Entity	Critical Path	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		
0	General Property & Equipment Key Milestones																																			
1	OUSD (C)																																			
2	Review Segment Assertion Package for Defense Logistics Agency (DLA)																																			
3	Review Segment Assertion Package for Army																																			
4	Review Segment Assertion Package for Navy																																			
5	Review Segment Assertion Package for Air Force																																			
6	OUSD (AT&L)																																			
13	Complete technical refresh of Defense Property Accountability System (DPAS)																																			
14	Army																																			
15	Identify universe of General Equipment																																			
16	Determine value of General Equipment																																			
17	Record baseline General Equipment																																			
18	Reconcile accountability with accounting records																																			
19	Internal Validation																																			
20	Submit Segment Assertion Package																																			
21	Contract for Independent Public Accountant																																			

Financial Improvement and Audit Readiness Plan
September 2007

ID	Corrective Actions By DoD Entity	Critical Path	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	
22	Independent Audit Readiness Validation														◆ 12/31/2010																								
23	Navy		—————▶																																				
27	Discovery and documentation of General Equipment processes														◆ 3/31/2011																								
28	Transition to A-123 for General Equipment processes	🚩													◆ 6/30/2011																								
29	Correct deficiencies																		◆ 6/30/2012																				
30	Internal Validation	🚩																					◆ 6/30/2013																
31	Submit Segment Assertion Package	🚩																									◆ 9/30/2013												
32	Contract for Independent Public Accountant																														◆ 3/31/2014								
33	Independent Audit Readiness Validation																														◆ 9/30/2014								
34	Air Force		—————▶																																				
37	Complete system changes in Air Force Equipment Management System (AFEMS) based on the Air Force Audit Agency audit recommendations	🚩	◆ 12/31/2007																																				
38	Record baseline General Equipment	🚩	◆ 12/31/2007																																				
39	Revalidation for compliance with CFO Act audit requirements	🚩					◆ 12/31/2008																																
40	Determine value of General Equipment	🚩					◆ 12/31/2008																																
41	Reconcile accountability with accounting records	🚩					◆ 12/31/2008																																
42	Air Force Equipment Management System (AFEMS) recertification and accreditation	🚩									◆ 12/31/2009																												

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APPENDIX I

Other Assets

Assets not reported in a separate category on the Balance Sheet. Examples include pay and travel advances, advance payments on contracts, etc.

In FY 2006, the Department reported \$29 billion for Other Assets, which included \$26 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.

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Financial Improvement and Audit Readiness Plan
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Corrective Actions by DoD Entity	Critical Path	2008				2009				2010				2011				2012				2013			
		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 Assets (Intragovernmental & Public) Key Milestones																									
OUSD (C)																									
Review Segment Assertion Package for Defense Logistics Agency (DLA) General Fund (GF) and Working Capital Fund (WCF)																									
Review Segment Assertion Package for Air Force Working Capital Fund (WCF)																									
Review Segment Assertion Package for Air Force General Fund (GF)																									
Review Segment Assertion Package for Army General Fund (GF)																									
Review Segment Assertion Package for Army Working Capital Fund (WCF)																									
Army General Fund (GF)																									
Develop procedures to properly account for contract financing payments (public only)																									
Identify requirements to accurately report Other Assets																									
Develop procedures to properly account for advances and prepayments (intragovernmental only)																									
Internal Validation																									
Submit Segment Assertion Package																									
Contract for Independent Public Accountant																									
Independent Audit Readiness Validation																									
Army Working Capital Fund (WCF)																									

Financial Improvement and Audit Readiness Plan
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Corrective Actions by DoD Entity	Critical Path	2008				2009				2010				2011				2012				2013			
		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 procedures to properly account for contract financing payments (public only)						◆																			
Develop procedures to identify requirements to accurately report Other Assets														◆											
Properly account for advances and prepayments (intragovernmental only)														◆											
Internal Validation	▲																	◆							
Submit Segment Assertion Package	▲																					◆			
Contract for Independent Public Accountant																						◆			
Independent Audit Readiness Validation																									
Air Force General Fund (GF)																									
Defense Enterprise Accounting Management System (DEAMS) Initial Operational Capability (IOC) expected														◆											
Complete preparation of process documentation and data flow mapping and request internal validation from Air Force Audit Agency														◆											
Validation by Air Force Audit Agency	▲																	◆							
Submit Segment Assertion Package	▲																	◆							
Contract for Independent Public Accountant																						◆			
Independent Audit Readiness Validation																									
Air Force Working Capital Fund (WCF)																									
Complete preparation of process documentation and data flow mapping and request internal validation from Air Force Audit Agency														◆											

Financial Improvement and Audit Readiness Plan
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Corrective Actions by DoD Entity	Critical Path	2008				2009				2010				2011				2012				2013							
		1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4				
Internal Validation													◆ 6/30/2010																
Submit Segment Assertion Package													◆ 6/30/2010																
Contract for Independent Public Accountant																◆ 12/31/2010													
Independent Audit Readiness Validation																								◆ 6/30/2011					
DLA General Fund (GF) & Working Capital Fund (WCF)																													
DLA / Defense Finance and Accounting Service (DFAS) make required changes to make Other Assets line auditable									◆ 12/31/2008																				
Internal Validation													◆ 6/30/2009																
Submit Segment Assertion Package													◆ 9/30/2009																
Contract for Independent Public Accountant																◆ 3/31/2010													
Independent Audit Readiness Validation																								◆ 9/30/2010					

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APPENDIX J

Cash and Other Monetary Assets

Cash that disbursing officers have and are authorized to use for paying bills, cashing checks, or providing advance payments to members of the military. The amount of cash and other monetary assets that the reporting entity holds and is authorized to spend is entity cash. The assets under this category that a federal entity collects and holds on behalf of the U.S. Federal Government or other entities are nonentity cash and other monetary assets.

Cash consists of coins, paper currency, and other negotiable instruments, such as money orders, checks, and bank drafts; amounts on deposit with banks or other financial institutions; cash held; and foreign currencies. Other Monetary Assets also includes gold, special drawing rights, and U.S. Reserves in the International Monetary Fund. The Army, for example, uses cash to support its forward deployed tactical units. The Marine Corps uses cash to support its Expeditionary Forces for Operations Iraqi and Enduring Freedom, and the Global War on Terrorism. Tighter internal controls over the handling of Cash and Other Monetary Assets assures management that controls are documented, modified, and effective, and that the amount recorded on the financial statements is accurate.

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Financial Improvement and Audit Readiness Plan
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Corrective Actions by DoD Entity	Critical Path	2008				2009				2010				2011			
		1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
Cash & Other Monetary Assets Key Milestones		▶															
OUIS (C)		▶															
Review Segment Assertion Package for Department of Navy General Fund (GF)						◆ 12/31/2007											
Review Segment Assertion Package for Army General Fund (GF)										◆ 3/31/2010							
Army General Fund (GF)		▶															
Identify requirements to accurately report OCONUS Cash and Other Monetary Assets						◆ 3/31/2008											
Implement sustainable process to report OCONUS Cash and Other Monetary Assets						◆ 3/31/2008											
Identify requirements and implement an auditable process to accurately report cash						◆ 3/31/2008											
Submit Segment Assertion Package										◆ 12/31/2009							
Contract for Independent Public Accountant														◆ 6/30/2010			
Independent Audit Readiness Validation														◆ 12/31/2010			
Department of Navy General Fund (GF)		▶															
Contract for Independent Public Accountant						◆ 3/31/2008											
Independent Audit Readiness Validation						◆ 9/30/2008											
Air Force General Fund (GF)		▶															
Independent Internal Control Validation						◆ 3/31/2008											

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APPENDIX K

Other Military Health Care

The cost of providing health care for beneficiaries who are not Medicare-eligible.

As of September 30, 2006, DoD projects a future cost of \$299 billion to provide health care to Army, Navy, Air Force, and Marine Corps active duty and retirees, and their family members and survivors. This represents 15 percent of the Department's liabilities.

To improve the accuracy of financial reporting, a clear audit trail and standardized accounting practice are needed within the TRICARE Management Activity (TMA) and the Service Medical Activity (SMA).

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September 2007

Corrective Actions By DoD Entity	Critical Path	2008				2009				2010				2011				2012				2013				2014				2015				2016				2017			
		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						◆ 12/31/2007																																			
Review Assertion Package for Other Contract Resource Management Financial Statements						◆ 12/31/2008																																			
Review Assertion Package for Uniformed Services University of the Health Sciences Balance Sheet						◆ 12/31/2008																																			
Review Assertion Package for Other Uniformed Services University of the Health Sciences Financial Statements										◆ 12/31/2009																															
Review Assertion Package for Financial Operations Division Balance Sheet										◆ 12/31/2009																															
Review Assertion Package for Other Financial Operations Division Financial Statements														◆ 12/31/2010																											
Contract Resource Management (CRM)																																									
Balance Sheet																																									
Contract for Independent Public Accountant						◆ 3/31/2008																																			
Independent Audit Readiness Validation						◆ 9/30/2008																																			
Other Financial Statements																																									
Internal Validation						◆ 6/30/2008																																			

Financial Improvement and Audit Readiness Plan
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Corrective Actions By DoD Entity	Critical Path	2008				2009				2010				2011				2012				2013				2014				2015				2016				2017			
		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				
Submit Assertion Package					◆	9/30/2008																																			
Contract for Independent Public Accountant					◆	3/31/2009																																			
Independent Audit Readiness Validation									◆	9/30/2009																															
Financial Operations Division (FOD)		—————																◆																							
Balance Sheet		—————																◆																							
Submit Assertion Package									◆	9/30/2009																															
Contract for Independent Public Accountant									◆	3/31/2010																															
Independent Audit Readiness Validation													◆	9/30/2010																											
Other Financial Statements										—————				◆																											
Internal Validation													◆	6/30/2010																											
Submit Assertion Package													◆	9/30/2010																											
Contract for Independent Public Accountant																	◆	3/31/2011																							
Independent Audit Readiness Validation																	◆	9/30/2011																							
Uniformed Services University of the Health Sciences (USUHS)						—————				◆																															
Balance Sheet						—————				◆																															
Submit Assertion Package					◆	9/30/2008																																			

Financial Improvement and Audit Readiness Plan
September 2007

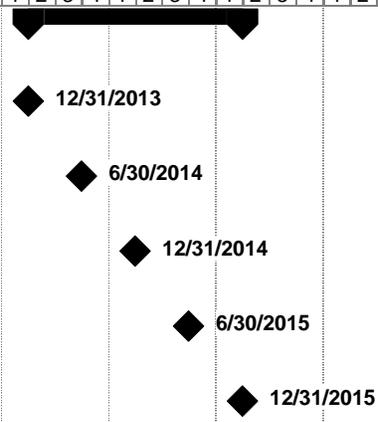
Corrective Actions By DoD Entity	Critical Path	2008				2009				2010				2011				2012				2013				2014				2015				2016				2017			
		1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4				
Contract for Independent Public Accountant						◆ 3/31/2009																																			
Independent Audit Readiness Validation										◆ 9/30/2009																															
Other Financial Statements										◆																															
Internal Validation										◆ 6/30/2009																															
Submit Assertion Package										◆ 9/30/2009																															
Contract for Independent Public Accountant														◆ 3/31/2010																											
Independent Audit Readiness Validation														◆ 9/30/2010																											
Service Medical Activity Key Milestones		◆																																							
OUSD (C)										◆																															
Review Assertion Package for Navy Balance Sheet										◆ 3/31/2010																															
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 Army Balance Sheet																														◆ 6/30/2013											
Review Assertion Package for Army other financial statements																																		◆ 3/31/2014							
Review Assertion Package for Air Force other financial statements																																						◆ 3/31/2015			
Army Medical Command (MEDCOM)																		◆																							

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Corrective Actions By DoD Entity	Critical Path	2008				2009				2010				2011				2012				2013				2014				2015				2016				2017			
		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
Submit Assertion Package										◆																															
Contract for Independent Public Accountant														◆																											
Independent Audit Readiness Validation														◆																											
Other Financial Statements										▶																															
Complete discovery and implement corrective actions										◆																															
Internal Validation														◆																											
Submit Assertion Package																						◆																			
Contract for Independent Public Accountant																										◆															
Independent Audit Readiness Validation																														◆											
Air Force Medical Service (AFMS)		▶																																							
Balance Sheet		▶																																							
Complete discovery and implement corrective actions														◆																											
Internal Validation																										◆															
Submit Assertion Package																														◆											
Contract for Independent Public Accountant																																		◆							
Independent Audit Readiness Validation																																						◆			

Financial Improvement and Audit Readiness Plan
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Corrective Actions By DoD Entity	Critical Path	2008				2009				2010				2011				2012				2013				2014				2015				2016				2017			
		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 Financial Statements																																									
Complete discovery and implement corrective actions																																									
Internal Validation																																									
Submit Assertion Package																																									
Contract for Independent Public Accountant																																									
Independent Audit Readiness Validation																																									



APPENDIX L

Other Liabilities

Liabilities not recognized in specific categories. This includes liabilities related to capital leases, advances and prepayments, deposit fund amounts held in escrow, and accrued liabilities related to ongoing continuous expenses such as federal employee salaries and accrued employee annual leave.

In FY 2006, the Department reported a value of \$44 billion for Other Liabilities, which consists of approximately \$13 billion of intragovernmental and \$31 billion of public Other Liabilities. Other Liabilities represents 2 percent of DoD's liabilities. Improving controls and procedures leads to a more accurate and reliable reported value for Other Liabilities and enables management to better assess current costs and determine budget needs.

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Financial Improvement and Audit Readiness Plan
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Corrective Actions by DoD Entity	Critical Path	2008				2009				2010				2011				2012				2013			
		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																									
OUIS (C)																									
Review Segment Assertion Package for Defense Logistics Agency (DLA) General Fund (GF) and Working Capital Fund Intragovernmental and Public																									
Review Segment Assertion Package for Air Force General Fund (GF) and Working Capital Fund (WCF) Intragovernmental and Public																									
Review Segment Assertion Package for Army General Fund (GF) Intragovernmental																									
Review Segment Assertion Package for Army General Fund (GF) Public																									
Review Segment Assertion Package for Army Working Capital Fund (WCF) Intragovernmental																									
Review Segment Assertion Package for Army Working Capital Fund (WCF) Public																									
Army General Fund (GF) - Intragovernmental																									
Identify requirements to accurately report Other Liabilities																									
Implement an auditable process for Other Liabilities																									
Internal Validation																									
Submit Segment Assertion Package																									
Contract for Independent Public Accountant																									
Independent Audit Readiness Validation																									
Army General Fund (GF) - Public																									

APPENDIX M

Navy Segments

The Navy has migrated to the new segment framework for achieving audit readiness.

The Department of the Navy Financial Improvement Program (FIP) is a multi-year Department-wide effort to modernize Navy-Marine Corps financial processes and systems, transforming them so that they better serve our worldwide operations. The program's goal is to produce financial management information with greater accuracy, reliability, and accessibility. With this improved information, managers will be able to allocate the Department's resources in a better informed, more precise way.

The Navy FIP employs a vertical and horizontal approach for documenting systems and processes, identifying and correcting weaknesses, and sustaining corrective actions through regular reviews and testing of internal controls. This dual approach provides the Navy the ability to manage improvement efforts by Balance Sheet line item as well as end-to-end business processes.

The Navy projected FBWT audit readiness in FY 2010. Under the Navy's segment Key Milestone Plan, the Navy projects achieving audit readiness in FY 2008 on the collections, disbursements, and appropriations segment (the equivalent of FBWT).

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Financial Improvement and Audit Readiness Plan
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Corrective Actions By DoD Entity	Critical Path	2008				2009				2010				2011				2012				2013				2014				2015				2016				2017			
		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				
Department of the Navy (DON) Key Milestones		[Timeline bar with arrow pointing right]																																							
OUSD (C)		[Timeline bar with arrow pointing right]																																							
Review Segment Assertion Package for Naval Research Laboratory (NRL) - Navy Working Capital Fund (WCF)		◆ 12/31/2008																																							
Review Segment Assertion Package for Contingent Liabilities - Navy General Fund (GF)		◆ 12/31/2008																																							
Review Segment Assertion Package for Collections - Navy General Fund (GF)		◆ 3/31/2009																																							
Review Segment Assertion Package for Disbursements - Navy General Fund (GF)		◆ 3/31/2009																																							
Review Segment Assertion Package for Environmental Liabilities - Navy General Fund (GF)		◆ 3/31/2009																																							
Review Segment Assertion Package for Civilian Labor - Navy General Fund (GF)		◆ 3/31/2009																																							
Review Segment Assertion Package for Funds Receipt and Distribution - Navy General Fund (GF)		◆ 3/31/2009																																							
Review Segment Assertion Package for Military Sealift Command (MSC) - Navy Working Capital Fund (WCF)		◆ 6/30/2009																																							
Review Segment Assertion Package for Financial Reporting - Navy General Fund (GF)		◆ 6/30/2009																																							
Review Segment Assertion Package for Naval Facilities Command (NAVFAC) - Navy Working Capital Fund (WCF)		◆ 6/30/2009																																							
Review Segment Assertion Package for Reimbursable Work Orders (Buyers) - Navy General Fund (GF)		◆ 12/31/2009																																							
Review Segment Assertion Package for Communications - Navy General Fund (GF)		◆ 12/31/2009																																							
Review Segment Assertion Package for Military Labor - Navy General Fund (GF)		◆ 12/31/2009																																							
Review Segment Assertion Package for Reimbursable Work Orders (Sellers) - Navy General Fund (GF)		◆ 12/31/2009																																							

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Corrective Actions By DoD Entity	Critical Path	2008				2009				2010				2011				2012				2013				2014				2015				2016				2017			
		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
Review Segment Assertion Package for Foreign Military Sales and Replacement-In-Kind - Navy General Fund (GF)										◆																															
Review Segment Assertion Package for BUMED Balance Sheet														◆																											
Review Segment Assertion Package for Supplies and Materials - Navy General Fund (GF)														◆																											
Review Segment Assertion Package for Leases - Navy General Fund (GF)														◆																											
Review Segment Assertion Package for Real Property - Navy General Fund (GF)														◆																											
Review Segment Assertion Package for Space and Naval Warfare Command (SPAWAR) - Navy Working Capital Fund (WCF)														◆																											
Review Segment Assertion Package for Transportation of People - Navy General Fund (GF)														◆																											
Review Segment Assertion Package for Substance-In-Kind - Navy General Fund (GF)														◆																											
Review Segment Assertion Package for Naval Air Command Warfare Centers (NAVAIR-NAWC) - Navy Working Capital Fund (WCF)														◆																											
Review Segment Assertion Package for Transportation of Things - Navy General Fund (GF)														◆																											
Review Segment Assertion Package for Contracts - Navy General Fund (GF)																		◆																							
Review Segment Assertion Package for Naval Air Command Depots (NAVAIR-NADEP) - Navy Working Capital Fund (WCF)																		◆																							
Review Segment Assertion Package for United States Marine Corps (USMC) - Navy Working Capital Fund (WCF)																		◆																							
Review Segment Assertion Package for BUMED Other Financial Statements																		◆																							
Review Segment Assertion Package for Naval Air Command (NAVSEA) - Navy Working Capital Fund (WCF)																						◆																			
Review Segment Assertion Package for Military Equipment - Navy General Fund (GF)																										◆															

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Corrective Actions By DoD Entity	Critical Path	2008				2009				2010				2011				2012				2013				2014				2015				2016				2017			
		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
Collections and Disbursements		◆				◆																																			
Collections - General Fund		◆				◆																																			
Perform discovery effort in documenting and analyzing the receipt of funds process and associated internal controls						◆ 3/31/2008																																			
Perform discovery effort in documenting and analyzing the collection process and associated internal controls						◆ 3/31/2008																																			
Perform discovery effort in documenting and analyzing the nondisbursing process and associated internal controls						◆ 3/31/2008																																			
Perform discovery effort in documenting and analyzing the treasury registration process and associated internal controls						◆ 3/31/2008																																			
Perform discovery effort in documenting processes and controls for reconciling, tracking, and reporting problem disbursements						◆ 3/31/2008																																			
Perform correction effort in documenting of processes and controls for reconciling, tracking, and reporting problem disbursements						◆ 3/31/2008																																			
Perform discovery effort in documenting and analyzing the treasury reporting process and associated internal controls						◆ 3/31/2008																																			
Perform discovery effort in documenting and analyzing the field level (Account Maintenance and Control) accounting process and associated internal controls						◆ 3/31/2008																																			
Perform discovery effort in documenting and analyzing the department of treasury process and associated internal controls						◆ 3/31/2008																																			
Perform discovery effort in documenting and analyzing the department level (Budget Execution) accounting process and associated internal controls						◆ 3/31/2008																																			
Perform discovery effort in documenting and analyzing the Audited Financial Statement (AFS) process and associated internal controls						◆ 3/31/2008																																			
Complete Systems Assessment						◆ 3/31/2008																																			
Prepare and submit the DFAS/Command Collections Validation package						◆ 3/31/2008																																			
Transition to A-123 for Collections Process	▲					◆ 9/30/2008																																			

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Corrective Actions By DoD Entity	Critical Path	2008				2009				2010				2011				2012				2013				2014				2015				2016				2017			
		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
Internal Validation of the Collections process						◆				9/30/2008																															
Submit Segment Assertion Package										◆				12/31/2008																											
Contract for Independent Public Accountant														◆				6/30/2009																							
Independent Audit Readiness Validation																		◆				12/31/2009																			
Disbursements - General Fund																																									
Perform discovery effort in documenting and analyzing the entitlement process and associated internal controls						◆				3/31/2008																															
Perform discovery effort in documenting and analyzing the disbursement process and associated internal controls						◆				3/31/2008																															
Perform discovery effort in documenting and analyzing the nondisbursing process and associated internal controls						◆				3/31/2008																															
Perform discovery effort in documenting and analyzing the treasury registration process and associated internal controls						◆				3/31/2008																															
Perform discovery effort in documenting processes and controls for reconciling, tracking, and reporting problem disbursements						◆				3/31/2008																															
Perform correction effort in documenting of processes and controls for reconciling, tracking, and reporting problem disbursements						◆				3/31/2008																															
Perform discovery effort in documenting and analyzing the treasury reporting process and associated internal controls						◆				3/31/2008																															
Perform discovery effort in documenting and analyzing the field level (Account Maintenance and Control) accounting process and associated internal controls						◆				3/31/2008																															
Perform discovery effort in documenting and analyzing the department of treasury process and associated internal controls						◆				3/31/2008																															
Perform discovery effort in documenting and analyzing the department level (Budget Execution) accounting process and associated internal controls						◆				3/31/2008																															
Perform discovery effort in documenting and analyzing the AFS process and associated internal controls						◆				3/31/2008																															

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Corrective Actions By DoD Entity	Critical Path	2008				2009				2010				2011				2012				2013				2014				2015				2016				2017			
		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
Complete Systems Assessment		◆ 3/31/2008																																							
Prepare and Submit the DFAS Command Disbursements Validation package		◆ 3/31/2008																																							
Transition to A-123 for Disbursements process		◆ 9/30/2008																																							
Internal Validation of Disbursements process		◆ 9/30/2008																																							
Submit Segment Assertion Package		◆ 12/31/2008																																							
Contract for Independent Public Accountant		◆ 6/30/2009																																							
Independent Audit Readiness Validation		◆ 12/31/2009																																							
Plan to Pay		◆																																							
Reimbursable Work Orders (Buyer) - General Fund		◆																																							
Discovery and Documentation of Reimbursable Work Order (RWO) (Buyer) Standard Accounting and Reporting System - Field Level (STARS-FL) process		◆ 3/31/2008																																							
Discovery and Documentation of Reimbursable Work Order (RWO) (Buyer) Navy Enterprise Resource Planning (ERP) process		◆ 3/31/2008																																							
Transition to A-123 for Reimbursable Work Order (Buyer) process		◆ 6/30/2008																																							
Complete systems assessment		◆ 9/30/2008																																							
Implement standardized Reimbursable Work Order (Buyer) process		◆ 12/31/2008																																							
Internal Validation of Reimbursable Work Order (Buyer) process		◆ 6/30/2009																																							
Submit Segment Assertion Package		◆ 9/30/2009																																							

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Corrective Actions By DoD Entity	Critical Path	2008				2009				2010				2011				2012				2013				2014				2015				2016				2017							
		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				
Submit Segment Assertion Package																																													
Contract for Independent Public Accountant																																													
Independent Audit Readiness Validation																																													
Leases - General Fund																																													
Discovery and Documentation of Document Leases process																																													
Complete Systems Assessment																																													
Correct deficiencies associated with Lease process																																													
Transition to A-123 for Leases process																																													
Internal Validation of Leases process																																													
Submit Segment Assertion Package																																													
Contract for Independent Public Accountant																																													
Independent Audit Readiness Validation																																													
Communications - General Fund																																													
Discovery and Documentation of Communications process																																													
Complete Systems Assessment																																													
Transition to A-123 for Communications process																																													

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Corrective Actions By DoD Entity	Critical Path	2008				2009				2010				2011				2012				2013				2014				2015				2016				2017				
		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	
Correct deficiencies associated with the Communications Process									◆ 12/31/2008																																	
Internal Validation of Communications process									◆ 6/30/2009																																	
Submit Segment Assertion Package									◆ 9/30/2009																																	
Contract for Independent Public Accountant									◆ 3/31/2010																																	
Independent Audit Readiness Validation									◆ 9/30/2010																																	
Contracts - General Fund		◆—————◆																																								
Discovery and Documentation of Wide Areas Work Flow (WAWF) process						◆ 6/30/2008																																				
Discovery and Documentation of non-Wide Area Work Flow (WAWF) process						◆ 9/30/2008																																				
Complete Systems Assessment						◆ 9/30/2008																																				
Implement Wide Area Work Flow (WAWF) across feasible Commands									◆ 9/30/2009																																	
Transition to A-123 for Other Contractual Services processes									◆ 9/30/2009																																	
Develop STARS, One Pay, and Navy Enterprise Resource Planning (ERP) interfaces with Wide Area Work Flow (WAWF)													◆ 9/30/2010																													
Internal Validation of Other Contractual Services processes																	◆ 3/31/2011																									
Submit Segment Assertion Package																	◆ 6/30/2011																									
Contract for Independent Public Accountant																	◆ 12/31/2011																									
Independent Audit Readiness Validation																					◆ 6/30/2012																					

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Corrective Actions By DoD Entity	Critical Path	2008				2009				2010				2011				2012				2013				2014				2015				2016				2017			
		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
Substance-in-Kind - General Fund																																									
Discovery and Documentation of Subsistence in Kind process																																									
Complete Systems Assessment																																									
Transition to A-123 for Subsistence in Kind process																																									
Correct deficiencies associated with Subsistence in Kind processes																																									
Internal Validation of Subsistence in Kind processes																																									
Submit Segment Assertion Package																																									
Contract for Independent Public Accountant																																									
Independent Audit Readiness Validation																																									
Pay our People																																									
Civilian Labor - General Fund																																									
Complete Systems Assessment																																									
Correct deficiencies associated with the Civilian Pay Process																																									
Transition to A-123 for Civilian Pay process																																									
Internal Validation of Civilian Pay process																																									
Submit Segment Assertion Package																																									

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Corrective Actions By DoD Entity	Critical Path	2008				2009				2010				2011				2012				2013				2014				2015				2016				2017			
		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
Contract for Independent Public Accountant									◆ 6/30/2009																																
Independent Audit Readiness Validation													◆ 12/31/2009																												
Military Labor		◆—————◆																																							
Discovery and Documentation of Military Pay process		◆ 3/31/2008																																							
Transition to A-123 for Military Pay process	▲	◆ 3/31/2008																																							
Complete Systems Assessment		◆ 6/30/2008																																							
Correct deficiencies associated with the Military Pay process						◆ 12/31/2008																																			
Internal Validation of Military Pay	▲									◆ 6/30/2009																															
Submit Segment Assertion Package	▲													◆ 9/30/2009																											
Contract for Independent Public Accountant																																									
Independent Audit Readiness Validation																																									
Implement DIMHRS/NMCTFS (Decision pending)																																									
Real Property - General Fund		◆—————◆																																							
Perform discovery and document "as-is" processes for Real Property		◆ 6/30/2008																																							
Implement document retention process to ensure that supporting documents are readily available to support Real Property reported values																																									

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Corrective Actions By DoD Entity	Critical Path	2008				2009				2010				2011				2012				2013				2014				2015				2016				2017			
		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
Implement Construction In Progress Requirements and Real Property Unique Identifier (CIPR/RPUID) and update process documentation to accurately report and record acquisition and construction in progress						◆				3/31/2009																															
Implement Real Property Acceptance Requirements (RPAR) and update process documentation to accurately report and record acquisition, capital improvements, and construction in progress						◆				3/31/2009																															
Perform discovery and document Real Property lease processes and internal controls to accurately record and report capital leases under standard general ledger accounting						◆				3/31/2009																															
Perform discovery and document Real Property Capital Improvement and Leasehold Improvement processes and internal controls to accurately record and report modifications to Capital Improvements and Leasehold Improvements						◆				3/31/2009																															
Implement process to accurately record and report Base Realignment and Closure (BRAC) disposals and depreciation in standard general ledger accounts at Net Realizable Value						◆				3/31/2009																															
Complete data clean up and expense of outstanding design accruals to accurately record and report construction in progress						◆				3/31/2009																															
Implement processes and controls to validate that periodic inventories occur as required to validate existence and completeness of Real Property inventory						◆				3/31/2009																															
Validate Preponderant Users of all Real Property and reconcile inventory with DoD records in accordance with preponderance of use policy						◆				3/31/2009																															
Complete process and/or system changes to ensure accurate Standard Accounting and Reporting System - Field Level (STARS-FL) Customer Reporting for reimbursable Military Construction (MILCON) funding						◆				3/31/2009																															
Identify and document Real Property Acquisition process and internal controls to accurately report heritage assets and stewardship land						◆				3/31/2009																															
Update baseline valuation for years 1999-2007 to support existence and completeness (including reconciliation and deconfliction)						◆				3/31/2009																															
Transition to sustainment through management control reviews						◆				9/30/2009																															

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Corrective Actions By DoD Entity	Critical Path	2008				2009				2010				2011				2012				2013				2014				2015				2016				2017			
		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
Internal Validation for Real Property										◆																															
Submit Segment Assertion Package														◆																											
Contract for Independent Public Accountant																		◆																							
Validate Audit Readiness																						◆																			
Military Equipment - General Fund		[Redacted]																																							
Attestations: Validated information and FY 2007 attestation returned to P&E Policy Office (11/10/07)		◆																																							
Navy Accountability Systems (Naval Vessel Registry (NVR) and Aircraft Inventory and Readiness Reporting) Interface to Item Unique Identification (IUID) Registry Complete: Capital Asset Management System - Military Equipment (CAMS-ME) Increment 2		◆																																							
Implement Proper Financial Accounting Treatment for Military Equipment and train personnel						◆																																			
Attestations: Validated information and FY 2008 attestation returned to P&E Policy Office (11/10/08)										◆																															
Marine Corps implementation of Global Combat Support System-Marine Corps (GCSS - MC)										◆																															
Identify all DON Accountability Systems of Record														◆																											
Marine Corps Accountability Systems Interface to Item Unique Identification (IUID) Registry Complete: Capital Asset Management System - Military Equipment (CAMS-ME) Increment 2																		◆																							
Attestations: Validated information and FY 2009 attestation returned to P&E Policy Office (11/10/09)																						◆																			
Identify and train Accountable Property Officers (APOs)																						◆																			
Implement Interface with Item Unique Identification (IUID) Registry for all DON Accountability Systems																										◆															

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Corrective Actions By DoD Entity	Critical Path	2008				2009				2010				2011				2012				2013				2014				2015				2016				2017			
		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
Discovery and documentation of Reimbursable Work Order (RWO) (seller) Navy Enterprise Resource Planning (ERP) process		◆ 3/31/2008																																							
Transition A-123 for Reimbursable Work Order (seller) process		◆ 6/30/2008																																							
Complete Systems Assessment		◆ 9/30/2008																																							
Implement standardized Reimbursable Work Order (seller) process		◆ 12/31/2008																																							
Internal Validation of Reimbursable Work Order (seller) process		◆ 6/30/2009																																							
Submit Segment Assertion Package		◆ 9/30/2009																																							
Contract for Independent Public Accountant		◆ 3/31/2010																																							
Independent Audit Readiness Validation		◆ 9/30/2010																																							
Foreign Military Sales and Replacement-in-Kind - General Fund		◆				◆																																			
Discovery and documentation of Foreign Military Sales & Replacement-in-Kind (RIK) process		◆ 6/30/2008																																							
Complete Systems Assessment		◆ 9/30/2008																																							
Transition to A-123 for Foreign Military Sales & Replacement-in-Kind (RIK) process		◆ 9/30/2008																																							
Correct deficiencies associated with Foreign Military Sales & RIK process		◆ 12/31/2008																																							
Internal Validation of Foreign Military Sales & Replacement-in-Kind (RIK) process		◆ 6/30/2009																																							
Submit Segment Assertion Package		◆ 9/30/2009																																							
Contract for Independent Public Accountant		◆ 3/31/2010																																							

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Corrective Actions By DoD Entity	Critical Path	2008				2009				2010				2011				2012				2013				2014				2015				2016				2017			
		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				
Independent Audit Readiness Validation														◆ 9/30/2010																											
Post to Report		▬																																							
Contingent Liabilities - General Fund		▬																																							
Discovery and documentation of Contingent Liabilities process						◆ 3/31/2008																																			
Transition to A-123 for Contingent Liabilities process	▲					◆ 6/30/2008																																			
Internal Validation of Contingent Liabilities process	▲					◆ 6/30/2008																																			
Submit Segment Assertion Package	▲					◆ 9/30/2008																																			
Contract for Independent Public Accountant										◆ 3/31/2009																															
Independent Audit Readiness Validation														◆ 9/30/2009																											
Financial Reporting - General Fund		▬																																							
Discovery and documentation of Financial Reporting process						◆ 3/31/2008																																			
Implement process to validate all financial statement values are supported by auditable detail						◆ 6/30/2008																																			
Transition to A-123 for Financial Reporting process	▲					◆ 6/30/2008																																			
Correct process to eliminate unsupported adjustments for intragovernmental eliminations						◆ 9/30/2008																																			
Internal Validation of Financial Reporting process	▲									◆ 12/31/2008																															
Submit Segment Assertion Package	▲									◆ 3/31/2009																															

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Corrective Actions By DoD Entity	Critical Path	2008				2009				2010				2011				2012				2013				2014				2015				2016				2017			
		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
Contract for Independent Public Accountant									◆ 9/30/2009																																
Independent Audit Readiness Validation									◆ 3/31/2010																																
Working Capital Funds		◆																																							
Naval Research Laboratory (NRL) - Working Capital Fund		◆																																							
Correct Deficiencies: Department of Defense Reporting System - Budgetary (DDRS-B) Direct Feed crosswalk issues		◆ 3/31/2008																																							
Transition to A-123 Sustainment	◆	◆ 6/30/2008																																							
Internal Validation of Systems	◆	◆ 6/30/2008																																							
Internal Validation of Financial Statements	◆	◆ 6/30/2008																																							
Submit Segment Assertion Package	◆	◆ 9/30/2008																																							
Contract for Independent Public Accountant									◆ 3/31/2009																																
Independent Audit Readiness Validation									◆ 9/30/2009																																
Military Sealift Command (MSC) - Working Capital Fund		◆																																							
Correct Reimbursable Revenue Recognition		◆ 12/31/2007																																							
Correct Deficiency 1441 Receipting in MSC's Oracle Financial Modeling System (FMS)		◆ 12/31/2007																																							
Correct Deficiency 1442 Purchase Order (PO) Aging Report		◆ 3/31/2008																																							
Correct Deficiency 1443 Invoice Aging Report		◆ 3/31/2008																																							

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Corrective Actions By DoD Entity	Critical Path	2008				2009				2010				2011				2012				2013				2014				2015				2016				2017			
		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
Correct Mass Allocation - Supporting documentation for allocated amounts not readily identifiable		◆ 3/31/2008																																							
Discovery and Documentation of the Budget to Authorize Process		◆ 6/30/2008																																							
Discovery and Documentation of the Collections & Disbursements Process		◆ 6/30/2008																																							
Discovery and Documentation of the Plan to Pay Process		◆ 6/30/2008																																							
Discovery and Documentation of the Pay our People Process		◆ 6/30/2008																																							
Discovery and Documentation of the Acquire to Retire/Dispose Process		◆ 6/30/2008																																							
Discovery and Documentation of the Plan to Perform Process		◆ 6/30/2008																																							
Discovery and Documentation of the Post to Report Process		◆ 6/30/2008																																							
Complete Systems Assessment		◆ 6/30/2008																																							
Perform Full A-123 Compliant Business Process Testing		◆ 9/30/2008																																							
Perform Balance Reconciliation		◆ 9/30/2008																																							
Transition to A-123 Sustainment		◆ 9/30/2008																																							
Submit completed Validation Packages to FMO		◆ 9/30/2008																																							
Internal Validation of Systems		◆ 12/31/2008																																							
Internal Validation of Financial Statements		◆ 12/31/2008																																							
Submit Segment Assertion Package		◆ 3/31/2009																																							

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Corrective Actions By DoD Entity	Critical Path	2008				2009				2010				2011				2012				2013				2014				2015				2016				2017			
		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
Contract for Independent Public Accountant									◆ 9/30/2009																																
Independent Audit Readiness Validation													◆ 3/31/2010																												
Naval Facilities Command (NAVFAC) - Working Capital Fund		◆																																							
Implement CIRCUITS across the DON						◆ 6/30/2008																																			
Complete Systems Assessment						◆ 9/30/2008																																			
Correct Unmatched Disbursement (UMDs)						◆ 9/30/2008																																			
Correct Deficiency 467 Failure to reconcile P-Card charges to disbursements						◆ 9/30/2008																																			
Correct Deficiency 198 The Accounts Receivable - Public value reported includes over-aged balances						◆ 9/30/2008																																			
Correct Deficiency 1142 High volume of Unmatched Collections (UMCs)						◆ 9/30/2008																																			
Correct Deficiency 994 Lack of Standardized Process for Field Level Balancing of Defense Working Capital Fund Accounting System (DWAS), DON Industrial Budget Information System (DONIBIS) and Department of Defense Reporting System - Budgetary (DDRS-B)						◆ 9/30/2008																																			
Correct Deficiency 995 Lack of Journal Voucher (JV) Verification between DFAS and Defense Working Capital Fund Accounting System (DWAS)						◆ 9/30/2008																																			
Correct Deficiency 203 Depreciation is not accurately recorded in Personal Property Management System (PPMS) and Central Data Base (CDB)						◆ 9/30/2008																																			
Correct Deficiency 208 Advances from Others contain aged and/or dormant accounts						◆ 9/30/2008																																			
Correct Deficiency 210 Abnormal balances exist in the Other Liabilities, non Federal Other line item						◆ 9/30/2008																																			

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Corrective Actions By DoD Entity	Critical Path	2008				2009				2010				2011				2012				2013				2014				2015				2016				2017			
		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
Correct Deficiency 481 MWR Security Deposit Payments submitted to DFAS without proper documentation					◆	9/30/2008																																			
Transition to A-123 Sustainment					◆	9/30/2008																																			
Submit completed Validation Packages to FMO					◆	9/30/2008																																			
Internal Validation of Systems					◆	12/31/2008																																			
Internal Validation of Financial Statements					◆	12/31/2008																																			
Submit Segment Assertion Package									◆	3/31/2009																															
Contract for Independent Public Accountant									◆	9/30/2009																															
Independent Audit Readiness Validation													◆	3/31/2010																											
Naval Air Command Warfare Centers (NAVAIR-NAWC) - Working Capital Fund		◆																																							
Implement Navy Enterprise Resource Planning (ERP) at NAVAIR NAWC		◆	12/31/2007																																						
Correct Unmatched Disbursements (UMDs)													◆	12/31/2009																											
Correct Material Deficiencies													◆	12/31/2009																											
Discovery and Documentation of the Budget to Authorize Process													◆	12/31/2009																											
Discovery and Documentation of the Collections & Disbursements Process													◆	12/31/2009																											
Discovery and Documentation of the Plan to Pay Process													◆	12/31/2009																											
Discovery and Documentation of the Pay our People Process													◆	12/31/2009																											

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Corrective Actions By DoD Entity	Critical Path	2008				2009				2010				2011				2012				2013				2014				2015				2016				2017			
		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
Discovery and Documentation of the Acquire to Retire/Dispose Process										◆																															
Discovery and Documentation of the Plan to Perform Process										◆																															
Discovery and Documentation of the Post to Report Process										◆																															
Complete Systems Assessment										◆																															
Transition to A-123 Sustainment										◆																															
Submit Completed Validation Packages to FMO										◆																															
Internal Validation of Systems										◆																															
Internal Validation of Financial Statements										◆																															
Submit Segment Assertion Package										◆																															
Contract for Independent Public Accountant														◆																											
Independent Audit Readiness Validation																		◆																							
Space and Naval Warfare Command (SPAWAR) - Working Capital Fund																																									
Complete Data Cleansing/Correct Material Deficiencies (pre-Enterprise Resource Planning (ERP) Implementation)		◆																																							
Implement Navy Enterprise Resource Planning (ERP) at SPAWAR		◆																																							
Discovery and Documentation of the Budget to Authorize Process														◆																											
Discovery and Documentation of the Collections & Disbursements Process														◆																											

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Corrective Actions By DoD Entity	Critical Path	2008				2009				2010				2011				2012				2013				2014				2015				2016				2017			
		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
Discovery and Documentation of the Plan to Pay Process						◆				3/31/2009																															
Discovery and Documentation of the Pay our People Process						◆				3/31/2009																															
Discovery and Documentation of the Acquire to Retire/Dispose Process						◆				3/31/2009																															
Discovery and Documentation of the Plan to Perform Process						◆				3/31/2009																															
Discovery and Documentation of the Post to Report Process						◆				3/31/2009																															
Complete Systems Assessment						◆				3/31/2009																															
Correct Material Deficiencies (post-Enterprise Resource Planning (ERP) Implementation)						◆				3/31/2009																															
Transition to A-123 Sustainment						◆				9/30/2009																															
Submit completed Validation Packages to FMO						◆				9/30/2009																															
Internal Validation of Systems						◆				12/31/2009																															
Internal Validation of Financial Statements						◆				12/31/2009																															
Submit Segment Assertion Package										◆				3/31/2010																											
Contract for Independent Public Accountant										◆				9/30/2010																											
Independent Audit Readiness Validation														◆				3/31/2011																							
Naval Air Command Depots (NAVAIR-NADEP) - Working Capital Fund										◆ 9/30/2009 ————— ◆																															
Discovery and Documentation of the Budget to Authorize Process						◆				9/30/2009																															

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Corrective Actions By DoD Entity	Critical Path	2008				2009				2010				2011				2012				2013				2014				2015				2016				2017				
		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	
Discovery and Documentation of the Collections & Disbursements Process										◆ 9/30/2009																																
Discovery and Documentation of the Plan to Pay Process										◆ 9/30/2009																																
Discovery and Documentation of the Pay our People Process										◆ 9/30/2009																																
Discovery and Documentation of the Acquire to Retire/Dispose Process										◆ 9/30/2009																																
Discovery and Documentation of the Plan to Perform Process										◆ 9/30/2009																																
Discovery and Documentation of the Post to Report Process										◆ 9/30/2009																																
Complete Systems Assessment										◆ 9/30/2009																																
Correct Unmatched Disbursements (UMDs)														◆ 9/30/2010																												
Correct Material Deficiencies														◆ 9/30/2010																												
Transition to A-123 Sustainment	▲																	◆ 12/31/2010																								
Submit Completed Validation Packages to FMO																		◆ 12/31/2010																								
Internal Validation of Systems	▲																					◆ 3/31/2011																				
Internal Validation of Financial Statements	▲																					◆ 3/31/2011																				
Submit Segment Assertion Package	▲																									◆ 6/30/2011																
Contract for Independent Public Accountant																														◆ 12/31/2011												
Independent Audit Readiness Validation																																										◆ 6/30/2012

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September 2007

Corrective Actions By DoD Entity	Critical Path	2008				2009				2010				2011				2012				2013				2014				2015				2016				2017			
		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
Unites States Marine Corps (USMC) - Working Capital Fund																																									
Discovery and Documentation of the Budget to Authorize Process		◆ 9/30/2009																																							
Discovery and Documentation of the Collections & Disbursements Process		◆ 9/30/2009																																							
Discovery and Documentation of the Plan to Pay Process		◆ 9/30/2009																																							
Discovery and Documentation of the Pay our People Process		◆ 9/30/2009																																							
Discovery and Documentation of the Acquire to Retire/Dispose Process		◆ 9/30/2009																																							
Discovery and Documentation of the Plan to Perform Process		◆ 9/30/2009																																							
Discovery and Documentation of the Post to Report Process		◆ 9/30/2009																																							
Complete Systems Assessment		◆ 9/30/2009																																							
Correct Material Deficiencies		◆ 9/30/2010																																							
Transition to A-123 Sustainment	🚩	◆ 12/31/2010																																							
Submit Completed Validation Packages to FMO		◆ 12/31/2010																																							
Internal Validation of Systems	🚩	◆ 3/31/2011																																							
Internal Validation of Financial Statements	🚩	◆ 3/31/2011																																							
Submit Segment Assertion Package	🚩	◆ 6/30/2011																																							
Contract for Independent Public Accountant		◆ 12/31/2011																																							

Financial Improvement and Audit Readiness Plan
September 2007

Corrective Actions By DoD Entity	Critical Path	2008				2009				2010				2011				2012				2013				2014				2015				2016				2017			
		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
Complete Systems Assessment																		◆	3/31/2012																						
Transition to A-123 Sustainment																				◆	6/30/2012																				
Submit Completed Validation Packages to FMO																				◆	6/30/2012																				
Implement a sustainable physical inventory process that includes regular reconciliations supported by documentation and internal controls																				◆	9/30/2012																				
Convert all inventory valuation processes to the moving average cost (MAC)																				◆	9/30/2012																				
Implement a sustainable, auditable process to track and document "In-transit" inventory moving between systems, Service organizations, or third party inventory control points																				◆	9/30/2012																				
Complete and document baseline inventory valuation process with values based upon available historical acquisition data and other supporting documentation																				◆	9/30/2012																				
Internal Validation of Systems																				◆	9/30/2012																				
Internal Validation of Financial Statements																				◆	9/30/2012																				
Submit Segment Assertion Package																				◆	12/31/2012																				
Contract for Independent Public Accountant																						◆	6/30/2013																		
Independent Audit Readiness Validation																								◆	12/31/2013																
Department of Navy (DON) & Defense Financing and Accounting Service (DFAS) - Navy Working Capital Fund (NWCF)																																									
Discovery, Documentation, and Submission of the Collections and Disbursements Validation Package (DFAS portion)		◆	3/31/2008																																						
Discovery, Documentation, and Submission of the Post to Report Validation Package			◆	9/30/2008																																					
Complete Systems Assessment (DFAS-Owned Systems)			◆	9/30/2008																																					

Financial Improvement and Audit Readiness Plan September 2007

Corrective Actions By DoD Entity	Critical Path	2008				2009				2010				2011				2012				2013				2014				2015				2016				2017			
		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
Transition to A-123 Sustainment (DFAS-owned processes)						◆ 12/31/2008																																			
Internal Validation of DFAS-Owned Systems						◆ 3/31/2009																																			
Internal Validation of DFAS Process Segments						◆ 3/31/2009																																			
Correct Problem Disbursements (DFAS & DON)										◆ 9/30/2010																															
Correct Material Deficiencies (DFAS & DON Enterprise)										◆ 9/30/2010																															
Internal Validation of NWC Financial Statements																		◆ 9/30/2012																							
Submit Segment Assertion Packages (NWC Financial Statements)																						◆ 12/31/2012																			
Contract for Independent Public Accountant																						◆ 6/30/2013																			
Independent Audit Readiness Validation																										◆ 12/31/2013															
Navy Bureau of Medicine and Surgery (BUMED)						◆																																			
Balance Sheet						◆																																			
Complete discovery and implement corrective actions						◆ 3/31/2009																																			
Internal Validation										◆ 9/30/2009																															
Submit Segment Assertion Package										◆ 12/31/2009																															
DoD IG										◆																															
Contract for Independent Public Accountant										◆ 6/30/2010																															

Financial Improvement and Audit Readiness Plan
September 2007

Corrective Actions By DoD Entity	Critical Path	2008				2009				2010				2011				2012				2013				2014				2015				2016				2017											
		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								
Assess														◆ 12/31/2010																																			
Audit																		◆ 12/31/2011																															
Other Financial Statements										◆—————◆																																							
Complete discovery and implement corrective actions										◆ 9/30/2009																																							
Internal Validation	◆													◆ 6/30/2010																																			
Submit Assertion Package	◆																	◆ 12/31/2011																															
DoD IG																						◆—————◆																											
Contract for Independent Public Accountant																		◆ 6/30/2012																															
Assess																										◆ 12/31/2012																							
Audit																														◆ 12/31/2013																			

APPENDIX N

DFAS Accounts Receivable and Accounts Payable

Accounts Receivable are amounts owed to DoD from others, such as individuals, organizations, public entities, or other government organizations.

Accounts Payable are amounts owed to other entities for goods and services received, progress in contract performance, and rents due to other Federal entities.

Accounts Receivables includes amounts due from others that result from the performance of services, the delivery of goods, or a court-ordered assessment. Examples include overdue travel advances, bad checks, fines, penalties, interest, overpayments, revenue, fees, rents, claims, and damages. Accounts Receivable consists of Intragovernmental Receivables (due from other Federal agencies and DoD entities) and Receivables Due From the Public. For fourth quarter FY 2006 financial statements, the Department reported \$11 billion in Accounts Receivable, which is 1 percent of assets.

Collected receivables are deposited with the Treasury and available for use by DoD. However, if the original funding appropriation has closed, those funds are no longer available for the Department to use. Therefore, the ability to quickly record, bill, and liquidate receivables is essential to managing the Department's cash flow and maximizing budgeted resources.

Accounts Payable are amounts DoD owes to other entities for goods and services, progress in contract performance, and rents. Accounts Payable does not include liabilities that relate to continuous expenses such as employees' salary and benefits. There are two major categories of Accounts Payable: Intragovernmental Accounts Payable and Accounts Payable to the Public. For FY 2006, the Department reported \$29 billion in Accounts Payable, representing 1 percent of the Department's liabilities.

Reliable accounts payable information enables managers to accurately and timely capture the liabilities associated with the receipt of goods and services. By the timely and accurate recording of payables, the Department can take full advantage of discounts and avoid interest payments and penalties. This is essential to managing the Department's cash balances.

Achieving Accounts Payable audit readiness will allow the Department to accurately record payables and decrease improper payments, thus increasing funds available for business operations. Achieving these business capabilities is essential to the Department's ability to accurately and timely capture the liabilities associated with the receipt of goods and services.

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Financial Improvement and Audit Readiness Plan
September 2007

Corrective Actions by DoD Entity	Critical Path	2008				2009				2010				2011				2012				2013			
		1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
Ensure all collections are processed timely and accurately									◆ 6/30/2009																
Develop the Accounts Receivable Tool to facilitate accurate monitoring and reporting of debts from the entitlement systems									◆ 6/30/2009																
Reconcile the subsidiary ledger records to their source documents										◆ 12/31/2009															
Reconcile the general ledger to the subsidiary ledgers and document the reconciliation process. Ensure line item balance is fully supported										◆ 12/31/2009															
Review, document, and implement the process for reporting a financial event													◆ 12/31/2010												
Verify that all accounts receivable are aged in accordance with established policies													◆ 12/31/2010												
Work with Strategic Business Management (SBM) and the Enterprise Resource Planning (ERPs) to establish and test standard reporting requirement													◆ 12/31/2010												
Identify and correct system deficiencies													◆ 12/31/2010												
Incorporate Business Enterprise Information Service (BEIS) and Business Intelligence into the accounts receivable reporting and reconciliation process													◆ 12/31/2010												
Perform and document all reconciliations necessary for assertion													◆ 3/31/2011												
Complete all tasks associated with the Management Assertion Checklist													◆ 3/31/2011												
Confirm auditable processes, procedures, and/or systems exist to eliminate intragovernmental A/R transactions																	◆ 3/31/2012								
Ensure all audit findings are resolved and self identify reportable conditions																	◆ 3/31/2012								
Ensure completion of the checklist for Federal accounting, reporting, and disclosures for each DFAS-Center																	◆ 6/30/2012								

Financial Improvement and Audit Readiness Plan
September 2007

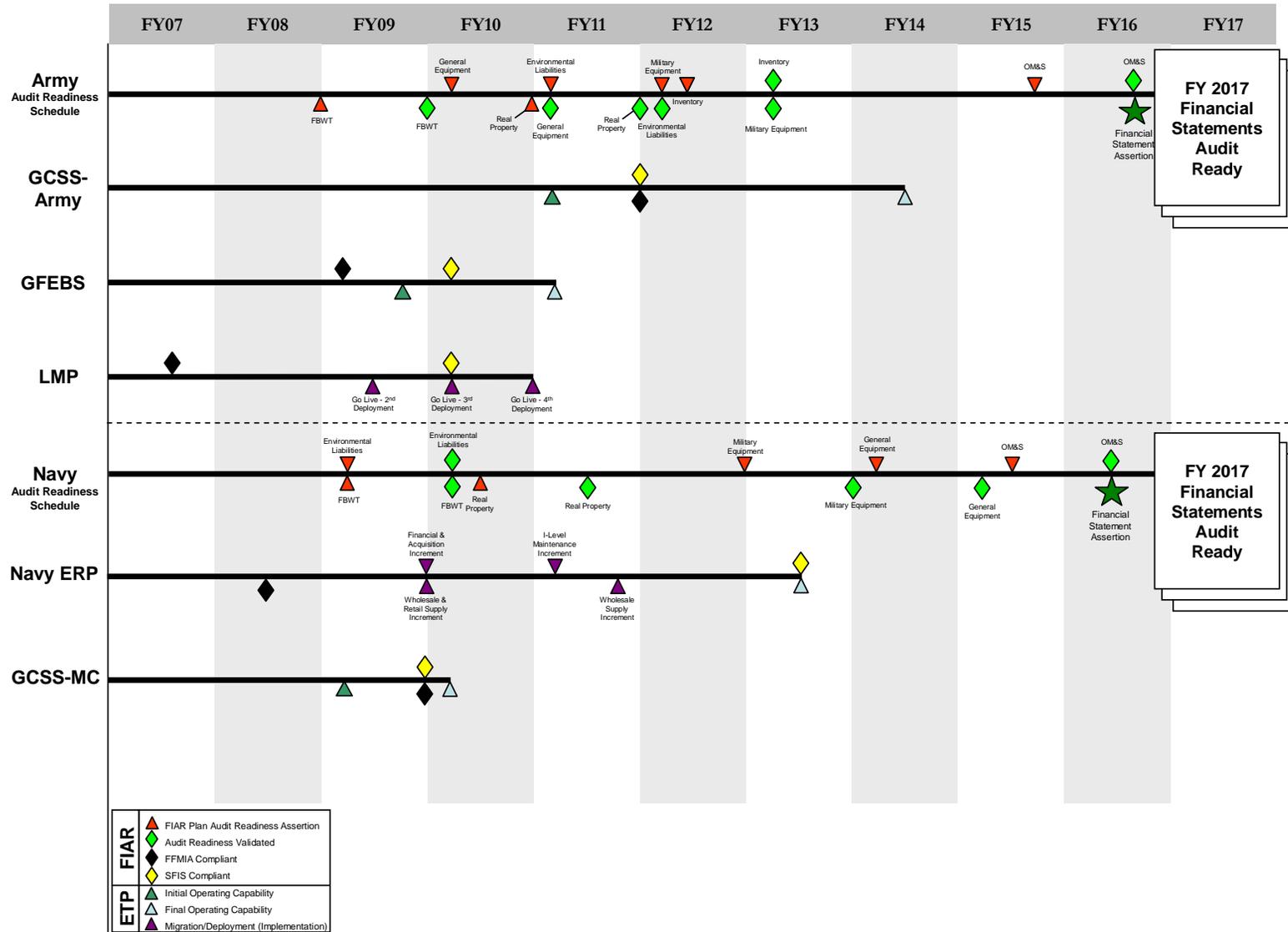
Corrective Actions by DoD Entity	Critical Path	2008				2009				2010				2011				2012				2013			
		1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
Establish a standard reporting level for reconciling the DoD Financial Statements, budgetary reports and the entitlement systems					◆	9/30/2008																			
Ensure all public AP amounts are accounted for appropriately to include identify, document key business processes, internal controls, and risk assessments of accounting & financial reporting (D-2007 091 Report)									◆	3/31/2009															
Ensure all public accounts payable amounts initiated by the entitlement systems are identified, recorded, reported and reconciled to the accounting systems									◆	3/31/2009															
Complete reconciliation at transaction level to support accounts payable amounts on both budgetary and proprietary reports and reduce the differences to an immaterial amount									◆	3/31/2009															
DFAS internal review will validate the implementation of the standard DFAS reconciliation process									◆	3/31/2009															
Complete the cleanup of DoD's major entitlement and accounting systems at transaction level using Business Activity Monitoring (BAM) results									◆	3/31/2009															
Review all audit recommendations and ensure material ones are addressed									◆	3/31/2009															
Internal Validation									◆	3/31/2009															
Measuring Progress													◆	6/30/2009											
Key measures for monitoring accounts payable													◆	6/30/2009											
Periodic tests to determine supportability of accounts payable transactions													◆	6/30/2009											

APPENDIX O

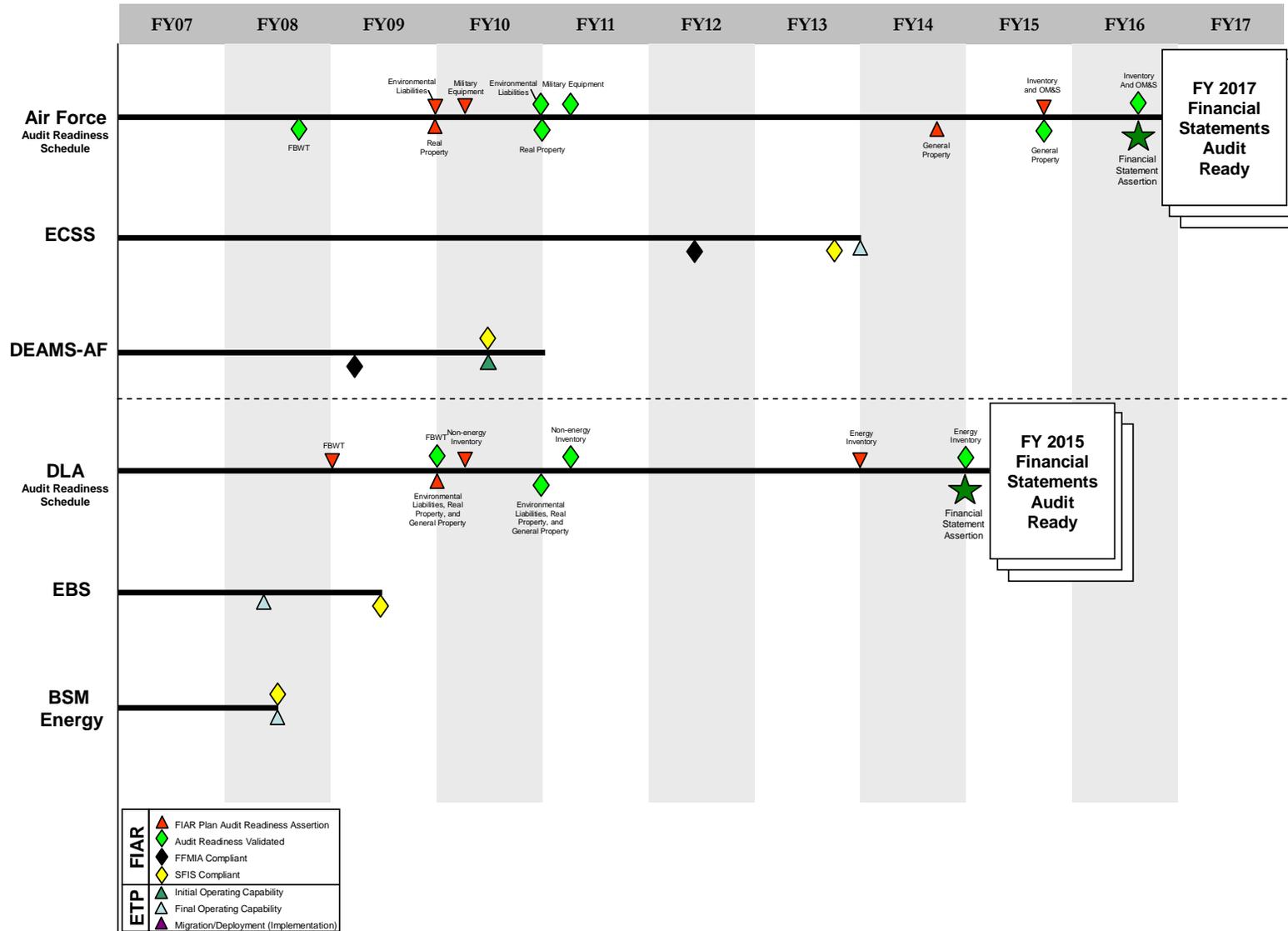
Audit Readiness and ERP Deployment Timelines

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Audit Readiness and ERP Deployment Timelines



Audit Readiness and ERP Deployment Timelines



APPENDIX P

Federal Requirements

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FEDERAL REQUIREMENTS

For many years, the Executive and Legislative branches have worked together to realize an accountable, results-oriented government that strives every day to better serve the American people. Many initiatives and laws shape the Department of Defense's strategy for improving financial management and achieving audit readiness. Brief descriptions of the most predominant follow:

The Chief Financial Officers Act

The Chief Financial Officers Act of 1990 (PL 101-576) (CFO Act) was the first of a series of management reform legislation designed to improve the general and financial management of the Federal government. It laid the foundation for other key legislative reforms that followed a common thread of increased accountability and better management practices. The CFO Act requires that each Federal agency improve its systems of accounting, financial management, and internal controls so that issued financial information is reliable and fraud, waste, and abuse are deterred. Further, each agency must prepare timely, complete, consistent, and reliable financial statements for Congress and the Administration to use in financing, managing, and evaluating Federal programs.

Laws and regulations that led to or built upon the advances of the CFO Act include:

The Federal Managers Financial Integrity Act of 1982 (PL 97-255) (FMFIA) requires DoD to assess the effectiveness of management controls. If material deficiencies are discovered, DoD must report those deficiencies with scheduled milestones leading to the resolution of the deficiency. The ongoing evaluation and testing of controls ensures that obligations and costs comply with applicable laws; funds, property, and other assets are safeguarded against waste, loss, unauthorized use, or misappropriation; and revenues and expenditures are properly recorded and accounted for on financial and statistical reports.

The Federal Financial Management Improvement Act of 1996 (PL 104-208) (FFMIA) addresses the need for agencies to have systems that can generate reliable, useful, and timely information with which to make fully informed decisions and ensure accountability on an ongoing basis. FFMIA requires DoD to develop a corrective action plan when its financial management systems do not comply with Federal financial management system requirements.

FFMIA fundamentally does three things:

- Establishes in statute certain financial management system requirements that are already Executive Branch policies. Specifically, Section 803(a) requires each agency to implement and maintain systems that comply substantially with:
 - Federal financial management system requirements,
 - applicable Federal accounting standards, and
 - the Standard General Ledger at the transaction level;
- Requires auditors to report on agency compliance with Section 803(a) as part of financial statement audit reports.

- Requires agency heads to determine, based on the audit report and other information, whether financial management systems comply with FFMIA. If systems do not comply with FFMIA, agencies must develop remediation plans and file them with OMB.

The Clinger-Cohen Act of 1996 (PL 104-106) (also known as the Information Technology Management Reform Act of 1996) sets forth a variety of initiatives to support better decision making for capital investments in information technology. The need for better decision making has led to the development of the Federal Enterprise Architecture and better-informed capital investment and control processes.

Since the CFO Act was passed, other laws have been enacted that supersede many of its requirements, including the Government Management Reform Act of 1994 and the Accountability of Tax Dollars Act of 2002. **The Government Management Reform Act of 1994 (PL 103-356)** requires changes in four main areas: limitation on pay, human resource management, streamlining management control, and financial management.

The National Defense Authorization Act

The National Defense Authorization Act for FY 2002 (PL 107-107), Section 1008, “Reliability of Department of Defense Financial Statements” describes the requirements for the Annual Report on Reliability, limits the use of resources for preparing unreliable financial statements, requires information submitted to auditors, and limits the Inspector General’s audits to procedures required by Generally Accepted Government Auditing Standards. For Components that cannot rely on their financial statements, the section concentrates on redirecting resources from preparing financial statements to improving the systems underlying financial management and improving financial management policies, procedures, and internal controls within the Department of Defense.

OMB Circular A-123, Appendix A

The Office of Management and Budget Circular A-123, “Management’s Responsibility for Internal Control,” Appendix A, “Internal Control Over Financial Reporting” prescribes a strengthened management process for assessing internal control over financial reporting. Appendix A also requires an annual management assurance statement that specifically addresses the effectiveness of internal control over financial reporting based on the results of management’s assessment.

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.

OMB Circular A-127

The Office of Management and Budget Circular A-127, “Financial Management Systems,” serves as a reference document for government-wide financial management systems. It prescribes policies and standards for agencies to follow in developing, operating, evaluating, and reporting on financial management systems.

Agency financial management systems must comply with the following requirements:

- Agency-wide Financial Information Classification Structure. The design of the financial management systems must reflect an agency-wide financial information classification structure that is consistent with the U.S. Government Standard General Ledger.
- Federal Accounting Standards. Agency financial management systems must maintain accounting data to permit reporting in accordance with accounting standards recommended by the Federal Accounting Standards Advisory Board (FASAB).
- Agency financial management systems must conform to existing applicable functional requirements for the design, development, operation, and maintenance of financial management systems. Functional requirements are defined in the Federal Financial Management Systems Requirements publication series issued by the Financial Systems Integration Office.

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APPENDIX Q

Managing the FIAR Plan

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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) (OUSD(C)) established the FIAR Directorate, a program management office. The Department also looks to the Financial Management Leadership Council to oversee and provide direction the management of the FIAR Plan.

The Financial Management Leadership Council

The Financial Management Leadership Council (FMLC) is chaired by the Under Secretary of Defense Comptroller (USD(C)) and meets monthly. The FMLC comprises financial management senior executives from of the OUSD(C), Military Services, Defense Logistics Agency, Defense Information Systems Agency, Business Transformation Agency, and Defense Finance and Accounting Service. The Deputy Inspector General for Auditing acts as an adviser, and senior representatives from the Office of Management and Budget and the Government Accountability Office also attend. The FMLC monitors FIAR Plan progress and challenges, and makes recommendations to the USD(C). The USD(C) establishes FIAR Plan priorities.

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

The screenshot shows the DoD FIAR Plan Portal website. The page has a dark blue header with the title "DoD FIAR Plan Portal" and navigation links for "Home", "Documents and Lists", "Create", and "Site Settings". On the right side of the header, there are links for "Email FIAR Support" and "Change Password".

The main content area is divided into several sections:

- Collaboration Sites:** A dropdown menu labeled "Choose..." is visible.
- Documents:** A list of documents including "Best Practice Guides", "FIAR Alert! (Newsletter)", "FIAR Committee & Subcommittee", "Memorandums", and "Published FIAR Plans".
- Lists:** A list of lists including "Calendar", "Points of Contact", "Tips for All Users", and "Training Material".
- Discussions:** A section for "Question and Answer" and "Surveys", including a "FIAR Alert! Survey".
- Surveys:** A section for "FIAR Alert! Survey".
- Upcoming Events & Critical Dates:** A table listing events with columns for Title, Location, Begin, and End.

Title	Location	Begin	End
Environmental Liabilities FIAR Plan Update	Pentagon, Room 3D646	3/14/2006 3:45 PM	12/12/2006 4:30 PM
FIAR Plan Formal Coordination Period		8/22/2006 8:00 AM	9/13/2006 5:00 PM
FIAR Key Milestone Monthly Reporting	Key Milestone Reporting Site	8/25/2006 8:00 AM	8/31/2006 5:00 PM
FIAR-PT Demo for Major General Pair	CM3	8/25/2006 2:30 PM	8/25/2006 3:30 PM

The "Announcements" section contains several messages, including updates on the Enterprise Transition Plan (ETP) and the September ETP approval, as well as information about the September FIAR Plan Coordination Package and the June update.

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.

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>.

APPENDIX R

Material Weaknesses

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MATERIAL WEAKNESSES

From audits performed by the DoD Inspector General, 12 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 12 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.

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 some of the initiatives and system solutions being developed and implemented by the Department. Detailed information on these initiatives and systems can be found in the ETP.

- Army General Fund Enterprise Business System (GFEB) and Logistics Modernization Program (LMP)
- Navy Enterprise Resource Planning (ERP)
- Air Force Defense Enterprise Accounting Management System (DEAMS) and Expeditionary Combat Support System (ECSS)
- Defense Logistics Agency Enterprise Business System (EBS)
- 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.

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 Components and BTA 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 Added 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.

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 FY 1999 to \$406.6 billion in FY 2006. 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.

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, Navy, and 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 with

Treasury is ready for an examination to determine audit readiness, and the Air Force is in the process contracting for an examination to validate their audit readiness.

5. Environmental Liabilities

Guidance and audit trails are insufficient. The inventory of ranges and operational activities (landfills, open burning pits, etc.) is incomplete.

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.

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 General 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. The corrective actions in the FIAR Plan are coordinated with the ETP milestones for transformation initiatives. This material weakness is expected to be resolved in FY 2015.

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.

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 military equipment portion of the GPP&E weakness, because 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, which is expected to be in FY 2013.

8. Inventory

The existing inventory valuation of most activities is not reported in accordance with Generally Accepted Accounting Principles (GAAP).

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 GAAP.

The ETP 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 FIAR Plan includes a Key Milestone Plan for Inventory.

9. Operating Materials and Supplies

The Department's systems were designed to expense materials when purchased rather than when consumed.

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 Transition Plan, the Military Services are modernizing systems to resolve this weakness. The FIAR Plan includes a Key Milestone Plan for Operating Materials and Supplies.

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.

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 ETP. 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 SFIS, BEIS, and IVAN initiatives. Furthermore, deployment of the new Component accounting systems (e.g., GFEBS and DEAMS) is critical to implementing SFIS.

11. Reconciliation of Net Cost of Operations to Budget

The Department cannot reconcile budgetary obligations to net cost without making unsupported adjustments.

The Statement of Reconciliation of Net Cost of Operations to Budget (formerly 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.

12. Accounts Payable

The Department of Defense does not meet accounting standards for the financial reporting of public accounts payable because of its inability to support balances due to a lack of standard procedures for recording, reporting, and reconciling the amounts between the financial, accounting, and reporting systems.

Accounts Payable are amounts owed to other entities for goods and services received, progress in contract performance, and rents. Proper authorization, timely recording of receipt of goods and services, valid and accurate payment, and management of payables permit the Department to effectively manage cash balances thereby decreasing improper payments, optimizing vendor discounts, and avoiding interest payments and penalties.

To address the accounts payable weaknesses, ensure reliable internal controls, and provide for sustained performance, the Defense Finance and Accounting Service (DFAS) has oriented its focus on process improvements and maximization of electronic technologies. For example, an end-to-end process view of public payables allows for proper recognition throughout the payable's lifecycle. The Department's end-to-end focus with an aggressive electronic environment implementation strategy allows for seamless recording, processing, and reporting from when the goods and services are accepted via the Wide Area Work Flow (WAWF) system. A secure Web-based system, WAWF automates the timely recording of accounts payable and enables the electronic submission of invoices, and government inspection and acceptance documents.

DFAS actions to resolve this weakness are included in the FIAR Plan. The short/intermediate and long-term approaches complement each other by correcting existing flaws, cleaning up existing balances and transferring reliable balances into the ERP systems.

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APPENDIX S

Commonly Used Acronyms

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COMMONLY USED ACRONYMS

ACWA	Assembled Chemical Weapons Assessment
AFB	Air Force Base
AFFSC	Air Force Financial Services Center
AP	Accounts Payable
AR	Accounts Receivable
ASD	Assistant Secretary of Defense
BAM	Business Activity Monitoring
BEA	Business Enterprise Architecture
BEIS	Business Enterprise Information Services
BEP	Business Enterprise Priority
BRAC	Base Realignment and Closure
BSM	Business Systems Modernization
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
CCAS	Columbus Cash Accountability System
CCE	Coding Compliance Editor
CCSS	Commodity Command Standard System
CDS	Contracting Debt System
CEFMS	Corps of Engineers Financial Management System
CFO	Chief Financial Officer
CFO Act	Chief Financial Officers Act of 1990
CGAC	Common Government-wide Accounting Classification
CIP	Construction-in-Progress
CONUS	Continental United States
COTS	Commercial Off-the-Shelf
CRM	Customer Relationship Management

DAE	Defense Acquisition Executive
DAI	Defense Agencies Initiative
DARPA	Defense Advanced Research Projects Agency
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
DDMS	Defense Debt Management System
DEAMS	Defense Enterprise Accounting Management System
DeCA	Defense Commissary Agency
DepSecDef	Deputy Secretary of Defense
DERP	Defense Environmental Restoration Program
DFAS	Defense Finance and Accounting Service
DHS	Defense Health Program
DIA	Defense Intelligence Agency
DIMHRS	Defense Integrated Military Human Resources System
DISA	Defense Information Systems Agency
DLA	Defense Logistics Agency
DoD	Department of Defense
DON	Department of the Navy
DPAS	Defense Property Accounting System
DSS	Defense Security Service
DUSD(FM)	Deputy Under Secretary of Defense (Financial Management)
ECSS	Expeditionary Combat Support System
EBS	Enterprise Business System
EFD	Enterprise Funds Distribution
ERP	Enterprise Resource Planning
ETP	Enterprise Transition Plan
FACA	Federal Advisory Committee Act
FAD	Fund Authorization Document

FBWT	Fund Balance with Treasury
FCS	Future Combat Systems
FECA	Federal Employees Compensation Act
FEMA	Federal Emergency Management Agency
FFMIA	Federal Financial Management Improvement 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
FMLC	Financial Management Leadership Council
FMLOB	Financial Management Line of Business
FMS	Foreign Military Sales
FMTT	Financial Management Transformation Team
FSM	Facilities Sustainment Model
FV BEP	Financial Visibility Business Enterprise Priority
FY	Fiscal Year
GAAP	Generally Accepted Accounting Principles
GAO	Government Accountability Office
GCSS	Global Combat Support System
GFEBBS	General Fund Enterprise Business System
GF	General Fund
GL	General Ledger
GPP&E	General Property, Plant and Equipment
GPRA	Government Performance and Results Act
HPO	High-Performing Organization
IG, DoD	Inspector General, Department of Defense
IGT	Intragovernmental Transactions
IPA	Independent Public Accountant or Independent Public Accounting
IT	Information Technology
ITS	International Treasury Service
IVAN	Intragovernmental Value Added Network

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
MHS	Military Health System
MOCAS	Mechanization of Contract Administration Services
MPIAP	Military Pay Improvement Action Plan
MTF	Medical Treatment Facilities
MV BEP	Materiel Visibility Business Enterprise Priority
NISP	National Industrial Security Program
NSN	National Stock Numbers
OCONUS	Outside the Continental United States
ODO	Other Defense Organization
OFFM	Office of Federal Financial Management
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
OUID	Organization Unique Identifier
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
PL	Public Law
PMA	President's Management Agenda
PP&E	Property, Plant, and Equipment

PSA	Principal Staff Assistant
PSI	Personnel Security Investigation
RCRA	Resource Conservation and Recovery Act
RFP	Request for Proposals
RPIR	Real Property Inventory Requirements
SABRS	Standard Accounting, Budget and Reporting System
SAFE	Single Army Financial Enterprise
SALE	Single Army Logistics Enterprise
SARA	Superfund Amendment and Reauthorization Act
SDS	Standard Depot System
SecDef	Secretary of Defense
SES	Senior Executive Service
SF	Standard Form
SFIS	Standard Financial Information Structure
SMA	Service Medical Activities
STANFINS	Standard Finance System
TMA	TRICARE Management Activity
TMOP	TRICARE Mail Order Pharmacy
TROR	Treasury Report on Receivables
TSEAS	Telecommunications Services and Enterprise Acquisition Services
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
USSGL	United States Government Standard General Ledger
USSOCOM	United States Special Operations Command

WAWF	Wide Area Work Flow
WCF	Working Capital Fund
WHS	Washington Headquarters Services
WIA	Wounded in Action