



# ***Audit Committee Newsletter***

***First Quarter 2008***

## ***FIAR Plan Delivered to Congress***

The Office of the Secretary of Defense (OSD) Financial Improvement and Audit Readiness (FIAR) Directorate released the latest version of the FIAR Plan to Congress and the Office of Management and Budget (OMB) in October 2007. The Plan detailed the change in audit preparation strategy from a financial statement line item approach to a business process segment approach. DON updated key milestone plans to align with the strategy change were included in the FIAR Plan. Copies of the plan are available on the ASN (FM&C) website (<http://www.finance.hq.navy.mil>).

OSD has begun planning for the March 2008 version of the FIAR Plan.

## ***Upcoming FIP Conference***

The Department of the Navy (DON) Office of Financial Operations will host a DON Financial Improvement Program Conference on January 8th and 9th at the Pentagon. The Conference will be directed at senior leadership of the Major Commands, including the Executive Directors and Comptroller. The message of the Conference is accountability for financial information. Anticipated speakers include Secretary Winter and Assistant Secretary Brook.

## ***Internal Controls Over Financial Reporting (ICOFR) Enters its Third Year***

The DON has begun preparing its deliverables for compliance with Appendix A of OMB Circular A-123, Management's Responsibility for Internal Control. As in the two previous fiscal years, the DON continues to work toward complying with the requirements of the circular through the discovery and correction efforts of the DON Financial Improvement Program. This year, OUSD(C) did not require any additional focus areas but encouraged the components to improve their process documentation and control testing for the previous years' focus areas.

## ***FY 2007 Annual Financial Report***

The Department of the Navy (DON) Fiscal Year (FY) 2007 Annual Financial Report, *Transformation: Balancing Today's Fight and Tomorrow's Force*, was published in early November 2007. The FY 2007 report includes an

overview of DON strategic performance in terms of FY 2007 enterprise-wide objectives; a discussion of financial condition and results of operations for the DON General Fund and Navy Working Capital Fund (NWCF); and the financial statements and related notes for the DON GF, NWCF, United States Marine Corps General Fund (USMC GF), and NWCF-Marine Corps (NWCF-MC). Although the report provides a separate presentation of Marine Corps financial statements and related notes, the FY 2007 DON GF and NWCF financial statements are still consolidated statements, meaning that the line item values include dollar values from the USMC GF and NWCF-MC. An online version of the report will soon be available at <http://www.finance.hq.navy.mil>.

## ***USMC Preparing for Limited Scope Audit***

The USMC will move to audit and examination of a very significant portion, if not all, of its financial statements during FY 08. Both the audit and examination exercises will be carried out under the same rules of IG and auditor independence and include an independent opinion for the functions covered. In order of priority, the following will be done: (i) an audit of the combined statement of budgetary resources (SBR), (ii) an examination of the reconciliation process of the Fund Balance with Treasury (FBWT), (iii) an audit of the of the changes or 'ins and outs' for FY 08 for all of the balance sheet line items which comprise the 'statement of changes in net position' financial statement, (iv) and examination's of the beginning balances for Real Property, Personal Property and Military Equipment for FY 08. This would set the stage for a full audit of all financial statements in FY 09 and may even qualify the USMC for a 'qualified' opinion on its consolidated financial statements.

Although the USMC is fully confident that these goals can be achieved for processes controlled by the USMC, in FY 08, they remain concerned that entities upon which they depend for auditable services may not be able to adequately support these goals. They are also concerned that certain GAAP/FMR related policy issues may not be settled in time for these goals to be realized. The implementation of imputed cost accounting required by GAAP is an example. They are working hard to support partners in the discharge of their responsibilities to support the USMC in these areas.

***Next Audit Committee Meeting:  
5 December  
1400 – 1530  
Pentagon Room 4C355***