



# ***Audit Committee Newsletter***

***Third Quarter 2007***

## ***FIAR Modifies its Approach to Audit Readiness***

The Office of the Under Secretary of Defense, Comptroller (OUSD(C)), in collaboration with the Department of Defense (DoD) Components, and the DoD Office of the Inspector General (OIG), has modified its approach to audit readiness. Elements of this new approach include financial statement lines (under former audit strategy), business processes, and system interdependencies. In September 2007, OUSD(C) will release an updated version of the Office of the Secretary of Defense (OSD) Financial Improvement and Audit Readiness (FIAR) Plan, which will include additional information on the revised audit strategy.

## ***DON Adopts "Segments" Approach***

In response to the revised OUSD(C) audit strategy, DON has revised its FIAR Plan to include "segments." A segment is a material component of the Enterprise-wide financial environment that remains constant. Examples of a segment include: (1) a financial statement line; (2) a group of related lines; (3) a sub-line; (4) a business process; or (5) an entity. The Secretary of the Navy will review and coordinate updates to the revised DON FIAR Plan in September 2007, which will include an executive overview of the DON FIP and the Marine Corps Financial Improvement Initiative. The Plan will also include updated versions of the Key Milestone Plans for audit assertion. DON expects to release its updated FIAR Plan on September 30, 2007.

## ***DON Prepares to Submit 2007 SOA***

The DON will submit its annual Statement of Assurance (SOA) to OUSD(C) on September 1, 2007. This document, signed by the Secretary of the Navy, is an opportunity for DON major assessable units to self-report on their internal controls over business, administrative and financial processes. This year, DON is reporting four new material weaknesses and three unresolved material weaknesses from a prior year. Additionally, DON is reporting material weaknesses related to internal controls over financial reporting, which were obtained through the efforts of the DON Financial Improvement Program and from internal control tests performed in accordance with OMB Circular A-123, Appendix A. A copy of the 2007 DON SOA will be available at [http://www.fmo.navy.mil/mic/soa\\_index.htm](http://www.fmo.navy.mil/mic/soa_index.htm).

## ***NAVAIR ERP Plans to "Go Live" in October***

Naval Air Systems Command (NAVAIR) is on schedule to implement Navy Enterprise Resource Planning (ERP)

Increment 1.0 on October 1, 2007. Navy ERP will give NAVAIR a full suite of tools to perform their business functions. To date, three of the five planned mock data conversions have been completed. Mock 4 will be completed on August 17, 2007 and Mock 5 will be completed by the end of September 2007. FMO, the Defense Finance and Accounting Service, and NAVAIR will have a practice validation session in late September 2007.

## ***Marine Corps Progresses toward Audit Readiness***

The Marine Corps continues to progress toward audit readiness. The Marine Corps Critical Process Tracking Team, which includes representatives from Headquarters Marine Corps, DON, OUSD(C), and DoD OIG, has moved forward with its Plan of Objectives and Milestones, established at the April 2007 Audit Summit. Three Marine Corps field audit summits occurred in the July-August timeframe. Additionally, the Team is developing ways to integrate the audit process with business process improvement vis-à-vis Lean Six Sigma. The Marine Corps currently plans to be in a position to make a decision as to its audit readiness assertion no later than February 2008.

## ***In The News ...***

Noteworthy items that have transpired since our last audit committee meeting include the following:

- **2007 Revision of "Yellow Book"** – On July 27, 2007, the Government Accountability Office issued the 2007 revision of *Government Auditing Standards*, also known as the "Yellow Book." The 2007 revision is effective for financial audits and attestation engagements beginning on or after January 1, 2008. A copy of the revised "Yellow Book" is available at <http://www.gao.gov>.
- **DIACAP in Effect** – Effective last July, the DoD Information Assurance Certification and Accreditation Process (DIACAP) superseded DoD Information Technology Security Certification and Accreditation Process (DITSCAP) (DoD Instruction 5200.40). DIACAP applies to any DoD system that collects, stores, transmits or processes unclassified, sensitive, or classified information during the lifecycle phases of acquisition, operation and sustainment. Upon expiration of DITSCAP certificates, DoD systems must be certified under DIACAP. A copy of the DIACAP DoD Instruction is available at <http://iase.disa.mil/ditscap/signed-diacap-memo.pdf>.

***Next Audit Committee Meeting: 29 August, 1500-1630, Pentagon 4C355***