Office of Financial Operations (FMO)
Behaviors that Impact Audit Readiness
Fact Sheet

What

Members of the DON engage in day-to-day actions (behaviors) to successfully execute their jobs. While preparing for audit readiness, the DON has encountered certain day-to-day behaviors that may negatively impact the successful assertion of the DON's financial statements in 2017.

Why

The behaviors that most commonly have an adverse affect on auditability are also avoidable. By understanding these behaviors and their impact, all employees can do their part to support audit readiness.

How

Example	Impact	Mitigating Actions
Behavior Issue: Missing Documentation		
▪ Types of documentation frequently missing are: – Hard copy receipts – Receiving reports – Invoices – Authorization forms (e.g., DD 577, Warrants, DOA) – System access forms	▪ Documentation not properly retained (either via email, stored as an electronic file, or hard copy), and / or available at the time of inspection, prevents retrieval of a complete audit trail ▪ When documentation is not available, it undermines an auditor's ability to validate justification for a financial transaction	▪ Retain all documentation indefinitely (as of FMO guidance issued in Oct 2011) ▪ Create SOPs in your office for both hard copy and electronic storage / retention
Behavior Issue: Incomplete / Incorrect Documentation		
▪ Frequently occurring documentation issues include: – Missing signatures – Missing dates – Out of date information (e.g., name or duty location changes) – Missing line of accounting (LOA) elements	▪ Incomplete or incorrect information invalidates documentation and the integrity of the audit trail ▪ Incomplete or incorrect LOA information makes connecting each document within an audit trail difficult and sometimes impossible	▪ Make sure documentation is completed with all required information ▪ Update documentation as soon as personnel changes are made
Behavior Issue: Untimely Document Submission and Approval		
▪ Common timely submission and approval issues are: – Time & Attendance (T&A) is not submitted or approved in accordance with T&A regulations – Travel vouchers: ▪ Travel authorizations including flights are not approved at least 72 hours before departure ▪ Receipts for expenses over $75 are not submitted ▪ Cancelled travel is not cleared from DTS records	▪ T&A not submitted in a timely manner understates the financial obligation for personnel costs ▪ Trips without timely authorization are not obligated in the financial system properly ▪ Trips not cancelled in DTS result in an overstatement of obligations and tie up funds that could otherwise be utilized	▪ Learn the T&A regulations and requirements ▪ Submit T&A on time ▪ Submit travel authorizations in a timely manner to ensure authorization is given at least 72 hours <u>before</u> departure ▪ Submit vouchers and receipts as soon as travel is completed ▪ Submit a receipt for <u>all</u> expenses over $75 ▪ Clear all cancelled trips from DTS
Behavior Issue: Unsubstantiated / Incorrect System Access		
▪ Common system access issues include: – User access forms do not match access level – Access level does not align with position description – Evidence of required training for system access is missing	▪ Without appropriate controls for granting, monitoring, and revoking system access, users could intentionally misuse the system or inadvertently make user mistakes that proper access levels would prohibit. ▪ Auditors cannot validate that systems are only accessed by individuals with proper authority	▪ Learn the policies and training requirements for system access ▪ Make sure access forms match the appropriate access level ▪ Retain documentation providing evidence of training for system access
Behavior Issue: Unsubstantiated or Timely Invoicing / Billing		
▪ Frequently occurring invoicing / billing issues include: – Obligations not recorded within 10 days of award – Receiving report, invoice, or cost vouchers not provided – 3-way match not performed and documentation retained	▪ Obligations not recorded within 10 days is a violation of FMR guidance ▪ Transactions lacking support (i.e., through receiving report, invoice, or cost vouchers) become "hard errors," causing a direct financial impact to the system ▪ A transaction or balance is potentially considered invalid or fraudulent if the 3-way match is not conducted and documented	▪ Record all obligations within 10 days of award ▪ Conduct 3-way match in accordance with available guidance ▪ Retain receiving reports, invoices, and cost vouchers in a readily accessible manner

When

The time to change behaviors is now. To prepare for DON financial auditability by 2017, all employees should know the common behaviors to avoid and the correct procedures required to sustain an audit ready environment.

Where

Where is additional information on audit readiness available?
Additional information about the DON's current efforts to achieve audit readiness can be found via the following link:
http://www.fmo.navy.mil/AuditReadiness/audit_readiness_information_center.html