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## DEFENSE FINANCIAL IMPROVEMENT AND AUDIT READINESS

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### ***Defense Audit Readiness News***

#### ***June 2012***

*Bob Hale often describes Secretary Panetta's highly visible support for achieving audit readiness as a "golden opportunity". I've been giving that idea a lot of thought lately, and as I watched the Secretary deliver an all-hands video message on audit readiness, I began to realize the magnitude of that opportunity. We always knew the financial community couldn't do this alone, and now all of DoD is listening. It's incumbent on us to keep moving forward, to share our successes as well as our mistakes, to answer questions and anticipate needs, to create tools that help others help us overcome our challenges and achieve success. We've been working hard. We know what we need to do. And with so many people – from the field commander to the front office – asking about audit readiness, it feels as though we, as a Department, will soon be able to say, "we've got this." Thank you for all you do.*

*Mark Easton  
Deputy Chief Financial Officer (DCFO)*

#### Upcoming Events

- ✧ **June 13** – FIAR Subcommittee Meets
- ✧ **June 28** – ODO Subcommittee Meets
- ✧ **June 29** – FIAR Committee Meets

#### ✧ **Secretary Delivers All-Hands Audit Readiness Message:**

In a videotaped message to all-hands, Secretary Leon Panetta declared the Department's effort to become audit ready a Department-wide priority. Calling for all DoD personnel to manage their books as tightly as they manage their operational mission, the Secretary listed three things everyone should do right away:

1. Check expense information for accuracy and completeness, and be sure expenses are entered into the right financial system.
2. Treat every dollar as if it was your own.
3. Build accurate, complete, and reliable property, equipment, and supplies records, and turn in unused equipment.

First shown to the over 500 people participating in the May 23, 2012, SES Town Hall, the video message is available under HOME on the DoD Financial Improvement and Audit Readiness public website at <http://comptroller.defense.gov/FIAR/>. All personnel are encouraged to watch the video.

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✧ **All Hands on Deck as Senior Executives Gather for Audit Readiness Town Hall:**

More than 500 gathered in-person and online for the first SES Town Hall on achieving DoD audit readiness. Hosted by the Deputy Secretary of Defense and the Under Secretary of Defense (Comptroller), the meeting called on leaders with audit readiness responsibilities to push the word down that audit readiness is an all-hands effort.

Outreach efforts such as the town hall meeting are important, Carter said, “because we’re trying to [reach] people who don’t do this for a living but who are necessary to execution to do what they need to do in many hundreds of locations at many hundreds of command levels.” The Deputy Secretary acknowledged that leadership wanting it to be so is not enough, referring to audit readiness as a “decentralized execution,” and added, “It has to perfuse the institution... But I don’t have any doubt we can succeed. I think we’re on the right path to do so.”

Carter also presented a video message from Secretary Panetta (see story page 1) before introducing USD(C) Hale who spoke to the details of auditability and took questions from the auditorium audience. The under secretary explained the requirements and the plan for achieving auditability in



Deputy Secretary Carter addresses Town Hall audience.

terms those outside the financial community can understand and recognized organizations that have already made major progress. Hale delineated four things each manager needs to do:

1. Find out where you are and what you need to accomplish.
2. Create a specific plan for getting there.
3. Identify resources to make it happen.
4. Monitor progress regularly using tools such as the Commander’s Checklist.



Secretary Panetta delivers video message.

“If each of you accomplishes these tasks that I’ve outlined, we will succeed in our financial improvement and audit readiness efforts,” cautioning “the opposite is also true. ...The success of this is in your hands. We’ve got to get this out of the comptroller community and into the hands of our commanders and our senior managers.” Hale concluded his remarks by saying, “I’m counting on your dedication and management skills to translate the goals you heard Secretary Panetta express and Secretary Carter express into reality.”

The full one-hour Town Hall meeting is available under HOME on the DoD Financial Improvement and Audit Readiness public website at <http://comptroller.defense.gov/FIAR/>.

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✧ **May 2012 FIAR Plan Status Report Issued to Congress:**

The Department joined the “go green” movement and, for the first time, electronically delivered the May 2012 Financial Improvement and Audit Readiness (FIAR) Plan Status Report to Congress on May 15. Introduced with a personal message from Secretary Panetta, the Report reflects the impact of the Secretary’s steadfast commitment to reaching auditability and restoring the public’s faith in DoD stewardship.

The Report includes a compilation of the Financial Improvement Plans of the Military Services and Defense Agencies, and the newly included Service Provider plans. It also highlights significant accomplishments of the Department, which are measured via financial statement audit opinions, audit readiness assertions for assessable units, and metrics.

In FY 2011, Department reporting organizations with unqualified audit opinions received almost \$112 billion in budgetary resources, more than the combined budgetary resources under audit in 15 of the 24 individual CFO Act federal agencies. The chart below lists Components that achieved audit opinions on their FY 2011 financial statements.

<b>FY 2011 Unqualified Audit Opinions</b>
U.S. Army Corps of Engineers - Civil Works
Defense Contract Audit Agency
Defense Commissary Agency
Defense Finance and Accounting Service
Defense Information Systems Agency - Working Capital Fund
Military Retirement Fund
Office of the Inspector General
TRI CARE Management Activity - Contract Resource Management
<b>FY 2011 Qualified Audit Opinion</b>
Medicare-Eligible Retiree Health Care Fund

Assertions on audit readiness demonstrate the Department’s continuing progress toward overall auditability. In FY 2012, 10 assertions on assessable units of the Statement of Budgetary Resources and assessable units of mission critical assets for existence and completeness were made. The Air Force asserted to existence and completeness of Operating Materials & Supplies for Spare Engines and Missile Motors and six Defense Agencies made nine other audit readiness assertions.

The May 2012 FIAR Plan Status Report is available to view and download on the FIAR public website at [http://comptroller.defense.gov/fiar/documents/FIAR\\_Plan\\_May\\_2012.pdf](http://comptroller.defense.gov/fiar/documents/FIAR_Plan_May_2012.pdf).

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✧ **Checklist Helps Commanders Get Audit Ready:**

The idea of readiness pervades everything we do at the Department of Defense. We plan and prepare for an array of situations, and we check and double check procedures and equipment before setting out on any mission. Our mission to achieve audit readiness should be no different, and with the distribution of the Commander's Audit Readiness Checklist, commanders and directors throughout the Department now have a tool for ensuring their commands and directorates are able to produce complete, accurate, and reliable records needed for audit.

The Commander's Audit Readiness Checklist addresses seven major uses of funds: Appropriations, Reimbursable Orders – Acceptor, Military Pay, Civilian Pay, Major Contracts and Vendors, Interagency Purchases, and Supply Requisition (MILSTRIP). A checklist for existence and completeness of assets is also included. Checklist steps are organized around funding and asset lifecycles. During an audit, the Department documents the status of funds at each phase of the funding lifecycle. Commanders are being asked to distribute the checklist to the respective responsible organization for each use of funds addressed by the checklist. Each organization then completes the steps in the checklist and retains documentation that every step was performed. By completing the checklist, Commanders ensure they have the records needed to make sound resource decisions and the Department has the records needed to succeed in coming audits.

The Commander's Audit Readiness Checklist was distributed to the heads of the Defense Agencies. Each Military Service also distributed a checklist. An overview, instructions for use, and checklists for major use of funds and existence and completeness are available for downloading at <http://comptroller.defense.gov/FIAR/cmdersChklist.html>.

✧ **ASMC hosts Professional Development Institute:**

Hosted by the American Society of Military Comptrollers, the National Professional Development Institute (PDI) was held last week in Anaheim, California, with this year's theme highlighting "Professionalism in Action." Resource managers from the Department of Defense and U.S. Coast Guard, and many others, convened for the three-day training event. USD(C)/CFO Robert F. Hale served as the opening keynote speaker, and several workshops throughout the week addressed audit readiness. A more full report on the PDI will be included in the July edition of Defense Audit Readiness News.

This newsletter is a publication of the Department of Defense Financial Improvement and Audit Readiness Directorate, Office of the DCFO, OUSD(C). To submit an article, suggest content, add individuals to the mailing list, or have an email removed, please contact [AuditReadiness@osd.mil](mailto:AuditReadiness@osd.mil).