
DEFENSE FINANCIAL IMPROVEMENT AND AUDIT READINESS

Defense Audit Readiness News

July 2012

I had the pleasure of being with many of you at ASMC's PDI at the end of May. It's always re-energizing to be with so many knowledgeable people dedicated to DoD success. In the workshop I led "The FIAR Value Proposition...or Why do we really need to do this?" I spoke to how audit readiness, which has been the catalyst for financial improvement, continues to reveal value beyond what we imagined. So, what can you do to help deliver that added value? At the PDI, I outlined four things everyone should be doing to help deliver FIAR Value:

- 1. Challenge the status quo,*
- 2. Envision the opportunities,*
- 3. Communicate the kinds of actions needed within your organization, and*
- 4. Lead the change moving forward.*

If each of us continues to challenge, envision, communicate, and lead, we will together realize the full value of our efforts and maximize resources to support mission success. Thank you for all you do.

*Mark Easton
Deputy Chief Financial Officer (DCFO)*

Upcoming Events

- ✧ **July 4** – Federal Holiday
- ✧ **July 11** – FIAR Subcommittee Meets
- ✧ **July 16** – ODO Subcommittee Meets
- July 27** – FIAR Governance Board Meets

✧ **Unqualified Opinions Issued**

The Air Force received an unqualified opinion from the DoD IG on the Existence, Completeness, and Rights of the Department of the Air Forces' Aircraft, Intercontinental Ballistic Missiles, Satellites, Cruise Missiles, and Aerial Targets. The examination accounts for approximately \$86 billion, or 41 percent of Air Force mission critical assets and 14 percent of DoD mission critical assets.

The Department of the Navy received an unqualified opinion from the DoD IG on the Existence, Completeness, and Rights of the Department of the Navy's Aircraft. The examination accounted for approximately 29 percent of Military Equipment value.

DISA received an unqualified opinion on the SSAE 16 audit of the system supporting the delivery of hosting services to user entities for the period October 1, 2011, to April 30, 2012.

✧ Audit Readiness Recurring Theme at PDI



USD(C) delivers keynote address.

Over 3,000 attended “Professionalism in Action,” the American Society of Military Comptrollers’ (ASMC) 2012 Professional Development Institute held in Anaheim, California, May 30 – June 1. Under Secretary of Defense (Comptroller) Robert F. Hale addressed the attendees in one of six general sessions. During his remarks, Hale discussed the Department’s FY 2013 budget proposal, which calls for \$61 billion in spending cuts through FY 2017, and warned of the devastating effect sequestration could have on the Department’s ability to meet its mission. What happens next is “up to Congress,” Hale said, but Defense remains committed to its plans to reduce costs and improve financial information.

To drive home Secretary Panetta’s commitment to achieving auditable financial statements, Hale showed the Secretary’s video message to all hands in which he calls DoD personnel to “manage your books as tightly as you manage your operational mission” (http://comptroller.defense.gov/VIDEO_TS/SECDEFAccountabilityMsg.wmv). Hale echoed the conference theme, “Professionalism in Action,” with an overview of the DoD Financial Management Certification Program. Other general session speakers included Sean O’Keefe (former Secretary of the Navy, and former DoD Comptroller and CFO) and Lt. General Russel Honoré, (Ret.) U.S. Army.

Audit readiness was a recurring theme throughout the event and was a focus in many of the over 100 workshops offered. Workshop slides that have been made available to ASMC have been posted at <http://pdi2012.org/program-information-and-schedule/slide-decks/>. Additionally, access to 70 sessions and other information is available for the next 11 months to those who register for the Virtual PDI through the ASMC website. Still can’t get enough? Check out ASMC’s Facebook page for pictures.

Have an idea? We welcome submissions. Please keep in mind:

- Articles average 500 words. Fast Facts and Events are also accepted.
- Submissions are due on the 15th of the month for the following month’s edition
- Articles may be edited and returned to you for final review
- Submissions and suggestions should be emailed to AuditReadiness@osd.mil

❖ **FIAR Committee Holds Virtual Meeting on milBook**

The FIAR Committee's June meeting was, for the first time, conducted *virtually* using FIAR Group Discussions on milBook. Deputy Chief Financial Officer Mark Easton started the discussion and challenged participants to have "the same robust discussion here that we normally have at our face-to-face meetings." To guide the meeting, slides were posted under Documents. Easton included discussion points and questions for each group of slides in his email inviting committee members to join the discussion. The discussion will be kept open for FIAR Committee members to comment through July 3. For instructions on how to join the FIAR Group on milBook, see Stay Connected on the FIAR website at <http://comptroller.defense.gov/FIAR/stayConnected.html>.

Not yet a member of the FIAR Group on milBook? Here's some more of what you missed:

- A discussion on Travel Accounting Policies and Audit Readiness
- An updated FIAR Training Syllabus and Schedule
- New *In Brief: Commander's Checklist*

❖ **What's the difference between a Trading Partner and a Service Provider?**

A trading partner is an agency, department, bureau, or other federal entity that is party to an arms-length intragovernmental transaction with another federal entity. The basic distinction between a trading partner and service provider is whose funds pay the provider of the goods or services:

- If the providing agency uses its own funds to deliver goods or service to the ordering agency, then the providing agency is a *trading partner*.
- If the providing agency uses funds from the ordering agency to deliver goods or service to the ordering agency, then the providing agency is a *service provider*.

For example, DLA asks USACE to complete a Facility Condition Assessment at a nearby facility. Using its own resources, USACE performs the service and bills DLA for the cost. In this example, USACE is a trading partner to DLA. Now suppose DLA is appropriated funds to build a new distribution center in Germany. DLA re-allocates those funds to USACE to build the center. The funds originate with DLA as the ordering agency but are transferred to USACE. In this example, USACE is a service provider.

During an audit, the agency ordering the service must process and support a trading partner transaction in the same way they would process and support a transaction with a commercial entity. If, however, the transaction is completed as a service provider, then testing of the service provider controls must be completed.

Some transactions with trading partners are arms-length transactions, such as reimbursable MIPRs, reimbursable orders, and MILSTRIPS transactions. However, trading partner transactions do not include, sub-allotments, direct cite MIPRs, and other direct cite agreements.

✧ **Certification Program Sharpens Workforce:**

Submitted by the Financial Workforce Management Office, OUSD(C)

Today's DoD financial managers are generally well trained, but a DoD-wide framework is needed to guide professional development and adapt to future requirements. Without a framework, it's difficult to identify new skills and training requirements. Additionally, new people entering the career field may not know what they should be learning at each step of their careers. The DoD Financial Management (FM) Certification Program, proposed by USD(C) Robert F. Hale and supported by the 2012 National Defense Authorization Act, is designed to provide the Department with a well-trained financial management workforce and enhance the new work culture. The DoD FM Certification Program will be mandatory for all DoD military and civilian FM employees and can be extended to other financial management career series. The program is being designed by Military Service and Defense Agency financial leaders, who will have the lead in implementing the program.

As in the DoD Acquisition Workforce, every military and civilian FM position will be coded with a certification level. The level of certification will be based not on the skills of a particular incumbent, but on the increasing scope and complexity of the work required by the FM position from certification level 1 through level 3. Each of the three levels requires the incumbent to complete certain DoD FM courses based on the DoD FM enterprise-wide competencies. Additionally, courses in leadership, audit readiness, fiscal law, and ethics are required to achieve minimum levels of experience. Test-based certifications, such as the CPA, CDFM, or CGFM, as well as college degrees, are recommended at level 1 and strongly recommended at certification levels 2 and 3. Also, one must maintain their certification by completing 40 to 80 continuing professional education units every two years to help ensure everyone remains current in their profession.

A common question is, "What's in this new program for me personally?" The DoD FM Certification Program will provide you a basis for requesting the training and professional development you need to continue to sharpen and continuously improve your skills. It will also provide a structured framework for what you need to do at each step in your career, and it will provide incentives for our DoD schools to offer courses that match the needs and competencies required in your job. Becoming a DoD certified financial manager will increase your contributions to improving DoD's audit readiness and overall financial management. To follow the progress of the DoD FM Certification Program, visit the CAC-enabled DoD FM Online at <https://fmonline.ousdc.osd.mil>.

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.