

Defense Audit Readiness News

August 2012

The long hot summer of 2012 is half over and audit readiness activities continue to intensify. In this edition, you'll see how audit readiness was demonstrated within one of our major Naval aviation weapons system, allowing us to approach the larger challenge of all large contract pay activity. We're also beginning to see activity in the field as the Air Force—from sunny Hawaii to the heartland in Ohio—practically applies the Commander's Checklists, which Deputy Secretary Carter and our CFO, Bob Hale, alluded to in our recent SES Town Hall. Army will soon begin a major examination of 10 of their field activities that are using their new business system, GFEBs. The remaining elements of the Department, what we refer to as the 4th Estate, have stated they are ready for an audit of their appropriations received. Who says summer is a slow time?

As I talked to many of you at the PDI, I emphasized the need for us to communicate clearly, both within our FM community and to our traditional business partners. We need everyone to be part of the team and to understand what they need to do. The articles that follow try to do just that, while also reflecting the commitment of these organizations to improving audit readiness and to sharing lessons learned. Keep the lessons coming in!!

*Mark Easton
Deputy Chief Financial Officer (DCFO)*

✧ **Lessons Learned Will Help Air Force Sustain Military Equipment Audit Readiness**

Submitted by the Air Force Audit Readiness Directorate

The Air Force recently earned a clean opinion from the DoDIG on its Military Equipment existence and completeness audit readiness assertion. More importantly, they learned some valuable lessons ensuring they can sustain that accomplishment. The 552d Air Control Wing (ACW) and 76th Maintenance Wing (MXW), which provide maintenance, logistics, training, and combat support for a variety of Air Force and Navy aircraft, were the focus of the DoDIG's examination of 89 aircraft. Wing personnel answered questions, provided follow-up information, and demonstrated commanding knowledge of the processes, systems, and controls for aircraft. As important as it is to

Upcoming Events

- ✧ **August 6** – FIAR Service Provider Working Group Meets
- ✧ **August 8** – FIAR Subcommittee Meets
- ✧ **August 16** – FIAR ODO Subcommittee Meets
- ✧ **August 24** – FIAR Committee Meets

know your business, it's equally important to know the objectives of an inspection by understanding the information being requested. Mr. Don Davis, an air logistics center comptroller, and the team shared lessons learned from the 552nd ACW and 76th MXW:

Individuals must understand the entire process and be familiar with the documents relating to the ownership, location, and condition of the assets. Some examples include delivery receipts, inspection and receiving reports, requisition and invoice/shipping documents, project action/assignments forms, and flight authorization letters.

The distribution officer must also know the status and location of all aircraft assigned, permanent transfers, temporary transfers, terminations, transient aircraft, program depot, TDY, and deployed. They should provide and explain any possession purpose identifier codes for aircraft not in a combat support or combat capable status. Immediately prior to an auditor's arrival, the distribution officer should print a current maintenance operations center listing of the assets showing their status and location and be prepared to access the system and allow the auditors to validate for themselves that maintenance actions have been documented and asset statuses changed in a timely manner.

Finally, units should review rules and regulations for the proper inventory, status and utilization reporting, programming, assignment, distribution, accounting, and termination of aircraft. Also, the team recommended a daily scrub of aircraft assigned on station per the local rules and regulations.

The 552nd ACW and 76th MXW know their stuff, and the IG completed its site visit ahead of schedule and issued a clean bill of health on the existence and completeness of Military Equipment.

✧ **Navy MDAP Gets Clean Opinion**

Independent auditors have given the Navy's audit readiness assertion for General Fund Schedule of Appropriation Status by Fiscal Year, Program, and Subaccounts related to the E-2D Advanced Hawkeye Major Defense Acquisition Program (MDAP) for fiscal years 2008, 2009, and 2010 a clean opinion. Although the scope was narrow, the examination holds implications for the entire organization. "We tend to think of audits as large and episodic," commented DoD Deputy Chief Financial Officer Mark Easton at the exit conference. "But audits are really part of the day-to-day process. It's these smaller scale examinations that reveal where the whole organization needs to make adjustments." Those involved in the audit listed five areas that contributed to success:

1. Tone at the top sustained – when auditors went for support, they got it.
2. Navy Budget Office (FNB) involved throughout.
3. Audit people on board in Navy ERP program office.
4. Training provided up-front.
5. Navy Audit Readiness Tool improved to organize more quickly and with more specificity.

Leadership is currently reviewing the Management Letter, and more information may follow.

✧ **Airmen at All Levels Getting Audit Readiness Message**

Submitted by the Air Force Audit Readiness Directorate

Audit readiness is no longer a headquarters-only issue with the Air Force. Since Secretary Panetta's October memorandum directing the Services to accelerate audit readiness, there has been a dramatic increase in the level of interest and awareness in audit readiness. Many of our Air Force MAJCOM Commanders have written directly to their Airmen stressing the importance of audit readiness and their commitment to lead the way.

"The Air Force is fully committed to this effort. My intention is that Air Education and Training Command lead the way; and, in our cost conscious culture, we ensure taxpayer resources are properly allocated and accounted for in our mission to recruit, train and educate Airmen" – Edward A Rice, Jr. General, USAF, Commander AETC.

"We are all entrusted to effectively manage Air Force resources, to include accurate and timely recording of financial information and accountability for assets." – William L. Shelton, General, USAF, Commander AFSPC.

"The Air Force's ability to undergo and obtain a clean audit opinion of our financial statements is a direct reflection on how well we manage the entire Air Force. Success in achieving this will only be realized through the combined efforts of Airmen at every echelon of command." – Gary L. North, General, USAF, Commander PACAF.

These letters are the first step; the challenge is translating the Commander's Intent into actions - identifying control weaknesses and applying corrective actions. Two MAJCOMs provide good case studies in proactive leadership and initiative:

Pacific Air Forces

Our PACAF team led by Col Larry Rice, Ms. Stephani Fortin, MSgt (sel) Susan DeJesus, and MSgt Felmer Navarro were concerned that the Senior Airmen and junior NCOs did not have a good understanding of their role in audit readiness. The team determined that the best way to educate someone on audit readiness was to put them through a mock audit in an area they can relate to and one which is a large element in the overall Air Force effort – Military Pay.



L to R: Ms. Stephani Fortin, MSgt (sel) Susan DeJesus, MSgt Felmer Navarro, Col Larry Rice

The PACAF team worked with the Air Force Accounting and Finance Office and developed a list of acceptable documentation supporting various entitlements. For example, Air Force members requesting BAH and/or Overseas Housing Allowance must complete AF Form 594 and provide a copy of their lease or mortgage statement. If BAH with dependents are claimed, then those dependents must be verified by documents such as marriage certificates for spouses and birth certificates for children. Finally, the data must be consistent and the AF 594 filled out completely and accurately.

Recognizing that the objective was to educate our Financial Service Offices (FSO) staff on audit readiness, the team relied on a limited test sample at each of PACAF's nine bases. The sample was large enough to provide lessons learned and insight into the state of AF Military Pay documentation without diminishing the FSO's ability to serve their customers. The team incorporated lessons learned from earlier assertion efforts including validating that Certifying Officers Letters of Appointment were current, documentation was consistent, timely, and completed accurately. PACAF's work will familiarize military pay technicians with the audit process and identify training areas to ensure Airmen are paid more accurately and move the Air Force toward our 2014 goal.

Air Force Materiel Command



L to R Front Row: Tracy Stanley, Jayson Wrona, David Kreklau, Stella Speranza Middle Row: Sara Connolly-Somich, Mike Eberle, Cheryl Graham, Ron Myer Back Row: Steve McIntosh, Teresa Hill, David McKenney, Celeste White, Steve Northenor, Julio Gonzalez

Far from the palm trees at Joint Base Pearl Harbor Hickam, the AFMC team located at Wright Patterson AFB is also stepping forward to ensure the Air Force successfully asserts our Funds Distribution to Base. Along with the Army and Navy, the Air Force received a clean opinion on our Budget Authority assertion last year. However, the opinion only covered the receipt and distribution of funds down to our Major Command level. One of the auditor recommendations was to establish controls and procedures allowing the Air Force to track funds distributed all the way down to the base level where they are executed.

Policy changes were published and controls including a standard document numbering system were put in place to establish an audit trail reaching all the way to base level. In March, we tested the new controls and found out that they were not operating as effectively as required. We neglected the People element of the equation (People, Process, and Systems). The Headquarters Air Force FIAR

team held a series of lengthy calls with the MAJCOMs culminating in a working group session at Andrews AFB in June to discuss the testing results and policy changes.

Armed with a clear understanding of expectations, the audit readiness team at AFMC led by BG Mark Brown, Don Kendrick, Tim Edwards and Mike Eberle communicated the documentation standards to their field organizations and collected recently processed funding documentation to conduct their own mock audits. Senior leadership was engaged in the review process and communicated policy changes, supporting documentation requirements and testing criteria as well as lessons learned. AFMC will help lead the Air Force to our next assertion.

These two cases reveal important lessons for us going forward. First, is the need to involve Airmen at all levels in our audit readiness efforts. They need to understand their role in audit readiness and many times that is best communicated to them through actual or mock audits. Second, it is not enough to simply conduct tests, but we need to build an effective method of communicating back lessons learned and specific details on test exceptions.

❖ **November FIAR Plan Status Report**

Work on the November 2012 FIAR Plan Status Report will soon begin. The first step is to finalize the outline and issue the data call to the Components. “The layout for the November Report will be very much like the May Report,” said Steve Tabone. “The new sections on Service Provider Audit Readiness and OSD Oversight and Management were well received as were the new tri-chart and quad-chart layouts. We will follow a similar layout and be asking the Components to update their information beginning in mid-August.” The schedule, outline, and information needs will be on the August FIAR Committee’s and Subcommittee’s agenda.

❖ **Not yet a member of the FIAR Group on milBook? Here’s some of what you missed:**

- Blog Posting: DoD IG Releases Report on ERPs
- Document: Summary Talking Points for SSAE16 Civilian Pay and Military Pay Status
- Poll: Audit Readiness and Social Media – Vote now!

See “Stay Connected” at <http://comptroller.defense.gov/fiar/stayConnected.html> for instructions.

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