

DEFENSE FINANCIAL IMPROVEMENT AND AUDIT READINESS

The Commander's Audit Readiness Checklist In Brief

While financial reporting is the responsibility of Comptrollers, the actual financial events are the result of actions in our logistics, acquisition, personnel and other communities. It is the responsibility of each Commander and Director to ensure all elements of their organization have the controls and record keeping in place to become audit ready. Commanders should begin readiness inspections of financial information as several cycles of inspection and training may be needed to achieve success. Audit ready financial information will help Commanders prioritize, eliminate inefficiencies, and maintain a high degree of excellence with fewer resources.



The image shows a thumbnail of the 'COMMANDER'S AUDIT READINESS CHECKLIST' table. The table has columns for 'Organizational Classification', 'Principles/Questions', and 'Status (Check Year or 'Yes')'. It includes a 'Military (Page 3 of 7)' section and various rows with 'Yes' and 'No' status indicators.

Using the Commander's Audit Readiness Checklist

The Commander's Checklist provides questions Commanders should ask leaders within their organization to ensure they have the records needed to make sound resource decisions and the Department has the records needed to succeed in coming audits. The checklist addresses seven major uses of funds and existence and completeness of assets. The major uses of funds are Appropriations, Reimbursable Orders – Acceptor, Military Pay, Civilian Pay, Major Contracts and Vendors, Interagency Purchases, and Supply Requisition (MILSTRIP).

Commanders should distribute the checklist to the respective responsible organization for each use of funds. Each organization then completes the steps in the checklist and retains documentation that every step was performed. Checklist steps are organized around funding lifecycles and asset lifecycles.

The Funding Lifecycle

Funds have a lifecycle just as other assets do. The Department must be able to report the status of funds as funds pass through their lifecycle. The Commander's Checklist helps ensure Commands have the documentation the Department needs at each stage of the funding lifecycle to support its financial statements during an audit.

The funding lifecycle example below uses terminology geared toward contracts and supply orders, but the same general lifecycle applies to the other major uses of funds, such as military pay.



The Funding Lifecycle

During an audit, each phase of the lifecycle for each major use of funds must be supported by documentation. For example, Funding Authorization Documents (FADs) support the amount of funding available in the first phase. Contracts support amounts in the Under Contract phase. Under the Goods and Services Received phase, receiving reports support goods received, and timesheets support services received from employees.

The Asset Lifecycle

In addition to funding resources, the Department receives, maintains, and disposes of physical assets. As the accountable entity for real property, inventory, operating material and supplies, military equipment, and general equipment, Components are required to track and report on assets throughout their lifecycle. The Commander's Checklist provides a general checklist based on the asset lifecycle that can be applied for any type of physical property held by a command.



The Asset Lifecycle

As with an audit of the funding lifecycle, each phase of the asset lifecycle must be supported by documentation. For example, contracts, invoices, and receiving reports support an organization's rights to the assets in the Receiving phase. Periodic physical inventory counts support the existence of assets during the Continual Management phase. Under the Sales, Issuances, Disposals phase, sales or disposal documents show assets were appropriately removed from the accountable property system of record.

Accessing the Commander's Checklist

This Commander's Checklist was distributed to the heads of the Defense Agencies. Each of the Military Services 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>. Links to information on the Services' audit readiness efforts are also provided.

With each Command giving the control of money the same attention it gives other important assets, the Department will certainly achieve Secretary Panetta's audit readiness goal. For support using the Commander's Checklist contact the Command's Defense Finance and Accounting Services representative or the Office of the Undersecretary of Defense (Comptroller), Financial Improvement and Audit Readiness Directorate at AuditReadiness@osd.mil.