

Working toward audit readiness

Matthew Montgomery | DCMA Public Affairs



UNITED STATES DEPARTMENT OF DEFENSE



Financial Improvement and Audit Readiness (FIAR) Guidance

The Financial and Business Operations Executive Directorate, Chief Financial Officer

Compliance Division, known as FBL, is currently working to prepare the Defense Contract Management Agency’s \$1.4 billion budget to be audit ready. This will bring the agency into compliance with the Chief Financial Officers Act, which requires all federal agencies to obtain a Clean Audit Opinion of financial statements from an independent auditor.

“One key to making a budget work in any fiscal environment, but especially now, will be streamlining overhead, eliminating waste, and improving our business practices – ensuring that we are operating in a common sense, accountable, and modern business environment,” stated Leon Panetta, secretary of defense, in his Improving Financial Information and Achieving Audit Readiness memorandum. “We must improve financial information and move toward auditable financial statements.”

The purpose is to ensure government agencies are held to higher standards than private industry, and provide the public with greater confidence when it comes to financial accountability of government organizations. “The internal emphasis is going to be on proper Time and Attendance procedures and document retention throughout the agency, as well as headquarters-specific processes, such as accepting reimbursable (Military Interdepartmental Purchase Requests) and using contracts,” said Keith Gudgel,

FBL director.

Panetta's intent is for the entire DOD to be audit ready by 2014. To assist agencies with completing this task, the Office of the Under Secretary of Defense, Comptroller, published the Financial Improvement and Audit Readiness, or FIAR, plan.

The plan provides an overarching roadmap for addressing areas which will be subject to audit. According to the FIAR website, the guidance "provides the strategy and standard methodology, as well as the step-by-step approach for discovery and evaluation; documenting, testing, and strengthening controls; and achieving an audit ready systems environment."

This guidance provides the framework, but it is up to the organizations to test current procedures and then implement corrective actions, when necessary, to ensure compliance. FBL is working to prepare for the audit since they are the functional component for the agency, and tasked with submitting well documented assertion packages to the Office of the Secretary of Defense for approval and certification.

"These packages contain the flows, narratives, risk control matrices, test plans and results to demonstrate positive assurance that our financial statements

accurately represent the financial transactions," said Gudgel.

To prepare the packages, FBL divided the agency into eight sub-assessable units to enable them to better understand and conquer the tasks more efficiently. "We have different leads for each unit within our office assigned to make sure requirements are met and information is submitted as required," said Martha Brown, DCMA CFO Compliance Division staff accountant. "Some of these requirements overlap and we have people working on multiple units as needed."

The sub-assessable units are appropriations received, civilian pay, contract pay, vendor pay, reimbursable authority, fund balance with treasury, other budgetary activity and financial reporting. The first two major areas of concern were appropriations received and civilian pay.


Gudgel said these were identified as being extremely important to the agency since knowing how much money the agency receives, and accounting for money spent, is key to making sound business decisions. "Civilian pay is vital because it represents 84 percent of the entire DCMA budget," said Brown.

"The FIAR plan provides guidance on

each step an agency must go through to meet the standards for achieving audit readiness," continued Brown. "It outlines the six-step methodology, which includes discovery, corrective action, evaluation, assertion, validation and audit, which must be completed for all of our assessable units."

Once the methodology is completed for each of the units, an assertion package is submitted. This provides OSD with the necessary information to determine when areas are ready for audit. So far, FBL has submitted information ahead of the deadlines. They have recently received correspondence from the Office of the Under Secretary of Defense, Deputy Chief Financial Officer, that the DCMA Appropriations Received and Funds Distribution process is likely ready for audit.

The letter served as a reinforcement of the hard work conducted so far. "I think we are well on the way to being audit ready by 2014," said Gudgel. "It's not going to be easy, but working together, DCMA can achieve this."

Look for subsequent articles which will highlight the sub-assessable units and provide updates as the agency works toward the 2014 deadline. 

Defense Contract Management Agency Director Charlie E. Williams, Jr., recently released a video detailing the agency's responsibility for the Defense Financial and Audit Readiness Plan. In the video he details the roles and expectations of agency personnel. Pamela Conklin, Financial and Business Operations/Comptroller executive director, also appears in the video and provides specific guidance on audit readiness and how it applies to everyday functions such as Time and Attendance procedures.

"This is about improving the agency's processes and controls in order to protect taxpayer's dollars," said Williams. "As we request documentation, it is a part of our overall control mechanism. We're doing so to access those processes and controls, which then allows us to know if they support the DOD financial statement."

The video can be viewed here:

<https://home.dcma.mil/CBT/Media/video/FIAR/FIAR.html>

