



SECRETARY OF THE ARMY  
WASHINGTON

INFO MEMO

09-01-16 14:24 OUT

FOR: SECRETARY OF DEFENSE

FROM: Eric Fanning, Secretary of the Army

A handwritten signature in black ink, reading "Eric K. Fanning", is written over the printed name.

SUBJECT: 2016 Statement of Assurance on Internal Controls as Required Under the Federal Managers' Financial Integrity Act of 1982

- The Army is responsible for establishing and maintaining effective internal controls to meet the objectives of the Federal Managers' Financial Integrity Act (FMFIA). TAB A provides specific information on how the Army conducted the assessment of operational internal controls, in accordance with Office of Management & Budget (OMB) Circular A-123, *Management's Responsibility for Internal Control*, and provides a summary of the significant accomplishments and actions taken to improve the Army's internal controls during 2016.
- The Army is able to provide a qualified statement of reasonable assurance that operational internal controls of the Army meet the objectives of FMFIA based on the four unresolved material weaknesses described in TAB B. These weaknesses were found in the internal controls over the effectiveness and efficiency of operations and compliance with applicable laws and regulations, as of the date of this memorandum. Other than these material weaknesses, internal controls were operating effectively.
- The Army conducted an internal review and assessment of the effectiveness of the internal controls over the integrated financial management systems. Based on the results of this assessment, the Army is able to provide a qualified statement of reasonable assurance that the internal controls over the integrated financial management systems as of June 30, 2016, are in compliance with the Federal Financial Management Improvement Act and OMB Circular A-123, Appendix D, based on the two material weaknesses noted in TAB C.
- The Army also conducted its assessment of the effectiveness of internal controls over financial reporting in accordance with OMB Circular A-123, Appendix A, Internal Control over Financial Reporting (ICOFR). Based on the results of this assessment, the Army is able to provide a qualified statement of reasonable assurance that the internal controls over financial reporting as of June 30, 2016, were operating effectively, based on the 28 material weaknesses noted in TABs D-E. The Fiscal Year 2015 Schedule of Budget Activity audit has identified eight new ICOFR material weaknesses. The findings associated with the weaknesses have assisted the Army in mapping out the corrective actions required to address the material weaknesses identified in the audit swiftly. The Army continues to show progress in strengthening the internal control environment through leadership involvement, Army Headquarters, and Army Command immersion in addressing corrective action requirements and audit readiness training efforts. The ICOFR assessment is based upon a

review of key control objectives supporting the Statement of Budgetary Resources. For Army Civil Works Funds, I am able to provide an unqualified statement of assurance based on the unmodified audit opinion achieved in Fiscal Year 2016.

Attachments

As stated

Prepared by: Mr. Wesley C. Miller, 703-693-2758

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**DEPARTMENT OF THE ARMY**  
U.S. ARMY AUDIT AGENCY  
OFFICE OF THE AUDITOR GENERAL  
6000 6<sup>TH</sup> STREET, BUILDING 1464  
FORT BELVOIR, VA 22060-5609

SAAG-ZA

1 September 2016

MEMORANDUM FOR Secretary of the Army

SUBJECT: Attestation Review of the FY 16 Army Managers' Internal Control Program (Project: A-2016-FMR-0168.000), Attestation Report: A-2016-0121-FMR

1. We reviewed implementation of the FY 16 Army Managers' Internal Control Program (MICP). The Federal Managers Financial Integrity Act of 1982 and DoD Instruction 5010.40 (Managers' Internal Control Program Procedures) require this program. An attestation review is substantially less in scope than an examination, the objective of which would be expressing an opinion on the implementation and sufficiency of the Army's MICP. Accordingly, we do not express such an opinion.

2. We found nothing to indicate that the Army didn't continue its efforts to successfully implement MICP. Senior Army leadership remained committed to a program that facilitated establishing and maintaining effective internal controls, assessing areas of risk, and correcting material weaknesses. In FY 16, the Army provided qualified statements of assurance over its operational internal controls, financial reporting, and financial systems. However, reporting organizations had significant challenges complying with key operational and financial internal controls. To increase the Army's assurance in its system of internal controls in future years, organizations must take significant action and maintain focus on improving their compliance with key controls.

a. Army leaders demonstrated their commitment by:

- Conducting quarterly meetings of the Senior-Level Steering Committee/ Senior Assessment Team to review ongoing program issues and to work toward correcting previously reported material weaknesses in Army-level nonfinancial operating, financial reporting, and financial systems.
- Holding quarterly meetings of the Army Audit Committee to review and discuss results of monthly testing and exams related to audit readiness, as well as providing updates to the Vice Chief of Staff, Army on the needed corrective action plans with all Army principal commands.
- Maintaining an Army internal control portal on Army Knowledge Online (AKO) and an email network of commands and Headquarters, DA internal control administrators to provide internal control information and guidance, as well as to address issues in a timely manner.

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SUBJECT: Review of the FY 16 Army Managers' Internal Control Program (Project: A-2016-FMR-0168.000), Attestation Report: A-2016-0121-FMR

- Maintaining a user-friendly accountability and audit readiness AKO site with valuable information on internal control self-assessments and on improving controls for audit readiness.
- Taking action to assess and improve internal controls essential for successful audits of the FY 16 General Fund Schedule of Budgetary Activity and all FY 17 Army financial statements. For example, the Army developed corrective action plans to address weaknesses identified during the FY 15 Schedule of Budgetary Activity audit and continued monthly testing on balance sheet assets.
- Employing internal audit capabilities to identify and correct internal control weaknesses. Leaders continued to ask us to audit areas of concern.
- Continuing to work to implement our recommendations in a timely manner. As of 07 July 2016, Army organizations reported 283 unimplemented Army Audit Agency recommendations—a 26-percent increase from the 224 unimplemented recommendations reported as of 29 July 2015. Of these 283 recommendations, only 41 exceeded their originally agreed-to target dates for implementing corrective actions by 6 months or more. We periodically notify you and your principal leaders of overdue unimplemented recommendations to maintain a sharp focus on this area.

b. In addition, actions taken by the Accountability and Audit Readiness Directorate in the Office of the Deputy Assistant Secretary of the Army (Financial Operations) continued to positively affect the overall program. The directorate's actions included:

- Providing computer-based MICP training to key Army internal control personnel, enabling them to more easily identify and access needed training.
- Identifying, reporting, and monitoring material weaknesses. During FY 16, the Army reported 34 uncorrected material weaknesses (4 operational, 28 financial reporting, and 2 financial system weaknesses). The directorate continued to actively monitor the status of these weaknesses and assist material weakness owners in ensuring timely resolution. During the year, the Army downgraded one material weakness—oversight of service contracts—to a reportable condition. Additionally, five new financial reporting weaknesses were reported and two financial system weaknesses were merged into one weakness based on results of the FY 15 Schedule of Budgetary Activity audit.
- Providing periodic updates to the Army Audit Committee and to the Vice Chief of Staff, Army during strategic readiness updates.
- Requiring the use of the Army Commanders' Audit Readiness Checklist to assess and report in the Annual Statement of Assurance the effectiveness of

control activities over the Statement of Budgetary Resources and existence and completeness of assets.

3. Although senior Army leadership remained committed to a program that facilitated establishing and maintaining effective internal controls, assessing potential risk areas, and correcting material weaknesses, some activities demonstrated challenges complying with internal control processes and procedures. Our review of the Army's compliance with key operating and financial internal controls through regularly scheduled audits showed that about 49 percent of the controls we evaluated were in place and operating.

- Three audits in the past year had objectives focused on efforts by organizations to become audit ready and their implementation of the MICP. For one audit, we determined that one command provided effective oversight of operational and financial internal controls through its MICP and implemented effective controls over its audit readiness efforts. However, for the other two audits, we identified opportunities to improve implementing MICP, as well as needed policy changes for managing and tracking equipment to meet audit readiness requirements. The audits included reviewing internal testing, which determined that the organizations continued to struggle with becoming audit ready with an average pass rate of 71 percent (below the 95-percent goal) during the period reviewed. The audits also identified challenges with documentation support for MICP and inconsistencies between contract provisions and regulations over government-furnished equipment.
- About 49 percent of operational and financial internal controls we evaluated during our 115 audits (with reports issued 1 July 2015 through 30 June 2016) were in place and operating. In our previous five MICP review attestations, we reported that the percentage of internal controls that were in place and operating ranged from 39 percent to 46 percent. Many of the audits we perform are requests from Army leaders based on their concerns or from our risk analysis. Thus, there's a greater likelihood of internal control weaknesses. Therefore, we can't make an overall conclusion on the status of internal controls Army wide from these audits. However, these percentages show that there are still challenges for Army organizations in ensuring that key internal controls are in place and operating.

4. We also provided input on updating internal control-related content in various Army regulations and continued to provide recommendations to help the Army develop solutions to various issues. Specifically:

- We reviewed 76 regulations and determined that functional proponents could better meet requirements in AR 11-2 (Managers' Internal Control Program) by ensuring that the regulations include the terminology or format provided in AR 11-

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SUBJECT: Review of the FY 16 Army Managers' Internal Control Program (Project: A-2016-FMR-0168.000), Attestation Report: A-2016-0121-FMR

2, as well as a process to evaluate whether key internal controls are in place and being used as intended.

- We noted needed improvements for 15 regulations that had statements that addressed internal controls, but didn't use the correct terminology; and 11 regulations that didn't include processes to examine whether controls were in place and being used as intended.



5 Although significant opportunities for improvement exist, we didn't identify any problem areas sufficiently material to affect your opinion on your annual assurance statement for the Secretary of Defense on the status of managers' internal controls in the Army.



RANDALL L. EXLEY  
The Auditor General

## U.S. Army Audit Agency Mission

We serve the Army's evolving needs by helping senior leaders assess and mitigate risk, and by providing solutions through independent auditing services. We do these things for the benefit of American Soldiers and civilians, their families, the Army, and our Nation.



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Serve Proudly Because. . .*

- . . .defending the security of the U.S. and our Allies is central to protecting our way of life and our freedom.*
- . . .thousands of Soldiers have already sacrificed or are continuing to risk THEIR lives on battlefields like Iraq and Afghanistan and in dangerous training exercises to protect OUR lives and freedoms.*
- . . .Army civilians—including our own Agency auditors—and contractors have also risked, and continue to risk, their lives by deploying to theaters of war to support our Warfighters.*
- . . .our efforts to make programs and policies more effective and efficient and to fight fraud and save funds benefit the Soldiers, civilians, families, and Army leaders we serve.*
- . . .every dollar of waste and fraud we help Army avoid can be used to better train, equip, logistically support, and protect our Soldiers in combat, give them a technological edge on the battlefield, help keep them safe, and bring them home sooner.*
- . . .every efficiency we help the Army achieve helps provide our Soldiers' families with the high-quality housing, health care, and other support they deserve while our Soldiers are deployed.*
- . . .our efforts protect the Army's reputation and credibility, enabling it to argue more effectively for needed resources.*
- . . .what we do for our Soldiers and civilians, their families, and our Army, we do for ourselves, our families, and our Nation.*

### To Suggest or Request Audits

To suggest or request audits, contact the Strategic Audit Planning Office of the Principal Deputy Auditor General at 703.545.5882 or email [usarmy.pentagon.hqda-aaa.mbx.audit-requests1@mail.mil](mailto:usarmy.pentagon.hqda-aaa.mbx.audit-requests1@mail.mil).

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## **TAB A-2**

### **DESCRIPTION OF THE CONCEPT OF REASONABLE ASSURANCE AND HOW THE EVALUATION WAS CONDUCTED**

#### **Guidelines for the Evaluation**

Army senior leaders evaluated the system of internal accounting and administrative controls in effect during the fiscal year ending September 30, 2016, in accordance with the guidance provided in OMB Circular A-123, "Management Accountability and Control," as implemented by DoDI 5010.40, "Managers Internal Control Program (MICP) Procedures." The OMB guidelines were issued in consultation with the Comptroller General of the United States, as required by the "Federal Managers' Financial Integrity Act (FMFIA) of 1982." Included is an evaluation of whether the system of internal accounting and administrative controls for the Army complies with standards prescribed by the Comptroller General.

#### **Objectives of Reasonable Assurance**

The objective of the Army's system of internal accounting and administrative controls is to provide reasonable assurance that:

- Obligations and costs comply with applicable law;
- Programs achieve their intended results;
- Assets are safeguarded against waste, loss, unauthorized use, and misappropriation;
- Revenues and expenditures applicable to agency operations are recorded and accounted for properly. This ensures accounts and reliable financial and statistical reports are prepared and accountability of the asset is maintained; and
- Programs are efficiently and effectively carried out in accordance with applicable law and management policy.

#### **Concept of Reasonable Assurance**

The evaluation of internal controls extends to every responsibility and activity undertaken by the Army and applies to financial, administrative, and operational controls. The concept of reasonable assurance recognizes that the cost of internal controls should not exceed the expected benefits. The expected benefits and related costs of internal control measures are addressed using managerial judgment. Internal control problems may occur due to inherent limitations, such as resource constraints, congressional restrictions, and other similar factors. Future projections made as a result of any evaluation may be affected by changes in conditions or deterioration of procedural compliance over time. The Army's statement of reasonable assurance is provided within these limitations.

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### Evaluation

The overall evaluation was performed in accordance with the guidelines above as well as information provided by external sources such as the GAO, DoDIG, Army Inspector General, USAAA, and SBA audit report prepared by KPMG. The results indicate that the Army's system of internal accounting and administrative controls, in effect during FY 2016, complies with the requirement to provide reasonable assurance that the objectives mentioned above were achieved, except as identified in the listed weaknesses.

#### Determination of Reasonableness

The Army's approach to internal controls is based on the fundamental philosophy that all commanders and managers have an inherent internal control responsibility. All Army headquarters officials and functional proponents are responsible for establishing sound internal controls in their policy directives and for exercising effective oversight to ensure compliance with these policies. Commanders and managers throughout the Army are responsible for establishing and maintaining effective internal controls over their operations and resources. This philosophy is soundly rooted in FMFIA, OMB, DoD, and Army policies. The Army's internal control program supports commanders and managers in meeting their inherent responsibilities by providing a process for implementing a comprehensive internal control program to include: identification of assessable units, establishment of a positive control environment, assessing risk, evaluating control activities, providing a communication framework, implementing and monitoring corrective actions, and developing and supporting an objective annual statement of assurance that fully discloses known material weaknesses (MWs).

Developing and supporting an objective assurance statement is accomplished through an evaluation process that clearly defines fundamental requirements, establishes accountability, and enables an effective method to detect report and correct recurring internal control deficiencies. In addition to these, the Army continued to emphasize ICOFR in compliance with OMB, Circular A-123, Appendix A.

Using the following processes for conducting the evaluation, the Army evaluated its system of internal and administrative controls and maintains sufficient documentation to support its evaluation and level of assurance. The process for conducting the evaluation of internal controls is on a continual basis and encompasses the items detailed below.

#### Positive Control Environment: "Tone at the Top"

- Senior Army leadership has consistently demonstrated strong support for the MICP at all levels within the Army. Here are some examples for HQDA:
  - o The Army's SLSG/SAT, a senior management council, as recommended by OMB Circular A-123, met quarterly during FY 2016 to review, discuss, and resolve internal control issues. This executive body is composed of general officers and senior executive service members representing all areas of Army operations. As part of their oversight duties, the SLSG/SAT reviewed on-going internal control issues and worked toward correcting previously reported MWs by developing a sound and jointly agreed upon action plan.

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- o Working with the SLSG/SAT, the ODASA (FO) personnel continue to monitor the status of open MWs and provide assistance to the MW owners to ensure timely resolution of the weaknesses by developing a sound and jointly agreed-upon scope of condition and action plan by representatives from the weakness owners' office and the USAAA.
- o Army Audit Committee, Co-chaired by the Chief Management Officer (CMO) and Assistant Secretary of the Army (Financial Management and Comptroller) (ASA(FM&C)), continued to meet on a quarterly basis to discuss the status of the Army's current year Schedule of Budgetary Activities audit and assist in the remediation of corrective action plans established from findings of the previous year's SBA audit that require guidance from the Business Mission Area owner. The levels of members of the audit committee are at the Assistant Secretary of the Army (ASA) and Deputy Chief of Staff (DCS).
- o Continued implementation of the Army Commander's Audit Readiness Checklist that requires commanders to report on the status of control effectiveness, testing results, and corrective action implementation.
- o Maintained an Army Internal Control Web site, an Internal Control portal on Army Knowledge Online (AKO), and an e-mail network of Commands and HQDA Internal Control Administrators (ICA) to provide internal control information and guidance, and address issues in a timely manner.
- o Continued coordination with the Office of the Under Secretary of Defense (Comptroller) to ensure the MICP include requirements of OMB Circular A-123 regarding Internal Controls over Financial Reporting and are aligned with the Chief Financial Officer's Strategic Plan and the Financial Improvement and Audit Readiness Plan.
- o Office of the Secretary of Defense (OSD) and Army Anti-deficiency Act (ADA) Program caseload is reconciled on a monthly basis and all preliminary and formal reports of investigation are reviewed to ensure that the reports are thorough, supportable, and compliant with Army and OSD policy. Reports of external audit agencies and Army data are analyzed for trends that indicate weaknesses in internal controls and additional measures are recommended to reduce recurrence of similar violations. Senior leaders are briefed on a weekly basis and ADA guidance for Army staff and commands is formulated, coordinated, and disseminated. Meetings and teleconferences with commands are conducted, as needed, to monitor the progress of investigations and manage the conduct of the ADA investigations.
- o Continued the Single Army Financial Enterprise (SAFE) Control Catalog of internal controls over financial systems established in 2014, a baseline of internal controls over financial systems was established and published using the General Fund Enterprise Business System (GFEB) Statement of Budgetary Resources controls. On a monthly basis, manual controls published by the Audit Readiness Directorate (ODASA-FO) are integrated with GFEB system controls.

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- o The Deputy Assistant Secretary of the Army (Financial Operations) (DASA(FO)) and the Deputy Assistant Secretary of the Army (Financial Information Management) (DASA(FIM)) continue to co-chair a weekly Federal Information System Controls Audit Manual status meeting. During each meeting, the DASA-FO and the DASA-FIM monitor the resolution the external independent public accountant and internal audit readiness findings.
- o The Deputy Assistant Secretary of the Army (Financial Operations) conducts a weekly CAP updates with SROs from both Feeder Systems and Army commands to review the progress of their CAP's in response to notices of finding and recommendations issued as a result of KPMG's external audit report.
- o The GCSS-A leadership is addressing deficiencies identified by an independent public accounting firm. The leadership's remediation plans include: 1) a weekly 100 percent review emergency firefighter role identification log; and 2) a monthly application security review of internal controls related to user accounts and role validation.
- o Held two Internal Review Steering Group meetings. Emphasized the importance of controls by sharing external audit reports that addressed internal control weaknesses.
- Strong "Tone at the Top" support for the Manager's Internal Control Program was also demonstrated throughout the Army. Here are some examples:
  - o The Auditor General distributed a message to all Agency personnel emphasizing the importance of the internal control program. The message reminded staff that safeguarding and protecting assets and information is the job of all Army personnel.
  - o The Executive Director, Arlington National Cemetery (ANC), has made it a top priority to make sure we have a clear Mission and Vision for today and the future. The ANC has developed the Program Lines of Effort to communicate the importance of ANC and the path forward as we prepare for ANC Beyond 2025. The Executive Director ensures that processes and procedures are implemented to ensure ANC sustains and continues building on progress made. The ANC holds Quarterly Town Hall meetings to administer mandatory training, discuss topics of importance, and to inform the entire workforce of what is going on in the life of the cemetery.
  - o The Deputy Chief of Staff (DCS), G-4, published in-depth strategic logistics guidance providing expectations and guidelines for logistics operations, strategy, and resource operations. The detailed guidance serves as a foundation to the G-4 Directorates in the execution of their respective mission requirements and internal controls.
  - o Corps of Engineers Financial Management System (CEFMS) has enabled the United States Army Corp of Engineers (USACE) to obtain eight consecutive Civil Works Financial Statement Unmodified Audit opinions from external, independent audit firms. Each of the unmodified audit opinions was endorsed by the DoDIG. During the course of the audit, the independent public accounting firm did identify a significant deficiency in the area of Financial Management Systems. The significant deficiency was remediated before the audit report was published. Thus, USACE leadership continues to demonstrate an enduring commitment to strong internal controls over CEFMS.

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- o Chief, National Guard Bureau (NGB), on 29 November 2015, established the National Enterprise Management Council (NGEMC). The purpose of the Council is to promote fiscal stewardship by strengthening the accountability and effectiveness of federal programs and operations by assessing, correcting, and reporting on Internal Controls. The NGEMC reviews NGB operational, programmatic, and policy issues identified through management internal controls and inspection reviews. The Council serves as the internal controls, strategic policy decision-maker driving key policy changes, and provides guidance to the Senior Management Council and to the Senior Assessment Teams (SAT).
- o Chaplain Corps migration into the Department of Defense (DoD) Financial Management Certification (FMC) program. The Director, Sustainment and Information, DACH, unveiled a new initiative to increase the core competencies of Chaplain Corps financial managers. On 22 March 2016, 142 Chaplain Corps resource managers (RM's) were enrolled into the certification process through the Learning Management System (LMS). The launch of the FMC program for the Chaplain Corps allows RM's 24 months to complete the certification process through DoD approved training courses. The FMC is nested with the Chief of Chaplains strategic and operational lines of effort, while keeping in mind the Army's model for financial readiness.
- o CIO/G-6 conducted Army-wide staffing of the draft Army Regulation (AR) 25-2, Army Cybersecurity, at the GO/SES-level in March 2016. The Cybersecurity Directorate Policy and Plans Division serves as the IT security policy lead for CIO/G-6 and maintains AR 25-2, Army Information Assurance, which is the Army's capstone regulation on IT security. The AR 25-2 has been revised to implement DoDI 8500.01, Cybersecurity, and DoDI 8510.01, Risk Management Framework for DoD Information Technology. The draft AR 25-2, now called Army Cybersecurity, is a concise, high-level policy document that clearly communicates the Secretary of the Army's (SA's) intent, expectations, and direction. It also establishes the Army's approach to managing cybersecurity risk, which comprises five concurrent and continuous functions: identify, protect, detect, respond, and recover. Department of Army Pamphlets will be staffed and published concurrently with this regulation. The DA Pamphlets under development include Identity and Access Management, Training and Certification, Information Assurance Tools, and the Risk Management Framework.
- o The Administrative Assistant to the Secretary of the Army (AASA), Analysis and Integration Cell orchestrated an intensive review and validation process for the Army's 40 DoD Executive Agent delegations. These are responsibilities the OSD has delegated directly to the SA, who in turn generally delegates the responsibility to a HQDA principal official. Many of these delegations date back a decade or more; in some instances, no record is available to document the SA's original delegation. This effort involves a coordinated, intensive review of each delegation from an organizational, functional, and legal perspective to revalidate not only the appropriate assignment of each function, but whether the necessity for an Executive Agent designation still exists. Colonel/GS-15 subject matter expert review is complete and legal review is well underway with a current goal of having a valid SA-endorsed delegation memorandum on file for each Executive Agent responsibility no later than the 1st quarter FY 17. This

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deliberate and methodical analysis will validate that Army resources are expended for DoD-wide support only in the event of genuine necessity and that missions assigned to the Army over decades remain valid.

- o The AASA also completed a comprehensive revision of AR 1-100 (The Army Gift Program), which was published on 27 July 2015, changing the title from “Gifts and Donations” to “The Army Gift Program” to provide guidance, pursuant to 10 U.S. Code 2601, for the acceptance, recording, reporting, and accountability of gifts to the Department of the Army General Gift Fund for the benefit of Army organizations and personnel. The revised regulation implements statutory and regulatory authorities applicable to the Department of the Army’s acceptance, recording, reporting, and accountability of gifts; adding an Appendix B, Internal Control Evaluation. In short, the updated regulation was critical to enhancing the Army’s ability to support and process gift donations with greater efficiency and assure compliance with prevailing statute. The revised guidance provides the SA and other senior leaders with greater visibility over gift acceptances across the Army, aligns the Gift Program with current Army accounting systems and fiscal controls, and strengthens reporting and audit readiness in relations to DFAS requirements. The new regulation was a catalyst that radically transformed the Gift Program and significantly improved its responsiveness, agility, and efficiency in prescribing policy for organizations to accept, record, report, and account for gifts offered to the United States Army.
- o The office of the Provost Marshal General (OPMG) conducted an internal control review of its GPC Program and verified that appointment, training, supporting documentation and monthly statement documentation are present and complete. An adequate Cardholder to Billing Official (BO) ratio exists; one Billing Official for two Cardholders. An alternate BO has been appointed for the two Cardholder accounts. The BO certifies the GPC statements within five days of billing cycle end. The new requirement for Property Book Officer (PBO) approval of purchases was added to processes and the organization’s SOP accountable property is documented by the (PBO). Independent receipt and acceptance by other than the cardholder was documented. The existing GPC SOP is currently under review and staffing.
- o The OPMG, U.S. Army Criminal Investigation Command Manpower and Force Development Division completed an analysis on accountability of contracts and documenting man-year equivalents. This analysis, assessed at the command-level by major function, compares the documented contractor man year equivalents, with the input to the Contracting Manpower Reporting Application data base. The contractor review will assist the Army in its effort to gain better visibility and accountability of the contractor workforce and to verify the appropriateness of the contracted functions.
- o Office of the Surgeon General/U. S. Army Medical Command (OTSG/MEDCOM) continued to stress the need for command and managerial emphasis of the MICP. Continuing development of internal control evaluation plans (ICEP) at multiple echelons of command, from HQ MEDCOM down to Major Subordinate Commands and other MEDCOM Activities. Using these ICEPs as the basis, we have performed, to date, 882 of 1,609 scheduled evaluations. Ongoing staff assistance visits (SAV’s) throughout the Command by the MEDCOM Internal Review Office, in conjunction with the

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organization inspection program (OIP), to assess the Managers Internal Control Program. These SAVs focus on ICEP development and execution, review of internal control evaluations and certification of results, preparation and submission of the annual Statement of Assurance, and Management's oversight of the program.

- o U. S. Army Africa (USARAF) experienced a turn-over rate of their Assessable Unit Manager's (AUM's) and ICA's rapidly leaving their MICP positions with little to no knowledge of the program. The G8 drafted a USARAF MICP policy with detailed instructions and training for the AUM and ICA. Templates were also updated and placed on SharePoint to help assist the FY17 AUM and ICA. The G8 ICA will be establishing quarterly inspections of the financial programs to ensure the AU ICA is actively assessing these high risk areas all year long. The G8 is combining the Audit Readiness and MICP to allow more emphasis to the program. The G8 ICA will monitor the appointed AU AUM and ICA to ensure new personnel are appointed and trained as needed. Documenting manager's inherent internal control responsibilities on support forms will continue to be emphasized as often as possible.
- o Army Materiel Command (AMC) Major Subordinate Commands (MSC) issued Command Emphasis memorandums to personnel emphasizing good stewardship of government resources. The Commanders empowered employees to practice effective and efficient internal controls to accomplish their mission and embed audit readiness in their daily business functions.
- o U. S. Army South (USARSOUTH) Assistant Chief of Staff, G3 provided the leadership, support, and developmental training opportunities to the G3 HQs staff, Division Chiefs/Deputies, and NCOICs to ensure that internal controls are in place and operating effectively. During weekly staff meetings, areas of concern are addressed, conditions identified, and guidance provided to correct these areas. Particular emphasis is placed on GTCC delinquency/misuse, DTS Voucher Submission, ATAAPS completions, concurrence, and certifications.
- o U. S. Army Test and Evaluation Command (ATEC) Commanders and directors are held accountable for applying the U.S. GAO standards for internal controls in the Federal Government and effectively managing programs to accomplish the mission. The command has established policies and directives in place that incorporate required business practices and internal controls for financial, administrative, and operational programs. The ATEC Commander's Corner Web site was developed to communicate information across the command. The site contains CG's personal messages to the workforce on ATEC mission priorities, strategic direction, Army initiatives and priorities, news, and events. Commander's Operations Order was issued to ensure compliance with Army Audit Readiness Program efforts and initiatives for the SBR and Existence and Completeness (E&C) of assets.
- o Military District of Washington (MDW) instituted a command policy on internal controls which addresses the commanders' responsibility for maintaining effective controls as well as emphasizing the benefits of an effective internal control process. An internal control SOP has been developed to lay out the detailed processes and procedures used in this command to maintain an effective internal control process. In addition to

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being sent directly to the staff and MSC, the policy is posted on the Portal for easy access.

- o U. S. Army North Atlantic Treaty Organization (USANATO) leadership concentrated on increasing awareness of internal controls through automation of internal control processes and tools, improved communications, sharing best practices among assessable units, and training. The intent was to increase awareness and strengthen internal controls within each work unit. Assessable Unit Managers issued guidance memorandums emphasizing the significance of effective internal controls and sound stewardship of the command's resources. The memorandums stressed the importance of performing internal control evaluations, identifying problems, and taking corrective actions as key elements of a successful program. The ICAs posted memorandums in common areas and ensured distribution to geographically separated organizations for maximum exposure. The USANATO leadership also distributed the memorandums to all subordinate commands and staff. To emphasize the significance of internal controls, staff posted pictures and articles of internal control failures on unit bulletin boards and on the MICP Web site.
- o U.S. Army Training and Doctrine Command (TRADOC) senior leaders were directly involved in the evaluation of internal controls. The TRADOC's leaders used the top-down approach to place emphasis on internal controls by using policy letters, SOPs, training, town hall meetings, staff meetings, newsletters, mentoring programs, process working groups, Inspector General Inspections, Army Commanders' Audit Readiness Checklists, and staff assistance visits.
- o U. S. Army Europe (USAREUR) Commander recognizes that along with good communication, leadership involvement and support are integral to the success of the MICP. The issuance of AER 11-2 and AE Pamphlet 11-2, implemented 25 August 2015, emphasized the Commander's support of the MICP and audit readiness efforts. They also provided a USAREUR timeline for internal control testing, corrective action, and sustainment. The regulation's outline roles and responsibility for all AUMs, ICAs, and staff personnel.
- o The USAREUR Chief of Staff issued an Army in Europe Circular emphasizing internal controls as a leadership responsibility and reporting requirement by stating the ASOA will meet the following necessities: "Accurately represent the organization's internal controls and support assertions of reasonable assurance and identify MWs where reasonable assurance cannot be provided." Internal controls promote the wise use of resources and deter fraud, waste, and abuse. In this current environment of budget constraints, internal controls are vital to maintaining good stewardship of these resources. As we transform, deploy, redeploy, reintegrate, and retrain to meet new and increasing demands on a smaller budget, the use of internal controls is more critical than ever. The USAREUR MICP applies to all members of this command and all leaders are to provide the necessary support to educate managers and personnel at every level to ensure they understand their internal control responsibilities and are aware of the high level of concern and commitment in this regard.
- o U. S. Army Pacific (USARPAC) Commanding General issued a memorandum on May 22, 2015, to all Major Subordinate Commanders, Principal Staff and Special Staff on the



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USARPAC FY 2016 Managers' Internal Control Program. The memorandum emphasized the accountability, responsibility, and importance of effective internal controls and command emphasis on several high visibility functional areas.

- o U.S. Army Forces Command (FORSCOM) Senior Leadership remained personally involved in internal controls and committed to the adherence of the Federal Manager's Financial Integrity Act (FMFIA) by all personnel in the Command. The leadership emphasized the importance of internal controls and reinforced the inherent responsibility to establish and maintain effective internal controls. The Commander directed that an explicit statement of responsibility for internal controls is included in the performance agreements of commanders, managers, supervisors, and the Internal Control Administrator responsible for the execution or oversight of effective internal controls, down to the lowest level. The leadership issued command guidance and emphasis on various internal control topics to include, but not limited to, equipment accountability, security clearances, anti-deficiency act violations, budget execution, and purchase card and travel card delinquencies. All operating sections were directed to conduct daily operations in conformance to the policies and procedures set forth in AR 11-2, Managers' Internal Control Program. Finally, internal controls were a frequent topic discussed at formal staff meetings to ensure all managers understood and applied the GAO standards throughout their respective areas of responsibility.

### **Risk-Based Program**

The Army recognizes the importance of establishing a risk-based internal control program, and has incorporated risk assessment in both regulatory guidance and training. The AR 11-2, Managers' Internal Control Program requires that functional proponents "determine, through risk assessment, the key internal controls." Risk assessments are also used as the basis to determine areas to be evaluated, and frequency of evaluations. Some examples are:

- Office of the Surgeon General/Medical Command (OTSG/MEDCOM) used a variety of organizational evaluation and assessment methods to support the statement of assurance. OTSG/MEDCOM used an OIP, risk assessments, functional team reviews, audits, inspections, investigations, staff assistance visits, and special reviews to ensure adherence to regulations, directives, and other policies. In the OIP, OTSG/MEDCOM incorporated assessments of the MICP. Both OTSG/MEDCOM also used evaluations scheduled on assessable units' ICEP to support their assessment of reasonable assurance.
- The U. S. Army Corps of Engineers (USACE) continues its Risk Assessment Board (RAB) working group. Comprised of volunteers from assessable units across USACE and chaired by the MICP Program Manager, members serve as advisors to the Program Manager on USACE MICP effectiveness and efficiencies in the context of risk and in accordance with OMB, GAO, DoD, and Army Guidance. The RAB discusses improvements for the USACE Managers' Internal Control Program process to recommend to the USACE SRO with a goal of improving USACE MICP components, management, and reporting.

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- The Office, Chief of Staff, Army, continues its Army Safety Coordinating Panel General Officer Steering Committee to oversee Army safety and occupational health strategic planning, initiatives, performance, and risk management continues synchronization with the Army vision. The panel continues to identify opportunities for integrating safety, occupational health, and risk management, while providing oversight in coordination of action plans that support Director of Army Staff and the Deputy Assistant Secretary of the Army for Environment, Safety and Occupational Health. Combat Readiness Center (CRC) Directors responsible for internal controls are also required to periodically assess and update their risk management program within their areas of expertise and to apprise the Command Executive Directors of any necessary revisions. To ensure the Chief of Staff and Secretary of the Army's guidance of having qualified safety directors at the Senior Army Headquarters and Command levels are followed, the CRC participated in rating candidates and selecting a Senior Army Safety Director; the Director of Safety for the AMC.

### Communication Framework

- Headquarters, Department of the Army, maintains a strong communication network through:
  - Maintaining an Army Internal Control Web site, an Internal Control portal on Army Knowledge On-line (AKO), and an e-mail network of Commands and HQDA ICA's to provide internal control information and guidance, and address issues in a timely manner.
  - Continued coordination with the Office of the Undersecretary of Defense – Comptroller, and Office of the Deputy Assistant Secretary of the Army Financial Operations Financial Reporting and Internal Review Directorates, to ensure the MICP includes requirements of OMB Circular A-123 regarding Internal Controls over Financial Reporting and are aligned with the Chief Financial Officer's Strategic Plan and the Financial Improvement and Audit Readiness Plan.
  - Distributing Army-wide Internal Control Program information through a variety of media sources such as internet, telephone, e-mail, video-teleconferences, briefings, Senior Level Steering Group/Senior Assessment Team meetings, working groups, newsletters, Resource Management Publications, and memorandums.
- Effective communication is also demonstrated throughout Army assessable units as follows:
  - The FORSCOM leadership maintains an e-mail network for all FORSCOM ICA's and Internal Review and Compliance Offices, and numerous other commands throughout the Army to disseminate MICP-related information quickly. The FORSCOM leadership also maintained an MICP Web site, which includes FORSCOM ICA directory, training and briefing materials, other resource materials, video teleconference schedule, training opportunities, Web site links, and other useful MICP information.

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- o U. S. Army Test and Evaluation Command (ATEC) Commander's Corner utilizes a Web site to communicate information across the command. The site contains CG's personal messages to the workforce on ATEC mission priorities, strategic direction, Army initiatives and priorities, news, and events.
- o The ODCS, G-3/5/7 continuously communicates information up and down and laterally throughout the G-3/5/7 Directorates through a variety of formats, strategic plans, policies, procedures, doctrine, directives, instructions, and memorandums. Many of these documents are posted on the G-3/5/7 Portal for easy access by G-3/5/7 personnel. The process and the structure for reporting and preparing the Internal Control Statement of Assurance increases upward communication of any issues and/or weaknesses within the organization. Personnel assigned to the G-3/5/7 are provided a Newcomer Orientation that specifies the mission, goals, and priorities of the G-3/5/7 and Directorates and includes the importance of internal controls and audit readiness.

### **Identification of Assessable Units**

- Assessable units reporting directly to HQDA (direct reporting organizations) are identified in regulation AR11-2, Army Managers' Internal Control Program, and updated when reorganization requires.
- There are currently 47 direct reporting organizations. A total of 1,539 assessable units were identified as subordinate reporting assessable units under the 45 reporting organizations.

### **Assignment of Responsibilities**

Internal control responsibilities are clearly defined and assigned in Chapter 1 of AR 11-2. Responsibilities are defined for all levels of implementation. Some examples of implementation follow:

- o The OASA(FM&C) maintained a framework for pinpointing responsibility and accountability to achieve Federal Managers Integrity Act objectives. The OASA(FM&C) established and maintained a network of ICAs to:
  - o Distribute Internal Control guidance and requirements.
  - o Provide training, instructions, and assistance to managers.
  - o Provide status of reported internal control weaknesses.
  - o Identify positions warranting inclusion of internal control responsibilities within job performance standards.
  - o Disseminate information on weaknesses (e.g., audits, inspections, and the media).
  - o Keep leadership advised to ensure a sound basis for the annual statement of assurance.

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### Reliance upon Subordinate Certification Statements

In FY 2015 supporting feeder statements were received from all 47 Army reporting organizations. In turn, reporting organizations also require feeder statements from their subordinate assessable units. For example, U. S. AMC's Headquarters Staff and MSC were tasked to submit input for the Commander's ASOA. These feeder reports contain information and data concerning the execution of the programs at the HQ and MSC level as well as a discussion of any MWs and/or areas of concerns found. The feeder reports were then consolidated and used in making an overall assessment of the command.

### Training

Training on the principles and practices of sound internal controls in achieving the objectives of the FMFIA occurred at all levels within the Army. Principal Officials of HQDA, ACOMs, ASCCs, and DRUs prepared FY 2016 assurance statements with documented evidence of internal control training completed by their activities. The following is a summary of internal control training initiatives for FY 2016:

- Office of the Assistant Secretary of the Army (Financial Management and Comptroller):
  - o Held monthly meetings with MW sponsors to ensure progress towards resolution. Continued to hold quarterly MICP video-teleconferences with representatives from all 47 direct reporting organizations to share the latest internal control requirements; regulatory changes; and to address all questions, concerns, and issues impacting the Army MICP.
  - o As of December 2015, the Army had trained over 25,000 personnel on Audit Readiness.
  - o Participated in workshops, seminars, and training sessions either as guest speakers or as instructors with Department of Defense, ACOMs, ASCCs, DRUs, and HQDA Principal Officials.
  - o Initiated daily, weekly, and monthly teleconferences with representatives from all ACOMs, HQDA Principal Officials, DFAS, OSD, and other key stakeholders to identify issues; develop corrective actions; and disseminate latest internal control requirements, regulatory, policy, or statutory changes and updates; and address all questions, concerns, and/or issues impacting the Army.
  - o Throughout FY 2016, ASA (FM&C) personnel continued use of the MICP computer-based training (CBT). The CBT consists of seven courses that pertain to the student's role in the Army MICP: 1) Internal Control Administrator; 2) Internal Control Administrator Refresher; 3) AUM; 4) SRO; 5) Army Manager; 6) Personnel Conducting Evaluations; and 7) Internal Controls in Army Regulations. All courses require students to register and complete an exam (70 percent pass/fail). Upon successful completion, the student receives a generated certificate of completion. Since 26 July 2010, almost 100,000 personnel have successfully completed the training. This training is available Army-wide at no cost through AKO on the Army Learning Management System (ALMS) portal.

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- Army Materiel Command provided Managers' Internal Control Program training through a variety of means, classroom, desk side briefings, local MICP conference, electronic briefing charts, and ALMS. A large majority of the electronic briefing chart training is provided through the AMC TED system. Additional training was offered through workshops for additional training on the Annual Statement of Assurance.
- A vital element in TRADOC's Internal Control Program was continuous and up-to-date training for all personnel involved in any aspect of the program. The TRADOC leadership continued its training at all levels to ensure that managers and employees were aware of their responsibilities for implementing an effective internal control program in all areas. The TRADOC ICAs provided desk-side assistance/training for commanders and other managers in their organizations, as well as one-on-one sessions for existing ICAs and as personnel turnover dictated. Over 7,000 personnel, different levels and capacities, including SRO, AUM, ICAs, attended developmental training.
- The USAREUR used numerous methods to conduct MICP training, which included desk-side and telephonic briefings, PowerPoint presentations, and e-mail updates. All briefings included leadership emphasis, detailed reviews of the ICEP, the FY 2015 Managers' Internal Control Program Annual Statement of Assurance and program overview, one-on-one discussions about unit-specific issues with the Managers' Internal Control Program, instruction on the revised HQDA computer-based training within the ALMS, and a thorough review of MICP documents needed to prepare the FY 2016 Annual Statement of Assurance. For personnel who could not attend the command ICA-sponsored training, the information was posted to the USAREUR MICP SharePoint web portal. Material posted included training presentations; ASOA guidance; the USAREUR ICEP; relevant DoD Inspector General, USAAA, and GAO studies; and several MICP references.
- The USACE leveraged the ALMS through AKO for role-based training. Along with ALMS, various training resources exist including graduate school and private sector courses. Role-based training was accomplished in accordance with Department of the Army (DA) guidance throughout USACE. Each ICA maintains a file of certificates and a training roster to document training within their Assessable Unit. The USACE Program Manager enhanced an existing briefing, encapsulating key points from the Army training information, and posted it to the MICP SharePoint site for use across USACE in case other training methods were unavailable or impractical. All annual training for Detroit, MI, District (including Internal Controls), for example, is scheduled into particular days solely devoted to mandated training for the entire District. This ensures District compliance and takes advantage of cost and manpower efficiencies created by handling all training in a set period of time. Training execution this year was impressive. In addition to the leadership demonstrated by ICAs across USACE to ensure required training was accomplished, the Jacksonville, FL, District ICA again trained over 800 people, virtually all District employees, to ensure everyone understood the importance of the MICP.

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### Tools and Techniques

The Army used numerous tools and techniques to implement the internal control program and processes. They included LSS, SharePoint, Balanced Scorecard, and other systems to streamline processes and reduce risk. A few examples from reporting organizations are included below.

- The DCS, G-4, established internal controls via its IT Portfolio Management. The internal control efforts included accounting for logistics systems in use across the Army, setting approved standards for the transformation of Army logistics systems, and providing reasonable assurance that obligations and costs comply with logistics transformation guidance and all applicable laws and regulations. Logistics Domain actions fall under OBT and ABC governance process.
- The U. S. Forces Command (FORSCOM). The Commander's Financial Management Health Report (FMHR) establishes the framework for the FORSCOM ICOFR Program and provides commanders with the knowledge and understanding required to enforce fiscal standards within their organizations through visibility, accountability, transparency, oversight and control of their financial information. The FMHR provides a monthly assessment of the command's overall financial readiness and is one more tool to assist in achieving full auditability. The 49 metrics within the FMHR assist commanders to measure progress objectively and reliably against the Army's overall financial performance goals. Further, the FMHR helps commanders understand what is transpiring in the financial systems on a given day and the risks "not met" metrics pose to audit readiness and the overall financial health of the command. The FMHR allows commanders to take deliberate action where and when appropriate within the systems to improve combat readiness, maximize buying power, improve internal controls, and to move toward unqualified auditable financial statements. This will ensure the public's continued trust and confidence in FORSCOM's ability to be exceptional stewards of taxpayers' dollars. The FMHR is a risk-based reporting tool comprised of two weighted categories: Auditability Risk and Current Year Funds Risk.
- The Assistant Chief of Staff for Information Management (ACSIM) holds quarterly status update meetings with the directorates to ensure regular review, analysis, and leadership emphasis in the areas of employee travel, conferences, and IT contracts. Additionally, the ACSIM holds monthly Performance Management Update meetings with OACSIM leadership and subject matter experts to ensure ongoing review, analysis, and leadership emphasis for budget and personnel actions, LSS projects, audit recommendations, information technology compliance, and MICP. These meetings ensure all directorates and divisions within the organization are working efficiently and effectively, and using good and accepted management control practices in these areas.
- Arlington National Cemetery's statement of reasonable assurance is based on SOPs and overarching programs such as our Annual Campaign Plan and Organizational Inspection Program. These controls help ANC, a U.S. Army DRU, comprised of Arlington National Cemetery and the U.S. Soldier's and Airmen's Home National Cemetery, monitor and ensure what needs to happen is actually happening every day. The ANC's most significant internal control accomplishments have been documented in the area of burial operations. Arlington National Cemetery is a place where Veterans and eligible Family members are

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laid to rest. When a Family member comes to visit, the Family should have the confidence knowing their loved one is the one they are coming to honor and visit. The Accountability/Quality Assurance and Burial Operations employees have worked to ensure prior and current graves have multiple individuals validate current burials with multiple checks. These auditable processes produce consistent and repeatable results, helping ensure ANC attains this non-negotiable remains chain of custody standard.

### **Use of Performance Standards**

The Army Regulation 11-2 mandates that supervisors must include an explicit statement of responsibility for internal controls in the performance agreements of commanders, managers and ICAs responsible for the execution or oversight of effective internal controls, down to and including assessable unit level. Implementation at the reporting organization level is illustrated below:

- o The ASA(FM&C) issued a memorandum to OASA(FM&C) SRO's detailing the requirement to include an explicit statement of responsibility in performance agreements of personnel with internal control responsibilities.
- o Army North SRO and AUMs were designated in accordance with AR 11-2, which emphasized the importance of the MICP and stressed the criticality of their involvement in the program. The responsibility for internal controls is included in the SRO's and AUMs performance agreement and is evaluated in the annual appraisal process.
- o Army Materiel Command included explicit statements of internal control responsibilities in performance agreements for the AUMs, ICAs, and SROs.
- o Forces Command ensured the Military and Civilian managers who meet the criteria outlined in Army Regulation 11-2 had explicit internal control responsibilities in their performance agreements.
- o The Assistant Secretary of the Army for Acquisition Logistics and Technology ensures statements of responsibility are in the performance standards of managers and personnel with specific responsibility for internal control. Managers are evaluated accordingly to emphasize the importance of those internal control responsibilities to ensure that accountability is maintained.

### **Mangers' Internal Control Program Instruction/Regulations**

- Assistant Secretary of the Army (Financial Management and Comptroller):
  - o The FY 2016 annual guidance on the preparation of the annual statement of assurance was distributed to all 47 direct reporting organizations on November 10, 2015. The FY 2016 guidance included detailed guidance on SBR, Existence, and Completeness audit readiness checklists.
  - o All Army regulations are required to identify key internal controls. The ASA (FM&C) reviewed all Army regulations to ensure the provisions on AR 11-2, MICP, are met. Also, ASA(FM&C) provided the Army Publishing Directorate, Office of

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the Administrative Assistant to the Secretary of the Army, with internal control guidance and comments for distribution to all functional proponents updating or writing Army regulations. Regulation writers are also provided the opportunity to complete the Army MICP computer-based training “Internal Controls in Army Regulations.”

### **Description of Internal and External Audits/Inspections**

Formal internal control evaluations of key internal controls must be conducted at least once every five years. Commanders/managers may require more frequent evaluation based on leadership emphasis, personnel turnover, audit/inspection findings, change in mission, and so on. The ASA (FM&C) maintains a current inventory of functional areas on the ASA (FM&C) Web site of areas where HQDA functional proponents have identified key internal controls, as well as information on the governing Army Regulation, and any suggested or required methods for conducting the evaluation.

The HQDA functional proponents may identify an internal control evaluation process for use in evaluating key internal controls. All internal control evaluations will be conducted in one of two ways:

- o Internal control evaluations: The HQDA functional proponent may develop an internal control evaluation and publish it as an appendix in the governing AR for use by managers in evaluating key internal controls. The evaluation identifies the key internal controls and provides managers a tool to evaluate the effectiveness of these controls. Commanders and managers may use an evaluation to conduct their internal control evaluations or, as an alternative, they can use an existing management review process of their own choosing, so long as the method chosen meets the basic requirements of an evaluation outlined in this paragraph.
- o Existing management review processes: In many areas, existing management review processes may meet, or can be modified to meet, the basic requirements of an internal control evaluation. Some of these processes are unique to a specific functional area, while others are more generic, such as the use of local inspector general, IR personnel or the command review and analysis process. The HQDA functional proponents may suggest an existing management review process for evaluating key internal controls; or they may require the use of a specific functional management review process, so long as it is an existing Army-wide process and one for which they are the functional proponent. Unless the HQDA functional proponent requires the use of an existing Army-wide functional management review process, commanders and managers are free to choose the method of evaluation.

The HQDA functional proponents, commanders, and AUMs can often take corrective or preventive action based on problems identified in IR, audit, and inspection reports. Such reports may address an internal control problem at only one installation, but managers throughout the Army can use these reports to identify potential problems in their own areas of responsibility and take timely preventative action.



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Internal review, audit and inspection organizations ensure distribution of their reports to managers with primary and collateral interests at all reporting organizations. The Auditor General and Army IG organizations prepare summaries of internal control weaknesses identified in their reports. The DoDIG also publishes periodic summaries of internal control weaknesses identified in its reports and those of GAO. The ASA (FM&C) staff periodically distribute these summaries to ICAs at reporting organizations to facilitate correction and mitigation of reported weaknesses and to ensure that managers can benefit from lessons learned at other activities. The Auditor General supports the development of the SA's annual statement of assurance by identifying potential Army MWs for consideration by HQDA functional proponents.

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### MANAGERS' INTERNAL CONTROL PROGRAM AND RELATED ACCOMPLISHMENTS

**Assistant Secretary of the Army (Financial Management & Comptroller) (ASA (FM&C))**

**Reporting Category:** Comptroller and Resource Management (RM)

**Description of Issue:** Improvement of Internal Controls throughout the Department of the Army.

**Accomplishment:** The ASA (FM&C) continued to refine the Army Financial Improvement Plan (FIP) to reflect the department's new priorities, existence and completeness (E&C) of mission critical assets and assertion of the SBR, to further the Army's implementation of the Chief Financial Officers Act of 1990. The FIP is the Army's roadmap for meeting these requirements through improved business processes and systems. As these business processes improve, so too will the quality of the information vital to the Army's decision makers. It also includes actions required to correct previously identified internal control weaknesses (both operational and those the auditors identify each year during their annual review of the Army's financial statements). To ensure the FIP is kept current, ASA (FM&C) continues to work closely with stakeholders and solicit updates on a quarterly basis, as well as conduct executive-level meetings (called the Army Audit Committee) to monitor progress, review action plans, and update the FIP as required.

The ASA (FM&C) is focused on the DA's audit readiness efforts and continued work to correct financial reporting MWs. To that end, it has taken initiative to work directly with our ERP developers to ensure to build compliant general ledgers and place tight controls around the JV and adjustment processes for our financial reports. The Army has fully resourced and is executing a comprehensive audit readiness plan to achieve the Undersecretary of Defense (Comptroller's) priorities of focusing on the SBR and the E&C of mission critical assets. Additionally, the plan will enable the Army to achieve Congressionally-mandated audit readiness requirements by September 2017. More importantly, the Army's plan is designed to sustain an auditable environment.

The Army's approach to audit readiness is aligned with the deployments of ERP financial management systems. The approach focuses heavily on training and developing Army personnel across all business processes to support and sustain audit readiness. To execute this plan, the Army is implementing reliable internal controls across its business processes and systems. Audit Readiness Teams deploy to Army installations documenting business processes, testing existing internal controls, and communicating corrective actions to develop, improve or implement internal controls, and training personnel to embed audit readiness principles into daily operations. To date more than 26,000 Army Soldiers, Civilians, and Contractors have been trained. The Army also has a dedicated audit readiness team that works cooperatively with the General Fund Enterprise Business System (GFEBS) and Global Combat Supply System – Army (GCSS-A PMO to evaluate and establish appropriate manual and automated internal controls within the systems.

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**Reporting Category:** Personnel and/or Organization Management

**Description of Issue:** Army MICP CBT

**Accomplishment:** Since July 2010, ASA (FM&C) has completed development of seven CBT courses that pertain to the student’s role in the Army MICP. All courses require students to register and complete an exam (70 percent pass/fail). Upon successful completion of each module, the students receive a generated certificate of completion and continuing professional education credit. The seven training courses are:

1. Internal Control Administrator
2. Internal Control Administrator Refresher
3. Assessable Unit Manager
4. Senior Responsible Official
5. Army Manager
6. Personnel Conducting Evaluations
7. Internal Controls in Army Regulations

Since July 2010, almost 100,000 personnel have successfully completed the training. This training is available Army-wide at no cost through AKO on the ALMS portal. In FY 2013, the DASA (FO) mandated minimum training requirements for personnel with internal control responsibilities. Due to the mandated minimum training requirements issued by the DASA (FO), we have seen a substantial increase in personnel completing the CBT. From 1 March 2015 to 1 March 2016, a total of 29,673 personnel completed the MICP CBT. A breakout is provided below:

<b>Course Title</b>	<b>Total Personnel Trained (1 March 2015 to 1 March 2016)</b>
Internal Control Administrators (ICA) Course	2,603
Internal Control Administrators (ICA) Refresher Course	2,082
Senior Responsible Officials (SRO) Course	504
Assessable Unit Managers (AUM) Course	3,574
Managers’ Course	6,972
Personnel Conducting Evaluations	7,775
Internal Controls in Army Regulations	<u>6,163</u>
<b>Total</b>	<b>29,673</b>

**Reporting Category:** Financial Reporting

**Description of Issue:** Reconciling Army Fund Balance with Treasury

**Accomplishment:** The Army has a long-standing MW in reconciling the Fund Balance with Treasury at the detail level, where transactional activity recorded in their accounting systems

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reconciles to the detail transactions recorded at Treasury. In addition, JVs prepared by DFAS–Indianapolis to balance the Army’s Fund Balance with Treasury account with the Treasury are not supported with substantiating documents.

Army completed the functional development of its automated reconciliation tool, Army Fund Balance with Treasury Tool, in March 2013, and began reconciling Army disbursing and collection transactions at the detail level from the Enterprise Resource Planning accounting systems with the Treasury’s Cash Accountability Reporting System beginning with FY 2013 data. In April 2015, Army began reconciling the detail accounting data from Legacy accounting systems with Treasury retroactive to FY 2013, which will account for 100 percent coverage of the detailed transactions reported in Army accounting systems.

Effective 1 June 2015, DFAS–Indianapolis began using the Army Fund Tool to support the monthly Fund Balance with Treasury reconciliation at the detail transaction level, meeting Treasury reconciliation guidelines. The DFAS–Indianapolis is currently working on a workflow that will distribute unreconciled transactions to the proper directorate/agency to correct the transaction issues causing the variance between the U.S. Treasury and the Army accounting records with an expected completion date of second quarter FY 2016. The DoDIG will conduct an Examination of the Army Fund Balance, with Treasury reconciliation business process in the 3rd quarter FY 2016, in preparation for the FY 2017 Army assertion of audit readiness of its full financial statements.

**Reporting Category:** Financial Reporting

**Description of Issue:** Financial Reporting

**Accomplishment:** The Deputy Assistant Secretary of the Army (Budget) (DASA(BU)) is concurrently executing through two financial control systems (GFEBs and PBAS). Command execution is monitored regularly and formal reviews are conducted at quarterly intervals. In addition, the DASA(BU) monitors and compares the two financial control systems (GFEBs and PBAS) and follows standard operating procedures to track financial information. Additionally, this year’s budget execution in a Continuing Resolution, new appropriation late in the year, and reductions under the Bipartisan Budget Act drives reviews that are more frequent across all appropriations, and with senior Army leaders.

**Reporting Category:** Financial Reporting

**Description of Issue:** Financial Management Domain Enterprise Capability Gaps

**Accomplishment:** The Financial Management Domain continues to develop and execute multi-year strategies effectively to address enterprise capability gaps and reduce unnecessary redundancies in the Financial Management Domain systems portfolio. Each of these multi-year strategies continue to be approved and overseen by the Quarterly EGB chaired by the Principal Deputy ASA (FMC). This board serves as a formal process to leverage information and communication across the OASA (FM&C), the Office of Business Transformation (OBT),

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and DFAS. The primary focus points of the EGB are: Portfolio Management, Enterprise Architecture, and Data Management.

**Reporting Category:** IT

**Description of Issue:** Need to leverage planned and recently implemented financial management technologies.

**Accomplishment:** We use the enterprise architecture artifacts to analyze and describe how new technologies would enable better financial management operations Army-wide. Therefore, the FMD continues to improve enterprise architecture maturity through increased use of the focused enterprise architecture facts like those that describe the Universe of Transactions or decompose the Procure-to-Pay process to support new Army and Defense process, data, and financial management systems standards. The FMD IT System Enterprise Architecture supports efforts to document the FM mission through the Business Enterprise Architecture (BEA), Business Process Reengineering (BPR) and emerging End-to-End processes. The FMD is implementing its capability management plan, which helps the Army identify additional capabilities that will support the transition to the target environment. As the FMD continues to develop the target environment and execution timeline of systems retiring, this allows for cost saving opportunities to be realized. We are directly engaged with the Financial Integrity and Audit Readiness Directorate with their efforts to achieve audit readiness goals.

**Reporting Category:** IT

**Description of Issue:** Audit Readiness Training

**Accomplishment:** The Army developed and delivered training modules leveraging lessons learned from the FY 2015 Schedule of Budgetary Activity audit focused on audit response best practices and business process internal control improvements. More than 26,000 Army Soldiers, Civilians, and contractors have been trained since the inception of the audit readiness program. Training is delivered both in-person and virtually utilizing the ALMS and Defense Collaboration Services so that training is accessible to all Army personnel.

**Reporting Category:** Financial Reporting

**Description of Issue:** Audit Readiness Assertion

**Accomplishment:** In October 2015, the Army commenced the AWCF audit of specified elements, accounts, and line items related to the financial statements.

**Accomplishment:** In December 2015, the Army completed the audit of the General Fund Schedule of Budgetary Activity. This significant event marks the largest external validation of the Army's general fund financial activity to date with all Fiscal Year 2015 appropriations under an independent audit.

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**Accomplishment:** In January 2016, the Army commenced the FY 2016 General Fund SBA audit. The scope of the audit has expanded to include FY 2016 General Fund appropriations (excluding X-year appropriations), FY 2015 beginning balances, and activity executed in FY 2016.

**Reporting Category:** Financial Reporting

**Description of Issue:** Field Level Audit Assessment.

**Accomplishment:** Continued to operate within the OUSD (Comptroller) Financial Improvement and Audit Readiness guidance's corrective action phase for identified control weaknesses. As part of operating within the corrective action phase, we work toward remediating previously identified control weakness, as well as any additional control weaknesses discovered. Some of our current actions involve instituting procedures to ensure an accurate presentation of the AWCF's SBR through the implementation of an executable Joint Reconciliation Program, detailed reconciliation between subsidiary ledgers and balance sheet general ledger accounts, and designing controls around monitoring and correcting asset values reported on the AWCF's Balance Sheet. Additionally, we engaged with an Independent Public Accounting firm to perform a limited scope audit of specific line items at specific locations to provide feedback on implemented corrective actions, as well as discovery of any control gaps.

**Reporting Category:** IT

**Description of Issue:** Federal Information System Controls Audit Manual

**Accomplishment:** We continued to monitor and participate in the remediation of findings related to the LMP Increment 1. We engage on a regular basis in performing a Federal Information System Controls Audit Manual assessment of new functionality in LMP Increment 2 to ensure LMP Increment 2 provides accurate financial information. Finally, we continued testing the Army Enterprise Systems Integration Program Hub to Federal Information System Controls Audit Manual ITGCs standards. As testing is completed for various elements of the Army Enterprise Systems Integration Program Hub, those control weakness identified will be incorporated into a Plan on Actions and Milestones for remediation.

**Reporting Category:** Financial Reporting

**Description of Issue:** The OASA (FM&C) DASA(BU) is concurrently executing through two financial control systems (GFEBS and PBAS).

**Accomplishment:** Command execution is monitored regularly and formal reviews are conducted at quarterly intervals. In addition, OASA (FM&C) DASA(BU) monitors and compares the two financial control systems (GFEBS and PBAS) and follows standard operating procedures to track financial information. Additionally, this year's budget execution in a Continuing Resolution, new appropriation late in the year, and reductions under the Bipartisan Budget Act drives reviews that are more frequent across all appropriations, and with senior Army leaders.

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**Reporting Category:** Other

**Description of Issue:** DTS

**Accomplishment:** Continued to provide Army support for sustainment and operations of the DTS. Each Soldier and Civilian who performs temporary duty travel and local travel uses this system. As of 31 March 2016, DTS had over 1 million travelers registered, processed over 2.3 million DTS travel claims with a dollar value of over \$2.1 billion. We continue to monitor and enforce DTS usage through the Joint Reconciliation Process. The DTS is used as a tool to automate and streamline the Army's TDY travel process and in concert with GFEBS enable prevalidation of travel orders, reduce CBA prompt payment act interest, and reduce unmatched disbursements. We are proactively involved in the Defense Travel Improvement Board, the Defense Travel Steering Committee, and various other work groups to enhance DTS usability, seek system improvements, and develop requirements for future travel software.

**Reporting Category:** Other

**Description of Issue:** Army Government Travel Charge Card (GTCC) program

**Accomplishment:** The GTCC is used by Army travelers to pay for all official travel expenses for both temporary duty and permanent duty travel. The Army program is made up of 592,000 IBA, for which the cardholder has liability for payment and 2,746 CBA, for which the government has liability for payment. The CBA's are primarily used for transportation expenses, group travel, and by travelers who do not qualify for an IBA. As of 31 March 2016, the travel card program vendor processed over 14.3 million transactions, with a total value of over \$2.4 billion, against the travel card accounts. During this period, Army organizations received over \$21 million in rebates.

**Reporting Category:** Financial Reporting

**Description of Issue:** FCM

**Accomplishment:** The FCM is fully deployed throughout the Army. The FCM, a FFMIA-compliant system provides integration between supply systems and Army accounting systems. It is classified as a legacy system with functionality being subsumed by GFEBS or GCSS-A. Current ERP architecture still requires solutions for FCM to retire. Some analysis has been done to identify the capability gaps and potential solution, no official target solution has been selected. The FCM has an Authority to Operate through 14 October 2017.

**Reporting Category:** Financial System Conformance

**Description of Issue:** Joint Reconciliation Program (JRP)

**Accomplishment:** The JRP prescribes standard procedures for Army Resource Managers and their staff to use when conducting the quarterly joint reconciliation/reviews over Army funds.

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The JRP provides greater assurance of auditability through the inspection of all recorded commitments, obligations, orders, earnings, disbursements, collections, accounts payable, and accounts receivable. All abnormal balances are identified, researched, and reported through HQDA providing more accurate financial statements. The reviews are conducted jointly with stakeholders to include budget personnel, accounting personnel, contracting personnel, logistics personnel, and supporting DFAS personnel. Commands provide a certification statement to the DASA (FO) asserting to the correctness and completeness of the reviews. We have made positive changes to include a new, robust SOP document, standardized GFEBS variants and queries, and fully integrated the enterprise resource planning systems (GFEBS, GCSS-A, and LMP) into the program. Additionally, developed a training program for the JRP and conducted training on site with Commands.

**Reporting Category:** Comptroller and RM

**Description of Issue:** Reduction of Aged ADA Cases

**Accomplishment:** Conducted periodic face-to-face meetings between senior executives of OASA (FM&C) and those of funded activities with outstanding ADA investigations throughout this reporting period. The purpose of these meetings was to reinforce Army and DoD guidance and metrics, while facilitating a climate at the highest echelons of command that supports enhanced internal controls; addresses root causes that contribute to ADA violations; and provides a forum to identify and attack impediments to timely completion of investigations. These additional internal controls resulted in the closure of 3 formal and 12 preliminary investigations by 1 October 2015. As of 8 June 2016, 4 additional formal and 43 preliminary investigations have been closed.

**Reporting Category:** Comptroller and RM

**Description of Issue:** High Visibility ADA Cases

**Accomplishment:** In FY 2014, five sensitive issues with ADA implications emerged, potentially involving senior Army Military and Civilian leadership. Our office assigned members of its organic audit staff to conduct the investigations to ensure the cases were thoroughly investigated and to avoid any appearance of conflict-of-interest. As of 8 June 2016, four of these investigations resulted in validated ADA violations and advanced to formal investigations.

**Reporting Category:** Support Services

**Description of Issue:** Implementation of Audit Recommendations

**Accomplishment:** Improved the tracking and implementation of audit recommendations. During the period, a total of 33 recommendations made by the USAAA and the DoDIG, which were closed. Monitoring the implementation of recommendations helps to ensure that corrective actions are taken on audits and that, to where pertinent, internal controls are adhered.



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**Reporting Category:** Support Services

**Description of Issue:** NAF and MWR Oversight

**Accomplishment:** Improved oversight of Army NAF and MWR activities. During this year, we began providing input and participating in various relevant Board of Directors and Committee meetings involving Army MWR, Army NAF Capital Investments, the Army Banking & Investment Fund, the Army and Air Force Exchange Service, and the Defense Commissary Agency. We also acted as the proponent office for the Army NAF Audit Committee, which is chaired by the DASA (FO). During the year, we spearheaded an effort to improve the effectiveness of NAF Audit Committee meetings by focusing on a more detailed examination of Notices of Findings and Recommendations from recent financial and performance audits.

**Reporting Category:** Personnel

**Description of Issue:** Training of Army's Internal Review Personnel

**Accomplishment:** Managed Army-wide training requirements and allocations for Internal Review personnel attending USAAA courses. Courses included Basic, Intermediate, and Advanced Auditing as well as courses in Detecting and Investigating Fraud, and Report Writing. These courses help ensure that the Internal Review community is sufficiently trained in the conduct of internal reviews engagements. Properly trained personnel are critical to performing the Internal Review function, which includes evaluating internal controls of functions under review.

**Reporting Category:** Support Services

**Description of Issue:** Army Board for Correction of Military Records

**Accomplishment:** Provided support to the Army Board for Correction of Military Records. This process/board has a direct impact on the outcome of military records and the individual service members' future and career.

**Reporting Category:** Support Services

**Description of Issue:** Committee/Board Participation

**Accomplishment:** Served as a member of the Defense Information Systems Agency (DISA) audit committee and in support of the Army's Security Clearance Appeals Board.

**Reporting Category:** Financial Reporting

**Description of Issue:** Action to Correct Financial Reporting Weaknesses

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**Accomplishment:** In accordance with OMB requirements, continued to produce quarterly financial statements and publish an annual statement for the USACE Civil Works Fund, the Army's General Fund and AWCF for FY 2015. We will continue quarterly joint reviews with our service provider, DFAS, to review the accuracy and completeness of the Army's financial statements and explanatory notes. These reviews ensure that we adequately identify the business events that led to major fluctuations between reporting periods, that manually collected financial data is accurate and complete, and that required disclosures are included in the notes to the statements.

We are focused on the Department's audit readiness efforts and continue work to correct financial reporting material weaknesses reported in the Army Annual Statement of Assurance (Tabs D and E). To that end, we have taken the initiative to work directly with the developers for our ERPs (LMP, GFEBS, and GCSS-A) to ensure we build compliant general ledgers, place tight controls around the journal voucher and adjustment processes, and execute corrective actions for other general ledger related issues. In addition, we continue concerted efforts to ensure the ERPs are SFIS 10.0, FFMIA, and GTAS compliant; key components for the systems to be audit ready. We continue to use an IPA firm to assist us in AWCF data cleansing efforts so that we can be ready for the audit assertions. The actions we are taking in these areas will help address the longstanding financial material weaknesses related to Financial Management Systems, Abnormal Account Balances, and Accounting Adjustments.

**Reporting Category:** Comptroller and RM

**Description of Issue:** EagleCash™ Stored Value Card

**Accomplishment:** The EagleCash™ Stored Value Card remains a relevant and viable cash management solution designed to support U.S. Military personnel, DoD Civilians, and contractors deployed in combat zones, on peacekeeping missions, and engaged in non-contingency operations around the globe. In FY 2016, the program continued to add value and improve controls through increased force protection, reduction of U.S. currency in theaters of operation, reduced number of Casual Payments, reduced Cash Collection Vouchers, improved accountability and decreased losses of funds, reduced number of personal checks cashed (reducing float and processing), and improved internal controls (as the system is 100 percent auditable). Other enhancements in the program during FY 2016 have focused on piloting and deploying new EagleCash™ components and card applications that bring significant improvements to internal controls, automation and mobile capabilities, reporting and efficient financial management processes abroad, and in CONUS. Compliance orders and Network Command G-6/Chief Information Officer Information Assurance requirements were implemented for all applicable automation components, while work continued on updating systems for future connectivity. The single Stored Value Card solution with cross-service interoperability continued development in earnest entering into the first phase of pilot planning. The migration to a single platform will ultimately reduce costs, ensure compatibility, and create operational efficiencies. Additional FY 2016 improvements included the program-wide implementation of very robust U.S. Treasury Anti-Money Laundering procedures in accordance with the Bank Secrecy Act, and Financial Crimes Enforcement Network pre-paid card program requirements. The USFMCOM, having received requisite authority, hired,

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trained, and integrated E-Commerce Sustainment Team specialists into critical program support roles, previously provided via the U.S. Treasury Fiscal Service. This addition of personnel and assumption of the sustainment mission allows for more effective management of the team and resources. Lastly, EagleCash continued proliferation of operational support across Iraq; has brought additional warfighter financial management support in non-contingency environments across U.S. Army, Europe; and is providing support for the first time in the history of the program in Western Africa; all while maintaining operational excellence across the program's global footprint in Honduras, Germany, Italy, Kosovo, Romania, Kuwait, Qatar, Saudi Arabia, Jordan, and the United Arab Emirates.

**Reporting Category:** Comptroller and RM

**Description of Issue:** Over the Counter Channel Application (OTCnet).

**Accomplishment:** The OTCnet minimizes losses of funds due to dishonored checks, while promoting the Army's goal towards a near-cashless battlefield through its integration with the EagleCash Stored Value Card program. The OTCnet is a key component of the U.S. Treasury's Collection and Cash Modernization program, as the application is fully auditable. Separation of duties between the cashier and the disbursing agent provide maximum internal controls and security. The OTCnet is operated in partnership with the U.S. Department of the Treasury and Citi. Technical and customer service support is available 24/7, providing global assistance to finance operations, mitigating any losses of funds caused by system or information needs. In the first quarter of FY 2016, OCONUS Army Disbursing Station Symbol Number (DSSNs), OTCnet processed 1,500 checks for \$5 million, with a collection rate of 99 percent, thus reducing the cost to the Army for DFAS to collect dishonored checks from a Soldier's pay and the amount of cash on hand requirements.

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**Reporting Category:** Comptroller and RM

**Description of Issue:** International Treasury Services (ITS.gov)

**Accomplishment:** The ITS.gov continues to support Commanders as an electronic payment tool, commonly used to fund Limited Depository Accounts (LDA) and fulfill Commercial Vendor Service (CVS) payments, which can be made in multiple currencies to over 200 countries. In the first quarter FY 2016, ITS.gov delivered 4.2 thousand CVS Electronic Funds Transfer (EFT) payments, totaling \$500 million and 14 LDA EFT payments, totaling \$54 million for OCONUS Army DSSNs. Additionally, 99 percent of all CVS payments to Afghanistan were made in local currency, fostering the Army goals of reducing U.S. currency and supporting U.S. Central Command's Fragmentary Order (FRAGO) 09-1567 and FRAGO 10-143. Furthermore, the Army provides a foreign bank account allotment service to assist Soldiers and Department of the Army Civilians (living off post) with paying for living expenses such as rent and utilities. This allotment service primarily assists overseas locations without a Community Bank presence in Europe. The ITS.gov supports the Army's foreign bank account allotment service by delivering allotments to enrollees' foreign bank accounts, usually providing a favorable foreign conversion rate versus currency conversion at a brick and mortar location. In the first quarter, FY 2016, ITS.gov delivered 5 thousand, foreign allotment payments to 12 different countries, totaling \$11 million. The ITS.gov is operated in partnership with the U.S. Department of the Treasury and the Federal Reserve Bank of Kansas City.

**Reporting Category:** Comptroller and RM

**Description of Issue:** Army Banking Program

**Accomplishments:** The Army Banking Program has implemented the Installation Status Report for the Installation Management Command (IMCOM) Commanders to improve management of their on-post banks and credit unions. Out of 59 Army posts with financial institutions, 47 IMCOM Commands, including ones in the U.S. Army Europe and Pacific, now have standardized metrics to review and assess their own banking programs in accordance to the DoD Regulation, Volume 12, Chapter 33, and DoD Instruction 1000.11. The categories for this fiscal year focuses on the one bank, one credit union rule, liaison officer's training requirements, Operating Agreements, and financial education. The Overseas Military Banking Program has expanded their investment portfolio into DoD-approved mortgage backed securities, which increased revenues and decreased costs for the Army to operate 34 Military Bank Facilities and 147 Automated Teller Machines in 10 foreign locations. The Overseas Military Banking Program has instituted a QASP to monitor the performance of the banking contractor. The QASP directly corresponds to performance objectives and standards specified in the Performance Work Statement, and details how and when each component will be tested. The QASP methods of surveillance include: reviewing monthly and quarterly program management reports provided by the contractor, quarterly Local Liaison Officer unannounced assessments of Military Banking Facilities, and semi-annual site inspections of the contractor's Home Office. Other inspections occur on an ad hoc basis to ensure the contractor's performance meets the terms of the contract.

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**Reporting Category:** IT

**Description of Issue:** Upgrade to Windows Server 2012

**Accomplishment:** Upgraded all servers to the latest Windows server operating system in compliance with Army standards. This upgrade ensures greater security over our data and business applications.

**Reporting Category:** IT

**Description of Issue:** Upgrade to Microsoft SQL Server 2012

**Accomplishment:** Upgraded all SQL servers to the latest SQL server 2012. This upgrade provides our application developers a more secure and robust environment to manage our applications.

**Reporting Category:** IT

**Description of Issue:** Created a SQL Cluster

**Accomplishment:** With the implementation of SQL Server 2012, we also established a cluster environment within SQL, wherein multiple virtual machines work together to host the SQL environment so that data access speeds are improved and vulnerability to machine (real and virtual) failure is eliminated.

**Reporting Category:** IT

**Description of Issue:** System Accreditation

**Accomplishment:** We successfully revalidated our Tenant in Good Standing status for our Local Network, the Integrated RM Information System, the Exhibit Automation System, and the Automated Schedule and Reporting System. As required by the DoD Risk Management Framework and Army Regulation 25-2, we are required to keep our systems compliant with all Information Assurance Vulnerability Alerts, ensure that they meet the configuration requirements in the DISA and Army Security Technical Implementation Guidelines, and pass a comprehensive vulnerability scan annually. We successfully complied with all requirements to continue our status as a trusted member on the Pentagon Unclassified Network.

**Reporting Category:** IT

**Description of Issue:** Public Key Infrastructure (PKI), Records Management, Cybersecurity and Federal Information System Controls Audit Manual (FISCAM) Compliance of Financial Management Systems

**Accomplishment:** We continuously monitored the compliance of the FMD systems with PKI, Privacy Impact Assessment, Records Management, and FISCAM for all FMD systems. We

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alerted system owners 60 days in advance to forthcoming compliance expirations, so that they might proactive take steps to remain in compliance. We supported new Secret Internet Protocol Router-based processes to monitor compliance with new cybersecurity guidelines.

**Reporting Category:** Comptroller and RM

**Description of Issue:** Need to Maintain Automated and Manual Control Documentation

**Accomplishment:** We updated the Single Army Financial Enterprise internal controls catalogue to reflect changes to the internal controls over financial systems in response to corrective action plans and audit readiness findings.

**Reporting Category:** Comptroller and RM

**Description of Issue:** Financial Management Domain Enterprise Capability Gaps

**Accomplishment:** The FMD continues to develop and execute multi-year strategies effectively to address enterprise capability gaps and reduce unnecessary redundancies in the FMD systems portfolio. Each of these multi-year strategies continue to be approved and overseen by the Quarterly EGB chaired by the Principal Deputy Assistant Secretary of the Army (Financial Management and Comptroller). This board serves as a formal process to leverage information and communication across the OASA (FM&C), the OBT, and DFAS. The primary focus points of the EGB are: Portfolio Management, Enterprise Architecture, and Data Management.

**Reporting Category:** Comptroller and RM

**Description of Issue:** Need to leverage planned and recently implemented financial management technologies

**Accomplishment:** We use the enterprise architecture artifacts to analyze and describe how new technologies would enable better financial management operations Army-wide. Therefore, the FMD continues to improve enterprise architecture maturity through increased use of the focused enterprise architecture facts like those that describe the Universe of Transactions or decompose the Procure-to-Pay process to support new Army and Defense process, data and financial management systems standards. The FMD IT System Enterprise Architecture supports efforts to document the FM mission through the BEA, BPR, and emerging End-to-End processes. The FMD is implementing its capability management plan, which helps the Army identify additional capabilities that will support the transition to the target environment. As the FMD continues to develop the target environment and execution timeline of systems retiring, this allows for cost saving opportunities to be realized. We are directly engaged with the Financial Integrity and Audit Readiness Directorate with their efforts to achieve audit readiness goals.

**Reporting Category:** IT

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**Description of Issue:** Internal Controls over Financial Systems

**Accomplishment:** We collected and evaluated significant deficiency and material weaknesses from core accounting systems and their feeders to support an attestation of the state of the internal controls over systems Army-wide. We developed plans to evaluate impacts on data exchanges among Army systems, and between Army and DFAS. We developed enterprise models that illustrate interdependencies among systems having SBA Notice of Findings and Recommendations.

**The Auditor General**

**Reporting Category:** Support Services

**Description of Issue:** The Agency is rebuilding its property accountability records and processes to ensure that all equipment is accounted for and inventoried as required.

**Accomplishment:** The Agency has made great headway in rebuilding its property accountability records and processes this year. Sixteen of 22 Agency primary hand receipts are signed (73 percent) and the Agency improved the accountability process over user equipment to ensure users maintain accountability. More work is needed as six offices still need to complete the primary hand receipt. Because we are just rebuilding our property accountability process, annual physical inventories and sensitive items inventories are not yet taking place. Further improvements are planned in the area. The Property Book Officer will contact and coordinate with the remaining field offices to obtain signed Primary Hand Receipts and establish a time line that will correct this deficiency as quickly as possible. This is expected to occur by 31 August 2016. Once this is accomplished, guidance will go to the hand receipt holders on inventorying practices. Further, the Director, Operations Management, will directly oversee the completion of the Agency sensitive items inventory by 30 June 2016, and coordinate with the Property Book Officer on ensuring timely completion thereafter.

**Reporting Category:** IT

**Description of Issue:** The backup and recovery process for the Agency's primary audit documentation system, TeamMate, failed in May 2015. The system went down and we were unable to regain access to our data. This occurred because our support contractors did not use best business practices in implementing and testing a backup/recovery system.

**Accomplishment:** We overcame the immediate need of continuing to meet mission by transitioning to documenting work using the file system that was in place prior to the Agency acquiring TeamMate. In preparing for the eventual reimplement of TeamMate, the Agency upgraded the servers and server operating systems on which TeamMate ran, adjusted staffing within is government and contractor support team to align with the skillsets needed to support the TeamMate application better, and designed and implemented a robust backup and recovery process that has been tested and is operating. TeamMate went live again on 7 June 2016.

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**Reporting Category:** Other (Primarily Transportation)

**Description of Issue:** The budget office was not up to date on recent changes made to the Joint Travel Regulation, regarding the reimbursement of taxi tips.

**Accomplishment:** Guidance to the workforce was issued immediately with instructions to update/amend vouchers.

### **Installation Management Command (IMCOM)**

**Reporting Category:** Comptroller and RM

**Description of Issue:** Directorate of RM System Implementation

**Accomplishment:** In June 2015, USAG-Fort Drum implemented the Global Combat Support System – Army (GCSS-A) as the replacement for SARSS functionality for logistics and financial capabilities, master data management, and incorporating a seamless business process. Along with the USAG-Fort Drum, other installation logistic and RM personnel participated in the implementation of the new system. The USAG-Fort Drum initiated preparations for GCSS-A implementation months in advance that included a review and creation of new cost centers, work breakdown structures, and an extensive scrub of all documents currently in the SARSS system. As part of the implementation, every individual involved with GCSS-A completed up to 12 web-based training modules on all operational aspects of GCSS-A followed by 40 hours of classroom-based learning for review and the opportunity for hands-on practical exercises. Additionally, each individual involved learned new roles and duties based on GCSS-A operations and present position duties. Together, USAG-Fort Drum worked as a team, along with the installation Logistics Resource Center to ensure USAG agencies had no interruptions in the logistical supply chain. Once the implementation was complete USAG-Fort Drum processed over \$750 thousand in requisitions prior to fiscal year end and continues to improve procedures for successful processing in the current year.

**Reporting Category:** Comptroller and RM

**Description of Issue:** Unmatched Disbursement due to PCS

**Accomplishment:** The USAG-RIA established a policy where a copy of all PCS vouchers will be made available to RM's analyst immediately following submission to DFAS for reimbursement. Previously, the RM analyst had no visibility of submitted PCS vouchers. This additional control, visibility of PCS vouchers, will allow RM's analyst to address unmatched disbursements more effectively and efficiently due to PCS vouchers processed through Integrated Automated Travel System (IATS). The IATS transactions do not have an automatic feed to GFEBs, as a result, all PCS disbursements become unmatched disbursements.

**Reporting Category:** Property Management



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**Description of Issue:** The ASA (FM&C) Monthly Audit Readiness Testing for Real Property Existence and Completeness

**Accomplishment:** From October 2014 through September 2015, Real Property has participated in the monthly Audit Readiness Testing for Existence and Completeness. Six of the twelve months had samples tested, which all received a passing grade of 100 percent.

**Reporting Category:** Support Services

**Description of Issue:** Audit Process Standard Operating Procedure

**Accomplishment:** The IRACO developed the audit process SOP for the USAG Daegu directors and branch chiefs who are the customers of IRACO audits. The SOP explains each phase of the audit process and provides the customer with an overview of the activities that comprise each phase. The SOP promotes increased understanding of the audit process thereby increasing the likelihood of customer cooperation with the audit and the resulting value-added and actionable audit results.

### **Army National Military Cemeteries**

**Reporting Category:** Support Services

**Description of Issue:** Maintain accuracy and relevance of existing SOPs to ensure accountability of remains at all times.

**Accomplishment:**

- Maintained our robust chain of custody that exceeds industry standards and allowed the workforce to record today's burials precisely so that the records of the individual, the marker commemorating them, and the location within the cemetery are consistent and accurately reflected in an automated management system.
- Each burial is recorded in an auditable, authoritative database and certified upon completion of the service. Chain of custody of remains is established upon receipt and maintained throughout the burial. Burial containers are recorded digitally and attached to the record of interment. Each record is certified by the Cemetery Representative who conducted the service and weekly 5 percent of the services conducted are quality assurance checked to ensure all required actions were completed in a timely manner.
- The geographical location of the burial is established through the geospatial mapping system. The gravesite is verified using three adjacent known locations to ensure accurate and positive verification of the burial.

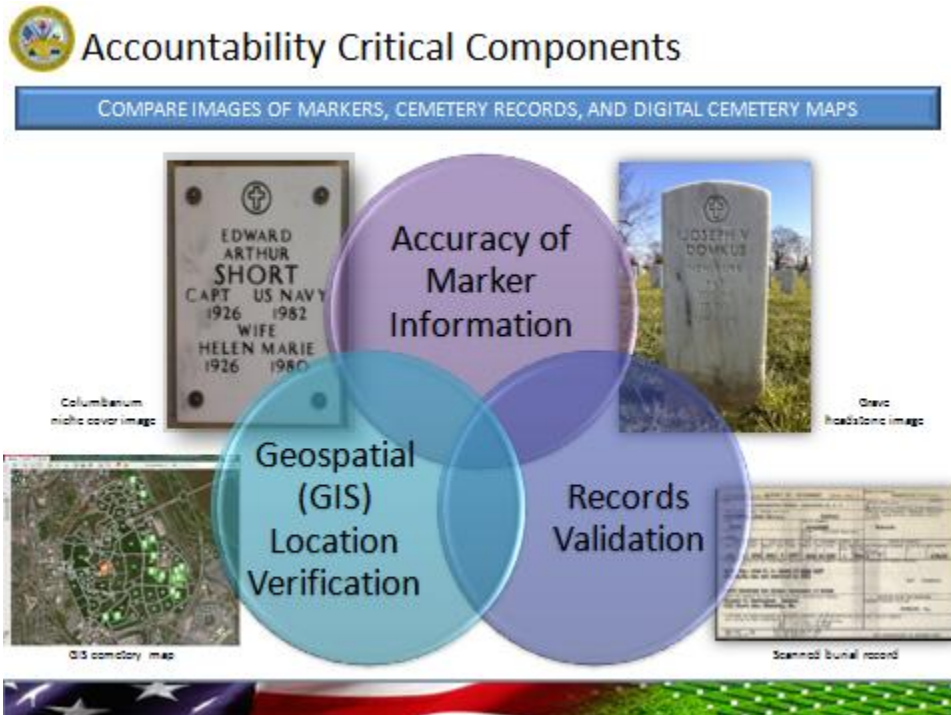
**Reporting Category:** Support Services

**Description of Issue:** As an ongoing effort, there was a requirement to reconcile and verify the accuracy of all the gravesites and niches.

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### **Accomplishment:**

Our efforts continue to focus on ensuring an accountable data set of all gravesites with a deliberate, transparent, documented process that includes implementing corrective actions to resolve commemoration errors identified during the accountability effort. The effort is centered on three critical components: ensuring available dispositive records support the individual interred or inurned, validating the grave marker is consistent with available records, and making certain the marker location is accurately recorded in our new geospatial mapping system.



- This tremendous undertaking has involved review of almost 276 thousand gravesites to date. Because of the complexity and fidelity of the data, a final phase of this accounting process continues today. We have also focused time and resources on resolving highly complex cases, completing corrective actions for markers or records, when needed, as identified through the accountability process.
- To continue the transformational efforts of Arlington National Cemetery, we have created a web-based environment to reflect all burials complemented with photos of each gravesite once markers are placed and points of interest in the cemetery. As our accountability effort completes we are publicly sharing the data and providing a “virtual-visit” capability for all interested in honoring those who rest at Arlington National Cemetery.
- Going forward we will finalize our review of the remaining records and complete our transition to the Arlington National Cemetery system of record. Our accounting process has

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been an integral part of identifying Arlington National Cemetery as the Army's Center of Excellence for cemetery management.

**Reporting Category:** Comptroller and RM

**Description of Issue:** Proper documentation does not exist for financial transactions occurring prior to October 1, 2011. This presents an audit concern as the transactions occurred using no year funding.

**Accomplishment:** The ANC RM has established SOPs to ensure procedures and practices are in place to support financial transactions, our business process, and Army's audit readiness efforts. Work is still underway to develop checklists, training the workforce, and implement self-testing.

**Army National Guard (ARNG)**

**Reporting Category:** Personnel and Organizational Management

**Description of Issue:** The ARNG-G8 saw the need for senior leadership oversight, accountability, and stewardship throughout the organization in support of its MICP.

**Accomplishment:** The Director of the Army National Guard signed a charter to establish the ARNG SAT. It is chaired by the Deputy Director ARNG. The SAT has provided senior leadership, oversight, and accountability for the ARNG MICP program. It has been instrumental in establishing an internal control framework and promoting an environment that supports continuous awareness of internal controls. The SAT has been helpful to assist ARNG's leaders in internal control assessments to ensure a thorough, effective, and efficient process is being followed and implemented throughout the MICP program. Furthermore, the SAT has been credited for its leadership in ensuring that discrepancies identified in the conduct of internal control assessments are addressed via appropriate corrective actions. The SAT also has the oversight of the ARNG "Audit Readiness" process.

**Reporting Category:** IT

**Description of Issue:** The GIMS did not have a mechanism in place to identify contract eligibility violations and prevent payments when the Soldier is no longer eligible. Eligibility violations were only monitored by individuals at the time of contract approval and payment, as a result eligibility violations that occur throughout the period of service may go unnoticed.

**Accomplishment:** The GIMS system went through a programming alteration to incorporate continuous eligibility monitoring for the student loan repayment program and bonus payment program. This enabled processing to be addressed in a timely fashion and assisted in alleviating incentives managers from processing contracts/payments erroneously due to the basic rule violations. The GIMS system now continuously identifies eligibility rule violations for the State level Incentive Manager to monitor and correct.

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**Reporting Category:** Personnel and Organizational Management

**Description of Issue:** The Student Loan Repayment Program experienced significant delays in processing and payment receipt due to mailing paper copies of forms from the Soldier to the lender, from the lender to the Soldier, and finally from the Soldier to the unit representative.

**Accomplishment:** A Lean Six Sigma project was conducted on the processing of student loans. The project discovered inefficiencies with the mailing of the DD Form 2475 to the lender. The Division appealed to the Department of the Army to limit the use of the DD Form 2475. The Department of the Army waived the mailing of the DD Form 2475 from the Soldier to the lender as long as the National Student Loan Data System form was within 30 days of the payment eligibility date. This reduced the payment processing from over 375 days to an average of 120 days, concentrating payment processing delays at the state level.

**Reporting Category:** Comptroller and RM

**Description of Issue:** The AKARNG began conducting activities for the upcoming force structure reorganization effective in September 2017. The primary staff, particularly the G-3 and the G-4, collaborated on managing resources, unit reorganization, and equipment disposition.

G-3 managed one of the largest programs in RM with 17 program manager codes and a \$12 million annual budget. In preparation of the deactivation and activation of units, the status of equipment disposition was a significant issue in the AKARNG in 2015, as it will be in the upcoming years.

**Accomplishment:** The G-3 funds management FY15 execution rate was 99.9 percent. The sub-program manager/management analyst and program manager both participated in monthly Program Budget Advisory Committee I and II meetings to ensure proper use and allocation of resources. The G-3 planned and conducted an annual spring and fall conferences to ensure the G-3 and the major support commands (MSC) are planning training in accordance with directives and to synchronize and share training resources amongst the MSC. The G-3 conducted weekly plans meetings, schools working groups, brigade synchronization meetings, internal G-3 meetings, and monthly status of support meetings to ensure an efficient operations, training, and resources management. The G-3 also conducted USR training and provided oversight for MSCs in USR input. The G-3 provided occupational classification funding and force structure guidance. The AKARNG is currently at 90 percent duty military occupational specialty qualification rate. The G-4, in collaboration with the supported units, tracked equipment disposition and readiness continuously in 2015. The G-4 developed a glide path and other tracking metrics to ensure the plan is executed according to the timeline. The G-4 briefed the status of equipment disposition to the AKARNG command and staff three times during the reporting period. The G-4 has developed process improvements to improve logistics operations. The G-4 reports on the COPA to NGB quarterly. The COPA monitors unit compliance with logistics readiness metrics and is reported through NGB to the Department of the Army. The G-4 established a SAIT to assist units with identifying and resolving supply, food service, and transportation issues that arise.

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### Assistant Secretary of the Army (Acquisition, Logistics and Technology) (ASA(ALT))

**Reporting Category:** Property Management

**Description of Issue:** 100 percent accountability of accountable equipment

**Accomplishment:** The AR 710-2 provided guidance for the accountability and assignment of responsibility for property issued to a unit. Improvement in the property book accountability of IT equipment were completed as follows:

- (1) Identified all accountable items to obtain 100 percent accountability for April 2016.
- (2) Assigned 28 trained Hand Receipt Holders.
- (3) Identified Roles and Responsibilities, which included Financial Liability Investigation of property Loss
- (4) Released Incoming/Outgoing joint inventory procedures
- (5) Implemented 10 percent cyclic inventories to maintain 100 percent accountability and visibility of the ASA (ALT)'s IT equipment
- (6) Initiated primary hand receipt holders and sub-hand receipt holders training to ensure employees are being provided adequate resources; on-the-job training; and proper oversight to fulfill their responsibilities of maintaining and tracking the ASA (ALT)'s equipment. The second training class was scheduled May 2016. Established property book officer standard operating procedures.

**Reporting Category:** Acquisition

**Description of Issue:** Non-Fielded Property

**Accomplishment:** As a result of multiple audits in the 2012-2014 timeframe, the ASA (ALT) issued a memorandum to the PEOs in 2014 instructing that all non-fielded property be recorded in the DPAS accountable property system. As of March 2016, the 11 PEOs have \$8.1 billion in DPAS. Four of those PEOs have completed loading their currently identified non-fielded property into DPAS. The other PEOs are estimated to complete accounting for at least 75 percent of their non-fielded property by the end of June 2016 as part of a continuing process.

**Reporting Category:** Financial Reporting

**Description of Issue:** USAASC (Army) did not provide proper documentation during IPA testing

**Accomplishment:** During IPA testing conducted in FY 2015, USAASC-HQ received a PBC test sample related to Civilian Pay. As result of this testing, a deficiency was identified via Notice of Findings and Recommendations (NFR) as follows:

NFR C-2015-04: Description: Army Time and Attendance Test of Operating Effectiveness  
NFR Condition Description (code 4.2): Army did not provide authority to the individual who

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approved the timesheet. Corrective Action Plan (CAP) was immediately established to eliminate the root causes of process deficiency or condition found during the IPA Internal Controls Testing as follows:

Step 1: Identify and communicate with relevant stakeholders (e.g., requesting entity, contracting, etc.) related to the transaction type, acquire the necessary supporting documentation, and place supporting documentation in a central repository for all transactions from FY 2015 going forward.

Step 2: Identify relevant systems (e.g., WAWF, EDA, etc.) related to the transaction type, obtain access as necessary, acquire the necessary supporting documentation, and place supporting documentation in a central repository for all transactions from FY 2015 going forward.

Step 3: Develop and implement policies and procedures to acquire audit supporting documentation from stakeholders and systems.

Step 4: Assess training needs and identify gaps related to fiscal managements, funds execution, and accounting.

Step 5: Develop and conduct training based on identified gaps related to policies and procedures, fiscal management, funds execution, and accounting.

**Reporting Category:** Comptroller and RM

**Description of Issue:** Increased Audit Readiness Compliance

**Accomplishment:** The PEO ACWA improved its compliance with audit readiness guidance during CY 2015. The BFM team members worked closely with ASA (ALT) ARC personnel to determine documentation requirements for specific PEO ACWA processes, then initiated policy changes based on those findings with the consensus of all stakeholders. For example, BFM team members communicated with the ARC, Joint Project Manager for Elimination, and U.S. Army Chemical Materials Activity to develop a delegation of funds certification authority memorandum that adequately supports existing funding processes. Additionally, BFM team members sought ARC input and approval to improve PEO ACWA's audit readiness sampling responses, particularly in how contract-related financial postings are documented. The PEO ACWA has a low volume of financial transactions compared to other PEOs and, as a result, is often not included in random audit readiness testing sample populations. The BFM team members established a monthly self-testing program to ensure that PEO ACWA's procedures and paperwork meet audit readiness criteria.

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### Assistant Secretary of the Army (Installations, Energy and Environment) (ASA (IE&E))

**Reporting Category:** Procurement

**Description of Issue:** OEI

**Accomplishments:** The OEI has 14 projects completed, under construction, or in the procurement process with a potential of over 370 MW AC of generation capacity. All projects are privately financed, will contribute to installation energy security, and will be priced at or below conventional grid parity.

In January 2016, the OEI and DLA Energy awarded a final contract to Apex Clean Energy, LLC., for a 65 MW AC solar/wind project at Fort Hood, TX. The project consists of ~15 MW AC of solar on Fort Hood, combined with ~50 MW of offsite wind, the largest Army renewable energy project to date. The onsite solar project will be micro-grid capable to enhance energy security and the entire project is projected to provide the Army \$168 million in cost avoidance. The groundbreaking event was held on January 28, 2016; construction is underway, and commercial operations are expected in December 2016.

In February 2016, the 15 MW AC solar project at Fort Detrick, MD, contracted Ameresco, Inc., and began commercial operations. All electricity from the solar PV facility will be purchased at a cost equal to or less than current power costs and consumed by Fort Detrick. The solar PV system was designed as “microgrid-ready” so that it may contribute to the overall energy security of the installation.

The OEI, in cooperation with Georgia Power, began construction on three 30 MW solar projects utilizing the GSA Area-wide contract vehicle, one each at the three Army installations in Georgia: Fort Stewart, Fort Gordon, and Fort Benning. Once operational, 18 percent of the energy the Army consumes in Georgia will be generated on-site by renewable sources. The OEI expects commercial operations to begin at Fort Benning in April 2016 and at Fort Gordon and Fort Stewart in September 2016.

In March 2016, the OEI signed contract documents for a 10.6 MW AC solar project at Fort Rucker, AL. In April 2016, the OEI signed contract documents for a 10.6 MW AC solar project at Anniston Army Depot, AL. Both projects are in cooperation with Alabama Power utilizing the GSA Area-wide contract vehicle. Once operational, these will be the first two utility-scale (over 10 MW) solar projects developed in Alabama Power service territory.

In May 2016, the Army awarded a contract to SunPower Corporation for a solar project at Redstone Arsenal, AL (RSA). The project will provide approximately 18,000 MWh annually to RSA. This is the first large-scale renewable energy project to utilize USACE-Huntsville’s MATOC vehicle.

In May 2016, the Army expects to sign a lease with Hawaiian Electric for a 60 MW biofuel plant at Schofield Barracks, HI. The facility’s black-start capability will enable Hawaiian Electric to re-energize the grid during system wide outages, provide continuous service to vital

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community services, and provide 100 percent of the operational requirements for Schofield Barracks, Wheeler Army Airfield, and Field Station Kunai. This capability will ensure continuation of the Army's critical national security and first responder missions.

The OEI continues to maintain a robust pipeline of renewable energy projects and is making great progress toward the Army's commitment to deploy one GW of renewable energy by 2025. All OEI projects are reviewed and approved by the RGB with the records of decisions maintained.

**Reporting Category:** Research, Development, Test, and Evaluation

**Description of Issue:** Army Energy Security and Sustainability

**Accomplishments:** Army installations support the Army mission through the provision of critical functions to train, equip, mobilize, deploy, recover, and reset our forces while simultaneously caring for Soldier Families and providing support services. The Army has historically viewed the management of energy, water, and land resource considerations as constraints on operational effectiveness. The publication this year of the Army's Energy Security and Sustainability (ES2) Strategy establishes a new energy and sustainability posture for the Army that views such resources as mission enablers. This document adopts "security", "resiliency" and "future choice" as organizing approaches for the Army.

The Army has targeted installation energy efforts on both efficiency and development of renewable energy projects. In FY 2015, the Army further reduced its total delivered energy by 6.9 percent, for a total reduction of 22.6 percent since FY 2003. The current consumption of 67.1 trillion BTUs, is nearly 19.6 trillion BTUs less than FY 2003 levels. The Army decreased goal EUI ) by 2.8 percent to 79.7 thousand BTUs per square foot in FY 2015, despite having removed over 34.5 MSF of building space from the real property inventory. The Army has installed 158.9 MW of renewable energy capacity to date.

In FY 2015, the Army decreased potable water use by 1.2 billion gallons from FY 2014 to a total consumption of 32.7 billion gallons. This equates to an intensity reduction of 1.8 percent, exceeding the projected FY 2016 Federal target by 12.9 percent. The Army reduced ILA water use by 1.2 billion gallons (21.3 percent) since the FY 2013 baseline.

The Army exceeded the FY 2015 fossil fuel reduction goal by 12 percent, with a total reduction of 32 percent since FY 2005. The Army led the PPCC \$4 billion alternative financing Federal goal by awarding a total of \$926.4 million in investments since 2011.

The Army received significant Federal recognition for its energy and water related accomplishments during FY 2015. For example, the Presidio of Monterey, CA, developed a comprehensive energy management program that utilized appropriated funds and third party investments to reduce energy consumption by 35 billion BTUs (21 percent) in FY 2014 compared to FY 2010. Together the Army's six awards represent Army savings of 351 BBTUs of energy, 1,206 MGal of water, and \$88 million in cost avoidance.



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The Army's energy resilience efforts associated with ES2 Strategy implementation in FY 2015 were accelerated through an Energy Security IPT to work across organizations to inform decisions. The IPT focuses on energy security for installation critical infrastructure, bringing together Army leadership at all levels of the Army as well as several stakeholder organizations dedicated to IT, finance, and facility management.

The Army has completed ESAs at several key Army installations to develop a baseline and detailed technical understanding of vulnerabilities from natural and man-made threats and to identify potential failure points in energy infrastructure. The ESAs also provide project recommendations to address these vulnerabilities, and at some sites, include microgrid conceptual designs. In FY 2015, the Army completed an ESA and microgrid conceptual design at Fort Irwin, CA, and initiated an ESA at Fort Huachuca, AZ.

In FY 2016, the Army will further this progress by maintaining focus on successful programs and initiatives. The OEI will continue its mission of accelerating the development of one GW in large-scale renewable energy projects. The Net Zero Initiative has been expanded to all permanent installations to steward energy, water, and solid waste appropriately for a sustainable future, with continued deliberate use of appropriated and third-party authorities (including ESPC projects through the PPCC). The Army leads PPCC effort with 29 percent of all Federal implementation to date. Additionally, the Army is including new efforts to expand energy security considerations across the Army enterprise. Working with its RCI partners, the Army plans to more than double the amount of rooftop PV units on its housing units to over 42 MW by 2018. The Army will examine opportunities for CHP project development, retune efforts to improve building energy and water performance, and implement the ES2 to meet new Federal goals.

Despite fiscal challenges, the Army continues to support energy resiliency in accordance with the ES2 by implementing holistic management approaches such as Net Zero, sustainable building practices, large-scale renewable energy development, and microgrid deployment. These efforts enhance the Army's resource flexibility in our installations and enable rapid, cost-effective recovery from disruptions.

### **Assistant Secretary of the Army (Manpower and Reserve Affairs) (ASA(M&RA))**

**Reporting Category:** Comptroller and RM

**Description of Issue:** Reducing invoices acceptance time by program managers

**Accomplishment:** The Army Marketing and Research Group (AMRG) improved the invoices acceptance process through training and improved control measures. As part of a continues improvement program, AMRG focused on achieving further reductions in invoice processing where we identified a training gap with the program managers due to recent high turnover. A training program was conducted and improved oversight of invoice acceptance was instituted to mitigate the gap. Invoice acceptance time was reduced from 15 days to 5 days. This has resulted in reductions of the Army paying interest and complying with the prompt pay act.

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**Reporting Category:** Personnel and/or Organization Management

**Description of Issue:** Implementation of Background Check Policy for Child Care Workers. The DASA-MPQ spearheaded overall improvement to the policy implementation process of the background checks for child care workers on military installations.

**Accomplishment:** In response to Congressional concerns regarding background checks for childcare workers in FY 2015, representatives from OSD (Military Community and Family Policy) and the Services (including representation from DASA MPQ) met with staff from Senator Boxer and Burr's offices to discuss concerns expressed with regard to implementing new policy/procedures for background checks for child care workers providers in the Military Child Care in Your Neighborhood program. Staffers indicated that the issues are with the implementation of the new policy and procedures, inconsistencies across the Services on requirements, licensing and timing, and problems the contractors are having working through these changes. Staffers wanted a general overview of the Service child care programs and implementation of the new DoD Policy. Most of the staffers' questions were focused on the Navy and Air Force implementation of the new requirements. Ongoing efforts to realign the policy implementation of the background checks for child care workers on military installations will continue through FY 2016.

**Reporting Category:** Support Services

**Description of Issue:** Mortuary Affairs/Contaminated Human Remains (Personnel Contamination Mitigation). The DASA-MPQ led the Army effort to address Contaminated Human Remains (Personnel Contamination Mitigation) for the purpose of collaboration and coordination with the Defense Threat Reduction Agency (DTRA) which has partnered with ASA (M&RA).

**Accomplishment:** The DASA-MPQ led a collaborative effort to develop a concept and identify new technologies to mitigate CBRN contamination of DoD personnel and human remains after a CBRN event. This PCM effort includes a ROC Drill, a Table Top Exercise, a Limited Objective Experiment, and will culminate with an Advanced Technology Demonstration in FY 2017. The DTRA/SCC-WMD Countering Weapons of Mass Destruction Global Synchronization Conference 15-2 was held during 1-3 September 2015 at the National Geospatial-intelligence Agency Headquarters Facility in Springfield, VA (Fort Belvoir North). During this workshop, the CBRN Preparedness Working Group conducted multiple PCM meetings to develop a fully integrated and synchronized Joint CBRN Response Concept for evacuating exposed non-injured, injured, and deceased personnel from the incident site, to the casualty collection point, to the medical treatment facility, temporary morgue, and/or personnel decontamination site. This joint concept development process required input from medical, mortuary, CBRN, Medical Examiner, and transportation subject matter experts (SMEs). The PCM working group developed the joint concept and conducted a ROC drill o/a second Quarter, FY 2016. Lessons learned from the PCM information will be incorporated into the capability development process for the enduring solution, which is included in the FY 2017 Chemical Bio Defense Program (CBDP) Program Objective Memorandum.

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### Chief of Chaplains (OCCH)

#### **Reporting Category:** IT

**Description of Issue:** The CHIPS introduced as the enterprise system for management of CTOF operations.

**Accomplishment:** Fifty-nine (59) CTOFs began to utilize the full functionality of CHIPS. This centralized business process aligned CTOFs, a NAFI, with other Army NAFIs. The CHIPS standardized CTOF business operations and connected all CTOF systems into a single view. For the first time in the history of the Chaplain Corps, this new enterprise business process gives the Chaplain Corps senior leaders the ability to produce real time accounting data and reports. The CHIPS permits higher-level support and training, and empowers internal controls for fund management at the local Garrisons.

#### **Reporting Category:** Force Readiness

**Description of Issue:** Chaplain Corps migration into the DoD FMC program

**Accomplishment:** The Director, Sustainment and Information, DACH, unveiled a new initiative to increase the core competencies of Chaplain Corps financial managers. On March 22, 2016, 142 Chaplain Corps RMs were enrolled into the certification process through the ALMS. The launch of the FMC program for the Chaplain Corps allows RMs 24 months to complete the certification process through DoD-approved training courses. The FMC is nested with the Chief of Chaplains strategic and operational lines of effort, while keeping in mind the Army's model for financial readiness.

### Chief Information Officer G-6

#### **Reporting Category:** IT

**Description of Issue:** Opportunity to achieve more progress in reducing the number of data centers by leveraging both government and commercial cloud-hosting technologies. Further efficiencies can be achieved in the area of data center consolidation by assisting the mission areas and domain leads with rationalization of their portfolios, as well as continuing the consolidation of their data centers.

**Accomplishment:** Initially, ADCCP focused on data center closures to gauge progress and identify efficiencies. As the effort has progressed, it has become apparent that cost savings will come primarily from the termination and reduction in the number of applications and systems maintained across the mission areas. Application owners and portfolio managers must look at identified applications and, through application rationalization, decide which applications will be sustained, modernized or terminated. When an application is actually migrated to another data center or terminated, this disposition is annotated in the ADCCP Tracking Tool and the associated APMS records are updated accordingly. Additionally, the AAMBO captures application/system owner efforts to utilize cloud-hosting technology to reduce costs further and

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gain efficiencies. Through the use of AAMBO, the ADCCP Tracking Tool, and APMS records, the community continues to refine processes to identify application cost savings and show progress to senior leaders once the application's disposition is finalized.

### **Reporting Category:** IT

**Description of Issue:** Ensure compliance with federal statutes and presidential directives related to the reallocation of spectrum to industry.

**Accomplishment:** Legislation directed the FCC to auction spectrum to the wireless industry for commercial broadband use (i.e., smart phones). Federal spectrum regulators received winning auction bids from vendors totaling \$44.9 billion. As the reserve price (\$10.1 billion) was met, the Army must vacate or share spectrum with industry within 10 years. All costs associated with Army capability modifications will be funded from auction proceeds. The Army received the auction proceeds in the second quarter of FY 2016. To mitigate the operational impact of spectrum loss, ASMO provided the DoD CIO and federal regulators a transition plan. During the next reporting period, the Army will collaborate with the DoD CIO to establish a process to report to the OMB how funds are spent for capability mitigation and associated obligation rates. Affected program managers will provide periodic briefings and documentation to the DoD CIO to demonstrate compliance with OMB reporting requirements.

**Accomplishment:** The Army version of eMass was developed to provide system owners easy access to manage and update data information. It eliminates data redundancy by integrating existing data files, sharing data among all users, incorporating changes easily and quickly, simplifying the use of data files, improving accuracy and consistency, and exercising central control over standards. It also provides security against unauthorized use of data; lowers the cost of data storage and retrieval; and outlines roles, responsibilities, and timelines.

### **Reporting Category:** IT

**Description of Issue:** The RMF Workshop. The Cybersecurity Directorate conducted multiple RMF Workshops. The workshops arose from a CIO Executive Board survey in 2015 that focused on determining challenges associated with the transition from the DoD Information Assurance Certification and Accreditation Process to RMF. Survey results highlighted concerns associated with policies, procedures, technology, training, and resources. The Army CIO/G-6 Cybersecurity Directorate will host a series of regional RMF Workshops to address the challenges and establish a risk management culture across the Army through consistent application and training on risk management principles and practices. Both U.S. Army Europe and U.S. Army Pacific expressed interest in holding a workshop in their areas of operation. The Cybersecurity Directorate is coordinating with those G6s.

**Accomplishment:** More than 220 participants attended the initial RMF workshop conducted 8-10 March 2016 at Fort Belvoir, VA. The RMF Workshop proved beneficial as the feedback enabled shaping of the next workshop to support the Army workforce in the transition from DIACAP to RMF. Future RMF Workshops will be modified to eliminate, condense, group together, and/or develop new briefs to address specific inquiries better. The sessions will

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combine topics, eliminating the need for separate sessions, as well as clarify processes, e.g., reciprocity. New sessions will be added to address topics such as industry control systems and cloud computing. The CIO/G-6 and Network Enterprise Technology Command will continue to refine policy, tactics, techniques, and procedures to support the challenges the cybersecurity workforce faces and promote a continued, steady, risk management culture throughout the Army. The last workshop was held in Huntsville, AL, during 28-30 June 2016.

### **Reporting Category: IT**

**Description of Issue:** The Cybersecurity Directorate Policy and Plans Division serves as the IT security policy lead for CIO/G-6 and maintains Army Regulation (AR) 25-2, Army Information Assurance, which is the Army's capstone regulation on IT security. Army Regulation 25-2 has been revised to implement DoDI 8500.01, Cybersecurity, and DoDI 8510.01, Risk Management Framework for DoD IT. Draft AR 25-2, now called Army Cybersecurity, is a concise, high-level policy document that clearly communicates the Secretary of the Army's intent, expectations, and direction. It also establishes the Army's approach to managing cybersecurity risk, which comprises five concurrent and continuous functions: identify, protect, detect, respond, and recover. Draft AR 25-2 is being staffed Army-wide at the GO/SES level. Department of Army Pamphlets will be staffed and published concurrently with this regulation. DA Pamphlets under development include Identity and Access Management, Training and Certification, Information Assurance Tools, and the Risk Management Framework.

**Accomplishment:** Army-wide staffing of draft AR 25-2, Army Cybersecurity, was conducted in March 2016.

### **Chief of Staff, Army (OCSA)**

### **Reporting Category: Base Operations**

**Description of Issue:** The results of a Combat Readiness Center command climate survey articulated a lack of clearly defined responsibilities, much duplication of effort, and lack of coordination among Directorates, specifically at the Executive level. Subsequent solution sessions with employees of all echelons, indicated a need for a single entity to orchestrate the efforts of the Command to achieve common goals and provide direction. Several Courses of Action were developed ranging from a simple shift in responsibilities to a complex re-organization. The result and decision was to allow the TDA position of Deputy Commander to also perform the duties as a Chief of Staff and the Executive Officer TDA position was converted from a Lieutenant Colonel billet to a Chief Warrant Officer Four, 420A, on the TDA.

**Accomplishment:** The Deputy Commander serves in this capacity when the Commanding General (CG) is away from the organization; however when the CG is present, he serves as the single point for synchronization of staff actions of the three executive directorates. The implementation has significantly reduced duplication of effort among directorates and enhanced the CRC's ability to meet suspense's of external staffing actions. Another outcome

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of this action is clearly defined roles and responsibilities of Directors in the form of Knowledge Maps, again reducing duplication of effort.

### **Deputy Chief of Staff, G-1 (ODCS, G-1)**

#### **Reporting Category: IT**

**Description of Issue:** Identification of MICP deficiencies are being documented, corrected, and tracked throughout CHRA, but a review of the deficiencies submitted by CHRA Regions indicated that additional training needs to occur on what constitutes a MICP deficiency as opposed to a performance deficiency.

**Accomplishment:** In FY 2015, a CHRA MICP Deficiency Tracker was implemented by the CHRA HQ ICA to identify all MICP deficiencies within CHRA and their corrective actions. Training on identification and documentation of MICP deficiencies was provided to CHRA Regional ICA's and AUM's through the use of ICA Update e-mails and MICP documents maintained on the CHRA SharePoint portal. Additional training is being provided by the CHRA HQ ICA on MICP deficiencies to ensure consistent identification of the MICP deficiencies and minimizing inclusion of performance deficiencies. The CHRA MICP Deficiency Tracker was placed in the MICP Library on the CHRA SharePoint portal so senior leaders would have access to the corrective actions being accomplished across CHRA, allowing for sharing of best practices for correction of MICP deficiencies.

#### **Reporting Category: Comptroller and RM**

**Description of Issue:** Changes to all SBR processes and Key Control Objectives by ASA (FM&C) required changes to the associated internal controls within CHRA programs.

**Accomplishment:** Adjustments were made to CHRA internal controls within the Civilian Pay, Contracts, Government Purchase Card, and Reimbursable and Temporary Duty (TDY) processes to coincide with the changes made by ASA (FM&C). This resulted in a 100 percent pass rate of all monthly SBR testing for CHRA HQ and CHRA Regions.

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### Deputy Chief of Staff, G-2 (ODCS, G-2)

**Reporting Category:** IT

**Description of Issue:** The Army G-2 lacks proper accountability of SCIF IT

**Accomplishment:** Army G-2 is currently working with USAAA to obtain a comprehensive assessment of the correct number of SCIFs within the Army and the means by which they operate. This engagement will allow the Army a sufficient process of validation the existing SCIFs and assess the potential resource efficiencies by reducing the number of SCIFs and the IT to support them.

**Reporting Category:** Comptroller and RM

**Description of Issue:** The GTCC program provides a way for system managers to increase card limits without proper oversight or approval

**Accomplishment:** The Army G-2 has implemented a check and balance process, which allows these managers to be checked monthly. This process allows a non-interested party to spot check the status of the managers for card limit compliance. This measure increases the controls of the system and provides another avenue to ensure regulatory compliance.

### Deputy Chief of Staff, G-3/5/7 (ODCS, G-3/5/7)

**Reporting Category:** Manpower Management

**Description of Issue:** Global Force Management Data Initiative (GFM DI)

**Accomplishment:** USAFMSA continued to lead the Army's successful implementation of the Deputy Secretary of Defense-directed GFM DI by providing detailed hierarchically linked and digitally tagged force structure data to 32 consumer systems through the AOS, significantly improving joint sharing of authoritative authorization document data that is a foundation for all U.S. Code Title 10 functions. In conjunction with the Army OBT, USAFMSA compelled successful development of innovative software, expedited conversion of data, and prompted comprehensive processes that established the Army as the GFM DI standard bearer for the Services. The USAFMSA provided functional expertise to the Army OBT as they initiated action to maximize this reformatted data and the initiative's technologically advanced concepts to make the Army Enterprise more efficient and more auditable in the future.

### Deputy Chief of Staff, G-4 (ODCS, G-4)

**Reporting Category:** Force Readiness

**Description of Issue:** The ASRA is a quarterly comprehensive analysis of the strategic readiness levels across the Total Force. It is a narrative in format and submitted with supporting data. The ASRA relies on inputs from the Total Army to assess the Army Total

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Force readiness. This is a collaborative and comprehensive strategic assessment of current and future readiness. Six SRT are the pillars; Manning (G-1), Training (G-3/5/7 (DAMO-TR)), Capacities and Capabilities (G-3/5/7 (DAMO-ODR, DAMO-SS and DAMO-FM)), Equipping (G-8), Sustaining (G-4), Installations (ACSIM), and Leading (DAMO-TR). The ASRA provides the strategic readiness view of the Total Force for Army Senior Leaders, informs external audiences, and meets specific statutory requirements.

**Accomplishment:** The G-4 continues to refine the Sustainment Tenet of the ASRA process with support from action officers representing all G-4 Directorates. The G-3/5/7 recognizes the G-4 standardized metrics as the leading example in assessing core capabilities. The G-43/5/7 team is developing the ASRA with the JCA assessment to form a base for the JFRR building to the QRRC. The refinement continues as we focus on the Army capabilities to self-sustain, support our sister Services, and ensure our priorities and assessments are consistent with the CSA's readiness guidance.

**Reporting Category:** Personnel and/or Organization Management

**Description of Issue:** HQDA G-4 Delaying Effort. Forty-four HQDA Organizations had to take a mandatory 25 percent reduction of their TDA workforce.

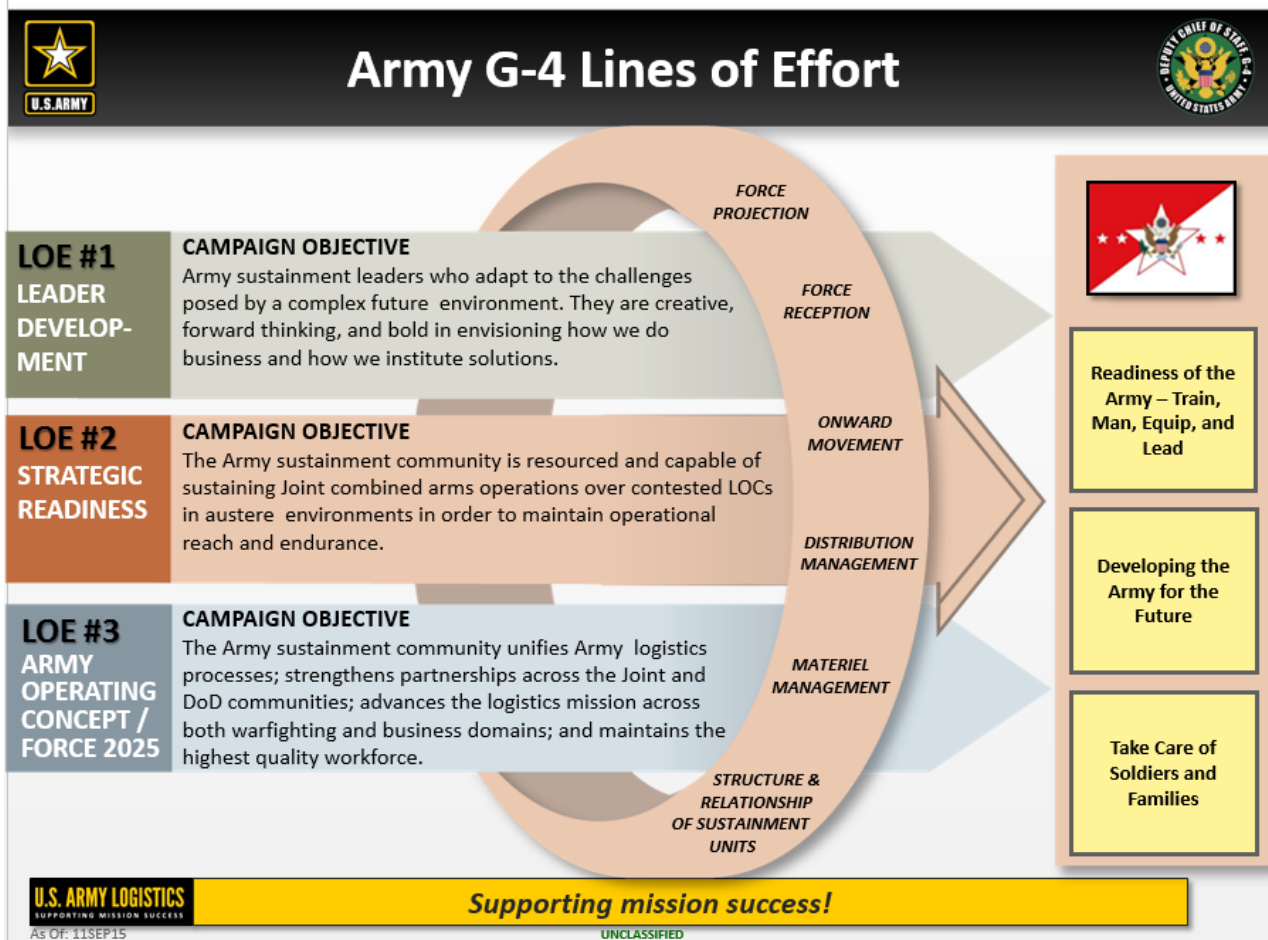
**Accomplishment:** Army G-4 adhered to the Army business rules and achieved their target numbers with minimal exceptions. As part of the delaying effort, Army G-4 eliminated two echelons (layers), eliminated a Major General position, eliminated a SES position, and downgraded a Major General position to a Brigadier General. Additionally, the G-4 increased the collective span of control for supervisors and leaders. Army G-4 adhered to the Army business rules and achieved their target numbers with minimal exceptions. Additionally, the G-4 increased the collective span of control for supervisors and leaders. The Army G-4's FY 2019 TDA was approved in August 2015.

**Reporting Category:** Comptroller and RM

**Description of Issue:** The LSPG and POM Development. Prior to 2014, the G-4 did not have an overarching document providing comprehensive strategic guidance for priorities of resource allocation in alignment with Army priorities from the SA and CSA.

**Accomplishment:** Updated and published the G-4 Logistics Strategic Planning Guidance providing comprehensive strategic guidance for priorities of resource allocation in alignment with Army priorities from the SA and CSA. The LSPG aligns efforts across the G-4 prioritizing resource allocation and POM development in alignment with G-4 lines of effort designed by the G-4 and approved by the CSA. It also seeks to synchronize DOTMLPF-P solutions across the Logistics enterprise to optimize log operations, while setting goals for future investments. Finally, the LSPG creates strategic guidance to divest from areas not in alignment with CSA and SA priorities.






**Reporting Category:** Comptroller and RM

**Description of Issue:** The Sustaining PEG focused on achieving specific end states for each major sustainment program across the FYDP. This end state focus drove the application of resources.


**Accomplishment:** To help minimize risk and cover emerging costs, the Sustaining PEG generated resources by implementing various efficiency initiatives. These included but were not limited to improved management of software sustainment, challenging TWCF business practices, extending APS afloat maintenance cycles, and retiring legacy program tools and applications. The Sustaining PEG focused on generating readiness and prioritized these requirements above all others to create a balanced and defensible POM submission.










## Log Enterprise Focus

POM 19-23 Strategy

as of 12 May 16



Strategic Mobility / APS	Ammunition Readiness	Depot Maint / Tech Support	Second Destination Transportation	Core Logistics	OCIE Sustainment	Logistics Automation
						
Build and maintain force projection readiness through a synchronized and integrated approach	Execute the SMCA Mission	Modernize war fighting capabilities (Recap: Abrams, PATRIOT, Blackhawk)	Execute mandatory requirements	Execute strategic logistics functions, including depot ops, AOAP, Log Assistance Program, and corrosion prevention and control	Automate CIF operations to maximize training hours forward	Field an ERP Aviation Solution and Optimize Business Intelligence (BI) for the SALE (GCCS-Army)
Develop, implement and execute a Deployment Readiness Exercise Program	Effectively and efficiently receive, store, issue safe and reliable ammunition	Create software efficiencies that support system readiness, cyber security, and create purchasing power	Prioritize all Army Excess moves to improve Army unit readiness	Divest excess and obsolete equipment to declutter formations	Execute measures to increase accountability of Army OCIE stocks	Establish Smart IT hardware procurement to enable future upgrades
Build, maintain and modernize APS and Activity Sets	Eliminate the conventional ammunition unserviceable stockpile	Army depot capabilities focused to meet near and long term materiel readiness in support of COCOM operations and national emergencies	Challenge requirements and re-allocate funds to higher priorities	Integrate equipment divestiture into the lifecycle process	Reduce the number of full service sites, support Ready Soldiers through distribution	Sunset legacy log IT tools & capabilities; migrate personnel to BI Enterprise and develop personnel capability for an ERP Environment
To provide a force projection capability, for an expeditionary Army, to ensure global responsiveness	Eliminate the chemical stockpile	To build equipment readiness, ensure BCTs and enabling formations achieve SRM requirements	Clear SDT material weakness & achieve audit readiness	To build and maintain equipment readiness and accountability	To provide the right equipment, at the right time and place, while eliminating legacy infrastructure	To provide a materiel readiness Common Operating Picture, with real time actionable data and metrics, to enable mission command
<b>U.S. ARMY LOGISTICS</b> <span style="float: right;"><b>A Strategy to Enable Army Readiness!</b></span>						

**Reporting Category:** Force Readiness

**Description of Issue:** AOCSB. There was no Army organization designated as the “Force Modernization” proponent to serve as the Operational Contracting Support DOTMLPF developer to assess current OCS capabilities and manage change.

**Accomplishment:** Army G-4 worked with other Army organizations to designate a Force Modernization Proponent for OCS (non-acquisition) and TRADOC/CASCOM was given this responsibility. The AOCSB is chartered for two years and will establish an Army OCS working group that will synchronize OCS efforts across the Army, recommend strategic priorities, provide an annual assessment of OCS capability gaps to include risk mitigation, and determine Army positions on OSD/Joint governance issues.

**Reporting Category:** Supply Operations

**Description of Issue:** The Afghanistan Retrograde and redeployment of Army equipment out of Afghanistan presented unique challenges to the logistics personnel tasked with executing this daunting process. Operations were significantly impacted by geopolitical turbulence, geographical restraints, limited transportation infrastructure, Force Management Levels for Resolute Support, capacity of the LOCs in the region, and enemy interdiction. The disruption

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and/or turbulence in any of these areas could have impacted the flow of equipment from theater.

**Accomplishments:** G-43 (Retrograde Branch) ICW JCS, ARSTAF, and USFOR-A ensured USFOR-A had all required authorities necessary to increase capacities to facilitate accelerated retrograde operations. Additionally, the Retrograde Branch assisted in the development of a plan to expedite the retrograde of equipment from theater in the event the Bilateral Security Agreement was not signed and a decision was made to not execute the Resolute Support Mission and accelerate retrograde. The plan centered on the conceptual framework for prioritizing equipment into three “Bins”: 1) Expeditionary - Equipment needed to meet urgent Army operational needs; 2) Critical - Meets the CSA short-term and mid-term strategic objectives; and 3) Essential - Meets long-term objectives to modernize and tailor the force. As a result of these efforts, USFOR-A met or exceeded Operation Drumbeat Phase IV retrograde goals for Rolling Stock (100 percent) Non Rolling Stock (101 percent), Munitions (103 percent), Containers (102 percent), and Base Reduction (25 bases remain for Resolute Support) despite the unique retrograde challenges posed by conditions in Afghanistan.

**Reporting Category:** Support Services

**Description of Issue:** The need to improve control and accountability of Army-owned containers and other shipping platforms continues to be an item of interest for the Directorate. After 14 years of operations in Iraq and Afghanistan, the Army has amassed an inventory of over 250,000 containers. This includes over 90,000 ISO containers that are centrally managed by AIDPMO. The AIDPMO is the Army’s designated single manager for managing and controlling all Army owned and leased distribution platforms. The AIDPMO is a key enabler of Army readiness and reflects the institutionalization of container management lessons learned.

**Accomplishments:** The focus this year was determining the number of containers the Army should maintain in the centrally managed fleet to respond to future deployment requirements. The G-4 Transportation Policy Division directed this study in November 2014, and is coordinating with Army Materiel Command, Military Surface Deployment and Distribution Command, and AIDPMO to determine the fleet size and overall Container Management Plan. The key components of this plan include: Recommended total number of Army-owned containers in the centrally managed fleet, Recommended storage locations, Recommended container maintenance locations, Projected annual container maintenance requirements and costs, and the Disposition plan for excess containers (if any). The goal of this study is a resourced, fiscally-sound Container Management Plan that supports a ready and globally responsive Army. Target completion date is 1 August 2016.

**Reporting Category:** Support Services

**Description of Issue:** The Chief Financial Officers Act of 1990 requires that the Army produce auditable financial statements. The 2010 National Defense Authorization Act (NDAA) requires that financial statements be validated as ready for audit no later than 30 September 2017. On 13 October 2011, the Secretary of Defense issued a memorandum

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accelerating efforts to achieve full audit readiness for DoD financial statements by 2017. The LIA was tasked by the Assistant Deputy Chief of Staff, G-4 (Logistics) for Sustainment to serve as the Army Logistics Audit Readiness Program lead to enable Army commands to meet federal and DoD audit compliance requirements by 2017. The team was tasked to ensure sustainment of auditable practices by implementing improvements that would result in an “institutionalization” of audit readiness throughout the Army’s logistics community.

**Accomplishment:** In the past year, the ODCS G-4, through the actions of its Field Operating Agency, the LIA, has realized significant success in improving Audit Readiness. The LIA has conducted over 13,000 Army-wide tests in the areas of GE Capital Assets and AWCF-Inventory, and in June 2015, began OM&S Ammunition testing. These tests expanded across multiple APSRs, to include the Global Combat Support System-Army, LMP, and the DPAS. The LIA published monthly and quarterly reports for the field and command teams to use as a tool to assist with ensuring their personnel are ready for the congressionally-mandated requirement that DoD be auditable by 2017. The LIA also collaborated with and supported the USAAA and DoD Inspector General’s office in conducting their independent audits that included various areas of responsibility relating to property accountability. In concert with the audit readiness effort, LIA continued to leverage a top-down approach to identify and close process and automation gaps that hinder readiness and accountability. The DCS, G-4, staff also tasked LIA with Command Level Verification and Audit Readiness institutionalization. To accomplish this, LIA provided Audit Readiness professional development sessions over the past year at both the Army Logistics University and the Action Officer Logistics Course. The LIA also played a key role in numerous policy and regulation updates ensuring that Army policy covers all Audit Readiness requirements. Additionally, LIA set the foundation for the near-term BI suite of tools providing Commanders at echelons below Brigade a unit readiness Common Operating Picture across the logistics domains of Deployment, Supply and Maintenance.

**Reporting Category:** Support Services

**Description of Issue:** Lack of sufficient access to process documentation in support of audit readiness requirements

**Accomplishment:** The LIA/G-4 has maintained the GE and AWCF Interactive Audit Guides that provides a true picture of “what Right looks like” for the field. The LIA has also created the Interim Audit Procedural Guide that serves as a provisional bridge between outdated Army Regulations and audit readiness requirements. The Procedural and Audit Guides are posted to LIA’s Web site: <https://lia.army.mil/>. The LIA also developed a streamlined process to audit tactical-level transactions that provides a data repository, which provides a robust and reliable mechanism to analyze results, which in turn supports the development of corrective action plans for the Army commands evaluated. The LIA’s data repository for audit testing has enabled a more streamlined auditing process and allowed more samples and additional control testing to be added without increasing resources.

**Administrative Assistant to the Secretary of the Army**

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**Reporting Category:** Financial Reporting

**Description of Issue:** The Army's conference policy was outdated and required revision based on lessons learned, congressional inquiries, and new conference policy from the OSD.

**Accomplishment:** After accumulating lessons learned under AD 2014-01 (Army Conference Policy) for approximately 18 months, the Army Conference Management Directorate issued revised policy in AD 2015-01 8 July 2015. The issuance of new OSD conference policy, congressional inquiries, and lessons learned led to another update of the policy in May 2016. The revised policy removes excessive administrative burdens on conference participation, but maintains appropriate oversight to ensure fiscal responsibility. The AD 2016-14 authorizes new delegations for conference approval authority, removes excessive administrative burdens on conference participation, incorporates new public law and OSD guidance, codifies best practices into required procedures, and clarifies requirements that generated high volumes of customer questions and concerns. Army Directive 2016-14 allows conferences to be approved at lower levels, thus decreasing overall conference request processing times. This reduces the administrative burdens within each command, while the strict conference request and reporting requirements ensure compliance with the policy is maintained. As this table shows, the number of conferences reported has increased as commands understand the reporting requirements. The average cost per conference has decreased as the Army Conference Management Directorate has scrutinized the use of rental cars, actual expense allowance, and use of early (reduced) registration fees.

Comparative Conference Data		
Totals (1st & 2d Quarters)	FY 15	FY 16*
Total Conferences	784	1,142
Total Attendees	11,513	13,078
Total Approved Costs	\$18,335,087	\$21,598,695
Average Cost a Conference	\$23,386	\$18,913

Note: The number of conferences has increased 31 percent and conference costs are up about 15 percent from the same period last fiscal year. However, the average cost of a conference has decreased by 19 percent from last fiscal year.

\*Reflects data received as of 20 May 2016.

**Reporting Category:** Support Services

**Description of Issue:** Validation of SA delegations of DoD EA responsibilities.

**Accomplishment:** The Analysis and Integration Cell orchestrated an intensive review and validation process for the Army's 40 DoD EA delegations. These are responsibilities OSD has delegated directly to the SA, who in turn generally delegates the responsibility to a HQDA principal official. Many of these delegations date back a decade or more; in some instances, no record is available to document the SA's original delegation. This effort involves a coordinated, intensive review of each delegation from an organizational, functional, and legal

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perspective to revalidate not only the appropriate assignment of each function, but whether the necessity for an EA designation still exists. A Colonel/GS-15 subject matter expert review is complete and legal review is well underway with a current goal of having a valid SA-endorsed delegation memorandum on file for each EA responsibility no later than the 1st Quarter, FY 2017. This deliberate and methodical analysis will validate that Army resources are expended for DoD-wide support only in the event of genuine necessity and that missions assigned to the Army over decades remain valid.

**Reporting Category:** Personnel and/or Organization Management

**Description of Issue:** Implementation of the Comprehensive Review of HQDA. As a result of direction from the Secretary of Defense to reduce the size of the Army and its Headquarters, accompanied by continuing downward budget pressures, on July 23, 2014, the SA and CSA directed a 25-percent manning reduction over the Army program in all Army two-Star-level headquarters and above, including HQDA and its field operating agencies.

In support of that direction, the USA and VCSA, with the assistance of a commercial business consultant (Boston Consulting Group), conducted a comprehensive review of the HQDA staff organization structure from November 2014 until March 2015. This review used delayering techniques to achieve pre-established reduction targets and improve staff communication and responsiveness.

**Accomplishment:** Phase 1 of the implementation (Prepare to Transition HQDA to New Organization Design) was effectively completed on November 4, 2015. Phase 1 included the following tasks:

- Publish HQDA Civilian strength management policy,
- Establish a governance forum,
- Inform the HQDA workforce,
- Finalize organizational designs,
- Prepare organization specific implementation plans, and
- Complete FY 2019 objective TDA.

The last of six TDA review sessions was held on October 30, 2015. This concluded a roughly four-month long coordinated effort between OAA; the Offices of the Director of the Army Staff, Deputy Chief of Staff, G-3/5/7, and OBT; and the HQDA Staff Principals to finalize organizational designs and document them in TDA format for all of HQDA, including field operating agencies.

By publishing approved TDAs, HQDA codified the final delayered designs in a system of record, where they are available for common viewing and accessible by other Army systems for planning purposes. The approved TDAs and associated individual implementation plans set conditions for Phase 2—Provisional Reorganization.

With a suspense of September 30, 2016, provisional reorganization requires that organizations must be structured in accordance with the final design, understanding that on-hand personnel

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and skills will be a less than perfect match for the force structure. Organizations will reach full compliance with the final organizational design only through deliberate human capital planning and execution, including the use of tools such as management-directed reassignments, details, retraining, Voluntary Early Retirement Authority/Voluntary Separation Incentive Payment, term/term hiring flexibilities, and attrition (which may take up to two to three years).

Through the Focus Area Review Group process, HQDA reduced total authorizations from 14,933 to 12,574 (a decrease of 2,359). The supporting Comprehensive Review effort increased the median span of control from 4 to 8 and reduced the number of supervisors from 2,443 to 1,645.

### **Chief, Army Reserve**

**Reporting Category:** Comptroller and RM

**Description of Issue:** Communication of prior year deobligations to Army Reserve Leadership during Resource Summits

**Accomplishment:** The Army Reserve hosts annual financial resource summits where Army Reserve stakeholders and resource managers meet and jointly review the President's Budget results. The Comptroller has determined that the methodology used to finance withholdings and reserve accounts would be calculated using the three-year average deobligation rate for the OMAR appropriation. Based on this methodology, the Army Reserve saw an overall improvement in its deobligation percentage by 6 percent, between the FY 2015 and FY 2016 Summits. As a result of hosting these forums to show unexecuted dollars by PEG and MDEP lines of accounting, managers were able to improve their deobligation percentage from May 2014 to May 2015.

### **Provost Marshal General**

**Reporting Category:** Comptroller and RM

**Description of Issue:** GTCC Program.

**Accomplishment:** An internal control review of the GTCC Program revealed that training, cardholder applications, and supporting documentation were present and complete. The OPMG GTCC policy, which sets forth policy, procedures, requirements, and guidance for the GTCC and establishes command, supervisory and personnel responsibility, is provided to all cardholders and supervisors. The GTCC Program is included in the OPMG, ACC, and DFBA in/out- processing requirements for activation, deactivation, and closing of accounts. The ACC's geographically dispersed facilities also incorporated the provision of the GTCC program in their in-/out- processing requirements. Reports are reviewed monthly to identify unauthorized transactions, delinquencies, returned checks, declined transactions, excessive ATM use, and use while not TDY. More than 10 percent of transactions are reviewed monthly to identify any potential misuse/abuse. These efforts validate that commanders and supervisors are properly discharging their GTCC Program responsibilities.

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**Reporting Category:** Contract Administration

**Description of Issue:** The Law Enforcement Program (LEP) Contract Performance Work Statement (PWS) Revision

**Accomplishment:** Simultaneously, with the coordination for the final contract option, the PWS was significantly revised to support requirements in theater for LEP performance, especially considering the change in the USFOR-A mission (Resolute Support Mission (RSM)) and interpretations. The mission, tasks, and deliverables were updated to reflect the new USFOR-A mission set/requirements for RSM. The quality control (QC) checklist in the Quality Assurance Plan was used by the COR and the COTR to monitor LEP performance and contract compliance. The QC checklist enabled the COR and the COTR to monitor and analyze daily operational and contractual requirements more closely in theater. Additionally, the QC Checklist ensured the government that the contractor's performance and contract compliance was monitored daily. The QC checklist and refined PWS ensure that the contractor and its employees are aware of the updated oversight and inspection, ensuring better performance and product quality. The refined PWS allows for maximum effectiveness, support, and relevancy while attaining efficiencies for the government.

### **The Surgeon General/Army Medical Command**

**Reporting Category:** Organization Management

**Description of Issue:** Access to MICP Data

**Accomplishment:** Through a quality assurance review at the Landstuhl Regional Medical Center, it was determined that management needed access to current and historical MICP data. To address the need, an automated process is under development, where management at all levels can assess the implementation of the MICP across the entity, while also accessing historical data to monitor compliance with regulatory requirements better and identify trends requiring attention. (*Regional Health Command-Europe[RHC-E]*)

**Reporting Category:** Comptroller and RM

**Description of Issue:** Management of Delinquent Debt

**Accomplishment:** We established delinquent debt management procedures to transfer debts directly to the U.S. Treasury utilizing its *FedDebt* system. Over \$71 million in delinquent debts have been transferred to the Treasury for its collection efforts. (*MEDCOM G-8*)

### **U.S. Army Corps of Engineers**

**Reporting Category:** Research, Development, Test, and Evaluation



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**Description of Issue:** Knowledge Management (KM) (Directorate of Research and Development (CERD))

**Accomplishment:** Knowledge is a large asset in every organization that can be an overlooked and underutilized resource if not managed effectively. Knowledge in action gets results by accelerating the rate of learning, mitigating the risks of not knowing and repeating mistakes, and retaining knowledge assets when people move, leave, or retire. The USACE CG named KM one of his highest priority actions and signed the first KM strategic plan on March 4, 2015. Using the American Productivity and Quality Center's (APQC) industry standard KM Maturity Model and applying its rigorous KM capability assessment tool at the Regional level, USACE achieved Level One KM Maturity (growing awareness) during this reporting period, with "pockets of excellence" and growing participation within the organization and at HQ. USACE expects to achieve Level Two Maturity (localized and repeatable practices) by the end of 2016. By the end of 2017, USACE expects to reach Level Three Maturity (common processes and approaches).

**Reporting Category:** Comptroller and RM

**Description of Issue:** Maturing the USACE Quality Performance Improvement Framework (QPIF) (CERM)

**Accomplishment:** The USACE organizing continues to improve the effectiveness and mitigate operational risk of the QPI Program. Work continues with the DOL on a USACE Deployment Process to support the Command Deployment Discipline Program (CDDP). An overarching, end-to-end USACE Force Projection process will determine core constraints preventing improved process performance. Work continues with USACE E&C teams to explore application of the QPI approach to improve ongoing design and construction quality processes. Additionally, USACE is working on a plan for the USACE QMS Portal to incorporate end-to-end business processes, integrate with KM efforts, link with CPI projects, and support corporate and regional business governance and management bodies.

**Reporting Category:** Comptroller and RM

**Description of Issue:** Interest Payments (UFC)

**Accomplishment:** The USACE paid only \$23.50 in interest per million disbursed (cumulative for civil and military disbursements) which is substantially under the Department of Defense (DoD) FY 2015 goal of \$51 per million.

**Reporting Category:** Comptroller and RM; Financial System Conformance

**Description of Issue:** Funds Distribution Module (FDM) (UFC)

**Accomplishment:** The UFC developed CEFMS functionality, at the HQ and activity level, to receive and manage distribution of Department 96 Civil Works Funds that provides for the migration from the PBAS to CEFMS for USACE funds distribution. The new functionality

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encompasses all Civil Works funding processes such as Continuing Resolution Authority, Warrants, Non-Expenditure Transfers, and Budget Authority. It produces significant savings by eliminating duplicate funding data entry at the activity level and provides increased Civil Works Programs funds controls and transparency.

**Reporting Category:** Comptroller and RM; Financial System Conformance

**Description of Issue:** Implementation of GTAS Adjusted Trial Balance System Reporting (UFC)

**Accomplishment:** The GTAS Adjusted Trial Balance System is the mechanism through which agencies report their financial accounting data (budgetary and proprietary) to Treasury for purposes of generating the consolidated Government wide Financial Statements for the U.S. Government. It replaces the Federal Accounting Centralized Trial Balance System (FACTS I and II), Intra-governmental Fiduciary Confirmation System (IFCS), and Intra-governmental Reporting and Analysis System (IRAS). The GTAS is used to transmit proprietary and budgetary accounting data to Treasury for 11 reporting periods during the FY. The GTAS submissions to Treasury require use of specific SFIS attributes and must pass extensive data validations and edits. USACE successfully converted to GTAS in 4th Quarter, FY 2014, and has been in use and effective as of 1st Quarter, FY 2015.

### U.S. Army Materiel Command

**Reporting Category:** Procurement, Contract Administration

**Description of Issue:** President of the United States (POTUS) Support

**Accomplishment:** The 414th CSB provided contracting support for the first ever POTUS visit to Nairobi, Kenya, as part of AFRICOM's Joint Forces Command (FWD). The 414th CSB synchronized support efforts with the Department of State, Secret Service, and the White House. Brigade personnel served in key roles and provided unique support that was recognized for de-conflicting multiple sources of logistical support for all U.S. supporting agencies. The team awarded 24 contracts valued at \$76 thousand and administered LOGCAP orders valued at over \$200 thousand.

**Reporting Category:** Contract Administration

**Description of Issue:** Transformation to MICC 2025

**Accomplishment:** Transformed the Command's business model. The MICC transformed their business model to leverage efficiencies, decrease operating costs, and balance the workload with the right skill sets to accomplish the work. The MICC developed a standardized 3-Tier system based on size, i.e., Tier 1 (small), Tier II (medium), and Tier III (large) and function. Each office has standardized structure, divisions, and grades that provided for increased capacity and capability as well as consistency for customers. Additionally, the different Tiers allow for consolidation of work and creation of Centers of Excellence. The

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larger Tier III centers will procure the higher dollar value actions allowing the small offices to focus on contract administration and smaller actions. This provided an opportunity to refocus the workforce significantly for an estimated savings of \$14 million. The standardized structure enhances contract operations, allows for easier movement of personnel and workload across the Command, and fully supports transformation to MICC 2025.

**Reporting Category:** Financial Reporting

**Description of Issue:** Time and Attendance

**Accomplishment:** The Army-wide audit findings from the Independent Public Accountants (KPMG) noted that proper controls were not implemented for time and attendance reporting. The ACC-Aberdeen Proving Ground is reinforcing timesheet reporting procedures with additional training on the effective review of timesheets and making sure proper leave/overtime documentation are maintained, as required.

**Reporting Category:** Financial Reporting

**Description of the Issue:** GTCC Program. The GTCC Program remains in the high risk area.

**Accomplishment:** The U.S. Army Materiel Systems Analysis Activity (AMSAA) Agency Program Coordinators (APCs) provide continuous GTCC Program Oversight of new Travel Card Applications as well as travel card usage. One hundred percent of AMSAA's travel card transactions, through voucher review, are monitored and substantiated. To aid in the elimination of misuse and abuse, employees and their managers are immediately made aware when accounts are delinquent or when inappropriate charges have occurred. During the 2015 reporting cycle, AMSAA had no reportable delinquencies. All APCs are trained and well-versed in the procedures and regulations associated with the travel card process. The AMSAA has a local SOP, and internal control processes are in place with regards to the travel charge; card to communicate program requirements; and provide a standardized operational plan for success. Travel charge card usage and transactions are reviewed monthly on the Transaction Activity and Delinquency Report. Intensive monitoring by the AMSAA APCs with reporting to AMC provides early identification of 'at risk' accounts.

**Reporting Category:** IT

**Description of Issue:** Not meeting both the DoD and the Army Organization Execution Plan (OEP) Defense Business Council (DBC) requirements would result in a negative impact to AMC's investment portfolio.

**Accomplishment:** Ensured that AMC's approximately 200 Defense Business Systems were in conformance with the FY 2015/2016 OEP/DBC architecture requirements. Assisted AMC major subordinate commands with the implementation of the Integrated Business Framework-data Alignment Portal (IBF-DAP), which was the new DoD and Army mandated architecture governance tool. Processed over 200 portal user account requests through the office of the

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Deputy Chief Management Officer. Assisted AMC system owners with gaining permissions to their investments by processing more than 450 requests through the HQDA Domain Leads. Developed portal support materials and training for AMC system owners. This resulted in the OBT approving the alignment of systems to the Army-BEA and BEA. Developed a model with procedures for completing the OEP and DBC architecture governance process using IBF-DAP. Used the model to derive a data structure, and to determine information entry, data analysis, and management reporting requirements. The result of this data modeling and database development effort was a workflow that automated many of the activities required to satisfy the OEP and DBC architecture alignment requirement as mandated by the 2015 NDAA.

### U.S. Army North

**Reporting Category:** Comptroller and RM

**Description of Issue:** Congress requires the DoD to have auditable Statements of Budgetary Activities and audit ready financial statements by 2017.

**Accomplishment:** An audit readiness team consisting of a Department of Army (DA) civilian and one contractor with the purpose of addressing audit readiness, internal control and cost management, assessed over 51 individual controls for audit compliance. Audit Readiness is being completed at ARNORTH G-8 without the assistance of an Internal Review Office.

**Reporting Category:** Comptroller and RM

**Description of Issue:** Office of the Assistant Secretary of the Army (Financial Management & Comptroller) Accountability & Audit Readiness Directorate conducts monthly testing of Existence and Completion of General Equipment and Statement of Budgetary Activities

**Accomplishment:** G-8 audit readiness team prepared and submitted 34 Existence and Completion samples with a 97 percent pass rate.

**Reporting Category:** Comptroller and RM

**Description of Issue:** Congress requires the DoD to have Audit Ready financial statements by 2017.

**Accomplishment:** An audit readiness team consisting of a HQDA civilian and one contractor with the purpose of addressing audit readiness, internal control and cost management, assessed over 51 individual controls for audit compliance. Audit Readiness is being completed at ARNORTH G-8 without the assistance of an Internal Review Office.

**Reporting Category:** Comptroller and RM

**Description of Issue:** Previous assessment proved that USARNORTH controls didn't provide means to reconcile GFEBs to the civilian pay records. It identified employees being paid who were no longer on USARNORTH payroll.

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**Accomplishment:** Audit readiness team created Access dbase that imported data from both systems and provided a report that allowed reconciliation practices, resulting in 100 percent compliance capability for this control.

### U.S. Army South

**Reporting Category:** Comptroller and RM

**Description of Issue:** Prior-Year Funds Request

**Accomplishment:** A continued increase for prior years' funds requests was noticed by the ACoS, G8 FSD, due to no obligation being recorded, insufficient obligation being recorded, or potential unauthorized commitments recorded in the budget execution year. FSD thoroughly reviewed all prior year requests and funding documents before routing to SJA for approval. Any inquiries were directed to the Budget Analyst, based upon the Fund Center identified in the prior year request.

**Reporting Category:** Comptroller and RM

**Description of Issue:** Planning, Organizing, and Executing

**Accomplishment:** The ACoS, G8 PBD exercised superior controls to accomplish "more with less." All programming, funding, and budget execution related activities were organized and executed to ensure proper coordination of efforts (internally and externally) to support unforeseen needs and highly visible and complex matters such as the Army Audit Readiness evidentiary document process. The PBD developed all pertinent materiel for the conduct of Senior PBACs and for the CG's review and decision during the Executive PBAC in less than 15 calendar days following each PBAC. All recurring and non-recurring tasks were completed in a timely and accurate manner. These included funding, spending projections, and budget execution reports and numerous responses to higher HQ and to Congressional inquiries on activities such as the Detainee Operations. Developed sound responses to a number of tasks, for example, U.S. Army South's input to HQDA evidentiary sampling (Audit Readiness), GAO and Congressional inquiries on the Detainee Operations at Naval Station GTMO, budget brief on management decision package (MDEP) VFHP (flying hour program) execution issues, input to the Long Range Calendar, and several information papers and fact sheets, amongst others.

**Reporting Category:** Supply Operations

**Description of Issue:** Not in compliance with Item Unique Identification (IUID)

**Accomplishment:** The ACoS, G4 Sustainment Division executed IUID compliance IAW DoD 252.211-7003(a) from 3 percent to 100 percent in 80 days bringing the serialization reporting to 100 percent accuracy and ahead of time for all units to transition to Global Combat Support System-Army. The Logistics Management Institute Decision Support Tool System (LMI-DST) was also utilized and guided units to reallocate 124,036 excess line items, saving the

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Government \$300 thousand. Improved the unit's responsiveness procedures to the Army's Audit program, increasing reporting capabilities from 33 percent to a sustainable rating of 95 percent.

**Reporting Category:** Supply Operations

**Description of Issue:** No Ammunition and Explosive Surveillance Program at Soto Cano Air Base (SCAB), Honduras Ammunition Supply Point (ASP)

**Accomplishment:** The ACoS, G4 Supply and Services established an Ammunition and Explosive Surveillance Program at SCAB, Honduras. HQDA G4 conducted the FY 2015 Worldwide Ammunition Logistics and Explosives Safety Baseline Review Report of SCAB on 19 August 2015. Of 209 primary elements identified in the FY 2015 review guide, 180 elements were assessed and 29 elements were not applicable to SCAB. A plan of action with completion dates for areas which were corrected was submitted through command channels to Army Defense Ammunition Center. The ASP also now has quarterly QASAS support provided by Army Materiel Command.

### Army Test and Evaluation Command

**Reporting Category:** Support Services

**Description of Issue:** Compliance with HQDA Safety Program, AR 385-10

**Accomplishment:** The HQDA Safety Office conducted an audit of the ATEC Safety Program in first Quarter, FY 2016, and included the U.S. Army Aberdeen Test Center (ATC) and U.S. Army Dugway Proving Ground (DPG). The audit covered 23 of 26 areas recognized as the Army Safety Program elements. The team identified a number of actions and practices that were considered notable. Included were: Leadership emphasis on safety and the culture of safety at ATC and DPG; the Ammunition and Explosives Certification Program; the SharePoint Contract Review Tool; the Command Organizational Inspection Program (OIP) and the automated OIP tool; the success of the Radiation Program; and the final release of license requirements for the Army Pulse Radiation Facility. The evaluated program elements were considered to have met or exceeded all requirements except Electrical Safety. The Electrical Safety Program required updating of regulatory guidance to meet current HQDA requirements. In addition, the Safety Program Document required minor updating in the areas of Strategic Planning, Emergency Planning, and the Explosive Safety Management Plan. Actions are in progress to bring these areas into compliance with HQDA standards.

**Reporting Category:** Comptroller and RM

**Description of Issue:** Achieving Army Audit Readiness in the Existence and Completeness (E&C) of Assets for general equipment (GE).

**Accomplishment:** The ATEC G4 managed HQDA internal monthly testing efforts for E&C of GE. Through early incorporation of required internal controls into command inspection

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checklists, comprehensive command inspections and CSDP reviews, establishment of SharePoint site for GE information, frequent communications, meticulous staff oversight, and command emphasis, ATEC activities achieved a 100 percent passing rate on all monthly samples in 2015, in 6 different control testing areas.

**Reporting Category:** Comptroller and RM

**Description of Issue:** Implementing CAPs from FY 2015 Statement of Budgetary Activity (SBA) audit findings.

**Accomplishment:** The ATEC G8 developed 15 CAPs, of which three are designated as high priority CAPs with status reports briefed by the ATEC G8 during bi-weekly ASA (FM&C) teleconferences. Root causes have been identified and we continue to make progress reinforcing and developing policies and internal control procedures to ensure we maintain and have supporting documentation available for inspection.

**Reporting Category:** Comptroller and RM

**Description of Issue:** During the FY 2015 SBA audit, ATEC realized that cost allocations did not have any internal control policy.

**Accomplishment:** ATEC CG identified the issue to ASA (FM&C) and several workshops were held with ASA (FM&C) and the DFAS. While still a work in progress, ATEC developed its own internal control checklists for cost allocations and continued to work with ASA (FM&C) audit readiness team on cost allocation business processes and internal controls.

**Reporting Category:** Comptroller and RM

**Description of Issue:** Improving internal procedures for managing information and data flow for the FY 2015 SBA audit samples.

**Accomplishment:** The ATEC SBA team developed a SharePoint site and a process to ensure accurate and consistent information was being communicated through all parties. As audit information or audit samples were received, the ATEC G8 evaluated the requirement and conducted teleconferences/Defense Collaboration Services sessions to provide direction to fund centers. As sample submissions were received, reviewed, and delivered to the Army Audit Data Repository, ATEC would then conduct a lessons learned teleconference/Defense Collaboration Services to discuss best practices for future audit requests.

**Reporting Category:** Comptroller and RM

**Description of Issue:** During the FY 2015 SBA audit there was a lack of business practice knowledge on outgoing reimbursable orders and the purchase of fuel.

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**Accomplishment:** The ASA (FM&C) Audit Readiness Directorate requested an ATEC site visit to document our business practices. The ATEC G8 and U.S. Army Aberdeen Test Center RM and logistics personnel provided detailed walk through over multiple visits.

**Reporting Category:** Comptroller and RM

**Description of Issue:** In preparation for the FY 2016 SBA audit, the auditors requested a site visit to increase their knowledge of our business practices. The information gathered would be used to categorize the type of transactions being sampled better and enable auditors to develop relevant checklists for each type of transaction.

**Accomplishment:** The ATEC staff conducted a procurement business practice walkthrough for the auditor and ASA (FM&C) Audit Readiness Directorate personnel. The U.S. Army Redstone Test Center (RTC) and ATEC G8 provided procurement walkthroughs for Contractual Services Acquisition, Contract Cost Allocation, Outbound Reimbursable Agreements, Supply, Government Purchase Cards, Miscellaneous Payments, Travel, Transportation of Things, and Fuel, in addition to documentation to support these processes. The ATEC staff also provided the auditors its cost allocations checklist used during the SBA audit as ASA (FM&C) did not have a final version of their own.

### U.S. Army Forces Command

**Reporting Category:** Support Services

**Description of Issue:** Accurate recording of financial transactions to produce reliable financial reports.

**Accomplishment:** The FORSCOM has made considerable improvement and gained improved understanding through the use of internal controls over financial reporting as the division moved through the Audit Readiness process. As a result of the FY 2015 SBA audit, FORSCOM received 18 NFRs. These NFRs have been analyzed and formalized into four CAPs. The FORSCOM staff has implemented two of the four CAPs and is currently waiting for the OASA(FM&C) to accept and approve the remaining two CAPs. Our efforts should help to move FORSCOM closer to achieving full financial statement auditability. Through adherence to SOPs and use of job aids associated with the Audit Readiness Program, we have established effective and reasonable assurance of internal controls over financial reporting and are on our way to assisting FORSCOM and DA in achieving unqualified auditable financial statements.

**Reporting Category:** Comptroller and RM

**Description of Issue:** FORSCOM Execution Order for the JRP. FORSCOM MSCs were not conducting quarterly Joint Reviews. Therefore, the MSCs were unable to achieve JRP goals, audit readiness requirements, and support for FORSCOM and Army financial statements.



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**Accomplishment:** JRP EXORD was issued and the FORSCOM Deputy Chief of Staff, G8, (DCS G8) was appointed as the Office of Primary Responsibility (OPR) to lead financial management and provide oversight of the JRP and joint reviews. Corps, Divisions, MSCs, and FORSCOM HQ command and staff will support the FORSCOM DCS G8, by achieving JRP goals and by coordinating and managing joint reviews for FORSCOM organizations.

**Reporting Category:** Comptroller and RM

**Description of Issue:** FORSCOM Regulation 37-1-1. The FORSCOM DCS G8 has an ongoing requirement to establish detailed guidance for financial management operations at FORSCOM MSCs and their Resource Managers (RMs).

**Accomplishment:** The FORSCOM Regulation 37-1-1 provides RMs detailed guidance for financial management operations at FORSCOM installations. This regulation was published to instill throughout FORSCOM an ongoing attitude of stewardship in managing appropriated funds from the planning phase to the execution phase. The FORSCOM Regulation 37-1-1 explains FORSCOM's current business practices and processes so RMs gain a common level of knowledge and understanding that enables them to perform their job with confidence. The FORSCOM 37-1-1 also includes, but is not limited to, guidance covering administrative control of funds, managerial accounting, and reporting requirements to meet the fiduciary accounting responsibilities associated with audit readiness and compliance.

### U.S. Army Military District of Washington (USAMDW)

**Reporting Category:** Procurement

**Description of Issue:** Improve the Command Procurement Process.

**Accomplishment:** The USAMDW staff implemented a Contract Management Board (CMB) to identify and validate all requirements prior to initiating any procurement action. This board categorized requirements into Critical and Essential before they were listed in the 1 to N list for funding. In addition, this board was able to ensure that IT- or PBO-related items were pre-identified to perform the GFEBs L2 and L3 pre-certification review that was lacking within USAMDW. The result of this process improvement is not only a quicker process, but a necessary improvement that will enable USAMDW to meet its audit readiness requirements mandated by Congress and DoD for implementation by FY 2017.

**Reporting Category:** Comptroller and RM

**Description of Issue:** Improve the Allocation of Available Resources.

**Accomplishment:** In this era of constrained resources USAMDW has utilized the CMB to best identify and rank order all emerging requirements. Prior to utilizing the CMB, this process was dis-jointed and only the J/G3 participated in the ranking of emerging requirements. Recently, USAMDW has implemented a process that includes the CMB board for both validating and ranking all emerging requirements. This year the CMB-validated requirements

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were submitted to NORTHCOM and HQDA to compete for funding as FY 2016 unfunded requirements (UFRs) and they proved to be extremely competitive. As a result, Joint Forces Headquarters-National Capital Region/USAMDW received funding for eight FY 2016 UFRs totaling over \$3 million between Joint and Army funds.

**Reporting Category:** Comptroller and RM

**Description of Issue:** Improvement in Internal Controls for Financial Audit Readiness

**Accomplishment #1:** During the last two years, USAMDW leadership has placed greater emphasis on audit readiness. The USAMDW leadership took action to decrease the number of testing failures by requiring centralized review of SBR sample submissions. This added control helped to ensure responsiveness, highlight the importance of testing, and provide an additional check for accuracy. Furthermore, the budget office performed additional internal testing to reinforce audit readiness and prepare fund centers for future testing. The failure rate for submissions has been decreased from 25 percent to under 10 percent.

**Accomplishment #2:** Each Assessable Unit under USAMDW (which encompasses 21 Assessable Units with a total combined monetary value of \$41 million in discretionary spending, and \$29 million in mandatory spending) was required to validate the budget execution controls encompassed in the Commanders' Audit Readiness Checklist with oversight and additional review provided by USAMDW G8. Additional controls related to financial operations included enhanced monthly Joint Reviews, inclusion of necessary source documents for any procurement action, and accelerated prompt action and resolution of ULOs.

**Accomplishment #3:** The key internal controls listed in the Command Evaluation Plan financial administration areas of travel and Government Purchase Card Program (GPC) were also evaluated and tested by the Assessable Units. Additional GPC training was provided by MICC Agency Program Office to cardholders and Approving/Billing Officials to ensure procurement processes related to the GPC program are well understood by Departmental Accountable Officials. Forty-six personnel were in attendance for GPC program training

### U.S. Army Training and Doctrine Command

**Reporting Category:** Comptroller and RM

**Description of Issue:** A systemic issue prevented Salary Debt Collections from correctly posting in the GFEBs causing Army-wide impacts across multiple fiscal years.

**Accomplishment:** The TRADOC G-8 Finance and Accounting Directorate and other G-8 team members successfully completed an ASA(FM&C) directed, high-priority review of a systemic financial and auditability issue requiring extensive analysis and manual processing to correct. The corrective actions performed by the team involved researching 182 lines in the Human Resource Mini-Master database for missing Line of Accounting information, 74 Work Breakdown Structure transactions, and the preparation of numerous corresponding Journal Voucher documents. The TRADOC G-8 team efforts, expertise, and dedication to accomplish

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these tasks successfully resulted in a fund availability increase of \$668 thousand for TRADOC between FY 2012 and FY 2015, and ensured adherence to correction deadlines imposed by HQDA. The team's corrective actions also supported auditability efforts and better positioned TRADOC to have more accurate and auditable financial statements. The team received the TRADOC MVP award for their efforts on November 2, 2015.

**Reporting Category:** Comptroller and RM

**Description of the Issue:** Continuing Resolutions and Funding Reductions heighten the potential for ADA violations.

**Accomplishment:** The TRADOC staff continues to report no formal ADA violations. The FAD emphasized to TRADOC sites that key certifiers must be current in Fiscal Law Training (regulatory requirement every three years) as training is key to ADA prevention. The TRADOC sites recently reported 96 percent of key certifiers were trained within the last 3 years which is up from 91 percent recorded the year prior. To further promote ADA prevention, FAD is in the process of updating the TRADOC 37-4 Regulation.

**Reporting Category:** Comptroller and RM

**Description of the Issue:** There is a growing demand for more Financial Management expertise and cost analysis to support adapting to smaller budgets while achieving audit readiness.

**Accomplishment:** The FAD led a Business Process Improvement Workgroup to develop, evaluate, and implement innovative process changes to create efficiencies utilizing the current ERP functionality. The goal is to perform better and more relevant analysis, minimize redundancies, and achieve a common operating picture across our functional domains. The Workgroup is implementing process improvements in the following areas: program execution of special interest items; reconciling data across multiple databases; management of civilian pay; GCSS-A UMT and GFEBs Intermediate Document (IDOC) processes; audit readiness and MICP; and standardization and tracking of subordinate organization execution.

**Reporting Category:** Comptroller and RM

**Description of Issue:** GFEBs IDOC errors delay the posting of obligations in the accounting records.

**Accomplishment:** The TRADOC staff continued to manage IDOCs actively for timely error resolution and continued to be recognized by the GFEBs-PM and HQDA leadership for maintaining consistently low balances as compared to other ACOMs across the Army. The TRADOC's responsibility for correcting IDOC errors was jointly owned by both Budget and Accounting and open communications between these two offices was encouraged to expedite resolution. The TRADOC organization was proactive in providing SME assistance as needed to resolve IDOC errors and is postured to move into the fourth quarter with a minimal error balance, allowing more time to be focused on other accounting analysis requirements.

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**Reporting Category:** Comptroller and RM

**Description of Issue:** GFEBS system updates, enhancements, and business process changes continue to roll out to end users.

**Accomplishment:** Overall, users' working-knowledge of the system continued to increase while the system matured. The TRADOC staff has continued improvement with GFEBS functionality and reporting each year since initial deployments began with Wave 1. Due to the success of the TRADOC GFEBS Mentor Program, as well as extensive training workshops and communications, TRADOC continued to move closer to becoming a self-sustaining organization and is positioned to overcome any challenges successfully within the GFEBS environment. Related accomplishments include:

- Participated in planning meetings hosted by the GFEBS Sensitive Activities Project Managers to determine requirements needed to transfer SAG 411 classified/sensitive activities remaining in the legacy system, to a secure instance within GFEBS. The G-8 FAD ensured TRADOC's two sites with 411 funding, Intel School and Headquarters Activities, participated in the requirements planning and Functional Design reviews.
- Proactively managed year end activities/requirements. Teamwork, communication, close coordination with contracting, and weekly/daily user-level teleconferences during the months of August and September with the Budget and accounting community promoted year end information sharing and contributed to TRADOC's successful year end close.
- Actively participated in GFEBS Senior Leader Meetings, such as the GFEBS End of Year After Action Review, Council of Colonels, ESC, Process Owners Group, and the Functional Governance Board to discuss financial requirements and for future planning and decision making.
- Continued to manage TRADOC's GFEBS Tier II Direct Support Help Desk operations, working directly with end-users across the Command to resolve many of TRADOC's incoming trouble tickets.
- This effort aided the Command, meeting its long-term goals and objectives in operating GFEBS; becoming more 'confident, competent, and capable', and a self-sufficient organization less reliant on the GFEBS Operations and Support Team.

**Reporting Category:** IT

**Description of Issue:** GCSS-A Wave 1 conversions continued for TRADOC sites and required extensive preparation and data cleansing efforts as part of pre-deployment activities.

**Accomplishment:** The TRADOC activities successfully converted to GCSS-A at the following locations during the Apr 15 - Jun 15: Forts Sill, Knox, Hood, Eustis, Leonard Wood, Rucker, and Polk. Converting activities participated in pre-conversion meetings as well as online and classroom training events in preparation for a successful conversion. Activities also performed in-depth audits of open supply obligations to ensure only valid obligations converted from GFEBS/Standard Finance System (STANFINS) to GCSS-A. During this period, TRADOC determined that the GCSS-Army conversion team failed to convert open issues

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properly during early Wave 1 conversions, which caused a loss of receiving credit for early conversion units. The TRADOC staff worked with the GCSS-A team and ensured that all eligible open issues were converted for the remaining sites. The TRADOC staff also identified all missing open issues for previously converted TRADOC sites to ensure they were able to receive credit where due.

### **U.S. Army Europe (USAREUR)**

**Reporting Category:** Comptroller and RM

**Description of Issue:** During FY 2015 End of Year Close Out, the GCSS-A was experiencing significant catalogue price fluctuation

**Accomplishment:** Resource managers and accounting team members throughout Program and Budget Division implemented internal controls to monitor GCSS-A catalogue prices consistently for ordered equipment, funds distribution, and execution with maximum precision. This enabled frequent reconciliation of funds between all execution systems, especially GCSS-A. As a result, visibility of available funds was consistent, which enabled prompt funding of mission critical requirements and FY 2015 End of Year Close Out with 100 percent execution of \$1.8 billion.

**Reporting Category:** Comptroller and RM

**Description of Issue:** Lack of oversight of service contracts supporting theater intelligence mission

**Accomplishment:** Oversight of service contracts continues to be an area of intense interest to the G2. Dedicated CORs at the G2 and deployed in Kosovo ensure compliance with the full range of activities associated with oversight and surveillance of all service contracts, as outlined in AR 70-13, "Management and Oversight of Acquisitions." The fundamental goals of oversight and surveillance to ensure that the government obtained quality services, on-time services, and services at the level and prices specified in the contracts, were met. The appointed CORs were diligent in ensuring proper fiscal stewardship by identifying significant amounts of un-liquidated obligations from multiple closed-out contracts to contracting agencies for return to USAREUR. Additionally, the funding spend rates of active contracts were continuously tracked throughout the year, and adjustments made based on mission draw-down, decreasing budgets, and technical services reviews. Internal review covering lessons learned from previous contracts has improved development of performance work statements and requirements summary for all new contracts.

**Reporting Category:** Personnel and Organization Management

**Description of Issue:** Antiterrorism Program

**Accomplishment:** The U.S. Army Europe was the Winner of Best Army Antiterrorism (AT) Program Award – Army Major Subordinate Command. The Army AT Awards Program was

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established to recognize significant achievements in the antiterrorism field and those who work hard behind the scenes to protect DA personnel, Family members, facilities and installations. These individuals have worked diligently to heighten awareness of Soldiers, Family members, and Civilian personnel to the nature and dangers of terrorism, while also deterring and preventing terrorism through aggressive defensive measures. Additionally, two best practices were identified and will be implemented across the Army. The AT integration in USAREUR specific pre-command courses and expanded AT officer assignments during small unit deployments. Both initiatives significantly increased the effectiveness of USAREUR's AT programs and enhanced the safety/security of DoD personnel.

### **U.S. Army Pacific (USARPAC)**

**Reporting Category:** Comptroller and Resources Management

**Description of Issue:** USARPAC IG - Consolidated Inspections.

**Accomplishment:** The USARPAC IG made two changes to its Intelligence Oversight (IO) inspections process to share resources and reduce redundant inspections on subordinate headquarters. First, the USARPAC IG and USARPAC G2 coordinated and collaborated on IO inspections throughout most of the command since both staffs have an inspection requirement. Second, on the occasions when the USARPAC IG conducted IO inspections independently, the IG combined the IO inspection with a scheduled IG special inspection thereby avoiding travel cost. In the past the USARPAC IG conducted IO inspections as a standalone event. The timing of this process change did not result in large cost savings this year, but is expected to save \$15 thousand in travel cost annually. The USARPAC IG also conducted a joint inspection of the Sexual Harassment/Assault Response and Prevention program in Japan with the U.S. Army Japan (USARJ) office to meet both commanders' objectives with minimal burden to subordinate units and staff. Since the USARJ IG office was staffed at 66 percent at the time, the consolidation of resources enabled this small office to accomplish other missions concurrently.

**Reporting Category:** Comptroller and RM

**Description of Issue:** USARPAC G8 - Cost Management.

**Accomplishment:** Published the USARPAC Cost Management Guide. The guide provides the command leadership tools, methodologies, and keys to fiscal stewardship to manage costs more effectively and efficiently in a resource-constrained environment. It is our command's first step in changing our leadership cost culture to ensuring we are leveraging resources across activities, making sound financial decisions, and finding savings that can be redistributed to our mission priorities. A copy of the guide was provided to the Deputy Assistant Secretary of the Army for Cost and Economics (DASA-CE) who gave it high praises and has provided copies to his staff to help promote cost management principles throughout the Army. The Financial Management Schoolhouse at Fort Jackson was also provided a copy and is using the USARPAC guide to model their Cost Management Doctrine. The next step for USARPAC is

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to operationalize the guide through the issuance of an Operations Order, training, compliance reviews, and rewards for successes.

**Reporting Category:** Comptroller and RM

**Description of Issue:** USARPAC G8 - Audit Readiness Preparation

**Accomplishment:** The Audit Readiness Team (ART) maintains the USARPAC Audit Readiness Checklist, which provides the step-by-step processes for each control objective to ensure internal controls are being met. The ART conducts monthly Audit Readiness Update Meetings where each business process internal control and testing requirements are reviewed for understanding. The USARPAC Internal Review Officers are invited to attend the meetings and provide input. The USARPAC has achieved a 95 percent pass rate for SBR audit samples in FY 2015. During the FY 2015 External Audit USARPAC was required to provide input into only 2 of the 36 Correction Action Plans requested by KPMG.

**Reporting Category:** Comptroller and RM

**Description of Issue:** GCSS-A Wave II Implementation

**Accomplishment:** The USARPAC G-8 Financial Management Accounting & Policy Division worked closely with the G-4 and Logistic fielding units to resolve financial issues and provide updated information, training, and business process guidance. The GCSS-A will replace the Property Book Unit Supply Enhanced System, the Standard Army Maintenance System-Enhanced, the Standard Army Maintenance System Installation Enhanced, Materiel Management Workstation, and the Fleet Logistics Management System and bring all functionality into a single, integrated common operating picture. The USARPAC G-8s updated the ZACCTASSIGN master data table ensuring all transactions processed correctly and provided financial management guidance on request. The USARPAC staff has successfully implemented GCSS-A Wave II with 8 Logistic Field units.

**LIST OF UNCORRECTED AND CORRECTED OPERATIONAL  
MATERIAL WEAKNESSES**

**Uncorrected Weaknesses Identified During the Period:**

None

**Uncorrected Weaknesses Identified During Prior Periods:**

<b>Title</b>	<b>Year First Reported</b>	<b>Correction QTR/FY Date Per Last Annual Statement</b>	<b>Per This Annual Statement</b>	<b>Page #</b>
<b><u>Category: Military Pay</u></b>				
Collection of Basic Allowance for Subsistence during field duties	FY 2013	4th Qtr, FY 2017	1st Qtr, FY 2017	B-2-1
<b><u>Category: Resource Management</u></b>				
Army Wide Transportation Centrally Managed Account / Second Destination Travel	FY 2013	4th Qtr, FY 2017	4th Qtr, FY 2017	B-2-3
<b><u>Category: Supply Operations</u></b>				
New Equipment In-Transit Reporting	FY 2008	4th Qtr, FY 2016	4th Qtr, FY 2016	B-2-8
<b><u>Category: Contract Administration/Procurement</u></b>				
Expeditionary Contracting	FY 2007	4th Qtr, FY 2015	4th Qtr, FY 2020	B-2-11

**Corrected Weaknesses Identified During All Periods:**

<b>Title</b>	<b>Year First Reported</b>			<b>Page #</b>
<b><u>Category: Resource Management/Military Pay</u></b>				
Oversight of Service Contracts	FY 2006	1st Qtr, FY 2016	1st Qtr, FY 2016	B-3-1



**OPERATIONAL MATERIAL WEAKNESSES CORRECTIVE ACTION PLANS AND MILESTONES**

**Material Weakness Identified In Prior Period**

**Local ID#:** HQDADCSG1-2013-002

**IC Reporting Category:** Comptroller and Resource Management

**Title and Description of MW:** “Collection of Basic Allowance for Subsistence (BAS) for government provided meals during field duty.” The AAA cited the lack of collection of the cost of meals provided to Soldiers during field training exercises. This applies only to Soldiers collecting BAS. The AAA reported this issue in 2005, 2010, and 2012.

**First Year Reported:** FY 2013

**Target Correction Date:** 1st Qtr, FY 2017

**Corrective Action Summary:** Affected commands will include information in Annex B of their Annual Statement of Assurance (ASOA) regarding progress they have made and plan to put internal controls in place to satisfy the requirement of AR 11-2 and the Secretary of the Army’s 4 March 2013 memorandum. The AAA staff will conduct a follow-up audit.

**Detailed Corrective Action Plan:**

<b>Date</b>	<b>Milestone</b>
2009	AAA declares that Fort Bragg and Fort Benning units are not collecting for government-provided meals during field duty.
2010	GEN Chiarelli issues guidance to ACOMs and other select commands to put controls in place.
2012	AAA audit reveals controls not being followed.
4 March 2013	DAPE-PR coordinated the issuance of Memorandum, Secretary of the Army, Subject: Audit of Basic Allowance for Subsistence Pay for Soldiers participating in Field Training.
In process	Updating AR 37-104-4, Military Pay and Allowances Policy, 8 June 2005, with an internal control test question list.
30 May 2013	Affected commands will include information in Annex B of their ASOA regarding progress they have made and plan to make in putting internal controls in place to satisfy the requirement of AR 11-2 and the Secretary of the Army’s 4 March 2013 memorandum.
30 Jun 2013	PRC review of ASOAs to monitor progress.

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<b>Date</b>	<b>Milestone</b>
3rd & 4th Qtr FY 2013	Provide summary of progress to the Director, DAPE-PR and the Deputy G-1, for their input to the ASA (FM&C) SLSG.
CY 2013	Each quarter provide summary of progress to the Director, DAPE-PR and the Deputy G-1, for their input to the ASA (FM&C) SLSG until the MW is determined to have been corrected.
March 2014	Army G-1 completes 100% recertification of all E-6/SSG and below living in single government quarters and authorized to mess separately.
March 2014	Army G-1 assumes the proponency for AR 37-104-4 and will work with APD to update the publication prior to the end of the fiscal year to include an updated BAS policy for the Army.
3rd Qtr FY 2014	Army G-1 is drafting a comprehensive BAS policy that will address BAS collections for Soldiers participating in field duty and will attend institutional training.
3rd & 4th Qtr FY 2016	Provide summary of progress to the Director, DAPE-PR and the Deputy G-1, for their input to the ASA (FM&C) SLSG until the MW is determined to have been corrected.
1st Qtr FY2017	Issue updated BAS policy which addresses BAS field collections, BAS collections for institutional training, and the authority for Soldiers to mess separately.
CY 2017	Coordinate with ASA (FM&C) and the AAA to ensure a follow-on audit is conducted to monitor progress and ultimately validate if the MW has been addressed.

**Validation process:** Commands with Soldiers receiving meals in the field will address their progress in implementing controls over this function. AAA has indicated they will conduct a follow-up audit.

**Office of the Secretary of Defense or Headquarters, Department of the Army**

**Action Required:** ASA (FM&C), SAFM-FOA-M, shall provide copies of ASOAs to HQDA G-1, Plans and Resources Directorate who monitors the progress in this area.

**Point of Contact:** Mr. J.D. Riley, ODCS G-1, Plans and Resources Directorate, Compensation/Entitlements Division, (703) 571-7117

**OPERATIONAL MATERIAL WEAKNESSES CORRECTIVE ACTION PLANS  
AND MILESTONES**

**Local ID #:** DAG4-01

**IC Reporting Category:** Resource Management

**Title and Description of MW:** The Army wide Transportation (AWT) centrally managed account (CMA)/formerly second destination transportation (SDT). The AWT CMA is a \$1.6 billion per year centrally funded, de-centrally executed transportation operation for global movement of select Army material. Current AWT CMA financial internal controls allow transportation operations to drive associated financial processes. Not all of the financial processes associated with AWT CMA transportation operations are auditable.

**First Year Reported:** FY 2013

**Target Correction Date:** 4th Qtr, FY 2017

**Corrective Action Summary:** The ODCS, G-4 (G-4), is in the third year of a five-year correction plan. The G-4 began pursuit of an Army-level initiative using a proven LSS project approach used previously to resolve a similar MW. The G-4 has identified fourteen separate SDT CMA processes and has prepared a majority (12 of 14) of the process maps that identify the transactions and systems involved. Also, the G-4 is re-organizing and transforming the SDT program by employing additional staff resources to increase the daily oversight of the program. Finally, the MW solution must ensure proper authority to obligate the U.S. Government without adversely impacting the Army G-4 SDT operational flow.

**Detailed Corrective Action Plan:**

**a. Completed Milestones**

Date	Milestone
2nd Qtr, FY 2013	Problem identified between G-44D and G-48.
3rd Qtr, FY 2013	GO/SES meeting with ASA (FM&C) and Army G-4.
3rd Qtr, FY 2013	Briefed senior leaders.
3rd Qtr, FY 2013	Opened communication with Marine Corps, Navy and OSD referencing MW.
3rd Qtr, FY 2013	Prepared MW Statement and determined way ahead.
4th Qtr, FY 2013	Developed POAM.

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<b>Date</b>	<b>Milestone</b>
2nd Qtr, FY 2014	Reorganization by G-4 SDT expanded oversight of daily program execution. The reorganization included additional staff located at G-4's Forward Operating Agency, (LIA), at Fort Belvoir, VA. The new team included traffic management/logistics specialists and resource managers working in tandem providing greater oversight of SDT funds.
2nd Qtr, FY 2014	Establishment of new policy and business rules reduced the number of unlinked e-bills and open transactions across the Army. Also, by working in close coordination with Federal Express, the SDT team closed over 3,000 inactive accounts.
2nd Qtr, FY 2014	G-4 SDT employed a new tool to increase oversight to the program. In synchronization with the CMOS role out, the G-4 deployed the Trackerlite system. Trackerlite is a value-added intermediary system between the CMOS transportation module and the TPPS. Trackerlite provides better management controls and has lowered the amount of billing errors entering TPPS.
3rd Qtr, FY 2014	Established a LSS SDT CMA project team in April 2014 as a deliberate approach to improve financial internal controls, clear MW, and achieve audit readiness.
3rd Qtr, FY 2014	Participated in the OSD TFA Work Group to foster inter-Service collaboration.
1st Qtr, FY 2015	Identified the eight transportation operations and associated financial processes that comprise the SDT CMA: Commercial; Customer-Direct-Transportation Support Provider; IBS-SW, aka 'Over-the-Ocean Transportation'; IBS-DB, aka 'Over-the-Ocean Transportation Direct Booking; Military Air; Civilian OCONUS PCS; Mail; and MIPR.
2nd Qtr, FY 2015	Determined the six documents that create the need to record an obligation in the Army's financial system of record in SDT CMA financial processes.
2nd Qtr, FY 2015	Obtained 100% accountability of the 355 Shipping Activity Offices and 80 Resource Managers who obligated the Army on behalf of the SDT CMA during FY 14.
2nd Qtr, FY 2015	Determined that five of the eight associated financial processes have cost estimation systems.
2nd Qtr, FY 2015	Continued participation in the TFA Work Group and briefed the TFA Work Group Chairperson on the SDT CMA LSS project.
3rd Qtr, FY 2015	Determined only one of the eight financial processes records an individual obligation in the Army's financial system of record.
3rd Qtr, FY 2015	Identified 10 process maps describing the eight SDT CMA functional operations and associated financial processes; completed 2 process maps and vetted 8 of 10 developed.

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<b>Date</b>	<b>Milestone</b>
3rd Qtr, FY 2015	Gathered pertinent data on financial processes.
3rd Qtr, FY 2015	Determined if the five SDT CMA cost estimation systems produce a RCE.
3rd Qtr, FY 2015	Conducted initial root cause analysis on TAC misuse and worked with OSD TFA workgroup to address proof of delivery issues in the commercial process.
3rd Qtr, FY 2015	Completed development and vetting of remaining process maps.
3rd Qtr, FY 2015	Furthered one-on-one dialogue with Marine Corps on their financial solution approach; continued participation in the TFA Work Group.
4th Qtr, FY 2015	Began developing financial process solutions to resolve the Mail and MIPR MW and enable audit readiness within the SDT CMA.
4th Qtr, FY 2015	Determined there are an additional two transportation operations with associated financial processes not previously identified: AAFES-Manual; and DFAS-Direct.
1st Qtr, FY 2016	Stratified the 10 SDT CMA transportation operations and associated financial processes by materiality and identified MIPR and Mail, representing over 60% of the SDT CMA program materiality, as the first two transportation operations and associated financial processes to address.
1st Qtr, FY 2016	Began deploying solutions to resolve the MW and enable audit readiness for the MIPR and Mail processes.
1st Qtr, FY 2016	Trained the organization responsible for Mail and MIPR execution on financial process solutions to resolve the SDT CMA MW and enable audit readiness.
1st Qtr, FY 2016	Continued active dialogue with the Marine Corps, Air Force, and Navy, and opened dialogue with the Coast Guard, on their SDT audit readiness efforts.
2nd Qtr, FY 2016	Conducted internal testing (Quality Audits) to insure process improvements are yielding expected results for Mail and MIPR processes.
3rd Qtr, FY2016	Conducted Pre-Assertion Reviews and Assertion Decision Briefs for Mail and MIPR.
4th Qtr, FY 2016	Request USAAA conduct Attestation for Mail and MIPR.
4th Qtr, FY 2016	Identify financial process solutions for IBS-SW, Commercial, and Customer-Direct Transportation Support Provider transportation operations; combined with Mail and MIPR, these financial process solutions represent nearly 90% of the SDT CMA program materiality.
4th Qtr, FY 2016	Open dialogue with stakeholders such as billing systems (i.e., SYNCADA, etc.) to determine if proposed Courses of Action (COAs) are viable.

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<b>Date</b>	<b>Milestone</b>
4th Qtr, FY 2016	Begin deploying financial process solutions to resolve the MW and enable audit readiness for the IBS-SW, Commercial, and Customer-Direct Transportation Support Provider transportation operations.
4th Qtr, FY 2016	Request USAAA conduct Attestation for Mail and MIPR.
1st Qtr, FY 2017	Train the organization responsible for IBS-SW, Commercial, and Customer-Direct Transportation Support Provider transportation operations financial process execution on financial process solutions to resolve the SDT CMA MW and enable audit readiness.
1st Qtr, FY 2017	Identify financial process solutions for IBS-DB, Military Air, Civilian OCONUS PCS, AAFES-Manual, and DFAS Direct, representing the remaining 10% of the SDT CMA program.
2nd Qtr, FY 2017	Conduct internal testing (Quality Audits) to insure financial process improvements are yielding expected results for IBS-SW, Commercial, and Customer-Direct Transportation Support Provider transportation operations.
3rd Qtr, FY 2017	Conduct Pre-Assertion Reviews and Assertion Decision Briefs for IBS-SW, Commercial, and Customer-Direct Transportation Support Provider.
3rd Qtr, FY 2017	G-4 Senior Leadership declares MW for SDT CMA resolved and the SDT CMA program audit ready.
4th Qtr, FY 2017	Request USAAA conduct Attestation for IBS-SW, Commercial, and Customer-Direct Transportation Support Provider Transportation Operations.
4th Qtr, FY 2017	Conduct internal testing (Quality Audits) to insure financial process improvements are yielding expected results for IBS-DB, Military Air, Civilian OCONUS PCS, AAFES-Manual, and DFAS Direct transportation operations.
4th Qtr, FY 2017	Conduct Pre-Assertion Reviews and Assertion Decision Briefs for IBS-DB, Military Air, Civilian OCONUS PCS, AAFES-Manual, and DFAS Direct.
1st Qtr, FY 2018	Request USAAA conduct Attestation for IBS-DB, Military Air, Civilian OCONUS PCS, AAFES-Manual, and DFAS Direct.

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**b. Planned Milestones:**

<b>Date</b>	<b>Milestone</b>
4th Qtr, FY 2016	Begin deploying financial process solutions to resolve the MW and enable audit readiness for the IBS-SW, Commercial, and Customer-Direct Transportation Support Provider transportation operations.
1st Qtr, FY 2017	Train the organization responsible for IBS-SW, Commercial, and Customer-Direct Transportation Support Provider transportation operations financial process execution on financial process solutions to resolve the SDT CMA MW and enable audit readiness.
1st Qtr, FY 2017	Identify financial process solutions for IBS-DB, Military Air, Civilian OCONUS PCS, AAFES-Manual, and DFAS Direct, representing the remaining 10% of the SDT CMA program.
2nd Qtr, FY 2017	Conduct internal testing (Quality Audits) to insure financial process improvements are yielding expected results for IBS-SW, Commercial, and Customer-Direct Transportation Support Provider transportation operations.
3rd Qtr, FY 2017	Conduct Pre-Assertion Reviews and Assertion Decision Briefs for IBS-SW, Commercial, and Customer-Direct Transportation Support Provider.
3rd Qtr, FY 2017	G-4 Senior Leadership declares MW for SDT CMA resolved and the SDT CMA program audit ready.
4th Qtr, FY 2017	Request USAAA conduct Attestation for IBS-SW, Commercial, and Customer-Direct Transportation Support Provider Transportation Operations.
4th Qtr, FY 2017	Conduct internal testing (Quality Audits) to insure financial process improvements are yielding expected results for IBS-DB, Military Air, Civilian OCONUS PCS, AAFES-Manual, and DFAS Direct transportation operations.
4th Qtr, FY 2017	Conduct Pre-Assertion Reviews and Assertion Decision Briefs for IBS-DB, Military Air, Civilian OCONUS PCS, AAFES-Manual, and DFAS Direct.

**Validation Process:** The U.S. Army Audit Agency (USAAA) will conduct the validation.

**OSD or HQDA Action Required:** N/A

**Point of Contact:** COL John Meehan, (703) 614-1038

**OPERATIONAL MATERIAL WEAKNESSES CORRECTIVE ACTION PLANS  
AND MILESTONES**

**Local ID:** DAG4-02

**IC Reporting Category:** Supply Operations

**Title and Description of the MW: New Equipment In-Transit Reporting.**

Equipment issued to units by program and product managers during TPF is not consistently processed as a receipt in the Army logistics information management systems. When units gain equipment by specific transactions, the wholesale in-transit transaction remains open which results in the Army overstating it's on hand equipment inventory and the value of our capital assets in the quarterly financial statements. The ODCS, G-4 in coordination with the ASA (ALT) researched the LCMC document number transactions for PM pushed major end items to improve the in-transit visibility reporting through the LIW. ODCS, G-4 participated in the TPF requirements for LMP and GCSS-Army resulting in improving the TPF functionality within the ERP systems.

**First Year Reported:** FY 2008

**Target Correction Date:** 4th Qtr FY 2016

**Corrective Action Summary:** The closure of this materiel weakness is dependent on all PMs transitioning their current "to-be" fielded inventories into LMP and beginning to process all new acquisitions in LMP. To achieve that end, LMP and AMC have conducted a series of training sessions aimed at the PEO/PM community in order to make the transition less difficult. Additionally, ASA (ALT) issued guidance directing PMs to transition their activities to LMP NLT 4th Qtr FY 2016. The ASA (ALT) is publishing a CONOP that explains the process to accomplish each action that is necessary to make this transition. The ODCS G-4 will be monitoring the progress monthly for unit or activity compliance and for improvement resulting from the introduction of this new LMP transaction.

**Detail Corrective Action Plan:**

**a. Completed Milestones:**

Date	Milestone
1st Qtr, FY 2011	LMP TPF document creation/generation developed and fielded to the LCMCs.



**TAB B-2**

<b>Date</b>	<b>Milestone</b>
2nd Qtr, FY 2011	Developed internal control process for validation of manual closure of LMP TPF documents. Investigated design for an automated fix.
3rd Qtr, FY12	Revised milestones with target date 3rd Qtr, FY 2010 changed to 3rd Qtr, FY 2012
4th Qtr, FY 2012	Map and compare the TPF and non-TPF process flow between LMP, DSS, SARRS and PBUSE/GCSS-Army. Researched closure of aged in-transits in LMP.
1st Qtr, FY 2013	Analysis expanded to include new equipment in-transit for non- TPF shipments. Conducted an analysis to understand and correct non-compliant transactions that occurred during the transition to LMP. Analyzed data pull; assessing sustainment needs based on discovery.

**b. On-going and Planned Milestones:**

<b>Date</b>	<b>Milestone</b>
4th Qtr, FY 2014	Monitor closures based on newly identified gaps in process and introduction of new retail Property Accountability System (GCSS-A). Review continues through FY 2016.
3rd Qtr, FY 2015	LMP Pilot Program to test TPF process and transaction flow (LMP to GCSS-A). Test ongoing through June 2016.
3rd Qtr, FY 2015	Complete re-mapping the financial process for in transits from LMP and PBUSE/GCSS-A to GFEBS. Validation in process.
4th Qtr, FY 2015	LMP PM Pilot Program to test TPF process and transaction flow- Acquisition and Inventory Management. Test ongoing through June 2016.
2 <sup>nd</sup> Qtr, FY 2016	Publish LMP TPF CONOP. Staffing started.
3 <sup>rd</sup> Qtr, FY 2016	PEOs brief plans to transition programs into LMP.
4th Qtr, FY 2016	PEOs begin new acquisitions via LMP TPF processes/begin transition existing stocks into LMP.
4th Qtr, FY 2016	Request AAA Audit.
TBD	USAAA validates closure of weakness for the financial reporting of equipment in transit of major end item new equipment fielding.

**Validation Process:** The USAAA will conduct the validation.

**TAB B-2**

**OSD or HQDA Action Required:** Continue funding for ERP development and fielding.

**Point of Contact (POC):** HQDA G-4 Functional POC: Mr. Christian Smalls, (703)  
614-4496

**TAB B-2**

**OPERATIONAL MATERIAL WEAKNESSES CORRECTIVE ACTION PLANS  
AND MILESTONES**

**Local ID#:** DASA-PK-2016-002-MW

**IC Reporting Category:** Contract/Procurement

**Title and Description of MW:** Expeditionary Contracting.

The Army's expeditionary acquisition workforce is not adequately staffed, trained, structured, or empowered to meet the Army needs of the 21st Century deployed Warfighters. The contracting process (requirements definition, through contract management, and contract close-out) is not treated as a core competency. Audit reports conclude that internal controls to mitigate risks in the contracting process are ineffective or non-existent.

**First Year Reported:** FY 2007

**Target Correction Date:** 4th Qtr, FY 2020

**Corrective Action Summary:** The Senior Level Steering Group (SLSG) closed the Expeditionary Contracting MW on 7 April 2016, based on AAA audit recommendation (Audit Report: A-2016-0041-MTT) and Deputy Assistant Secretary of the Army (Procurement) (DASA (P)) concurrence. The AAA's recommendations are listed under the Current Corrective Action Plan.

**Prior Corrective Action Plan:**

<b>Date</b>	<b>Milestone</b>
4th Qtr, FY 2007	Formed the ACTF (co-led by the ASA (ALT) MILDEP and AMC Executive Deputy Command Director) with participants from a wide range of Army staff elements and contracting operations.
4th Qtr, FY 2007	Assigned new leadership and increase staff.
4th Qtr, FY 2007	Established reach-back capability to manage active contracts.
1st Qtr, FY 2008	Developed internal controls for optimal contract management and surveillance.

**TAB B-2**

<b>Date</b>	<b>Milestone</b>
1st Qtr, FY 2008	Established increases engagement of DCMA in performing contract management and oversight support through the Kuwait Logistics Support Office.
2nd Qtr, FY 2008	Established COR training.
2nd Qtr, FY 2008	Disbanded ACTF and formed the Army Contracting Campaign Plan Task Force to work ACTF findings.
3rd Qtr, FY 2008	Implemented internal controls for optimal contract surveillance.
3rd Qtr, FY 2008	Contracting Operations Review team conducted independent verification of compliance with internal control procedures.
3rd Qtr, FY 2008	Contracting Operations Review team reported management control review results.
2nd Qtr, FY 2009	Updated the Internal Control Evaluation Checklist and published it in the AFARS Appendix BB.
3rd Qtr, FY 2009	Established the Operational Contracting Support and Policy Directorate to manage and oversee Operational and Expeditionary Contracting Operations worldwide.
3rd Qtr, FY 2009	Established the Army Operational Contract Support Working Group as a forum to discuss operational contract support issues with key stakeholders.
1st Qtr, FY 2010	Developed and G-3/5/7 issued an Execution Order on COR requirements for all deploying units, increasing COR fill from 38% to 92% in theater.
3rd Qtr, FY 2010	Developed and the Vice Chief of Staff issued a memo to all Commanders emphasizing COR training requirements.
3rd Qtr, FY 2010	Continue to have unit conduct self-inspections to validate use of Internal Control Evaluation Checklist.
3rd Qtr, FY 2010	Identified subtasks associated with MW resolution (i.e., manning, training, structure, internal controls) and lay out a milestone schedule for subtask completion.
4th Qtr, FY 2010	Ongoing Independent Review/PMR team conducts compliance review of individual subtasks.
1st Qtr, FY 2011	ACC issues Expeditionary Contracting Strategy to address quality assurance and oversight in deployed environment. Funding started for the Army Contingency Contracting Command's ECMC (fielding through 2014) that can provide CCAS.
3rd Qtr, FY 2011	USACE issues 51C Construction/Architect and Engineering Contracting Proficiency Guide.
3rd Qtr, FY 2011	ACC begins hiring CA and QA personnel authorized in ECMC.

**TAB B-2**

<b>Date</b>	<b>Milestone</b>
4th Qtr, FY 2011	DASA (P) policy letter requesting quarterly submission of ACC, ECC and USACE reports on expeditionary contracting MW corrective actions in a format showing sub-tasks and internal review results.
1st Qtr, FY 2012	CSA directed additional growth of 315 Active duty 51C Soldiers through 2013, to ECC and USACE. Increase the active duty force structure to approximately 1,211 Soldiers authorized. Currently 817 On Hand.
3rd Qtr, FY 2012	Quarterly certification review. 51C Officers & Non-Commissioned Officers (NCO) Certification GREEN. A total of 99% of the Officers and 89% of the NCOs assigned are certified w/in 24 months. More relevant Accreditation Standards will increase 51C NCO availability for Contingency Operations, approximately 101 NCOs accredited.
1st-3rd Qtr, FY 2013	IR/PMR teams conducted compliance reviews and provide quarterly ACC, ECC and USACE results.
1st-3rd Qtr, FY 2013	Reviewed and assessed corrective action and IR and PMR validation of sub-task completion for accuracy and completeness.
3rd Qtr, FY 2013	Requested USAAA on validation audit. Completed the staffing for additional 315 Soldiers.
3rd Qtr, FY2014	AAA validation audit commences.
3rd Qtr, FY2015	AAA provides audit results.

**Current Corrective Action Plan:**

3th Qtr, FY 2016	MW scope updated and new milestones defined.
2nd Qtr, FY 2017	Develop a uniform definition of expeditionary contracting.
4th Qtr, FY 2019	Conduct a CBA.
TBD	Clarify the corrective action plan based on the CBA.
TBD	Revise the MW Defense Acquisition Workforce Improvement Act (DAWIA) certification metric for Expeditionary Contracting personnel.

**Validation Process:** An audit by the Army Audit Agency required to validate and close this weakness.

**OSD or HQDA Action Required:** Continue to apprise OSD DPAP on a quarterly basis of Army progress.

**Point of Contact:** MSG Eric Sears, ODASA (P), 703-697-1754

**OPERATIONAL MATERIAL WEAKNESSES CORRECTIVE ACTION PLANS  
AND MILESTONES**

**Local ID#: DASA-PP-07-001**

**IC Reporting Category: Contract/Procurement**

**Title and Description of Material of Weakness:** Oversight of Service Contracts. The Director of the Army Contracting Agency (ACA) identified the administration of contracting services as an area of concern in the ACA Fiscal Year 2005(FY 2005) Assurance Statement. Subsequent review by the Senior Level Steering Group (SLSG) in conjunction with U.S. Army Audit Agency (AAA) revealed that oversight of service contracts should be disclosed as an Army-wide material weakness. Specific elements of this weakness include poorly trained Contracting Officer’s Representatives (COR), weak requirements justification, and improper use of contractor labor.

**First Year Reported: FY 2006**

**Target Correction Date: 1st Qtr, FY 2016**

**Corrective Action Summary:** The original target correction date was 4th Qtr, FY 2010. In the 2013 ASOA report, the date was changed to 4th Qtr, FY 2013. The AAA audit began in June 2013 and was delayed due to furlough and the Government shut-down. The report was delivered in 1st Qtr FY 2015 and results briefed to the SLSG in 2nd Qtr FY 2015.

**Detailed Corrective Action Plan:**

<b>Date</b>	<b>Milestones</b>
1st Qtr, FY 2007	Army COR minimum certification and refresher training requirements standardized.
2nd Qtr, FY2007	DASA (P&P) and ASA (ALT) memos issued that addressed oversight, surveillance, and performance assessment measures for service contracts and established mandatory Army COR training requirements.
2nd Qtr, FY2007	Principal Assistant Responsible for Contracting (PARCs) established COR compliance plans.
2nd Qtr, FY2007	Defense Acquisition University (DAU) established Army COR folder in Acquisition Community Connection.
3rd Qtr, FY2007	DAU begins to collect COR training metrics.
3rd Qtr, FY2007	Established method of obtaining service metrics from Army command (ACOM) Army Service Strategy Panel (ASSP) review authority. Conduct discussions with PARCs. ASA(ALT) approved. ASSP process metrics; FY 2006 metrics on services collected and assessed.

**TAB B-3**

2nd Qtr, FY2008	U. S. Army Internal Review reported COR compliance results with previously issued guidance to ASA(ALT).
<b>Date</b>	<b>Milestones</b>
3rd Qtr, FY2008	U. S. Army Internal Review reported that local contracting offices failed to demonstrate sufficient progress to eliminate the material weakness.
4th Qtr, FY2008	Target completion date revised from 4rd Qtr FY 2009 to 2nd Qtr FY 2012.
1st Qtr, FY2009	Issued policy mandating inclusion of a performance objective for oversight of service contracts for all contracting professionals involved with the acquisition of services.
2nd Qtr, FY2009	DASA (P) signed the staffing documents to release the new Army Regulation for the management and oversight of service contracts to the Army Publishing Directorate.
3rd Qtr, FY2009	Issued policy requiring reporting to the DASA (P) on compliance with service contract surveillance policy and corrective actions being taken to correct deficiencies.
4th Qtr, FY2009	Reviewed service contract surveillance data and determined weakness requires additional time to implement training, and institutional oversight.
4th Qtr, FY2010	Issued new Army Regulation 70-13.
1st Qtr, FY2011	Issued revised COR guidance in October 2010.
1st Qtr, FY2011	Developed surveillance plan resources for service acquisitions at various dollar thresholds and issued in October 2010.
1st Qtr, FY2011	Issued surveillance plan resources for service acquisitions at various dollar thresholds October 2010.
3rd Qtr, FY2011	Monitored field progress in appointing properly trained CORs through use of data calls.
1st Qtr, FY2012	Monitored field progress in appointing properly trained CORs through use of data calls.
1st Qtr, FY2012	Monitored field progress in incorporating surveillance plans in contracts and having CORs use to monitor contractor performance.
2nd Qtr, FY2012	Issued DASA (P) memorandum to Head of Contracting Activities/PARCs requiring their plan to attain compliance with monthly status reporting by 30 September 2012.
2nd Qtr, FY2012	Issued DASA (P) memorandum directing use of the VCE COR tool March 2012.
3rd Qtr, FY2012	Began compliance assessment using data reported from the VCE COR tool.
1st Qtr, FY2013	Army contracting community has shown increasing compliance and the Audit has been scheduled to begin April 2013.
4th Qtr, FY2013	Commence audit.

**TAB B-3**

<b>Date</b>	<b>Milestones</b>
2nd Qtr, FY2014	Established policy in Army Federal Acquisition Regulation Supplement (AFARS) that contracting officers will not release any solicitation for services unless the requiring activity has provided an acceptable quality assurance surveillance plan and nominated the requisite number of qualified CORs.
4th Qtr, FY2014	AAA reports draft results.
1st Qtr, FY2015	AAA reports final audit.
2nd Qtr, FY2015	AAA and Office of the Deputy Assistant Secretary of the Army (Procurement) ODASA (P) brief results to SLSG; closure deferred to next meeting.
1st Qtr, FY 2016	Reassigned from material weakness to lower reporting category. Metrics developed in coordination with AAA to track other areas of concern properly.

**Validation Process:** The ODASA (P) implemented an automated reporting system called the VCE COR Tool that captures training, appointment, and quality assurance surveillance plans. AAA validates results after ODASA (P) verifies acceptable implementation.

**Results Indicators:** Reporting pulled from the VCE COR Tool showing compliance with the requirement to input COR data into the system. Review contract files to verify compliance with current policy: CORs are trained and appointed, developed surveillance plans, and used to support receipt and acceptance of services. The acceptable accuracy rate for COR training and oversight execution is 90 percent (95 percent where potential fraud exists). For ACOM-level Army Service Strategy Panel (ASSP) reviews, success is defined as data reflecting that management controls over service contracts imposed by the ASSP are in place and working effectively.

Additional positive or negative implementation indicators include the review of recent audit organization reports and the conclusions found related to contract administration of service contracts, the annual review results developed by the ACOM and DASA (P) Procurement Management Review (PMR) teams.

**OSD or HQDA Action Required:** Senior Level Steering Group close material weakness (1st Qtr FY 2016)

**Point of Contact:** Dennis Schmidt, Execution Analysis, Office of Senior Services Manager, ODASA (P), 703-697-1509 (DSN 767), [dennis.r.schmidt.civ@mail.mil](mailto:dennis.r.schmidt.civ@mail.mil)



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TAB C-1 - List of Uncorrected and Corrected ICOFS Material Weaknesses

TAB C-2 - ICOFS Material Weaknesses Corrective Action Plans and Milestones

TAB C-3 - ICOFS Material Weaknesses Corrected During All Periods

**TAB C-1**  
**LIST OF UNCORRECTED AND CORRECTED INTERNAL CONTROLS OVER**  
**FINANCIAL SYSTEMS (ICOFS) MATERIAL WEAKNESSES**

**Uncorrected Weaknesses Identified During the Period:**

<b>Title</b>	<b>Quarter (QTR) and Date (FY) Targeted Correction Date</b>	<b>Page #</b>
* General Information Technology (IT) Systems Control	4 <sup>th</sup> Qtr FY 2017	C-2-1

**Uncorrected Weaknesses Identified During Prior Periods:**

<b>Title</b>	<b>Year First Reported</b>	<b>Correction QTR and FY Date</b>		<b>Page #</b>
		<b>Per Last Annual Statement</b>	<b>Per This Annual Statement</b>	
Army Working Capital Fund (LMP)	FY 2008	4th Qtr FY 2016	4th Qtr FY 2016	C-2-4

**Corrected Weaknesses Identified During the Period:**

<b>Title</b>	<b>Year First Reported</b>	<b>Page #</b>
None.		

\* NOTE: The two General Fund Enterprise Business Systems (GFEBS) Internal Controls over Financial Systems (ICOFS) Material Weaknesses identified in the 2015 Annual Statement of Assurance were combined into one Material Weaknesses identified in the FY15 Schedule of Budgetary Activities audit report because the conditions of the previous Material Weaknesses were included in the more comprehensive Material Weakness (General Information Technology Systems Control) identified in the FY15 Statement of Budgetary Activity (SBA) audit.

**TAB C-2**  
**INTERNAL CONTROLS OVER FINANCIAL SYSTEMS (ICOFIS) MATERIAL  
WEAKNESSES CORRECTIVE ACTION PLANS AND MILESTONES**

**Uncorrected Weakness(es) Identified During the Period and In Prior Periods**

**IC Reporting Category:** Financial Management Systems

**Title and Description of Material Weakness:** General Information Technology (IT) Systems Controls. Army and its service providers have not implemented sufficient effective IT controls to protect the Enterprise Resource Planning (ERP) and related feeder systems financial data. The condition could affect the Army's ability to provide financial data that is complete, valid and accurate. Specific findings are summarized by the U.S. Government Accountability Office (GAO's Federal Information System Controls Audit Manual (FISCAM) Information systems (IS) control review areas):

Access Controls. The Army and its service providers did not consistently implement operating system, database, and application access controls around the authorization, provisioning, monitoring, and de-activation of end users, super users, and system administrative/backend support users, to include the periodic review of user accounts to determine the need for continued and appropriate access based on least privilege provisions. Further, Army and its service providers did not consistently implement application, database, and operating system user account and password parameters in accordance with applicable requirements. In regards to physical access controls, the Army was unable to provide documentation evidencing the individuals with authorized access to its data centers.

Segregation of Duties. The Army and its service providers did not consistently establish a comprehensive processes to identify, evaluate, restrict and document the combination of incompatible application, database, and/or operating system privileges. The Army did not consistently implement an effective process for restricting access to the system separation of duties risk rule set, when applicable, based on least privilege considerations. Army did not consistently segregate/monitor the use of incompatible access privileges related to system support functions that preclude system developers from updating production environments. The Army and its service providers did not consistently provide documentation evidencing the existence of separate development, test and production environments for the application, database, and operating system.

Configuration Management. The Army and its service providers did not consistently implement a comprehensive application, operating system, and database configuration change management process, to include timing for installation of critical patch updates and proper configuration of production settings to prevent direct changes from being made in the production environment. For implemented processes, the Army did not consistently maintain evidence to support the testing and/or approval of application, database, and operating system changes/patches before migration to the production environment.

Security Management. The Army did not consistently design and implement a formal vulnerability management program, to include the operating systems and databases supporting the production environment. For implemented programs, the Army did not consistently track all known vulnerabilities.

Contingency Planning. The Army did not consistently perform effective daily operating system backup procedures and maintain evidence of operating system and database backups when performed for certain financial systems. The Army did not consistently develop and/or fully implement policies and procedures to comply with authoritative General Information Technology Controls (GITC) system requirements. As a result, the weaknesses posed increased risks to the accuracy, integrity, and availability of the systems and their financial data.

**First Year Reported:** FY 2016

**Target Completion Date:** 4th Qtr FY 2017

**Corrective Action Summary:** A detailed plan of corrective actions and milestones has been put in place by Army Audit Readiness Directorate to track and monitor progress has been developed and is being executed. Bi-weekly updates are provided to the Deputy Assistant Secretary of the Army – Financial Operations by Senior Executive Service level Senior Responsible Officials for each system with high priority corrective actions.

**Detailed Corrective Action Plan:**

<b><u>Date:</u></b>	<b><u>Milestone:</u></b>
4th Qtr FY 2016	Execute Segregation of Duties IT Controls for Army Systems: Automated Fund Control Order System (AFCOS), Automated Time, Attendance, and Production System (ATAAPS), Electronic Military Personnel Office (EMILPO), Fund Control Module (FCM), Global Combat Support System – Army (GCSSA), General Fund Enterprise Business System (GFEBs), My Unit Pay (MUP), Procurement Automated Data and Document System (PADD), and Standard Installation/Division Personnel System (SIDPERS)

1st Qtr FY 2017	Execute Configuration Management controls for AFCOS, ATAAPS, Defense Dissemination System (DDS), Defense Casualty Analysis System (DCAS), EMILPO, GFEBS, Standard Procurement System/Procurement Desktop Defense (SPS/PD2), MUP, PADDS, SIDPERS, and Standard Operation and Maintenance Army Research and Development System (Accounting) SOMARDS
2nd Qtr FY 2017	Access Controls remediated for GFEBS & GCSS-Army
3rd Qtr FY 2017	Access Controls remediated for Army Systems excluding Regional Level Application Software (RLAS).
4th Qtr FY 2017	Access Controls remediated for all Service Provider Systems

**Validation Process:** ODASA-FO validates completion of the FISCAM Plan of Actions and Milestone (POAM) items. Army's Independent Public Accountant conducting the annual financial statements audit will validate compliance with Federal Financial Management Improvement Act (FFMIA) requirements.

**OSD or HQDA Action Required:** Bi-weekly updates are provided to the Deputy Assistant Secretary of the Army – Financial Operations by Senior Executive Service level Senior Responsible Officials for each system with high priority corrective actions.

**Point of Contact:** Ms. Susan Murphy, Director, Enterprise Integration Division, Office, Deputy Assistant Secretary of the Army (Financial Information Management), OASA(FM&C)

**TAB C-2**  
**INTERNAL CONTROLS OVER FINANCIAL SYSTEMS (ICOFIS) MATERIAL WEAKNESSES CORRECTIVE ACTION PLANS AND MILESTONES**

**Uncorrected Weakness(es) Identified During the Period and In Prior Periods**

**IC Reporting Category:** Financial Management Systems

**Title and Description of Material Weakness:** Army Working Capital Fund (Logistics Modernization Program (LMP)). The Army Working Capital Fund systems do not collect and record financial information as required by Generally Accepted Accounting Principles (US GAAP). The financial and nonfinancial feeder systems do not contain the required system and budgetary general ledger accounts. The Government Accountability Office (GAO), Department of Defense Inspector General (DoDIG), and U.S. Army Audit Agency (USAAA) continue to issue audit reports that identify significant data integrity and system integration problems, questioning whether the LMP will record transaction-level data correctly to support the financial statements.

**First Year Reported:** FY 2008

**Target Completion Date:** 4th Qtr FY 2016

**Corrective Action Summary:** A detailed plan of corrective actions and milestones has been put in place to track and monitor progress has been developed and is being executed.

**Detailed Corrective Action Plan:**

<b><u>Date:</u></b>	<b><u>Milestone:</u></b>
Completed	LMP developed a detailed Plan of Action & Milestone (POA&M) that includes FISCAM Information Technology General Controls
Completed	AAA issued coordination draft report on the LMP System FFMIA Compliance Validation for the Third Deployment
Completed	Segregation of duty conflicts resolved for all users except for the Defense Finance and Accounting Service (DFAS) users
Completed	Segregation of duty conflicts resolved for DFAS users.
4th Qtr FY 2016	POA&M Completion / Remediation of all internal control findings.

**Validation Process:** ODASA-FO validates completion of the FISCAM POA&M items. AAA validates compliance with FFMIA requirements.

**OSD or HQDA Action Required:** HQDA leadership from G-4 and ASA(FM&C) are briefed regularly on POA&M remediation progress, and provide guidance as necessary.

**Point of Contact:** Ms. Margaret A. Powell, Director, Financial Compliance Division, Army Enterprise Systems Integration Program (AESIP)

**TAB C-3**  
**INTERNAL CONTROLS OVER FINANCIAL SYSTEMS (ICOFS)**  
**MATERIAL WEAKNESSES CORRECTED DURING ALL PERIODS**

**None.**



7-SEP-2016

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TAB D-1 - List of Uncorrected and Corrected Internal Control Over Financial Reporting  
(ICOFR) General Fund Material Weaknesses

TAB D-2 – ICOFR General Fund Material Weakness Corrective Action Plans and Milestones

TAB D-3 - ICOFR General Fund Material Weaknesses Corrected During All Periods

**TAB D-1**  
**LIST OF UNCORRECTED AND CORRECTED INTERNAL CONTROLS OVER FINANCIAL REPORTING (ICOFR) GENERAL FUND MATERIAL WEAKNESSES**

**General Fund Uncorrected Weaknesses Identified During the Period:**

<b>Title</b>	<b>Quarter (QTR) and Date (FY) Targeted Correction Date</b>	<b>Page #</b>
Completeness	2nd Qtr FY 2017	D-2-1
Evidential Matter – Supporting Documentation	2nd Qtr FY 2017	D-2-4
Service Provider Oversight	2nd Qtr FY 2017	D-2-7
Accrual Estimation Methodology	2nd Qtr FY 2017	D-2-9
Financial Management Improvements	1st Qtr FY 2017	D-2-11

**General Fund Uncorrected Weaknesses Identified During Prior Periods:**

<b>Title</b>	<b>Year First Reported</b>	<b><u>Correction QTR and FY Date</u></b>		<b>Page #</b>
		<b>Per Last Annual Statement</b>	<b>Per This Annual Statement</b>	
Fund Balance with Treasury	FY 2008	2nd Qtr FY 2015	2nd Qtr FY 2017	D-2-13
Inventory (Operating Materials and Supplies) (OM&S)	FY 2008	4th Qtr FY 2014	4th Qtr FY 2017	D-2-15
General Property, Plant and Equipment	FY 2008	4th Qtr FY 2014	4th Qtr FY 2017	D-2-17
Environmental Liabilities	FY 2008	4th Qtr FY 2015	4th Qtr FY 2017	D-2-20
Intragovernmental Eliminations	FY 2008	1st Qtr FY 2015	2nd Qtr FY 2017	D-2-22

**General Fund Uncorrected Weaknesses Identified During Prior Periods:**

<b>Title</b>	<b>Year First Reported</b>	<b><u>Correction QTR and FY Date</u></b>		<b>Page #</b>
		<b>Per Last Annual Statement</b>	<b>Per This Annual Statement</b>	
* Manual General Ledger Adjustments/ Accounting Adjustments	FY 2016	2nd Qtr FY 2015	3rd Qtr FY 2017	D-2-24
Statement of Net Cost	FY 2008	1st Qtr FY 2015	3rd Qtr FY 2017	D-2-26
* Financial Reporting / Abnormal Account Balances	FY 2016	2nd Qtr FY 2015	2nd Qtr FY 2017	D-2-28
Accounts Receivable	FY 2008	2nd Qtr FY 2015	4th Qtr FY 2017	D-2-30
Accounts Payable	FY 2008	1st Qtr FY 2015	3rd Qtr FY 2017	D-2-32
Statement of Budgetary Resources	FY 2008	1st Qtr FY 2015	3rd Qtr FY 2017	D-2-34
Reconciliation of Net Cost of Operations to Budget	FY 2008	1st Qtr FY 2015	3rd Qtr FY 2017	D-2-36
Contingency Payment Audit Trails	FY 2009	4th Qtr FY 2014	4th Qtr FY 2016	D-2-38

**Corrected Weaknesses Identified During All Periods:**

<b>Title</b>	<b>Year First Reported</b>	<b>Page #</b>
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None.

\* NOTE: Two of the ICOFR Material Weaknesses identified in the 2015 Annual Statement of Assurance were combined into Material Weaknesses identified in the FY 2015 Schedule of Budgetary Activities audit report because the conditions of the previous Material Weaknesses were included in the more comprehensive Material Weaknesses incurred in the FY 2015 SBA audit.

**TAB D-2**  
**INTERNAL CONTROLS OVER FINANCIAL REPORTING (ICOFR) GENERAL FUND**  
**MATERIAL WEAKNESSES CORRECTIVE ACTION PLANS AND MILESTONES**

**General Fund Uncorrected Weakness(es) Identified During Prior Periods**

**IC Reporting Category:** Budget to Report

**Title and Description of Material of Weakness:** Completeness.

**Reconciling Information Included in Different Systems.** The IPA FY 2015 SBA audit report identified Completeness as a material weakness. The Army did not design and implement controls to validate that information is transferred completely and accurately between feeder systems, from feeder systems to the general ledger systems/ legacy financial accounting systems, and to the main financial accounting system of record and the financial reporting system.

**Internal Control Gaps.** The Army did not consistently develop and implement internal controls to reconcile information from source documents to systems to mitigate risk of misstatement.

**Completeness of Control Populations and Other Control Deficiencies.** The Army had deficiencies in providing complete populations and in the operating effectiveness of controls related to the completeness of balances in the general ledger.

**Incomplete Balances due to Ineffective Cut-off and Suspense Transactions.** The Army did not design and implement controls to ensure that the Army has proper cut-off of financial transactions between accounting periods and to resolve suspense and collection error report balances at year-end.

**Completeness of Data.** Army management has deficiencies in the ability to provide complete and reconciled transaction populations that agree to the schedule.

**First Year Reported:** FY 2016

**Target Correction Date:** 2nd Qtr FY 2017

**Original Target Date:** NEW

**Corrective Action Summary:** Army received this material weakness as a result of multiple findings identified by the IPA audit of the Army's FY 2015 SBA Audit. Army Audit Readiness, DFAS, and Army commands identified in the finding have worked as a collective group to develop standard corrective action plans to be used by all Army activities to correct the deficiencies identified in the FY 2015 SBA Audit. Completeness CAPs for the Civilian Pay, Military Pay, and Revenue business processes will be complete in the 4th quarter FY 2016. See milestones in the corrective action plan below. Bi-weekly meetings, chaired by the DASA-FO and SES level senior responsible official from each command are conducted with DFAS and Army Commands to update the status of the corrective actions and realign resources if progress is not made.

**Detailed Corrective Action Plan:**

<b><u>Date:</u></b>	<b><u>Milestone:</u></b>
Complete	Develop corrective action plans and milestones to address the control gaps to validate that information is transferred completely and accurately between feeder systems, from feeder systems to the general ledger systems/ legacy financial accounting systems, and to the main financial accounting system of record and the financial reporting system.
4th Qtr FY 2016	For legacy systems, DFAS will update ACL Scripts to include the reconciliation between transaction detail to DDRS-B (F-2015-13, F-2015-16).
4th Qtr FY 2016	DFAS implement corrective actions to enhance existing manual reconciliations between DJMS-AC and GFEBS, DJMS-AC and STANFINs, and between DDS and DJMS-AC (M-2015-09).
4th Qtr FY 2016	ARNG designing and establishing a reconciliation between SIDPERS and DJMS-RC (M-2015-29).
4th Qtr FY 2016	DASA-FO will update and create new reports in GFEBS to address the procurement process control gap issues (P-2015-26).
1st Qtr FY 2017	DFAS will develop a process for reconciling records received in the FTP queue with those delivered to DJMS-RC for processing. This will ensure that all transactions from RLAS are received in DJMS-RC. DASA-FO will facilitate the discussions between USAR and DFAS to ensure that a process is implemented (M-2015-29).
1st Qtr FY 2017	DASA-FO will provide training on the updated SOPs, and changes made to procurement related GFEBS reporting (P-2015-20, P-2015-26)
1st Qtr FY 2017	Validation of Financial Reporting CAPs relating to Internal Control deficiencies

**Validation Process:** External validations will be conducted by an IPA during the Army's annual financial statement audit.

**OSD or HQDA Action Required:** The HQDA staff support audit readiness efforts through updates in policy and issuing department wide directives, as needed, to accelerate action.

**Point of Contact:** Mr. Domenico Rossi, Director, Management and Control, OASA(FM&C)

**TAB D-2**  
**INTERNAL CONTROLS OVER FINANCIAL REPORTING (ICOFR) GENERAL FUND**  
**MATERIAL WEAKNESSES CORRECTIVE ACTION PLANS AND MILESTONES**

**General Fund Uncorrected Weakness(es) Identified During Prior Periods**

**IC Reporting Category:** Budget to Report

**Title and Description of Material of Weakness:** Evidential Matter – Supporting Documentation. The IPA FY 2015 SBA audit report identified Evidential Matter – Supporting Documentation as a material weakness. The Army did not consistently have sufficient evidential matter readily available to demonstrate that contractual services, military payroll, civilian payroll, reimbursable authority, disbursement and collection transaction were properly reported in the schedule. Specifically, evidential matter that the IPA requested: a) was not readily available and provided for review by the agreed upon due date; b) was provided for review but the amount on the evidential matter did not agree to the general ledger detail used to prepare the schedule; c) was insufficient or could not be linked to the transaction recorded in the general ledger used to prepare the schedule; and d) was inappropriately reviewed/ approved.

**First Year Reported:** FY 2016

**Target Correction Date:** 2nd Qtr FY 2017

**Original Target Date:** NEW

**Corrective Action Summary:** Army received this material weakness as a result of multiple findings identified by the IPA audit of the Army's FY 2015 SBA Audit. Army Audit Readiness, DFAS, and Army commands identified in the finding have worked as a collective group to develop standard corrective action plans to be used by all Army activities to correct the deficiencies identified in the FY 2015 SBA Audit. Evidential Matter – Supporting Documentation CAPs for the Civilian Payroll, Financial Reporting, Military Payroll, Procurement, and Revenue business processes will be complete in the 1st quarter FY 2017. See milestones in the corrective action plan below. Bi-weekly meetings, chaired by the DASA-FO and SES level senior responsible official from each command are conducted with DFAS and Army Commands to update the status of the corrective actions and realign resources if progress is not made.

**Detailed Corrective Action Plan:**

**Date:**  
Complete

**Milestone:**  
Develop corrective action plans and milestones to address the control gaps to have sufficient evidential matter readily available to demonstrate that contractual services, military payroll, civilian payroll, reimbursable authority, disbursement and collection transaction were properly reported in the schedule.

<b><u>Date:</u></b>	<b><u>Milestone:</u></b>
4 <sup>th</sup> Qtr FY 2016	DFAS updates process documentation, control processes, and SOPs to ensure documentation of control. DFAS will also provide training on process completion and storage of documentation (F-2015-26).
4 <sup>th</sup> Qtr FY 2016	Army G-1 will obtain a second legal review of the memo drafted to require an annual recertification of Basic Allowance for Housing (BAH) and a one-time search of all soldier's iPERMS record accounts to verify that soldiers receiving the BAH with dependent entitlement have the required supporting documentation on file in iPERMS and will brief Army leadership on the memo (M-2015-26)
4 <sup>th</sup> Qtr FY 2016	DASA-FO will work with point of contact in OCONUS locations to reinforce the Army's control for maintaining and providing KSDs to support audit testing, including reviewing PBC items to validate that the requested documents were provided (M-2015-26).
4 <sup>th</sup> Qtr FY 2016	Army Reserve Component will begin performing periodic audits of attendance rosters, special pays, years of service, promotions, and overseas housing allowance through Q4 2016. Corrective actions for this NFR are scheduled for validation for Q4 2016 (M-2015-37)
1 <sup>st</sup> Qtr FY 2017	DASA-FO will coordinate with Army G-1 to reinforce the existing control for retaining and providing requested key supporting documentation (KSDs) related to promotion orders, enlistment contracts, special and incentive payment. Corrective actions call for mandatory refresher training for active component commands to ensure that documents are being retained as required (M-2015-26).
1 <sup>st</sup> Qtr FY 2017	Army G-1 will execute the query of iPERMS to identify the soldiers missing the required dependent documentation and match it against the listing of soldiers receiving BAH with dependents (M-2015-26).
1 <sup>st</sup> Qtr FY 2017	DFAS will develop procedures for document retention and storage during Q4 2016 for documents to be included in the monthly reconciliation packet for payroll disbursements (M-2015-36)
1 <sup>st</sup> Qtr FY 2017	The Army will disseminate training to the Commands to cover all newly developed audit response guidance (C-2015-09, P-2015-08).



**Date:**

2nd Qtr FY 2017

**Milestone:**

Validation of CAPs relating to Evidential Matter – Supporting Documentation for business processes: Civilian Payroll, Financial Reporting, Military Payroll, Procurement, and Revenue

**Validation Process:** External validations will be conducted by an IPA during the Army’s annual financial statement audit.

**OSD or HQDA Action Required:** The HQDA staff support audit readiness efforts through updates in policy and issuing department wide directives, as needed, to accelerate action.

**Point of Contact:** Mr. Domenico Rossi, Director, Management and Control, OASA(FM&C)

**TAB D-2**  
**INTERNAL CONTROLS OVER FINANCIAL REPORTING (ICOFR) GENERAL FUND**  
**MATERIAL WEAKNESSES CORRECTIVE ACTION PLANS AND MILESTONES**

**General Fund Uncorrected Weakness(es) Identified During Prior Periods**

**IC Reporting Category:** Budget to Report

**Title and Description of Material of Weakness:** Service Provider Oversight. The IPA FY 2015 SBA audit report identified Service Provider Oversight as a material weakness. The IPA reported that the Army did not have policies and procedures to assess service providers that host and/or manage financial systems that support amounts reported on the Army's schedule. Specifically, the Army did not consistently perform and document an understanding of the services provided, and the related service organization control (SOC) reports to determine whether the scope of the service organization report met Army's needs for obtaining assurance regarding service provider controls. Further the Army did not identify relevant risks of misstatement associated with the Army's internal control over financial reporting which are in part or exclusively mitigated by controls performed by service providers. The Army needed to evaluate the complementary user entity controls in the SOC reports, subservice organizations used by the service provider, and evaluate test results included in the SOC reports and, for exceptions noted, assess relevant risks and test compensating controls to determine residual risk.

**First Year Reported:** FY 2016

**Target Correction Date:** 2nd Qtr FY 2017

**Original Target Date:** NEW

**Corrective Action Summary:** Army Audit Readiness Directorate will develop policies and procedures to coordinate with 3rd party service providers to obtain SOC I reports, Memorandum of Understanding, and evaluate the complementary user entity controls in the SOC reports, subservice organizations used by the service provider, and evaluate test results included in the SOC reports and, for exceptions noted, assess relevant risks and test compensating controls to determine residual risk. These documents should be reviewed and updated annually.

**Detailed Corrective Action Plan:**

**Date:**

**Milestone:**

4th Qtr FY 2016

Identify all 3rd party service providers

4th Qtr FY 2016

Document process to assess 3rd party service provider SOC I reports establishing dates to review providers annually

**Date:**

**Milestone:**

4th Qtr FY 2016

Begin assessment of SOC I reports IAW Recommendations in NFR

2nd Qtr FY 2017

Report weakness as closed or downgrade from material weakness to other deficiency.

**Validation Process:** External validations will be conducted by an IPA during the Army's annual financial statement audit.

**OSD or HQDA Action Required:** The HQDA staff support audit readiness efforts through updates in policy and issuing department wide directives, as needed, to accelerate action.

**Point of Contact:** Mr. Domenico Rossi, Director, Management and Control, OASA(FM&C)

**TAB D-2**  
**INTERNAL CONTROLS OVER FINANCIAL REPORTING (ICOFR) GENERAL FUND**  
**MATERIAL WEAKNESSES CORRECTIVE ACTION PLANS AND MILESTONES**

**General Fund Uncorrected Weakness(es) Identified During Prior Periods**

**IC Reporting Category:** Budget to Report

**Title and Description of Material of Weakness:** Accrual Estimation Methodologies. The IPA FY 2015 SBA audit report identified Accrual Estimation Methodologies as a material weakness. The IPA reported the Army did not develop and implement accrual estimation methodologies to help verify the balances in the SBA reflected accrual transactions. Specifically, Army did not develop and implement a process to estimate and record reimbursable authority received as of year- end, record certain non-payroll obligations incurred and decreases to undelivered orders for goods or services contracted and/or received as of year-end. The Army did not establish a process to perform a look-back analysis to determine its major procurement system non-payroll accrual methodology was reasonable; and did not provide sufficient evidence to support and identify the civilian payroll and military payroll obligations incurred but not paid as of year-end (i.e., payroll accrual).

**First Year Reported:** FY 2016

**Target Correction Date:** 2nd QTR FY 2017

**Original Target Date:** NEW

**Corrective Action Summary:** Army received this material weakness as a result of multiple findings identified by the IPA audit of the Army's FY 2015 SBA Audit. Army Audit Readiness and DFAS have worked as a collective group to develop standard corrective action plans to be used to correct the deficiencies identified in the FY 2015 SBA Audit. Accrual Estimation Methodologies CAPs to properly develop and implement a process to estimate and record reimbursable authority received as of year- end, record certain non-payroll obligations incurred and decreases to undelivered orders for goods or services contracted and/or received as of year-end will be complete in the 4th quarter FY 2016. See milestones in the corrective action plan below.

**Detailed Corrective Action Plan:**

<b><u>Date:</u></b>	<b><u>Milestone:</u></b>
4th Qtr FY 2016	Identify Processes requiring accrual
4th Qtr FY 2016	Develop a methodology to appropriately record the period end accruals; ensure agreement from all stakeholders

<b><u>Date:</u></b>	<b><u>Milestone:</u></b>
4th Qtr FY 2016	Identify and document key controls
4th Qtr FY 2016	Update/develop Business Process documents/SOPs/Policies as necessary
4th Qtr FY 2016	Identify a short term solution to record accruals if system changes are not achievable when methodology is complete
4th Qtr FY 2016	Implement period end accrual methodology using short term solution
4th Qtr FY 2016	Implement period end accrual methodology using long term solution
4th Qtr FY 2016	Executed CAPs relating to Accrual Methodologies
2nd Qtr FY 2017	Validate that actions in operational audit reports are corrected and closed.

**Validation Process:** External validations will be conducted by an IPA during the Army's annual financial statement audit.

**OSD or HQDA Action Required:** The HQDA staff support audit readiness efforts through updates in policy and issuing department wide directives, as needed, to accelerate action.

**Point of Contact:** Mr. Domenico Rossi, Director, Management and Control, OASA(FM&C)

**TAB D-2**  
**INTERNAL CONTROLS OVER FINANCIAL REPORTING (ICOFR) GENERAL FUND**  
**MATERIAL WEAKNESSES CORRECTIVE ACTION PLANS AND MILESTONES**

**General Fund Uncorrected Weakness(es) Identified During Prior Periods**

**IC Reporting Category:** Budget to Report

**Title and Description of Material of Weakness:** Financial Management Improvements. The IPA FY 2015 SBA audit report identified Financial Management Improvements as a material weakness. The Army did not establish an effective control environment over financial management. The Army did not consistently develop and implement effective oversight of financial management and consistently establish effective financial management reporting structure and responsibilities. The Army did not fully train and consistently hold those involved in initiating, processing and recoding financial transaction accountable. As a result, the Army was unable to respond consistently to requests to demonstrate that financial transactions were properly processed and recorded.

The Army did not identify or have sufficient SME's that understand Army financial operations and could explain and provide documentation to demonstrate that controls were properly designed and implemented and that transactions were properly recorded in accordance with the accounting standards.

**First Year Reported:** FY 2016

**Target Correction Date:** 1st QTR FY 2017

**Original Target Date:** NEW

**Corrective Action Summary:** Army received this material weakness as a result of multiple findings identified by the IPA audit of the Army's FY 2015 SBA Audit. Army Audit Readiness and DFAS have worked as a collective group to develop standard corrective action plans to be used to correct the deficiencies identified in the FY 2015 SBA Audit. Financial Management Improvements CAPs to develop and implement effective oversight of financial management and consistently establish effective financial management reporting structure and responsibilities. These corrective actions are to be completed by 4th quarter FY 2016. See milestones in the corrective action plan below.

**Detailed Corrective Action Plan:**

<b><u>Date:</u></b>	<b><u>Milestone:</u></b>
Complete	Develop corrective action plans and milestones to address the control gaps to consistently develop and implement effective oversight of financial management and consistently establish effective financial management reporting structure and responsibilities.
4th Qtr FY 2016	DASA-FO is addressing the issue of not scheduling meetings by implementing a daily reconciliation between the KPMG Meeting Request List and the meetings scheduled on the calendar. For FY 2016, the DASA-FO has scheduled all requested meetings requested by KPMG (M-2015-38).
2nd Qtr FY 2017	DASA-FO will continue working with Army subject matter experts, DFAS, GFEBS, and GCSS-Army PMO to design and implement policies and procedures to ensure the implementation of the process address timely submission of supporting documentation and transactions. Continue working with CEFMS, GFEBS, GCSS-Army, STANFINS, and SOMARDS system owners to identify and document the flow of information to interfaces communicating information between systems (F-2015-12)
2nd Qtr FY 2017	Validation of CAPs relating to Financial Management within Financial Reporting and Civilian Payroll

**Validation Process:** External validations will be conducted by an IPA during the Army's annual financial statement audit.

**OSD or HQDA Action Required:** The HQDA staff support audit readiness efforts through updates in policy and issuing department wide directives, as needed, to accelerate action.

**Point of Contact:** Mr. Domenico Rossi, Director, Management and Control, OASA(FM&C)

**TAB D-2**  
**INTERNAL CONTROLS OVER FINANCIAL REPORTING (ICOFR) GENERAL FUND**  
**MATERIAL WEAKNESSES CORRECTIVE ACTION PLANS AND MILESTONES**

**General Fund Uncorrected Weakness(es) Identified During Prior Periods**

**Internal Controls (IC) Reporting Category:** Budget-to-Report

**Title and Description of Material Weakness:** Fund Balance with Treasury (FBWT). The DoD, including the Army, have had long-standing problems in reconciling transaction activity in their FBWT accounts. Appropriation balances recorded in the accounting records do not agree with balances held at Treasury. Collections and disbursements at the detailed transaction level do not reconcile with the records of the Department of the Treasury.

The Fund Balance with Treasury reconciliation is a key control for supporting the existence, completeness, accuracy of the budgetary authority and outlays reported on the schedule. The monthly FBwT reconciliation is not properly designed as follows:

- Army did not perform a reconciliation at the detailed appropriation level, which compares its proprietary cash to budgetary cash to determine that certain budgetary balances exist, are complete, and are accurate.
- Army's service provider did not record adjustments at the transactional level to enable the service provider to support the adjustments to account for variances between Treasury and the Army records.
- At year-end a variance existed between the recorded Treasury cash balance and the recorded Army cash balance due to timing differences and adjustments recorded in the general ledger. The Army was unable to provide documents to demonstrate that these differences were resolved.

**First Year Reported:** FY 2008

**Target Correction Date:** 2nd Qtr FY 2017

**Original Target Date:** 3rd Qtr FY 2014

**Corrective Action Summary:** A joint Army/DFAS team is developing an auditable Fund Balance with Treasury reconciliation process, to include implementation of internal controls that ensure reconciling differences are resolved appropriately. In addition, Army and DFAS are executing corrective action plans to mitigate findings from the FY 2015 SBA audit.



**Detailed Corrective Action Plan:**

<b><u>Date:</u></b>	<b><u>Milestone:</u></b>
Complete	Identified Requirements to Report Accurately FBWT. Finalized “to be” FBWT Reconciliation requirements document based on feedback received. Fully deploy GFEBS.
Complete	Implement sustainable process to report FBWT and accurately address the reconciliation between the Army's balance and the balance at the Department of the Treasury.
Complete	Internal validation of FBWT (Reconciliation Tool).
Complete	Transition Army GF FBWT reconciliation tool into Production environment. Set conditions for phased implementation and implement routine processes and procedures.
Complete	Compile and execute CAPs for known deficiencies and weaknesses. Identify mitigating controls.
Testing is continuous	Conduct monthly internal control retesting to confirm corrective actions (processes, controls, documentation, or systems) have successfully mitigated deficiencies. Provide commands with a report reflecting testing results, trends, and recommendations.
2nd Qtr FY 2017	Implement process and tools to identify difference between the general ledgers; Resolve Transactions Posted to Budget Clearing Accounts; Resolve Transactions Reported on Treasury's Statements of Differences. Also, we will be able to perform aging analysis and apply reconciliations backwards.

**Validation Process:** External validations will be conducted by an IPA during the Army's annual financial statement audit.

**OSD or HQDA Action Required:** The HQDA staff support audit readiness efforts through updates in policy and issuing department wide directives, as needed, to accelerate action.

**Point of Contact:** Mr. Domenico Rossi, Director, Management and Control, OASA(FM&C)

**TAB D-2**  
**INTERNAL CONTROLS OVER FINANCIAL REPORTING (ICOFR) GENERAL FUND**  
**MATERIAL WEAKNESSES CORRECTIVE ACTION PLANS AND MILESTONES**

**General Fund Uncorrected Weakness(es) Identified During Prior Periods**

**IC Reporting Category:** Plan-to-Stock

**Title and Description of Material of Weakness:** Inventory and OM&S. Inventories are valued and reported at approximate historical cost using latest acquisition cost adjusted for holding gains and losses. The systems do not maintain historical cost data necessary to comply with Statement of Federal Financial Accounting Standards No. 3, "Accounting for Inventory and Related Property." The systems also are unable to produce financial transactions using the U.S. Government Standard General Ledger. Statement of Federal Financial Accounting Standards No. 3 states that OM&S must be expensed when the items are consumed. However, according to independent auditor's reports dated November 8, 2009 and December 9, 2014, the Army has acknowledged that significant amounts of OM&S was expensed when they were purchased instead of when they were consumed.

**First Year Reported:** FY 2008

**Target Correction Date:** 4th Qtr FY 2017

**Original Target Date:** 1st Qtr FY 2014

**Corrective Action Summary:** Full deployment of GFEBS provides the required general ledger processing capability. Additional time to implement corrective actions is required to ensure physical inventories are conducted and properly documented.

**Detailed Corrective Action Plan:**

**Date:**

**Milestone:**

Complete

Achieved a positive response from DoDIG in April 2013 on 17 percent of the Army's missile program assets, including the Javelin, Hellfire, and Tube-Launched Optically-Tracked Wire-Guided Missile assets.

<b><u>Date:</u></b>	<b><u>Milestone:</u></b>
Complete	Provided guidance for valuation of operating expenses associated with the consumption of OM&S in normal operations and establishing the Inventory baseline (i.e., an acceptable value for on-hand OM&S at the time systems are converted to a historical cost method).
Complete	Incorporated the revised historical cost valuation policy (Consumption Method) for OM&S into the DoD FMR (DoD 7000.14-R).
Complete	<p>Assert audit readiness to the existence and completeness of OM&amp;S assets.</p> <p>Complete and execute corrective actions for known deficiencies and weaknesses for OM&amp;S.</p> <p>Identify mitigating controls and/or substantive procedures to support OM&amp;S full assertion scheduled for September 30, 2017.</p> <p>Conduct monthly internal control and substantive retesting to evaluate internal controls and ensure that OM&amp;S assets are accurately recorded and managed in the accountable property systems of record.</p>
4th Qtr FY 2017	Support the validation efforts of management's assertion to the existence and completeness of OM&S assets.

**Validation Process:** Internal and external validations will be conducted by USAAA and the DoDIG, respectively.

**OSD or HQDA Action Required:** The HQDA staff has been working with the OSD Inventory and Related Property working group to establish a valuation methodology that is Generally Accepted Accounting Principles (GAAP) compliant and supports the full audit assertion for OM&S.

**Point of Contact:** Mr. Domenico Rossi, Director, Management and Control, OASA(FM&C)

**TAB D-2**  
**INTERNAL CONTROLS OVER FINANCIAL REPORTING (ICOFR) GENERAL FUND**  
**MATERIAL WEAKNESSES CORRECTIVE ACTION PLANS AND MILESTONES**

**General Fund Uncorrected Weakness(es) Identified During Prior Periods**

**IC Reporting Category:** Acquire-to-Retire

**Title and Description of Material of Weakness:** General Property, Plant and Equipment (GPP&E). Statement of the Federal Financial Accounting Standards No. 6, "Accounting for Property, Plant and Equipment," requires that all GPP&E be recorded at cost and that depreciation expense be recognized on all GPP&E. The Army has acknowledged that real property and Military Equipment were not recorded at acquisition or historical cost and did not include all costs needed to bring these assets to a form and location suitable for their intended use. Also, the Army could not support the reported cost of Military Equipment in accordance with Statement of Federal Financial Accounting Standards No. 6. The Army needs an accountability system for all its Military Table of Equipment unit property books that comply with the (Federal Financial Management Improvement Act) FFMIA of 1996.

**First Year Reported:** FY 2008

**Target Correction Date:** 4th Qtr FY 2017

**Original Target Date:** 4th Qtr FY 2014

**Corrective Action Summary:** The Army is working with the OUSD(C) to develop a methodology to report GPP&E values providing useful and reliable information. The Army is currently evaluating and implementing internal controls to ensure that GPP&E assets are accurately recorded and managed in the accountable property systems of record; and ensuring that financial accountability systems for all Military Table of Equipment unit property books comply with the FFMIA of 1996. Additional time is required to develop methodology and ensure actions fully remediate the material weakness.

**Detailed Corrective Action Plan:**

**Date:**

**Milestone:**

Complete

Asserted to the existence and completeness of GE fire and rescue "quick win" assets (March 31, 2011).

<b><u>Date:</u></b>	<b><u>Milestone:</u></b>
Complete	Asserted to the existence and completeness of all GE assets in the PBUSE system (December 30, 2013).
Complete	Asserted to the existence, completeness, and rights and obligations of Real Property (RP) assets at 23 installations (“quick wins”) (December 12, 2012). Received clean opinion from IPA firm in November 2013.
Complete	Facilitated data conversion and interface development between Army information systems, PBUSE and GFEBS.
Complete	Assert to the existence and completeness of all RP assets by September 30, 2014.
Complete	Support DoDIG in their validation efforts over the GE assertion. Auditor’s report expected in October 2014.
Complete	Evaluate auditor’s report over the GE existence and completeness assertion and determine actions necessary to remediate remaining internal control weaknesses.
Complete	Support validation efforts of management’s assertion to the E&C of GE assets. The DoDIG validation was provided in October 2014.
4th Qtr FY2016	Continue execution of CAPs for known deficiencies and weaknesses across major command organizations that maintain accountability of assets.
4th Qtr FY 2017	Conduct monthly internal control and substantive retesting to assess status of CAPs and mitigation of control weaknesses.

**Validation Process:** Internal and external validations will be conducted by USAAA and the DoDIG, respectively.

**OSD or HQDA Action Required:** The HQDA staff support audit readiness efforts through updates in policy and issuing department wide directives, as needed, to accelerate action.

**Point of Contact:** Mr. Domenico Rossi, Director, Management and Control, OASA(FM&C)

**TAB D-2**  
**INTERNAL CONTROLS OVER FINANCIAL REPORTING (ICOFR) GENERAL FUND**  
**MATERIAL WEAKNESSES CORRECTIVE ACTION PLANS AND MILESTONES**

**General Fund Uncorrected Weakness(es) Identified During Prior Periods**

**IC Reporting Category:** N/A

**Title and Description of Material of Weakness:** Environmental Liabilities (EL). The Army has not properly estimated and reported its EL. For example, the processes used to report EL for the Defense Environmental Restoration Program (DERP), Base Realignment and Closure and the non-Defense Environmental Restoration Program (Non-DERP) on the financial statements were not adequate to establish or maintain sufficient documentation and audit trails.

**First Year Reported:** FY 2008

**Target Correction Date:** 4th Qtr FY 2017

**Original Target Date:** 1st Qtr FY 2015

**Corrective Action Summary:** The Army is implementing systems, processes, and controls to ensure the accuracy of site level liability data for the processes used to report EL. Interface capabilities that are currently in development will manage, track, and report EL by project to address current material weakness. Additional time is required to develop and implement a fully automated solution GFEBs.

**Detailed Corrective Action Plan:**

<b><u>Date:</u></b>	<b><u>Milestone:</u></b>
4th Qtr FY 2016	Implement Headquarters Army Environmental System to support the Army's environmental program and capable of managing and tracking environmental liabilities by project.
4th Qtr FY 2016	Complete full management assertion for Environmental and Disposal Liabilities.

**Validation Process:** Internal and external validations will be conducted by USAAA and the DoDIG, respectively.

**OSD or HQDA Action Required:** The HQDA staff support the implementation and policy updates necessary for the use of the system.

**Point of Contact:** Mr. Domenico Rossi, Director, Management and Control, OASA(FM&C)



**TAB D-2**  
**INTERNAL CONTROLS OVER FINANCIAL REPORTING (ICOFR) GENERAL FUND**  
**MATERIAL WEAKNESSES CORRECTIVE ACTION PLANS AND MILESTONES**

**General Fund Uncorrected Weakness(es) Identified During Prior Periods**

**IC Reporting Category:** Budget-to-Report

**Title and Description of Material of Weakness:** Intragovernmental Eliminations. The DoD is unable to collect, exchange and reconcile buyer and seller Intragovernmental transactions, resulting in adjustments that cannot be verified. This is primarily because of systems' limitations, as the majority of the systems currently used within DoD do not allow the capture of buyer-side information for use in reconciliations and eliminations. Both the DoD and Army accounting systems were unable to capture trading partner data at the transaction level to facilitate required trading partner eliminations and DoD guidance did not require adequate support for eliminations. In addition, DoD procedures required that buyer-side transaction data be forced to agree with seller-side transaction data without performing proper reconciliations.

**First Year Reported:** FY 2008

**Target Correction Date:** 2nd Qtr FY 2017

**Original Target Date:** 3rd Qtr FY 2014

**Corrective Action Summary:** The Army has fully deployed GFEBS and the Standard Financial Information Structure (SFIS) as a means to identify and reconcile intragovernmental trading partner transactions. Additional time is required to implement and test phase one of the Invoice Processing Platform.

**Detailed Corrective Action Plan:**

<b><u>Date:</u></b>	<b><u>Milestone:</u></b>
Complete	Identify trading partner information at the transaction level.
Complete	Implement SFIS 10.0 and Government wide Treasury Account Symbol to GFEBS to fix the Fed/Non-Fed issues.

**Date:**

2nd Qtr FY 2017

**Milestone:**

Implement Invoice Processing Platform (IPP) phase one (date dependent upon receipt of DCFO tasking memo). The Army is working with OSD and the Assistant Chief of Staff for Information Management in conducting a pilot to enter General Terms and Conditions (1144s/MOAs) for reimbursables into IPP. The pilot will identify lessons learned to be implemented in FY 2016. The Army goal is to have 75 percent of the General Terms and Conditions in IPP by FY 2016 close and 100 percent by FY 2017 close.

**Validation Process:** Internal and external validations will be conducted by USAAA and the DoDIG, respectively.

**OSD or HQDA Action Required:** The HQDA staff support audit readiness efforts through updates in policy and issuing department wide directives, as needed, to accelerate action.

**Point of Contact:** Mr. Domenico Rossi, Director, Management and Control, OASA(FM&C)

**TAB D-2**  
**INTERNAL CONTROLS OVER FINANCIAL REPORTING (ICOFR) GENERAL FUND**  
**MATERIAL WEAKNESSES CORRECTIVE ACTION PLANS AND MILESTONES**

**General Fund Uncorrected Weakness(es) Identified During Prior Periods**

**IC Reporting Category:** Budget-to-Report

**Title and Description of Material of Weakness:** Manual General Ledger Adjustments / Accounting Adjustments. Because of inadequate financial management systems and processes, journal voucher (JV) adjustments and data calls were used to prepare the Army General Fund basic financial statements. For the FY 2014 year-end, DFAS personnel reported that they did not adequately support \$34.2 billion in JV adjustments used to prepare the Army General Fund basic financial statements.

The IPA FY 2015 SBA audit report identified Manual General Ledger Adjustments as a material weakness. The Army had internal control deficiencies over journal entries and other adjustments to the general ledger. Improvements are needed in management's process to provide complete and timely populations of JVs and provide appropriate supporting documentation for manual adjustments as follows:

- Army's service provider did not review and approve micro-application adjustments being processed into its financial reporting system.
- Army was unable to provide a population of manual JVs from its main financial accounting system of record.
- Army did not provide sufficient evidential matter to support JVs and did not establish effective controls over the recording of manual JVs made in the financial reporting system.
- Army's review of unliquidated obligations was not designed appropriately to facilitate year-end adjustments that may result from such reviews.

**First Year Reported:** FY 2008

**Target Correction Date:** 3rd Qtr FY 2017

**Original Target Date:** 3rd Qtr FY 2014

**Corrective Action Summary:** The Army fully deployed GFEBS in FY 2012. Full deployment of GFEBS will enable the Army to submit a General Fund trial balance directly to DFAS using the SFIS. This will reduce the need for DFAS to process unsupported accounting adjustments. Additional time is required to ensure actions fully correct the material weakness. Both the Army and DFAS are executing corrective action plans to findings identified in the FY 2015 SBA audit to reduce the number of monthly JVs, provide a population of manual JVs, provide sufficient evidential matter to support JVs, and establish effective controls over the recording of manual JVs.

**Detailed Corrective Action Plan:**

<b><u>Date:</u></b>	<b><u>Milestone:</u></b>
Complete	Fully deployment of GFEBS in FY 2012. Full deployment of GFEBS enables the Army to submit a General Fund trial balance directly to DFAS using the SFIS. This will reduce the need for DFAS to process unsupported accounting adjustments.
Complete	Identify the root causes of unsupported adjustments.
Complete	Develop CAPs to fix legacy system brought forward data, budgetary/proprietary adjustments and other related issues.
2nd Qtr FY 2017	Implement SBA FY 2015 JV CAPs.
3rd Qtr FY 2017	Conduct validation testing of SBA FY 2015 JV CAPs.

**Validation Process:** External validations will be conducted by an Independent Public Accountant during the Army's annual financial statement audit.

**OSD or HQDA Action Required:** The HQDA staff support audit readiness efforts through updates in policy and issuing department wide directives, as needed, to accelerate action.

**Point of Contact:** Mr. Domenico Rossi, Director, Management and Control, OASA(FM&C)

**TAB D-2**  
**INTERNAL CONTROLS OVER FINANCIAL REPORTING (ICOFR) GENERAL FUND**  
**MATERIAL WEAKNESSES CORRECTIVE ACTION PLANS AND MILESTONES**

**General Fund Uncorrected Weakness(es) Identified During Prior Periods**

**IC Reporting Category:** Budget-to-Report

**Title and Description of Material of Weakness:** Statement of Net Cost. The financial information contained in the Statement of Net Cost is not presented by programs that align with major goals and outputs described in the DoD strategic and performance plans required by the Government Performance and Results Act. Because financial processes and systems do not correlate costs with performance measures, revenues and expenses are reported by appropriation categories. The amounts presented in the Statement of Net Cost are based on funding, obligation and disbursing transactions, which are not always recorded using accrual accounting. The Army systems do not always record the transactions on an accrual basis as required by GAAP. To capture all cost and financing sources for the Army, the information presented also includes data from non-financial feeder systems. In addition, Army General Fund budgetary and proprietary information does not correlate.

**First Year Reported:** FY 2008

**Target Correction Date:** 3rd Qtr FY 2017

**Original Target Date:** 3rd Qtr FY 2014

**Corrective Action Summary:** The Army will report the Statement of Net Cost in accordance with programs described in the DoD strategic and performance plans. The Army has fully deployed GFEBS and will ensure that the system's capabilities are functioning properly. Additional time is required to develop a methodology for allocation of net cost and revenue to the DoD strategic and performance goals. Corrections for this statement need to be consistent across DoD to allow for consolidation at the DoD level.

**Detailed Corrective Action Plan:**

**Date:**

Complete

**Milestone:**

Formally request guidance from OSD regarding the goals and programs for which to align DoD Component's Statements of Net Cost, and obtain milestones for updating the Defense reporting system to accept the format they prescribe.

**Date:**

**Milestone:**

4th Qtr FY 2016

Develop a methodology for allocation of net cost and revenue to the DoD strategic and performance goals. (Dependent on guidance OSD provides).

3rd Qtr FY 2017

Assert to Statement of Net Cost.

**Validation Process:** Internal and external validations will be conducted by USAAA and the DoDIG, respectively.

**OSD or HQDA Action Required:** The OSD staff will coordinate with other DoD services to revise DDRS.

**Point of Contact:** Mr. Domenico Rossi, Director, Management and Control, OASA(FM&C)

**TAB D-2**  
**INTERNAL CONTROLS OVER FINANCIAL REPORTING (ICOFR) GENERAL FUND**  
**MATERIAL WEAKNESSES CORRECTIVE ACTION PLANS AND MILESTONES**

**General Fund Uncorrected Weakness(es) Identified During Prior Periods**

**IC Reporting Category:** Budget-to-Report

**Title and Description of Material of Weakness:** Financial Reporting / Abnormal Account Balances. The DFAS staff did not detect, report, or take action to eliminate abnormal balances included in the Army General Fund accounting records. Abnormal balances not only distort the Army General Fund financial statements, but also indicate internal control and operational deficiencies and may conceal instances of fraud.

The Army did not effectively implement internal controls over financial reporting to support the financial reporting process for the schedule. Specifically, improvements are needed in management's process to verify complete and accurate recording of transactions in the general ledger, prepare required disclosures, and follow other accounting practices.

**Complete and Accurate Recording of Transactions in the General Ledger.** Deficiencies were identified related to Army's ability to provide documentation over the U.S. Standard General Ledger accounts used to process transactions in several systems and instances of individual transactions posting to inaccurate accounts were identified:

- Army records transactions in its legacy financial accounting systems using transaction codes as part of a Line of Accounting. Army converts the transaction codes to general ledger accounts that are not compliant with the Treasury Financial Manual U.S. Standard General Ledger within one of these legacy financial accounting systems.
- Army has not developed a complete listing of all potential general ledger posting logics available within the main financial accounting system of record and the supply system.

Financial Reporting Process. The Army had the following deficiencies in the financial reporting process:

- The Army and its service provider did not identify the root causes of unreconciled expense variances with Federal trading partners.
- Army did not have a process in place to reconcile the proprietary general ledger accounts to the budgetary general ledger accounts.
- Army did not consistently account for supply turn-ins in accordance with Federal accounting standards.

Presentation of required supplementary information. The Army did not prepare disaggregated budget accounts as Required Supplementary Information to accompany the final September 30, 2015 SBA.

**First Year Reported:** FY 2008

**Target Correction Date:** 2nd Qtr FY 2017

**Original Target Date:** 3rd Qtr FY 2014

**Corrective Action Summary:** Full deployment of the GFEBS enables the Army to detect and correct abnormal balances through routine general ledger tie point reconciliations and other processes. Additional time is required to revise GFEBS chart of accounts, posting logic, and develop business process changes. Army and the Defense Finance and Accounting Service (DFAS) have reviewed the auditor Notifications of Findings and Recommendations and have developed corrective action plans to address each condition identified. The Deputy Assistant Secretary of the Army-Financial Operations conducts a bi-weekly update with DFAS Senior Responsible Official to review the status of corrective actions taken to mitigate the material weakness.

**Detailed Corrective Action Plan:**

<b><u>Date:</u></b>	<b><u>Milestone:</u></b>
4th Qtr FY 2016	Work with DFAS, DASA(BU), OASA(FM&C) and GFEBS-PM to identify root causes of abnormal balances and tie point imbalances including budgetary/proprietary adjustments, budget/funding processes, and other causes.
1st Qtr FY 2017	Revise the GFEBS Chart of Accounts and posting logic; work with stakeholders to address process changes business processes and transactions as needed to reduce abnormal balances and tie point imbalances.
1st Qtr FY 2017	Army will work with DFAS to implement CAPs from FY 2015 SBA Audit.
2nd Qtr FY 2017	Validate corrective actions from FY 2015 SBA Audit.

**Validation Process:** External validations will be conducted by an IPA during the Army's annual financial statement audit.

**OSD or HQDA Action Required:** The HQDA staff support audit readiness efforts through updates in policy and issuing department wide directives, as needed, to accelerate action.

**Point of Contact:** Mr. Domenico Rossi, Director, Management and Control, OASA(FM&C)



**TAB D-2**  
**INTERNAL CONTROLS OVER FINANCIAL REPORTING (ICOFR) GENERAL FUND**  
**MATERIAL WEAKNESSES CORRECTIVE ACTION PLANS AND MILESTONES**

**General Fund Uncorrected Weakness(es) Identified During Prior Periods**

**IC Reporting Category:** Budget-to-Report

**Title and Description of Material of Weakness:** Accounts Receivable. The Army has acknowledged weaknesses in its accounts receivable management. The weaknesses are considered to be DoD-wide and apply to both public and intragovernmental receivables at the Army General Fund level. According to independent auditor's report dated November 8, 2009, the Army's accounts receivable has weaknesses of noncompliance with policies and procedures regarding referrals to the Debt Management Office of the Department of Treasury and for write-offs of two-year-old debt; a lack of controls to ensure all entitlement system receivables (vendor pay, civilian pay and interest) are recorded in the accounting systems; and a lack of controls to ensure that accounts receivable balances are supportable at the transaction level.

**First Year Reported:** FY 2008

**Target Correction Date:** 4th Qtr FY 2017 (pilot completion)

**Original Target Date:** 3rd Qtr FY 2014

**Corrective Action Summary:** The GFEBS staff developed cost estimate to implement a limited debt management pilot capability with DTS and vendor payments to ensure best business practices and meets compliances with GAAP. Expected coordination efforts among stakeholders by 1st Qtr FY 2016. Upon conclusion of pilot demonstration GFEBS will implement the full solution in working with OSD for critical Department-wide debt management solution. The GFEBS staff will enable the audit of receivables to source transaction posting to the general ledger. The GFEBS staff also provides the ability to age receivables and assess interest.

**Validation Process:** Internal and external validations will be conducted by USAAA and the DoDIG, respectively.

**OSD or HQDA Action Required:** Provide a department wide debt management solution through policy development/updates and issuing department-wide directives to accelerate action.

**Point of Contact:** Mr. Domenico Rossi, Director, Management and Control, OASA(FM&C)

**TAB D-2**  
**INTERNAL CONTROLS OVER FINANCIAL REPORTING (ICOFR) GENERAL FUND**  
**MATERIAL WEAKNESSES CORRECTIVE ACTION PLANS AND MILESTONES**

**General Fund Uncorrected Weakness(es) Identified During Prior Periods**

**IC Reporting Category:** Budget-to-Report

**Title and Description of Material of Weakness:** Accounts Payable. According to independent auditor's report dated November 8, 2009 and December 9, 2013, the Army is unable to account for and report Accounts Payable properly. Due to noted material weakness in current accounting and financial feeder systems, the DoD is generally unable to determine whether undistributed disbursements and collections should be applied to federal or nonfederal accounts payable and accounts receivable at the time accounting reports are prepared. Accordingly, the DoD policy is to allocate supported undistributed disbursements and collections between federal and nonfederal categories based on the percentage of distributed federal and nonfederal accounts payable and accounts receivable. Both supported and unsupported undistributed disbursements and collections are then applied to reduce accounts payable and accounts receivable accordingly. In addition, the Army accounting systems do not capture trading partner data at the transaction level in a manner that facilitates trading partner aggregations for intra-agency sales. Therefore, the Army has acknowledged that it was unable to reconcile Intragovernmental accounts payable to the related Intragovernmental accounts receivable that generated the payables.

**First Year Reported:** FY 2008

**Target Correction Date:** 3rd Qtr FY 2017\*

\*Target date has shifted due to strategy of full remediation of Accounts Payable now being synchronized with preparation with full financial statement audit preparations in FY 2017 rather than just the SBA audit in FY 2015.

**Original Target Date:** 3rd Qtr FY 2014

**Corrective Action Summary:** The GFEBS provides the ability to record payables upon receipt of goods and services. Also, GFEBS integrates many of the contracting, entitlement, payment, and accounting functions. Validation of SFIS structure will ensure proper reporting of trading partners. Additional time is required to ensure actions taken fully correct the material weakness.

**Detailed Corrective Action Plan:**

**Date:**

**Milestone:**

4th Qtr FY 2016

Validate SFIS attributes related to Fed/Non-Fed issues to ensure proper reporting of trading partner transactions.

1st Qtr FY 2017

Validation to be conducted by USAAA and DoDIG.

**Validation Process:** Internal and external validations will be conducted by USAAA and the DoDIG, respectively.

**OSD or HQDA Action Required:** The HQDA staff support audit readiness efforts through updates in policy and issuing department wide directives, as needed, to accelerate action.

**Point of Contact:** Mr. Domenico Rossi, Director, Management and Control, OASA(FM&C)

**TAB D-2**  
**INTERNAL CONTROLS OVER FINANCIAL REPORTING (ICOFR) GENERAL FUND**  
**MATERIAL WEAKNESSES CORRECTIVE ACTION PLANS AND MILESTONES**

**General Fund Uncorrected Weakness(es) Identified During Prior Periods**

**IC Reporting Category:** Budget-to-Report

**Title and Description of Material of Weakness:** Statement of Budgetary Resources (SBR). Army accounting systems did not provide or capture the data needed for obligations incurred or prior-year obligations recovered in accordance with OMB Circular No. A-11, "Preparation, Submission, and Execution of the Budget Requirements," July 2014. Although the Army developed an alternative methodology to calculate these items, the amount of distortion cannot be reliably determined. The information presented in the Army General Fund's statement of budgetary resources does not completely agree with the information submitted in the year-end "Reports on Budget Execution and Budgetary Resources" (SF 133).

**First Year Reported:** FY 2008

**Target Correction Date:** 3rd Qtr FY 2017\*

\*Target date has shifted due to strategy of full remediation of SBR now being synchronized with preparation with full financial statement audit preparations at the conclusion of FY 2017. Until then, DoDIG and IPA validation will be conducted on and limited to SBA audit in fiscal years 2015 through 2017.

**Original Target Date:** 3rd Qtr FY 2014

**Corrective Action Summary:** The Army is conducting installation-level audit readiness work to implement effective internal controls over the budget distribution, execution, and reporting processes. The Army has fully deployed GFEBs and will ensure that the system's capabilities are functioning properly. Additional time is required to ensure actions taken fully correct the material weakness.

**Detailed Corrective Action Plan:**

<b><u>Date:</u></b>	<b><u>Milestone:</u></b>
Complete	GFEBs Examination 1. Received a qualified opinion in late 2011 on the first audit examination (“mock audit”) of financial activity conducted in GFEBs at Forts Jackson, Stewart, and Benning. The independent public accounting firm found standardized business processes across the sites.
Complete	Execute valuation and discovery activities.
Complete	Full deployment of GFEBs.
Complete	Examination 2 of nine business processes at 10 installations where GFEBs has been deployed. The audit report confirmed internal findings and identified three significant areas for improvement.
Complete	Assert audit readiness of the FY 2014 SBA.  Complete and execute CAP for known deficiencies and weaknesses.  Identify mitigating controls and/or substantive procedures to support assertion in absence of CAPs ( <i>except Funds Distribution</i> ).
Complete (continued)	Conduct monthly internal control retesting and provide commands with a report reflecting testing results, trends, and recommendations.  Ensure legacy processes and systems are auditable to support the FY 2014 SBA.
3rd Qtr FY2017	Support validation efforts of FY 2015 and FY 2016 SBA audits.

**Validation Process:** External validations will be conducted by an IPA during the Army’s annual financial statement audit.

**OSD or HQDA Action Required:** The HQDA staff support audit readiness efforts through enforcing updates in policy and issuing department wide directives, as needed, to accelerate action.

**Point of Contact:** Mr. Domenico Rossi, Director, Management and Control, OASA(FM&C)

**TAB D-2**  
**INTERNAL CONTROLS OVER FINANCIAL REPORTING (ICOFR) GENERAL FUND**  
**MATERIAL WEAKNESSES CORRECTIVE ACTION PLANS AND MILESTONES**

**General Fund Uncorrected Weakness(es) Identified During Prior Periods**

**IC Reporting Category:** Budget-to-Report

**Title and Description of Material of Weakness:** Reconciliation of Net Cost of Operations to Budget. The SFFAS No. 7 “requires a reconciliation of proprietary and budgetary information to assist users in understanding the relationship of the data.” Due to the limitations of the Army General Fund financial systems, budgetary data do not agree with proprietary expenses and capitalized assets. The Army could not reconcile the information reported in Note 21 with the Army General Fund statement of net cost without preparing \$3.7 billion in unsupported adjustments.

**First Year Reported:** FY 2008

**Target Correction Date:** 3rd Qtr FY 2017

**Original Target Date:** 3rd Qtr FY 2014

**Corrective Action Summary:** Integrated capabilities of GFEBS will enable the Army to represent relationships between budgetary obligations incurred and the Statement of Net Cost. Additional time is required to ensure actions taken fully correct the material weakness.

**Detailed Corrective Action Plan:**

<b><u>Date:</u></b>	<b><u>Milestone:</u></b>
Complete	Complete tie point analysis.
4th Qtr FY 2016	Analyze the root cause of tie point imbalances based on plan Established by joint DFAS/Army JV analysis team. Develop and implement CAPs.
3rd Qtr FY 2017	Validation to be conducted by USAAA and DoDIG.

**Validation Process:** Internal and external validations will be conducted by USAAA and the DoDIG, respectively.

**OSD or HQDA Action Required:** The HQDA staff support audit readiness efforts through updates in policy and issuing department wide directives, as needed, to accelerate action.

**Point of Contact:** Mr. Domenico Rossi, Director, Management and Control, OASA(FM&C)



**TAB D-2**  
**INTERNAL CONTROLS OVER FINANCIAL REPORTING (ICOFR) GENERAL FUND**  
**MATERIAL WEAKNESSES CORRECTIVE ACTION PLANS AND MILESTONES**

**General Fund Uncorrected Weakness(es) Identified During Prior Periods**

**IC Reporting Category:** Procure to Pay

**Title and Description of Material of Weakness:** Contingency Payment Audit Trails. The Army identified contingency audit trails as a material weakness in the FY 2013 Army Statement of Assurance Over Internal Controls, acknowledging that the maintenance of substantiating documents by certifying and entitlement activities creates significant challenges in tracing audit trails for support of financial statements. Payments that are not properly supported do not provide the necessary assurance that funds were used as intended.

**First Year Reported:** FY 2009

**Target Correction Date:** 4th Qtr FY 2016

**Original Target Date:** 1st Qtr FY 2014

**Corrective Action Summary:** The Army implemented recommendations from audit reports (A-2009-0173-ALL, A-2010-0062-ALL, A-2011-0067-ALL, and A-2012-0049-MTE) to close this weakness. The USAAA performed a follow-up audit in 2011 in which they stated: “we will postpone our recommendations to report material weaknesses based on current and ongoing actions identified by the commands. The commands have taken a series of steps to correct the identified problems. These issues are complex and affect multiple functional areas (contracting and financial management) requiring a collaboration of both short- and long-term solutions. Army Audit remains committed to ensuring that the Army provides continued visibility to these issues as it works to obtain auditable financial statements. We will monitor these actions by conducting follow-up audit and report to senior Army leaders on the status of these corrective actions and whether material weaknesses are still required.” Additional time is required to allow USAAA to schedule and perform a follow-up audit as noted in their 2012 report.

**Detailed Corrective Action Plan:**

**Date:**

Complete

**Milestone:**

Correct identified deficiencies in Contingency Payment Audit Trails.

<b><u>Date:</u></b>	<b><u>Milestone:</u></b>
Complete	Implemented recommendations from audit reports (A-2009-0173-ALL, A-2010-0062-ALL, A-2011-0067-ALL, and A-2012-0049-MTE) to close this material weakness.
Complete	Discuss with DODIG the documentation FMCOM needs to provide supporting controls exist over contingency payments and reduced cash operations in theater have almost eliminated the operational risks and deficiencies identified in the referenced audit reports.
4th Qtr FY 2016	Validate that actions in operational audit reports are corrected and closed. Ensure documentation exists to support actions taken and request USAAA attestation of actions.
1st Qtr FY 2017	Report weakness as closed or downgrade from material weakness to reportable condition.

**Validation Process:** Internal and external validations will be conducted by USAAA and the DoDIG, respectively.

**OSD or HQDA Action Required:** The HQDA staff support audit readiness efforts through updates in policy and issuing department wide directives, as needed, to accelerate action.

**Point of Contact:** Mr. Domenico Rossi, Director, Management and Control, OASA(FM&C)

**TAB D-3**

**INTERNAL CONTROLS OVER FINANCIAL REPORTING (ICOFR) GENERAL FUND  
MATERIAL WEAKNESSES CORRECTED DURING ALL PERIODS**

**Army General Fund Material Weaknesses Corrected During The Period**

None.

## **List of TABs**

TAB E-1 - List of Uncorrected and Corrected Internal Control Over Financial Reporting (ICOFR) Army Working Capital Fund (AWCF) Material Weaknesses (MW)

TAB E-2 – ICOFR AWCF MW Corrective Action Plans and Milestones

TAB E-3 - ICOFR AWCF MW Corrected During All Periods

**TAB E-1**  
**LIST OF UNCORRECTED AND CORRECTED INTERNAL CONTROLS OVER FINANCIAL REPORTING (ICOFR) ARMY WORKING CAPITAL FUND MATERIAL WEAKNESSES**

**Working Capital Fund Uncorrected Weaknesses Identified During this Period:**

<b>Title</b>	<b>Quarter (QTR) and Date (FY) Targeted Correction Date</b>	<b>Page #</b>
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None.

**Working Capital Fund Uncorrected Weaknesses Identified During Prior Periods:**

<b>Title</b>	<b>Year First Reported</b>	<b><u>Correction QTR and FY Date</u></b>		<b>Page #</b>
		<b>Per Last Annual Statement</b>	<b>Per This Annual Statement</b>	
Fund Balance with Treasury	FY 2013	4th Qtr FY 2015	4th Qtr FY 2016	E-2-1
Financial Reporting – Statement of Budgetary Resources	FY 2009	3rd Qtr FY 2015	3rd Qtr FY 2017	E-2-3
Inventory	FY 2008	3rd Qtr FY 2015	4th Qtr FY 2017	E-2-5
General Property, Plant, and Equipment	FY 2008	3rd Qtr FY 2015	3rd Qtr FY 2017	E-2-7
Financial Reporting - Intragovernmental Eliminations	FY 2008	1st Qtr FY 2015	2nd Qtr FY 2017	E-2-9

**Working Capital Fund Uncorrected Weaknesses Identified During Prior Periods:**

<b>Title</b>	<b>Year First Reported</b>	<b><u>Correction QTR and FY Date</u></b>		<b>Page #</b>
		<b>Per Last Annual Statement</b>	<b>Per This Annual Statement</b>	
Financial Reporting/ Accounting Adjustments – Other Accounting Entries	FY 2008	2nd Qtr FY 2015	3rd Qtr FY 2017	E-2-11
Financial Reporting – Statement of Net Cost	FY 2008	2nd Qtr FY 2015	3rd Qtr FY 2017	E-2-12
Financial Reporting – Accounts Payable	FY 2008	1st Qtr FY 2015	3rd Qtr FY 2017	E-2-14
Financial Reporting – Reconciliation of Net Cost of Operations to Budget	FY 2008	1st Qtr FY 2015	3rd Qtr FY 2017	E-2-16
Financial Reporting – Abnormal Balances	FY 2009	2nd Qtr FY 2015	3rd Qtr FY 2017	E-2-18

**Working Capital Fund Material Weaknesses Corrected During all Periods:**

<b>Title</b>	<b>Year First Reported</b>	<b>Page #</b>
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None.

**TAB E-2**  
**INTERNAL CONTROLS OVER FINANCIAL REPORTING (ICOFR) ARMY WORKING  
CAPITAL FUND CORRECTIVE ACTION PLANS AND MILESTONES**

**Working Capital Fund Uncorrected Weaknesses Identified During Prior Periods**

**Internal Controls (IC) Reporting Category:** Budget to Report

**Title and Description of Material Weakness:** Fund Balance with Treasury (FBWT). The AWCF is currently unable to reconcile its detailed transaction-level disbursements and collections with the Department of the Treasury records.

**First Year Reported:** FY 2013

**Target Correction Date:** 4th Qtr FY 2016

**Original Target Date:** 1st Qtr FY 2015

**Corrective Action Summary:** In March 2014, the DFAS implemented a Fund Balance with Treasury reconciliation tool that will enable them to perform this transaction-level reconciliation and ensure that any reconciling differences are appropriately resolved. Although the tool is in place, additional corrective actions are needed to research and resolve the differences identified by the reconciliation tool.

**Detailed Corrective Action Plan:**

<b><u>Date:</u></b>	<b><u>Milestone:</u></b>
Complete	Implement Reconciliation tool
Complete	Initial assessment of reconciliation efforts using the tool
4th Qtr FY 2016	Begin researching and resolving differences identified by the reconciliation tool

**Validation Process:** DFAS is planning to assert audit readiness for the FBWT reconciliation process in September 2016 and undergo and SSAE No. 16 in fiscal year 2017.

**Office of the Secretary of Defense (OSD) or Headquarters, Department of the Army (HQDA)**

**Action Required:** Support from HQDA and OSD are needed to ensure that DFAS has resources in place to research and resolve differences identified by the reconciliation tool and that the planned SSAE 16 scheduled for FY 2017 is successful.

**Point of Contact:** Mr. Domenico Rossi, Director, Management and Control, OASA (FM&C)



**TAB E-2**  
**INTERNAL CONTROLS OVER FINANCIAL REPORTING (ICOFR) ARMY WORKING  
CAPITAL FUND CORRECTIVE ACTION PLANS AND MILESTONES**

**Working Capital Fund Uncorrected Weaknesses Identified During Prior Periods**

**IC Reporting Category:** Budget to Report

**Title and Description of Material Weakness:** Financial Reporting – SBR. The DFAS personnel made a significant number of adjustments to the budgetary accounts in DDRS-B to reconcile the trial balance data.

**First Year Reported:** FY 2009

**Target Correction Date:** 3rd Qtr FY 2017

**Original Target Date:** 2nd Qtr FY 2015

**Corrective Action Summary:** Full implementation of the Standard Financial Information Structure (SFIS) in the Logistics Modernization Program (LMP) was complete in fiscal year 2013; however additional corrective actions are needed to identify and resolve the root cause of the remaining unsupported adjustments to the accounts impacting the SBR.

**Detailed Corrective Action Plan:**

<b><u>Date:</u></b>	<b><u>Milestone:</u></b>
Complete	Document posting logic for SBR (Phase I – material lines)
Complete	Re-evaluate all SBR-related system change requests for LMP
Complete	Complete JV reversals for legacy data migration

<b><u>Date:</u></b>	<b><u>Milestone:</u></b>
4th Qtr FY 2016	Validate and document posting logic for SBRs (Phase II)
2nd Qtr FY 2017	Abnormal balance and tie point work
3rd Qtr FY 2017	Validate that adjustments to trial balance data for the SBR are eliminated or significantly reduced. If the former, address causes.
3rd Qtr FY 2017	Complete Budgetary data clean-up efforts with DFAS-CO

**Validation Process:** Once implemented, the AWCF Audit Readiness Team will perform testing to validate that the corrective actions were effective.

**OSD or HQDA Action Required:** Dates for OSD action TBD – We anticipate OSD approvals may be needed for journal voucher packages prepared to write off legacy balances. There is also a remote possibility that the cleanup efforts will identify the need to request the DASA(BU) provide additional budget resources.

**Point of Contact:** Mr. Domenico Rossi, Director, Management and Control, OASA(FM&C)

**TAB E-2**  
**INTERNAL CONTROLS OVER FINANCIAL REPORTING (ICOFR) ARMY WORKING  
CAPITAL FUND CORRECTIVE ACTION PLANS AND MILESTONES**

**Working Capital Fund Uncorrected Weaknesses Identified During Prior Periods**

**IC Reporting Category:** Plan to Stock

**Title and Description of Material Weakness:** Inventory. Current inventory balances reported at moving average cost (MAC) are unreliable. The MAC for inventory does not accurately reflect the historical cost of inventory and control procedures do not effectively provide assurance that inventory recorded in the financial statements exists and is complete.

**First Year Reported:** FY 2008

**Target Correction Date:** 4th Qtr FY 2017

**Original Target Date:** 2nd Qtr FY 2015

**Corrective Action Summary:** The AWCF inventory is now reported at MAC; however, the MAC values do not accurately reflect historical cost for all inventory items. Analysis of root causes for inaccurate MAC values must be performed and control procedures must be developed and implemented around transactions or processes identified as root causes. Additional corrective actions are needed to ensure required physical inventories are conducted and properly documented. Analysis of, and correction of, data elements used to identify the owner of assets reported in LMP is needed to ensure the inventory recorded on balance sheet is owned by the AWCF.

**Detailed Corrective Action Plan:**

<b><u>Date:</u></b>	<b><u>Milestone:</u></b>
Complete	DoDIG audit of Inventory held for sale MAC valuation begins
4th Qtr FY 2016	Develop and implement solution for performing physical inventories at the depots
4th Qtr FY 2016	Develop and implement policy for inventory ownership data elements and perform data clean up
4th Qtr FY 2017	Implement corrective actions to remediate inaccurate MAC values

**Validation Process:** Once corrective actions have been completed, the AWCF Audit Readiness Team will perform testing to validate that the material weakness has been remediated.

**OSD or HQDA Action Required:** None.

**Point of Contact:** Mr. Domenico Rossi, Director, Management and Control, OASA(FM&C)

**TAB E-2**  
**INTERNAL CONTROLS OVER FINANCIAL REPORTING (ICOFR) ARMY WORKING  
CAPITAL FUND CORRECTIVE ACTION PLANS AND MILESTONES**

**Working Capital Fund Uncorrected Weaknesses Identified During Prior Periods**

**IC Reporting Category:** Acquire to Retire

**Title and Description of Material Weakness:** General Property, Plant, and Equipment. The AWCF does not have documentation supporting the value of its General Property, Plant and Equipment and in some cases the values recorded do not include all costs needed to bring these assets to a form and location suitable for their intended use. The real property asset records for AWCF are in General Fund Enterprise Business Systems (GFEBS). Recorded assets in GFEBS do not accurately reflect ownership based on Statement of Federal Financial Accounting Standards No. 6 or the OUSD(C) policy memo on rights. Current Army audit readiness results indicate several corrective actions are still needed to address all financial statement assertions for General Property, Plant and Equipment (GPPE).

**First Year Reported:** FY 2008

**Target Correction Date:** 3rd Qtr FY 2017

**Original Target Date:** 1st Qtr FY 2011

**Corrective Action Summary:** The Army Working Capital Fund implemented the OUSD(C) valuation methodology to report real property assets at one location. Clean-up of asset data is needed to implement the valuation methodology at the remaining locations. Analysis of ownership of real property assets must be performed according to the new OUSD(C) policy on rights. Controls over GPP&E must be implemented to ensure retention of key supporting documentation and accurate recording of assets on a go forward basis.

**Detailed Corrective Action Plan:**

<b><u>Date:</u></b>	<b><u>Milestone:</u></b>
Complete	Test controls over real property additions and disposals and develop corrective actions.
1st Qtr FY 2017	Clean up data elements needed to implement the real property valuation methodology.

**Date:**

**Milestone:**

3rd Qtr FY 2017

Implement the OSD Policy memorandum on the rights criteria.

3rd Qtr FY 2017

Implement valuation methodology for real property assets that do not have sufficient documentation supporting the value.

**Validation Process:** Once corrective actions have been implemented, the AWCF Audit Readiness Team will perform testing to validate the corrective actions.

**OSD or HQDA Action Required:** Both OSD and HQDA assistance is needed to coordinate across the Services when implementing the OSD Policy memorandum on the rights criteria.

**Point of Contact:** Mr. Domenico Rossi, Director, Management and Control, OASA(FM&C)

**TAB E-2**  
**INTERNAL CONTROLS OVER FINANCIAL REPORTING (ICOFR) ARMY WORKING  
CAPITAL FUND CORRECTIVE ACTION PLANS AND MILESTONES**

**Working Capital Fund Uncorrected Weaknesses Identified During Prior Periods**

**IC Reporting Category:** Budget to Report

**Title and Description of Material Weakness:** Financial Reporting – Intragovernmental Eliminations. DoD and Army were unable to collect, exchange, and reconcile buyer and seller intragovernmental transactions, resulting in adjustments that were not verifiable.

**First Year Reported:** FY 2008

**Target Correction Date:** 2nd Qtr FY 2017

**Original Target Date:** 4th Qtr FY 2011

**Corrective Action Summary:** The AWCF needs to identify trading partner information at the transaction level to facilitate the intragovernmental eliminations. Many DoD and Army systems do not capture trading partner data at the transactional level, which impacts AWCF ability to reconcile intragovernmental transactions. Previous actions taken to improve intragovernmental reporting have not eliminated the weakness. The OSD continues to leverage the incremental corrections taken thus far as it determines the way forward. The Department of Treasury G-Invoicing (was Invoice Processing Platform) is the current plan to address and correct remaining issues with this weakness.

**Detailed Corrective Action Plan:**

<b><u>Date:</u></b>	<b><u>Milestone:</u></b>
Complete	Implement SFIS 10.0 and Government-wide Treasury Account Symbol in LMP.
4th Qtr FY 2015	Work with DFAS to clean up the Fed/Non-Fed migration errors.
3rd Qtr FY 2017	G-Invoicing (was Implement Invoice Processing Platform) – Phase I - update support agreements.

**Validation Process:** Once corrective actions have been implemented, the AWCF Audit Readiness Team will perform testing to validate the corrective actions.

**OSD or HQDA Action Required:** None.

**Point of Contact:** Mr. Domenico Rossi, Director, Management and Control, OASA(FM&C)



**TAB E-2**  
**INTERNAL CONTROLS OVER FINANCIAL REPORTING (ICOFR) ARMY WORKING  
CAPITAL FUND CORRECTIVE ACTION PLANS AND MILESTONES**

**Working Capital Fund Uncorrected Weaknesses Identified During Prior Periods**

**IC Reporting Category:** Budget to Report

**Title and Description of Material Weakness:** Financial Reporting/Accounting Adjustments—Other Accounting Entries. During fiscal year 2015 DFAS processed unsupported journal voucher adjustments, valued at \$2.5 billion, to reclassify expenses based on issues identified with posting logic. The unsupported accounting adjustments represent a material uncertainty regarding the line item balances on the FY 2015 AWCF Basic Financial Statements.

**First Year Reported:** FY 2008

**Target Correction Date:** 3rd Qtr FY 2017

**Original Target Date:** 4th Qtr FY 2011

**Corrective Action Summary:** Additional corrective actions are needed to determine the root cause of the unsupported journal vouchers (JV) prepared by DFAS. Working with DFAS to clean up legacy data, migration errors, and posting errors related to open disbursements, progress payments, and invoices. We are leveraging activity of the general fund journal voucher working group to apply corrections to similar root causes of the AWCF JVs.

**Detailed Corrective Action Plan:**

<b><u>Date:</u></b>	<b><u>Milestone:</u></b>
3rd Qtr FY 2017	Work with DFAS to clean up legacy data, migration errors, and posting errors related to open disbursements, progress payments and invoices.

**Validation Process:** Once all corrective actions have been implemented, the AWCF Audit Readiness Team will perform testing to validate the corrective actions.

**OSD or HQDA Action Required:** None.

**Point of Contact:** Mr. Domenico Rossi, Director, Management and Control, OASA(FM&C)

**TAB E-2**  
**INTERNAL CONTROLS OVER FINANCIAL REPORTING (ICOFR) ARMY WORKING  
CAPITAL FUND CORRECTIVE ACTION PLANS AND MILESTONES**

**Working Capital Fund Uncorrected Weaknesses Identified During Prior Periods**

**IC Reporting Category:** Budget to Report

**Title and Description of Material Weakness:** Financial Reporting–Statement of Net Cost. The financial information contained in the Statement of Net Cost is not presented by programs that align with major goals and outputs described in the DoD strategic and performance plans required by the Government Performance and Results Act.

**First Year Reported:** FY 2008

**Target Correction Date:** 3rd Qtr FY 2017

**Original Target Date:** 4th Qtr FY 2011

**Corrective Action Summary:** All DoD strategic and performance goals should be aligned to AWCF's mission. A methodology for allocation of net costs and revenue must be determined to align those costs and revenue to the mission. Corrections for this statement need to be consistent across DoD to allow for consolidation at the DoD level.

**Detailed Corrective Action Plan:**

<b><u>Date:</u></b>	<b><u>Milestone:</u></b>
Complete	Formally request guidance from OSD regarding the goals and programs for which to align Component Statements of Net Cost, and obtain milestones for updating the Defense reporting system for the new format.
2nd Qtr FY 2017	Develop a methodology for allocation of net cost and revenue to the DoD strategic and performance goals. (Date dependent on OSD guidance)

**Validation Process:** Once all corrective actions have been implemented, the AWCF Audit Readiness Team will perform testing to validate the corrective actions.

**OSD or HQDA Action Required:** This is a DoD-wide issue. The Defense Departmental Reporting System-Audited Financial Statements (DDRS-AFS) does not present the financial statements at that level of detail. To make that happen, OSD needs to coordinate with other Services and revise the DDRS. The OSD staff needs to provide guidance; otherwise, an Army-only approach may affect the ability to consolidate at the DoD-level.

**Point of Contact:** Mr. Domenico Rossi, Director, Management and Control, OASA(FM&C)

**TAB E-2**  
**INTERNAL CONTROLS OVER FINANCIAL REPORTING (ICOFR) ARMY WORKING  
CAPITAL FUND CORRECTIVE ACTION PLANS AND MILESTONES**

**Working Capital Fund Uncorrected Weaknesses Identified During Prior Periods**

**IC Reporting Category:** Procure to Pay

**Title and Description of Material Weakness:** Financial Reporting – Accounts Payable. The AWCF’s systems do not track intragovernmental transactions by customer at the transaction level. As a result, the AWCF relies on unsupported adjustments processed by DFAS personnel to report accounts payable balances. Additionally, LMP cannot generate an accounts payable upon acceptance of goods until they actually arrived at their final destination.

**First Year Reported:** FY 2008

**Target Correction Date:** 3rd Qtr FY 2017

**Original Target Date:** 2nd Qtr FY 2012

**Corrective Action Summary:** The AWCF implemented an upgrade for constructive receipts in the LMP that targeted correction of the Accounts Payable accounting and reporting issues. The AWCF also needs to identify trading partner information at the transaction level to facilitate the intragovernmental eliminations and proper reporting of accounts payable. These actions and audit issues related to inventory purchases continue to cause delays in closing this weakness.

**Detailed Corrective Action Plan:**

<b><u>Date:</u></b>	<b><u>Milestone:</u></b>
Complete	Implement CR to fix the MIPR constructive receipts and unit of measure
Complete	Work with AMC, LMP-PM, and DFAS to address entitlement interfaces and MOCAS accruals.
4th Qtr FY 2016	Collaborate AMC, LMP-PM, and DFAS to fix the undistributed disbursements, negative unliquidated obligations and incorrect accruals.

**Date:**

Complete

**Milestone:**

Implemented SFIS version 10.0 to address additional Fed/NonFed issues.

**Validation Process:** Once corrective actions have been implemented, the AWCF Audit Readiness Team will perform testing to validate the corrective actions.

**OSD or HQDA Action Required:** None.

**Point of Contact:** Mr. Domenico Rossi, Director, Management and Control, OASA(FM&C)

**TAB E-2**  
**INTERNAL CONTROLS OVER FINANCIAL REPORTING (ICOFR) ARMY WORKING  
CAPITAL FUND CORRECTIVE ACTION PLANS AND MILESTONES**

**Working Capital Fund Uncorrected Weaknesses Identified During Prior Periods**

**IC Reporting Category:** Budget to Report

**Title and Description of Material Weakness:** Financial Reporting – Reconciliation of Net Cost of Operations to Budget. In FY 2015, the AWCF could not reconcile information reported in Note 21 with the Statement of Net Cost without preparing \$1.2 billion in unsupported adjustments to the general ledger accounts to force costs to match obligation information.

**First Year Reported:** FY 2008

**Target Correction Date:** 3rd Qtr FY 2017

**Original Target Date:** 4th Qtr FY 2011

**Corrective Action Summary:** The Army has identified a need for an interim solution to perform tie point analysis between the budgetary and proprietary accounts. Such analysis will aid in identifying the postings and business processes that are creating the unsupported adjustments. These system and process improvements will help address this weakness. Audit readiness activity has increased the understanding that actions taken must go across the enterprise, causing a delay in completion to ensure that processes and systems are fully integrated and sustainable. Also, additional work must be done to correct data in place prior to the systems and process changes.

**Detailed Corrective Action Plan:**

<b><u>Date:</u></b>	<b><u>Milestone:</u></b>
Complete	Assess viability of using an offline tool
Complete	Complete workshops to cover high priority areas identified in the tie point analysis
Complete	Implement tie point analysis capability in LMP
3rd Qtr FY 2017	Resolve material tie point differences; assess risk of unresolved issues

**Validation Process:** Once all corrective actions have been implemented, the AWCF Audit Readiness Team will perform testing to validate the corrective actions.

**OSD or HQDA Action Required:** None.

**Point of Contact:** Mr. Domenico Rossi, Director, Management and Control, OASA(FM&C)

**TAB E-2**  
**INTERNAL CONTROLS OVER FINANCIAL REPORTING (ICOFR) ARMY WORKING  
CAPITAL FUND CORRECTIVE ACTION PLANS AND MILESTONES**

**Working Capital Fund Uncorrected Weaknesses Identified During Prior Periods**

**IC Reporting Category:** Budget to Report

**Title and Description of Material Weakness:** Financial Reporting – Abnormal Balances. In FY 2015, the AWCF activities (limit-level) reported 32 abnormal account balances, valued at \$1 billion. Army Working Capital Fund and DFAS personnel used the abnormal balances to compute the amounts reported on the Balance Sheet for such items as General Property, Plant, and Equipment; Inventory; Intragovernmental Accounts Payable; and Intragovernmental Other Assets. In addition, the posting accounts used to develop the proprietary trial balances in the LMP system contained at least 821 abnormal account balances valued at \$168.4 billion. The roll-up of limit-level account balances to produce amounts on the financial statements hid abnormal account balances in posting accounts.

**First Year Reported:** FY 2009

**Target Correction Date:** 3rd Qtr FY 2017

**Original Target Date:** 1st Qtr FY 2012

**Corrective Action Summary:** Abnormal balances have existed in Army Trial Balances for years. Implementing ERPs with the ability to easily determine where abnormal balances exist enabled correction of most abnormal at the financial statement level. The current issue is that abnormal balances exist at the point account level, indicating an issue with transactional postings or with how processes are handled, when considering the AWCF as a whole. The Army held an Abnormal Balance workshop in 2014, and developed a POAM to identify the tasks, resources, and timeframe required to address the abnormal balances in LMP. Abnormal balances were brought over from the prior system of record and have not been fully researched to determine the cause. The LMP posting logic has been customized/tailored to account for unique business transactions creating abnormal balances in certain point accounts. Army and stakeholders also created storyboards to explain some of the abnormal balance processes.



**Detailed Corrective Action Plan:**

<b><u>Date:</u></b>	<b><u>Milestone:</u></b>
Complete	Complete work with DFAS and LMP-PM resolving Contract Authority GL posting issue.
3rd Qtr FY 2017	Complete work with AMC and LMP-PM to identify root causes including budgetary/proprietary adjustment, legacy system data, and internal work performed.

**Validation Process:** Once corrective actions have been implemented, the AWCF Audit Readiness Team will perform testing to validate the corrective actions.

**OSD or HQDA Action Required:** None.

**Point of Contact:** Mr. Domenico Rossi, Director, Management and Control, OASA(FM&C)

**TAB E-3**  
**INTERNAL CONTROLS OVER FINANCIAL REPORTING (ICOFR)**  
**ARMY WORKING CAPITAL FUND MATERIAL WEAKNESSES**  
**CORRECTED DURING ALL PERIODS**

None.