



The FINOPS Review

ASA(FM&C)

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Establishment of the Financial Operations "FINOPS" Review Newsletter

The Deputy Assistant Secretary of the Army for Financial Operations (DASA-FO) is responsible for policies, procedures, programs and systems pertaining to finance and accounting activities and operations, Army financial management systems and data integration activities, Army programs for internal control, internal review and audit compliance, the Army Travel Charge Card, and fraud, waste and abuse, and other management evaluation activities. The Financial Operations Newsletter "*The FINOPS Review*" has been created as a means of providing information. *The FINOPS Review* will not be used to announce new or revised Army policy. It will however, often discuss new or changed policies subsequent to official announcement. Please feel free to contact our editorial staff at: DAMICP@conus.army.mil.



Management Services Directorate By Mr. Jorge Roca, Director

Army Managers' Internal Control Program (MICP):

* **Annual Statement of Assurance Dates:** The Army annual statement of assurance guidance was released in 19 October 2009. HQDA functional proponent statements are due to HQDA ASA(FM&C) on 31 May 2010. Statements from Army Commands (ACOMs), Army Service Component Commands (ASCCs), and Direct Reporting Units (DRUs) are due on 17 May 2010.

* MICP Training:

- ⇒ **FY 2010 Army MICP Training Conference:** Plans for a FY 2010 conference have been put on hold due to funding restrictions.
- ⇒ **MICP Graduate School Training:** MICP training curriculum is being updated by the Graduate School. Anticipate completion on/or about 3rd quarter, FY 2010.
- ⇒ **MICP Computer-Based Training (CBT):** Plans to create MICP CBT on Army Knowledge On-line is currently underway. Initial module tests are expected in 2nd quarter FY 2010.

* **MICP VTC:** Initial quarterly VTC was conducted on 7 January 2010 to address program accomplishments, initiatives, issues and the way ahead. Future VTCs will be held quarterly – prior to each Senior Level Steering Group/Senior Assessment Team (April and July 2010). Specific dates will be provided to internal control administrators at HQDA, ACOMs, ASCCs, and DRUs.

* **AR 11-2, Managers' Internal Control Program and DA Form 11-2, Internal Control Evaluation Certification:** AR 11-2, dated 4 January 2010 with an effective date of 4 February 2010, and DA Form 11-2, dated November 2009, are available on Army Knowledge On-Line (AKO) at the Army Publishing Directorate site (<https://www.us.army.mil/suite/portal/index.jsp>).

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Stewardship and the Army Managers' Internal Control Program

"... Responsibility for good internal control rests with all Army personnel – managers must establish a positive control environment. Your continued diligence, oversight and leadership are crucial in this regard. We ask you to stress the importance of effective internal controls to your mission, to ensure your staffs understand their responsibilities in this program, and to demand integrity in the prompt reporting of internal control problems and the actions taken to resolve them. The Army must have a Managers' Internal Control Program that adds value and demonstrates a commitment to effective stewardship of the resources entrusted to us by the American people".



The Honorable Joseph M. Westphal
Under Secretary of the Army



GEN Peter W. Chiarelli
Vice Chief of Staff, Army

<http://asafm.army.mil/offices/FO/IntContr ol.aspx?OfficeCode=1500>



Management Services Directorate (Continued)



Army Travel Card Program: Training of cardholders continues to be an issue in some organizations. A recent review of suspect transactions (transactions that may not be valid) revealed that cardholders use the card to charge clothes, alcohol (not in conjunction with a meal while TDY), electronics and other varied invalid charges.

Agency Program Coordinators are required to review accounts with transactions on a monthly basis and report the findings to the commander/supervisor and this office. The remedy, in cases of substantiated misuse, should be a requirement to take the Government Travel Charge Card training - <http://asafm.army.mil/offices/fo/travelcc.aspx?OfficeCode=1500> (click on "training").

*** Antideficiency Act Violations:** We have made great progress in reducing our inventory of aged ADAs and improving fiscal law training of fund certifiers; however, the Army's ADA portfolio remains at an unacceptable level. The Army currently has nine formal ADA cases and 21 cases in the preliminary stage. In an attempt to reduce backlog, discuss challenges to timely completion and provide assistance to senior leaders at commands with overdue cases, we have resumed periodic meetings between resource managers and the Principal Deputy to the ASA(FM&C). We will also continue to aggressively track outstanding ADA cases and appropriations law training metrics via the Triannual Joint Reconciliation Program (JRP) video teleconferences. As of 30 September 2009, over 9,000 fund certifiers/disbursing officers had received fiscal law training within the past five years. This reflects a compliance rate of 93% (a good news story). Over time, the Army's success in training fund certifiers is expected to result in a significant decrease in the incidence of new violations.

Most of you should have received the 19 October 2009 memorandum, subject: Unacceptable Occurrences of Antideficiency Act Violations (<http://asafm.army.mil/offices/fo/ada.aspx?OfficeCode=1500>). This memorandum was distributed to your commands via SACO channels and stresses the importance of command emphasis in preventing occurrence of ADA violations and stipulates that extensions for submission of preliminary and formal reports are only to be granted in exceptional circumstances.

We have begun an extensive review of Volume 14 of the DoD FMR to identify areas within the flash report and preliminary investigation phases to lean the process and eliminate non-value-added approvals and reviews. The goal is to invest additional time early in the investigation process to establish material facts and implement funding corrections. These recommendations are being discussed in our quarterly ADA meetings with OSD-Comptroller, DoD General Counsel, Air Force and Navy program managers. Any formal process changes will be communicated to you in writing and will be shared at a future JRP VTC.

*** Defense Travel System-Army:** During this past year, the Defense Travel System (DTS) Army Program Management Office has experienced significant changes and challenges. We would like to take this opportunity to express our appreciation for your continued support of the DTS Program. The issues encountered with Release 6 caused the Department to reassess the strategy for DTS. The immediate focus has shifted to maintaining system stability, incrementally transitioning out old code and improving usability. Consequently, the deployment of the Permanent Duty Travel (PDT) functionality in DTS has been postponed until further notice. The Department will concentrate on resolving known system problems. Only after this steady state has been achieved will additional functionality be added incrementally.

We encourage you to visit our DTS Army web site at <http://asafm.army.mil/offices/FO/DtsArmy.aspx> to obtain operational and policy information. The Army DTS Training Program has moved to a new location at DFAS Indianapolis, Indiana. The 2010 Army DTS training schedule and forms are also available on the DTS Army web site.

*** Joint Reconciliation Program:** The Joint Reconciliation Program (JRP) process is an internal control practice used to assess whether commitments and obligations are bona fide needs of the appropriations charged. This entails reviewing commitments, obligations, accounts payable and accounts receivable recorded in the official accounting systems for accuracy, timeliness, and completeness at least three times a year. The program is performed in three phases throughout the fiscal year as required by the DoD FMR Volume 3, Chapter 8, Section 0804, for periods ending 31 January, 31 May, and 30 September.





Management Services Directorate (Continued)

A major goal of conducting the JRP is to increase Army's ability to use available appropriations before they expire and ensure remaining open obligations are valid and liquidated before the cancellation of the appropriation. Once the appropriation cancels, the funds are returned to Department of Treasury and are no longer available to be used for obligations or expenditures for any purpose. It is vital that Commands conduct the reviews and make appropriate adjustments to the appropriations, especially at a time when so many dollars are being returned to Treasury. At the end of FY 2009 Army had \$20.28M of canceling appropriations on the books.



Financial Reporting Directorate Ms. Anitra Akanbi, Director

Existence and Completeness (E&C) Reviews. The FY 2010 National Defense Authorization Act (NDAA) directs DoD components to address long-standing asset accountability material weaknesses through comprehensive existence and completeness (E&C) reviews – this effort will move the department toward financial statements that are validated as ready for audit by not later than September 30, 2017.

In support of the NDAA directive, the Office of the Under Secretary of the Defense (Comptroller) and the Office of the Under Secretary of Defense (Acquisition Technology and Logistics) issued memorandums directing the components to address E&C for mission critical assets (military and general equipment, real property, inventory, and operating materials and supplies). This guidance further specified that the components employ a quick win short-term E&C effort phase to address accountability – this phase focuses on assessable units which are assets selected by the component that will be observed and ultimately deemed ready for assertion by 31 March 2011. Long-term strategies will be developed as well and will include lessons learned from the quick win phase.

Furthermore, these memorandums have defined E&C as follows:

- Existence - All accountable property (military and general equipment, real property, inventory, and operating materials and supplies) in DoD systems of record exists and their records match actual physical assets.
- Completeness - All accountable property is identified and accurately recorded in a DoD system of record.


The E&C effort will be executed through means of visiting Army installations to physically observe assets and, in cases where performing an inventory is not feasible, to verify E&C through alternative methods (e.g., maintenance records, usage logs, etc). The Office of the Assistant Secretary of the Army (Financial Management and Comptroller), Army G-4, the Installation Management Command and other stakeholders continue to plan the way-forward for this initiative. Please visit the following websites for additional information on this effort.

FY 2010 NDAA: http://frwebgate.access.gpo.gov/cgi-bin/getdoc.cgi?dbname=111_cong_bills&docid=f:h2647enr.txt.pdf

Army Financial Improvement Plan: <http://asaafm.army.mil/offices/FO/Cfo.asp?OfficeCode=1500#FinanceImprove>

OUSD(C) and OUSD(AT&L) Memorandums: Attached.





The FINOPS Review is an unofficial newsletter published by the Office of the Deputy Assistant Secretary of the Army for Financial Operations. If you have questions, please contact our editorial staff at: DAMICP@conus.army.mil.

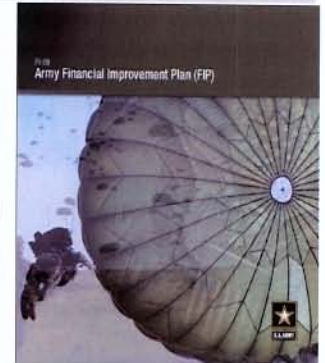
From the Editor



Audit Readiness Directorate

Mr. Jim Watkins, Director

Army Financial Operations Improvement. The Army Financial Improvement Plan (FIP) staff is part of the Deputy Assistant Secretary of the Army for Financial Operations (DASA-FO) Team and manages the Army's Financial Improvement Program. The FIP team is responsible for updating and maintaining the Army's FIP, coordinating the Army's Statement of Budgetary Resources' (SBR) discovery and correction effort, and complying with the Office of the Under Secretary of Defense (Comptroller), (OUSD(C)) internal control over financial reporting (ICOFR) requirements, also referred to as OMB Circular A-123, Appendix A. These efforts are designed to achieve a favorable audit opinion on the Army's Annual Financial Statements. Renewed emphasis was placed on audit readiness this year when Congress required all Services in the Department of Defense to assert financial statement audit readiness by 31 March 2017, as outlined in the National Defense Authorization Act for Fiscal Year 2010.



To meet this Congressionally-mandated deadline, the Hon. Robert F. Hale, USD(C), defined the DoD financial improvement priorities, with the highest priority being improving budgetary information and processes. The second priority is verifying the existence and completeness (E&C) of mission critical assets, including general equipment, military equipment, inventory, operating materials and supplies, and real property. The Army FIP team has been working diligently to achieve both USD(C) priorities. The team has mapped the Army's budgetary lifecycle processes by visiting various installations and developing an Army SBR FIP to track progress, assign tasks and establish completion dates. The Army FIP team has also started addressing the USD(C)'s E&C priority in the various general property FIPs. Over the next few years, the Army FIP team will work closely with Army G-4, OASA(ALT), OACSIM, and AMC to validate the existence and completeness of the Army's mission critical assets.

Along with the work mentioned above, the Army FIP team manages the Army FIP using the OUSD(C) Financial Improvement and Audit Readiness (FIAR) Tool. The FIAR Tool is a web-enabled platform, which provides the Army business process owners (BPOs) full ownership in providing updates on their improvement activities. By assuming responsibility for reporting their progress, the Army BPOs become increasingly engaged in the Army's financial improvement efforts.

With the resources devoted to major systems enhancements, including the General Fund Enterprise Business System (GFEBS), the Logistics Modernization Program (LMP), and the Global Combat Support System-Army (GCSS-A), enterprise-wide engagement is crucial to the Army developing and implementing sustainable business processes and achieving audit readiness. To date, over 22 staff agencies at HQDA are involved in financial improvement efforts.

OASA(FM&C) and the Army FIP team continue to lead FIP efforts throughout the Army to achieve a favorable financial statement audit opinion by 2017.



ASA(FM&C) Vision/Mission

Vision: *The Army's resources and assigned missions are in balance. Commanders and managers at all levels consider cost in decision-making, using timely, accurate, and reliable resource information to inform their choices. The Army provides transparent reporting to the Congress and the American people on the use of assigned resources and achievement of established performance objectives. Army Financial Managers are valuable advisors to commanders and managers and integral to the entire Army team (owing to high standards of moral, ethical and technical competence).*

Mission: *Formulate, submit, and defend the Army budget to Congress and the American people; oversee the proper and effective use of appropriated resources to accomplish the Army's assigned missions; provide timely, accurate, and reliable financial information to enable leaders and managers to incorporate cost considerations into their decision-making; provide transparent reporting to Congress and the American people on the use of appropriated resources and the achievement of established Army-wide performance objectives; and manage and coordinate programs for the accession, training, and professional development of Army resource managers.*



THE UNDER SECRETARY OF DEFENSE

3010 DEFENSE PENTAGON
WASHINGTON, DC 20301-3010

ACQUISITION,
TECHNOLOGY
AND LOGISTICS

NOV - 2 2009

MEMORANDUM FOR SECRETARY OF THE ARMY
SECRETARY OF THE NAVY
SECRETARY OF THE AIR FORCE
UNDER SECRETARY OF DEFENSE (COMPTROLLER)
UNDER SECRETARY OF DEFENSE FOR PERSONNEL
AND READINESS
DEPUTY UNDER SECRETARY OF DEFENSE
(INSTALLATIONS AND ENVIRONMENT)
ASSISTANT DEPUTY CHIEF MANAGEMENT OFFICER
DIRECTORS OF THE DEFENSE AGENCIES
DIRECTOR, TRICARE MANAGEMENT ACTIVITY

SUBJECT: Priorities for Improving Financial Information and Achieving Audit Readiness

Over the past few years, my office and the Office of the Under Secretary of Defense (Comptroller) (OUSD(C)) have initiated efforts to improve asset accountability within the Department of Defense (DoD). Recently, the USD(C) issued updated guidance regarding the Department's priorities (attached) for improving financial and business information and achieving auditable financial statements. I endorse and support the USD(C) priority to validate the existence and completeness of mission-critical assets on the path to complete financial statement audit readiness.

For the purposes of the actions requested in this memorandum, existence and completeness are defined as follows:

- **Existence** – All accountable property (military and general equipment, real property, inventory, and operating materials and supplies) in DoD systems of record exists and their records match actual physical assets.
- **Completeness** – All accountable property is identified and accurately recorded in a DoD system of record.

Under this priority, Components are tasked with either demonstrating that their assets are already being accounted for properly in Component Accountable Property Systems of Record (APSRs) or identifying process, control or system deficiencies impeding success and developing plans to remediate these impediments. My office is working with OUSD(C) and your Departments to develop discovery and corrective action plans, as well as to identify key management information to support the USD(C) priority. The assessment to ensure existence and completeness have been achieved will be performed by independent auditors. These plans will be included in the DoD Financial Improvement and Audit Readiness Plan, which is submitted semiannually to Congress.

The Department is already making significant progress to complete DoD-wide real property transformation by the end of FY 2012. This transformation includes implementation of corrective actions that will achieve existence and completeness of real property assets as part of its ultimate goal to attain audit readiness. Therefore, there is no need to revise current financial improvement and transformation plans for real property. If ready, existence and completeness audits for real property should be conducted by FY 2012. Alternatively, real property assertions may be validated in FY 2013 along with other management assertions.

Thank you in advance for focusing on this important priority. My points of contact are: Mr. Steve Tkac at 703-604-6350 x121 for Military and General Equipment, Mrs. Lora Muchmore at 703-604-6025 for Real Property, and Mrs. Debra Bennett at 703-604-0098 x106 for Inventory and Operating Materials and Supplies.

A handwritten signature in black ink, appearing to read "Ashton B. Carter". The signature is fluid and cursive, with the first name being the most prominent.

Ashton B. Carter

Attachment:
As stated



COMPTROLLER

UNDER SECRETARY OF DEFENSE
1100 DEFENSE PENTAGON
WASHINGTON, DC 20301-1100

AUG 11 2009

MEMORANDUM FOR SECRETARY OF THE ARMY
SECRETARY OF THE NAVY
SECRETARY OF THE AIR FORCE
UNDER SECRETARY OF DEFENSE FOR ACQUISITION,
TECHNOLOGY, AND LOGISTICS
UNDER SECRETARY OF DEFENSE FOR PERSONNEL
AND READINESS
DEPUTY UNDER SECRETARY OF DEFENSE
(INSTALLATIONS AND ENVIRONMENT)
ASSISTANT DEPUTY CHIEF MANAGEMENT OFFICER
DIRECTORS OF THE DEFENSE AGENCIES
DIRECTOR, TRICARE MANAGEMENT ACTIVITY

Subject: Priorities for Improving Financial Information and Processes and Achieving
Audit Readiness

This memorandum outlines the priorities the Department of Defense (DoD) will follow with regard to improving its financial information and processes and for achieving audit readiness.

Background:

The Chief Financial Officers (CFO) Act of 1990, along with subsequent legislation, requires that federal agencies produce auditable financial statements. The first and most important step in this process requires improving financial information to make it more useful and reliable for managers. Unqualified audit opinions are one result of this effort and serve useful purposes. They verify improvements in information and processes and provide independent reassurance to the public that DoD is a good steward of their tax dollars.

In recent years, the DoD has made progress toward improving financial information and processes supporting auditability. For example, the Army Corps of Engineers improved its financial information and achieved an unqualified audit opinion in 2008, and the United States Marine Corps is close to being ready for audit of its Statement of Budgetary Resources.

However, many of the hardest problems remain unresolved, including implementing compliant systems and valuing our significant investment in property and

equipment. The remaining tasks will be daunting both because of the Department's size and complexity and because of the need to involve many functional communities that have pressing operational and management commitments. Further, some of the information required for a formal audit – including valuations of assets – is of limited use to DoD managers.

Priorities:

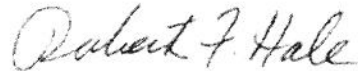
In order to focus limited resources in the most effective manner, I am directing that DoD pursue specific priorities as follows with regard to improving financial information and processes supporting audit readiness.

- In compliance with the law, the DoD Components will continue to work toward financial improvements that permit all their financial statements to receive unqualified audit opinions. DoD will also continue to place its primary emphasis on improving financial information and processes so that the information is more useful to managers. Successful audits will be one result of these improvements.
- DoD Components will focus first on improving information and processes supporting auditable statements for the financial information that is most often used to manage the Department. Because budgetary information is used widely and regularly for management, DoD will place the highest priority on improving its budgetary information and processes. That will eventually lead to unqualified opinions on the Statements of Budgetary Resources. A secondary goal will be to verify the existence and completeness of mission critical assets (that is, verifying that records accurately capture the number of each type of weapon system, real property, inventory, and operating materials and supplies). DoD Components will place a lower priority on valuing assets and on improving other information on their balance sheets but may continue to work in these areas.
- DoD Components are directed to adjust their current plans in August 2009 for improving financial information and processes and achieving successful audits to focus first on their Statements of Budgetary Resources. Then, focus on existence and completeness of mission critical assets. Once DoD Components have improved information and achieved successful audits in these higher priority areas, they may increase the priority placed on asset valuation and other balance sheet items.

While the financial management community is the leading advocate for this initiative, efforts to improve financial information must involve many functional communities and the Chief Management Officers who broadly direct business operations. Please distribute this memorandum widely to all those in your organization who are

responsible for improving financial information and processes and for achieving audit readiness.

My point of contact for this action is Ms. Radha Sekar. She may be reached by phone at (703) 697-3200 or by email at radha.sekar@osd.mil.

A handwritten signature in cursive script that reads "Robert F. Hale".

Robert F. Hale

Cc:
DoDIG