

## Meeting Minutes

### 1. Meeting identifier

<b>Meeting Name</b>	DON Audit Committee Quarterly Meeting		
<b>Date</b>	15 October 2009	<b>Location</b>	Pentagon 4C355
<b>Start Time</b>	13:00	<b>End Time</b>	14:00

### 2. Objectives

Convene the DON Audit Committee for its quarterly review of efforts to improve DON's financial management information by strengthening processes and preparing for future audit.

### 3. Attendees

Name	Office
Mr. John W. McNair	Acting ASN (FM&C), Chair
Mr. Jim Thompson	Representing ASN (RD&A)
Mr. Dennis Biddick	Representing ASN (I&E)
Mr. Victor Ackley	Representing VCNO
Ms. Caral Spangler	Representing ACMC
Mr. Greg Sinclitico	NAVAUDSVC
Mr. Jim Watkins	Representing Army FM
Mr. Dan Blair	Representing DoDIG
Ms. Radha Sekar*	OUSD(C) FIAR
Mr. Dennis Taitano	DASN (FMO)
Mr. Ed Cochran	DASN (FMB)
Mr. Kevin Cooley	Representing DCMO
Mr. Mark Wilkoff**	Representing General Counsel
Mr. John Knubel**	HQE, ASN(FM&C)
Ms. Francis Sullivan**	USMC Director of Contracts
Mr. Alex Hardisson**	USMC Liaison to DoDIG
Mr. Ed Blair**	USMB SBR Audit Program Director

\* Non-voting member

\*\* Invited guest

### 4. Agenda

#	Details	Responsible
1	Welcome and Opening Remarks - Introduction of new audit committee members	Mr. McNair
2	Audit Committee Update - Approve Previous Meeting Minutes - OSD FIAR Plan Update - DON Statement of Budgetary Resources (SBR) Draft Plan Submitted - DON Statement of Assurance Material Weaknesses	Mr. Taitano / Ms. Sekar
3	DoDIG Audit Update	Mr. Blair



- |   |                                    |   |
|---|------------------------------------|---|
| 4 | USMC SBR Audit Discussion          | Ms. Spangler /<br>Mr. Brito / Mr.<br>Knubel |
|   | - Status of USMC SBR Audit         |   |
|   | - USMC SBR Audit Timeline          |   |
|   | - Audit Roles and Responsibilities |   |
|   | - Communication Hierarchy          |   |
| 5 | Closing Remarks and Adjournment    | Mr. McNair                                  |

#### 5. *Handouts (provided at the meeting and available upon request)*

- | # | Details   |
|---|---|
| 1 | Meeting Brief   |
| 2 | USD(C) Memorandum on Statement of Budgetary Resources Audit |
| 3 | 2009 Statement of Assurance Memo                            |
| 4 | 6 May 2009 Audit Committee Meeting Minutes                  |

#### 6. *Meeting Minutes*

- | # | Details  |
|---|--|
| 1 | <p>Mr. McNair kicked off the meeting at 1 PM. He provided a brief introduction:</p> <ul style="list-style-type: none"> <li>- Mr. McNair first introduced the new DASN (FMO), Mr. Dennis Taitano, as Mr. Mark Easton has moved on per his appointment as the Deputy Chief Financial Officer (DCFO) of OSD. He also introduced Carol Spangler as the Fiscal Director of the USMC. Also welcomed the meeting: Mr. Ed Cochran, Associate Director (FMBB); representing the Deputy Chief Management Officer, Mr. Kevin Cooley; USMC Director of Contracts, Ms. Francis Sullivan; representing Naval Audit Service, Mr. Greg Sinclitico; and representing Army Financial Management, Mr. Jim Watkins.</li> <li>- Mr. McNair announced that USMC is moving to the audit of their Statement of Budgetary Resources (SBR). The audit will be performed by DoD IG with the Independent Public Accountant (IPA) supporting contract awarded to Grant Thornton, LLP. He explained that the Entrance Conference occurred two weeks ago and emphasized the importance of this move to audit as a milestone for DoD Audit Readiness.</li> </ul>   |
| 2 | <p>Mr. Taitano provided the Audit Committee Update:</p> <ul style="list-style-type: none"> <li>- Mr. Taitano began by motioning to approve the meeting minutes from the 6 May meeting, included in the Audit Committee package, and they were approved without comment.</li> <li>- Mr. Taitano began the Audit Committee update by discussing the updates to the OSD FIAR Plan. He announced that the draft DON SBR plan has been submitted and recapped the 11 August memo signed by Under Secretary of Defense (Comptroller) Mr. Robert Hale, stating the shift in strategy to focus on the SBR. Mr. Taitano also announced the secondary focus on Existence and Completeness of mission critical assets, discussed in the memo. Additionally, Mr. McNair explained that there is proposed legislation in Congress (National Defense Authorization Act 2010), reaffirming the CFO Act of 1990, requiring the DoD to have clean, audited financial statements by 30 September 2017.</li> <li>- Mrs. Sekar echoed these sentiments, stating that there is much interest from Congress and that FIAR has held regular meetings with the Government Accountability Office on audit readiness. She added that the Authorization Act requires FIAR plans submitted to Congress twice a year, 15 May and 15 November.</li> <li>- Mr. Taitano added that the final SBR plan is due to FIAR on 31 October and the Existence and Completeness plan is due to be finalized by 15 December.</li> <li>- Mr. McNair stated that the NDAA2010 proposed legislation directs Chief Management Officer to oversee financial improvement activities for each DoD entity.</li> </ul> |



- Ms. Sekar added that Existence and Completeness is important, but by “drawing a line in the sand” and focusing on auditability after a certain point, an entity will be in good position for an audit. Mr. Dan Blair added that achieving the “line in the sand” would be an instrumental success for the Department.
- Mr. Taitano announced that the DON provided its current status of Internal Controls Over Financial Reporting (ICOFR) in the 2009 Statement of Assurance (SOA), submitted September 1. He mentioned that no new material weaknesses were reported.

*Please see meeting brief for additional information.*

- 3 Mr. McNair moved the meeting focus to the next topic, the USMC SBR Audit:
- Mr. Dan Blair announced that Grant Thornton, LLP. was awarded the contract and has begun planning. He pointed out the proposed audit timeline (*see meeting brief*) and the “drop-dead” date of 15 November 2010. He stated that the audit team will first be focusing on understanding USMC’s business allowing them to develop the audit plan, and they will begin with control testing and move on to more in depth substantive testing afterward. He stressed the importance of staying on task and the futility of trying to catch up if pushed off track. He also recognized the timing of this audit reflected lessons learned from previous DoD audits and is a model for DoD audits moving forward.
  - Mr. Taitano echoed these thoughts, citing his experience with the US Dept. of Agriculture and the importance of both early collaboration/learning and doing the hardest work up front. Mr. Dan Blair agreed saying that first-year audits are always difficult, and the hard problems must be tackled early. He stated that the opinion will be given on time, even if it is with a disclaimer.
  - DoDIG cautioned that the proposed audit communication hierarchy (*see meeting brief*) may not be the most effective as far as communication with USMC. Mr. McNair inquired into the relationship between DoDIG and Grant Thornton. Mr. Dan Blair stated that DoDIG is contracted with Grant Thornton. The relationship will involve Grant Thornton doing work for and with DoDIG and the DoDIG will be involved in all stages of effort (planning, testing, etc.).
  - Mr. Ed Blair, Program Director for the USMC SBR Audit, spoke about the Entrance Conference and announced that Grant Thornton is concerned with issues classified as “Significant Matters”, which they will keep a list of and focus efforts on first (ex: Funds Balance With Treasury Reconciliation). He stated that bi-weekly meetings between DoDIG and Grant Thornton will occur, and he emphasized the importance of USMC having both clear deadlines and real-time data flowing from field activities to USMCHQ. He added that lots of administrative work has been done and that Grant Thornton will be working out of the Navy Annex.
  - Ms. Caral Spangler added to these comments, saying that the USMC team is ready to begin and lots of focus has been concentrated on communication with DoDIG. Mr. Brito echoed these comments, stating USMC’s readiness to begin, and both Mr. Brito and Mr. McNair reiterated USMC’s reputation for effective communication.
  - Mr. Hardisson, liaison to DoDIG for the SBR Audit, discussed the Audit Support Infrastructure and stated that a significant amount of training is involved. He discussed key players in the communication chain (DFAS, USMC REAs, etc.). Mr. Taitano added that “SAS 70” audits tend to focus on IT systems. Mr. Hardisson agreed, saying that Grant Thornton has already provided many IT personnel and have begun immersing themselves in USMC’s IT systems.
  - Mr. Knubel discussed the topic of the Audit Committee’s role in the USMC Audit. He stated that it is important for the Audit Committee to keep a DON perspective while still helping USMC. He emphasized making sure the Warfighter realizes the importance of the audit and getting them on board, as well as the significance of this audit being “uncharted territory”. Mr. Knubel brought up the topic of Executive Subcommittee membership and proposed representatives from the Business Transformation Agency (BTA) and Defense Logistics Agency (DLA) to the Executive Subcommittee, stressing the importance of IT systems. Furthermore, Mr. Knubel described the role of the DON Audit Committee during the USMC audit.
  - Mr. McNair discussed members of the Executive Subcommittee and questioned the role of the IPA, i.e. Grant Thornton. DoDIG and Mr. Knubel both agreed that Grant Thornton is working for/with the DoDIG and should be represented. Ms. Sekar requested that a FIAR representative be on the Subcommittee, and this was agreed upon. Mr. McNair suggested including a



representative from ASN(FM&C), and this was agreed upon.

- Mr. McNair brought up the topic of how the Executive Sub Committee would report to the Audit Committee. Mr. Knubel and DoDIG both agreed that if an issue is to be brought up, then it must be material and significant. Mrs. Sekar suggested monthly, 1-page status reports on the USMC audit be provided by the Subcommittee to members of the Audit Committee, and the motion was agreed upon.

*Please see meeting brief for additional information.*

- 4 Mr. McNair moved to adjourn the meeting. He noted that the recent focus has been on USMC, but it is vital not to lose focus on other efforts and to continue moving down the path on all fronts. Mr. Ackley requested that meeting minutes be received sooner than at the next meeting, and this motion was agreed upon. Mr. McNair thanked the members for their participation and adjourned the meeting.

**7. Actions**

#	Details	Responsible
1	Distribute meeting notes to committee members	DASN(FMO)

**8. Next Meeting**

Date	Time and Location
TBD	TBD

