



Audit Committee Newsletter

Second Quarter FY2010

OUSD(C) FIAR Update

The Office of the Under Secretary of Defense (Comptroller) (OUSD(C)) will produce its next iteration of the Financial Improvement and Audit Readiness (FIAR) Plan in May 2010. The FIAR Plan will be the first opportunity to layout the Department of Defense (DoD) audit readiness plan responding to an August USD(C) memorandum and the National Defense Authorization Act (NDAA) of FY2010 defining the Statement of Budgetary Resources (SBR) and existence and completeness of mission critical assets as audit readiness priorities. In the FIAR Plan, each Military Department, including Department of the Navy (DON), will present their plan to reach audit readiness in these priorities. The FIAR Plan is scheduled for delivery to Congress, per NDAA mandate, on May 15th. Development of this plan is underway, as FIAR has been communicating with the service organizations to finalize the FIAR plan. The finished product is scheduled for release in early May.

OUSD(C) will also produce comprehensive FIAR Guidance congruent with the 2010 FIAR Plan. The first draft of this guidance has been released, and through working with the various service organizations, the final product will be finalized shortly. The guidance will contain a wide array of information and provide resources for DoD organizations. A "wave" approach is taken for DoD audit readiness, with Waves 1 through 5 being "Appropriations Received Audit", "SBR Audit", "Mission Critical Asset E&C Audit", "Full Audit Except for Legacy Assets Audit", and "Full Financial Statement Audit" respectively. Additionally, the guidance will outline Key Capabilities and Capability Measures, Key Control Objectives, Key Supporting Documentation, as well as resources such as Financial Improvement Plan templates and instructions for FIAR submission.

The guidance and plan provide a schedule to concur with current federal mandates such as NDAA 2010 and are in alignment with DoD Strategic Management Plan Business Priority #5: "Strengthen DoD Financial Management". The Department of the Navy Financial Improvement Program (DON FIP) remains in alignment in regards to the new FIAR Plan and DoD audit readiness priorities.

DON FIP Update

The Department of the Navy Financial Improvement Program (DON FIP) continues to address its FY2010 priorities. On 31 March, DON asserted its Civilian Pay segment, indicated by the submission of a management assertion letter signed by ASN(FM&C) Hon. Gladys Commons and ASN(M&RA) Hon. Juan Garcia. This assertion marks another step toward DON's overall audit

readiness goal, as well as a significant step to DON's more immediate goal of achieving audit readiness of its Statement of Budgetary Resources. Other important upcoming assertion dates in FY2010 include: Travel (30 September), Existence & Completeness of Mission Critical Assets "Quick Wins" (30 September). Note that the assertion date of 30 September 2010 for Reimbursable Work Orders- Performer has been moved to 30 June 2011, per the March FIAR submission. The DON FIP is focused on its FY2010 priorities and other SBR priority areas and is well positioned to meet the stated goal of SBR audit readiness by the end of FY2012.

USMC SBR Audit Update

The USMC Statement of Budgetary Resources Audit remains in full swing and is approaching the halfway mark from its inception to the eventual final audit opinion. A heavy emphasis of the audit has been on transactional testing. USMC recently delivered Trail Balances for some of its key budgetary accounts which affect beginning balances, and from this, auditors have begun sample testing of those beginning balances. Also, site visits to key stakeholders such as DFAS-Cleveland and Marine Corps Systems Command (MCB Quantico) have occurred in an effort to perform further testing.

The USMC audit effort persists, with a strong focus on education of the auditors about USMC's business and conscientious coordination with audit stakeholders. The audit continues to demonstrate a clear commitment to the audit at all levels of the organization and is an example from which other DoD organizations will be able to draw numerous valuable lessons.

For previous versions of the Audit Committee Newsletter and meeting minutes, please visit the ASN(FM&C) website at <http://www.finance.hq.navy.mil/FMC/>.

Next Audit Committee Meeting: 15 April 2010, 1300 – 1400, Pentagon Room 4C355