Meeting Minutes

1. *Meeting identifier*

Meeting Name	DON Audit Committee Quarterly Meeting		
Date	15 March 2006	**Location**	Pentagon 4C355
Start Time	1400	**End Time**	1500

2. *Objectives*

Convene the DON Audit Committee for its quarterly review of efforts to improve DON's business processes, resulting in accurate, timely, and credible (auditable) information.

3. *Attendees/Members*

Name	Representing
Mr. Richard Greco (Chair)	ASN (FM&C)
Mr. Roger Normand	Director of Resources, ASN (I&E)
Dr. Russ Beland	DASN (M&RA), Manpower Analysis and Assessment
Mr. John Thackrah	DASN (RD&A), Manpower and Budget
Ms. Ashley Godwin	DASN (FM&C)
Mr. Wes McNair	Associate Director, Office of Budget
Mr. Mark Easton	Director, Office of Financial Operations
Mr. James Short	Deputy Assistant Secretary, Air Force (SAF-FM)
Mr. Richard Leach	DON Auditor General
Mr. Luther Bragg	Director of Financial Management Auditing, NAVAUDSVC
Mr. Charles Cook	Director Fiscal Division, USMC
Mr. Mark Wilkoff	Office of General Counsel, DON
Mr. Victor Ackley	Office of CNO
Mr. Dave McDermott*	DFAS, Navy Client Executive
Ms. Patricia Marsh*	Deputy Director of Defense Financial Auditing Service, DoDIG
Mr. Bob McNamara*	Director, FIAR OUSD(C)
Ms. Carmen Covey**	Director CFO Compliance, Missile Defense Agency

* Non-voting member
** Invited guest

4. *Agenda*

#	Details	Responsible
1	Welcome and Opening Remarks	Mr. Greco
2	FIAR Plan Update	Mr. Easton
3	Focus Area Review	Mr. Easton / Mr. Cook
4	Senior Assessment Team Feedback and Overview of Internal Control Documents	Mr. Easton
5	Environmental Liabilities and Real Property Geographical Information System (GIS) Discussion	Mr. Easton
6	Closing Remarks	Mr. Greco

5. *Handouts*

#	Details
1	Meeting Brief
2	FIAR Milestone Progress Chart
3	Port Security Process Diagram
4	OMB A-123, Appendix A Sample Documentation
5	Previous Issue Summary
6	CFO Magazine Article

6. *Meeting Minutes*

#	Details
1	Meeting attendees were welcomed and participants were introduced. In particular, Mr. Greco acknowledged new committee members and guests. Mr. Greco introduced the idea and feasibility of the committee expanding to include private sector participant(s). Additionally, he highlighted certain focus area items of interests occurring since last December's Audit Committee meeting, to include: - Fund Balance with Treasury (FBWT)– the assertion date may need to be extended based on DFAS's review of the complexity of the effort. Mr. Greco asked Mr. McDermott to let Mr. Gaddy know that the Navy supports DFAS's efforts. - Military Equipment – an independent auditor had completed an evaluation of the baseline valuation. - Environmental Liabilities – the Navy has begun its final assessment of internal controls. - Real Property – the Navy, in close cooperation with its Air Force and Army partners, successfully worked with OSD to defer changing the capitalization threshold from $100k for two years. - Marine Corps – the Department of the Navy produced its first set of Marine Corps subsidiary financial statements. Mr. Greco thanked the principals for their attention and involvement in focus areas they oversee.
2	Mr. Easton presented the briefing. Key points from the discussion are as follows: - Related to the discussion on FBWT, it appears several key milestones will slip. Mr. Greco asked for comments to see if anyone could explain why the other Services are closer than Navy to asserting FBWT. Mr. Short said that one reason is that Air Force has been working FBWT issues longer than the Navy. Mr. Easton said an updated plan was being developed and that more specific information would be presented at the next Audit Committee meeting. - During the Environmental Liabilities Discussion, Mr. Short mentioned that he would like Air Force to learn from the Navy experience. - During the Real Property discussion, Mr. Easton mentioned that the Navy very recently received official guidance from OSD defining the property capitalization threshold from $100K to $20K, effectively reversing the two-year deferral agreement. Mr. Easton said that the Navy position remains to proceed with the $100K process during the short term and reach a conclusion later on defining what the appropriate capitalization threshold should be for the DON. Mr. Short said that he believed the policy guidance really was driving towards capitalizing 99% of fixed assets, not necessarily a $20K threshold. Mr. McNamara offered his thought that the new $20K threshold policy was derived from an OSD need to define a common denominator for capitalization for all of DOD, and that $20K was the denominator that would capture 99% of all DOD assets. - Mr. Cook reviewed the Marine Corps Financial Improvement Initiative (FII). He highlighted the issue of the DFAS BRAC; unknowns that may result from this action that could impact the FII. Mr. McDermott said that DFAS has a program in place to capture the work from the closing field sites to mitigate the risks associated with BRAC. Mr. Cook also highlighted the continued unresolved issue as to who is responsible for certifying non-USMC systems. Mr. McNamara

iterated that there are ongoing discussions with DOD IG concerning the absolute need to have a systems audit prior to assertion.

- Mr. Easton presented an overview of the Geographical Information Systems (GIS) Solution. This is a proposal by NAVFAC that uses GIS map layers to make it possible to reconcile Environmental Liabilities to the DON's Real Property inventory as required by the FMR. Mr. Normand referenced this technologies use by a local government entity (Fairfax County, VA- http://www.fairfaxcounty.gov/maps/map.htm) and that this is something of interest for the DON. However, Mr. Normand indicated that this is an idea that is being considered over the long term and that there were no funds available in the short term if Navy wanted to accelerate deployment. Mr. McNair concurred. Mr. Greco directed FMO and NAVFAC to pursue with OSD the absolute need for this requirement prior to the DON making an investment decision. If OSD believes that this is a real requirement then the Audit Committee will revisit this at the next meeting. Mr. Short indicated that Air Force would like to join the discussion with OSD.

3 Mr. Greco adjourned the meeting at 1510. Mr. Short thanked Mr. Greco for inviting Air Force to participate in the DON Audit Committee. Mr. McNamara offered his view on the FIAR effort, that he believed it was a worthwhile initiative and he appreciated the Navy's Leadership. Mr. Greco thanked everyone for attending.

7. *Actions*

#	Details	Responsible
1	Research and provide a recommendation to Audit Committee regarding private sector participation.	FMO/FMC
2	Initiate a discussion with OSD to confirm the absolute requirement (as indicated by the FMR), for the reconciliation of the Navy's Environmental Liabilities with the Navy's Real Property inventory vice at the installation level only.	FMO/NAVFAC

8. *Next Meeting*

Date	14 June 2006	**Location**	Pentagon 4C355
Start Time	1400	**End Time**	1500