

## Meeting Minutes

### 1. Meeting identifier

<b>Meeting Name</b>	DON Audit Committee Quarterly Meeting		
<b>Date</b>	25 October 2006	<b>Location</b>	Pentagon 4C355
<b>Start Time</b>	1400	<b>End Time</b>	1530

### 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
Hon. Richard Greco (Chair)	ASN (FM&C)
Hon. BJ Penn	ASN (I&E)
Dr. Russ Beland	Representing ASN (M&RA)
Mr. John Thackrah	Representing ASN (RD&A)
Mr. Wes McNair	Deputy Director, Navy Budget Office
Mr. Mark Easton	Director, DON Office of Financial Management
Mr. Mark Wilkoff	Office of the General Counsel
Mr. Charles Cook	Representing ACMC
Mr. James Short	Deputy Assistant Air Force Secretary (Financial Operations)
Mr. Richard Leach	DON Auditor General
Mr. Luther Bragg	Director of Financial Management Auditing, NAVAUDSVC
Mr. Victor Ackley	Representing VCNO
Mr. Zack Gaddy *	Director, DFAS
Mr. Dave McDermott *	DFAS, Client Executive – Navy & OUSD(C) FIAR
Ms. Patricia Marsh *	Representing DoDIG
Ms. Becky Allen *	Representing OUSD(C) FIAR
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	Review of Action Items from Previous Meeting	Mr. Easton
3	FY2006 DON Financial Statements including Statement of Assurance	Warren Pfeiffer
4	September 2006 FIAR Update	FIAR
5	Review of 2006 FIAR Focus Area	Mr. Easton
6	Introduction of New Focus Areas for FY2007	Mr. Easton
7	Issue Discussions	Mr. Easton
8	Discussion and Adjournment	Mr. Greco



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

- 1 Meeting Brief including Issues Discussion
- 2 September 2006 FIAR Plan Excerpt
- 3 DON Statement of Assurance Excerpt
- 4 DON Management Representation Letters

**6. Meeting Minutes****# Details**

- 1 Mr. Greco opened the meeting and provided introductory comments:
  - Mr. Greco made reference to his pending departure and thanked everyone for their support over the past two years. He stated that he considered the Audit Committee one of his greatest accomplishments over the past two years.
  - USMC is working towards assertion of their financial statements in FY2008. They would be the first military service to assert financial statement audit readiness.
  - Mr. Greco mentioned how proud he was of the financial statement awards received for the FY2005 Annual Financial Report. The hope is that DON can continue to enhance the Annual Financial Report in the future.Mr. Greco passed control of the meeting over to Mr. Easton.
- 2 Mr. Easton provided an update of status following the agenda. The first agenda item was a review of the four action items from the previous meeting:
  - The search for a private sector member has not yet yielded a viable candidate. DON will continue to search for a candidate and hopefully vet that member prior to the next meeting.
  - DON has voiced disagreement to OSD in regards to producing FIAR Plan more than twice a year. OSD has stated that they do not plan on producing the report more than twice a year.
  - Marine Corps will provide an update today and will regularly update the Audit Committee on their progress.
  - NAVFAC has produced metrics that define the impact of changing the capitalization threshold. The metrics support the approach of using the \$100K threshold until we have more controls over the process.
- 3 Mr. Easton provided a status on the FY2006 Annual Financial Report:
  - The compilation of the FY2006 Annual Financial Report is well underway. The report is required to be finished by November 15; however, the DON is hopeful that the report will be completed in time for Mr. Greco to sign off on the report as one of his last actions.
  - Mr. Easton reviewed a change analysis for the Financial Report that will be presented to Ms. Jonas. He identified the three categories of drivers for change as business events, changes in guidance and anomalies. One big change this year was caused by a residual accounting correction related to unsupported undistributed disbursements. Hopefully, we will see less of these types of corrections as we improve.
- 4 Mr. Easton presented the Statement of Assurance over Financial Reporting for FY2006.
  - For this year, DON has provided a Statement of No Assurance but referred to the progress that was being made through the Financial Improvement Program.
  - The goal as we move forward in the A-123 Program is to more closely integrate the A-123 effort with the Financial Improvement Program. Currently we are working to understand our business and build a story based on the business processes that we execute. The Financial Improvement Program is building the documentation for this through its Discovery efforts. That documentation is feeding the A-123 Program for submissions to OSD.
- 5 Mr. Easton reviewed the OSD Financial Improvement and Audit Readiness (FIAR) and FIP Focus Areas status:



- The most recent iteration of the FIAR Plan was signed out on 18 October 2006 by the Deputy Secretary of Defense. The report contains the DoD plan to improve financial management business processes and reach financial statement auditability. DON contributed to the FIAR Plan through inclusion of DON Key Milestone Plans, which have been reviewed by DON Management. Mr. Greco added that Secretary Winter is holding meetings with Senior Leadership to agree on an enterprise set of metrics. The metrics will be reviewed on a monthly basis and FIP Focus Area Key Milestones are included in these metrics.
  - The Military Equipment focus area has seen significant progress. Mr. Thackrah provided the RDA perspective for the Military Equipment plan. He cited the input of information into CAMS-ME as a success and the issue of IUID as an issue as we move forward. Mr. Thackrah described the Accountability Improvement Plan and how the joint RDA-FM effort would use the plan to address systems and process issues related to Military Equipment. Mr. Cook raised his concern regarding the disconnect between the Accountable Systems of Record and the CAMS-ME system.
  - The Real Property focus area has gone through a revision to integrate the FIAR Plan with the Real Property Inventory Requirements (RPIR). An outstanding issue relating to conflicting guidance on documentation retention could impact the project. Mr. Bragg offered to champion any guidance issues to the Accounting and Audit Committee.
  - Mr. Cook presented the USMC Financial Improvement Initiative progress. USMC has shifted focus from working towards line item assertions to a financial statement assertion focus. USMC is working with DoDIG to define the process for this. Proposals will be available in the near future for an approach. USMC has completed efforts to review their systems environment. 140 systems passed the review; there are 14 issues that remain that must be resolved. Mr. Cook raised the issue of how to confirm reliability of systems owned by other organizations. Mr. McDermott said DFAS specifically was working on a systems information repository for the systems that they owned. The repository is available now; however, the data has not been verified in the system.
  - Information regarding the additional focus areas is included in the backup slides for review.
- 6 Mr. Greco thanked the participants for their time and participation in the lively meeting. He stated his pride in being able to fight through the stovepipes that exist across the department and the cooperation that has been attained with DoDIG and NAVAUDSVC. Mr. Greco emphasized the commitment the FM Community has in the FIP and desire to maintain the momentum that has been developed. Meeting adjourned at 1530.

**7. Actions**

#	Details	Responsible
1	Solicit interest for a non-voting private sector member and nominate a candidate.	Office of General Counsel and ASN(FM&C) FMO

**8. Next Meeting**

<b>Date</b>	24 January 2006	<b>Location</b>	Pentagon 4C355
<b>Start Time</b>	1400	<b>End Time</b>	1530

