Single Auditor Approach
USACE’s Journey Toward Complete Auditability

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Directorate of Resource Management
USACE Mission Areas

Military Missions
- Military Construction
- COCOM Support, Overseas Contingency Operations (OCO)
- Installation Support, Environmental, Energy and Sustainability

Civil Works

Contingency Operations
- "Whole of Government" Disaster Response and Recovery
- Life-Cycle Flood Risk Management Critical Infrastructure

Geospatial Support
- Common Operating Picture/Environment
- Civil Works Programs
- Military Programs
- Emergency and Contingency Operations

International and Interagency
- Warfighter
- Installations and Energy
- Environment
- Water Resources

Research and Development

Real Estate — Acquire, Manage and Dispose / DoD Recruiting Facilities / Contingency Operations

USACE Has a Diverse Mission Set Driven by Diverse Customers
US Ports & Waterways Convey > 2B Tons Commerce
Corps Maintained Ports Provide Strategic Deployment Capability
Foreign Trade Through Harbors Creates > $850M Tax Revenues

Recreation areas
368 M Visitors/yr
Generate $15B in economic activity, 500,000 jobs

¼ of Nation’s Hydropower: $500M + in power sales

12,000 miles of Commercial Inland Waterways:
½ the cost of rail
1/10 the cost of trucks

#1 Federal Provider Of Outdoor Recreation
54,730 Miles Of Shoreline at USACE Lakes

926 Shallow & Deep Draft Harbors

8,500 Miles of Levees

Stewardship of 11.7 Million Acres Public Lands

137 Major Environmental Restoration Projects

USACE Civil Works Mission
USACE: BUILDING STRONG

WHERE WE ARE — U.S. ARMY CORPS OF ENGINEERS

Headquarters
9 Divisions
43 Districts
9 Centers and Labs
1 Active Duty Unit
249th Prime Power Battalion
2 U.S. Army Reserve
Theater Engineer Commands
412th and 416th
USACE is Regionally Aligned; Globally Responsive

Engagement (110 Countries)  Physical Presence (39 Countries)
Corps Financial Management System II

Electronic signatures for less paper & better internal control
Source data entry
Real time management and funds control

Compliance with Statutory and Regulatory requirements and the elimination of separate accounting departments

Multi-level processing

CEFMS – Corps of Engineers Financial Management System
## Managing The CW CFO Audit

<table>
<thead>
<tr>
<th>Year</th>
<th>FY06</th>
<th>FY07</th>
<th>FY08</th>
<th>FY09</th>
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</tbody>
</table>

11 Consecutive Clean Audit Opinions
USACE Construction Agent Authorities

- 10 U.S.C. §2851
  - USACE and Naval Facilities Engineering Command (NAVFAC) only 2
  - Includes all Family Housing Projects
  - Unspecified Minor Construction 10 U.S.C. §2805(a)

- Department of Defense (DoD) Directive 4270.5
  - Designates USACE as a Construction Agent for the Department of Defense
  - Gives USACE the programmatic responsibility and financial accountability
Programmatic Responsibility

- All USACE Military Construction (MILCON) Stakeholders are assigned a HQ level Program Manager (PM)
- PM manages each project ensuring each one is completed on-time, within budget and in accordance with policy
Financial Accountability

- All USACE Military Construction (MILCON) Stakeholders sub-allot funds to USACE
- Program Budget Accounting System (PBAS) moves funds
  - Exception Army MILCON (GFEBS)
- Funding Authorization Document (FAD) records fund
Why Single Audit Approach?

- Multiple MILCON Stakeholders
  - Army, Navy, and Air Force to include numerous DoD Agencies
- Under current audit guidelines each one would need to audit CEFMS II (FISCAM) and CEFMS II transactions
  - Numerous different Independent Public Auditors (IPA)
Auditing Advantages

- Single Auditor saves USACE and DoD components valuable manpower and auditor resources
- Planning, Testing Phase Pro’s
  - One site visit to test controls
  - Consistent approach to substantive testing related to supporting documentation
- Reporting Phase
  - Transitions USACE from Legacy status related to DDRS input
  - Allows USACE Finance Center (UFC) to load CEFMS II trial balances directly into DDRS
  - Workload increase due to preparation of multiple financial statements
IT Advantages

- Information Technology (IT) Testing
  - Single auditor can perform FISCAM testing on CEFMS once
  - Removes the need for any additional audit work from multiple DoD auditors or need for Statement on Standards Attestation Engagements (SSAE) 18

SUBJECT: U.S. Army Corps of Engineers Single Auditor Approach

The U.S. Army Corps of Engineers (USACE) proposes to use the work of a single auditor to provide audit assurance over funds sub-allocated to USACE. In support of military construction, sub-allocated funds are typically subject to audit by each customer auditor. As an alternative, USACE would prepare separate, audited financial schedules for each of its customers that are undergoing financial statement audit.

Accounting standards allow for the use of a single auditor approach. The American Institute of Certified Public Accountants (AICPA) Statement on Auditing Standards (AU-C) Section 805, “Special Considerations — Audits of Single Financial Statements and Specific Elements, Accounts, or Items of a Financial Statement,” provides a basis for USACE to use a single auditor to perform an audit of customer sub-allocated balances. AU-C AU-C Section 805, “Special Considerations — Audits of Group Financial Statements (Including the Work of Component Auditors),” provides a basis for customer auditors to rely on the USACE auditor opinion over sub-allocated balances.

I approve the USACE single audit approach as an alternative to support auditability requirements of sub-allocations, beginning in fiscal year 2018. To ensure the success of the single auditor approach, USACE will need to work with the Department of Defense Office of Inspector General (DoD OIG) to ensure the contract for the single auditor approach is structured appropriately. In addition, customer auditors need to work with the USACE auditor to understand the single auditor approach and how it affects customer financial statements.

For questions regarding this approach and guidance, my point of contact is Mr. Alex Diaz. Contact him at alex.diaz20.civ@mail.mil or 703-614-1078.

Mark E. Reshman
Deputy Chief Financial Officer

Auditor, Assistant Inspector General Financial Management and Reporting, DOD OIG
DLA FY18 CFO Audit Results

- Received 2\textsuperscript{nd} unmodified opinion on the Defense Logistics Agency (DLA) Financial Statements on 8 November 2018

- One Material Weaknesses
  - Construction in Progress and Resulting Transfers

- One Significant Deficiencies
  - Financial Management Systems
Army MILCON FY18 CFO Audit Results

- Received unmodified opinion on the Army MILCON Financial Statements on 8 November 2018

- One Material Weaknesses
  - Deficiencies in Non-Transactional Based Controls
  - Deficiencies in Property Plant and Equipment Controls

- One Significant Deficiencies
  - Financial Management Systems
Lessons Learned

- Planning
  - Five Audits means needing current year documents for each audit
  - USACE does not have one District with all stakeholders as customers

- Testing
  - Five single audits means five different audit managers
  - Auditors within KPMG don’t always agree

- Reporting
  - Getting DDRS set up is a cumbersome for UFC / DFAS
## Future Audit Plans

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<th>FY 2019</th>
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<th>FY 2021</th>
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<tr>
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<td>CY Audit</td>
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</tbody>
</table>

**Tier 3 / 4** = MDA, DSCA, DoDEA, DTRA, WHS, HAP, Army, Air Force OSD MILCON  
**Full Audit** = Audit of Beginning Balances and Current year
Other Army - Plan

- Switching to Agreed Upon Procedures
  - Using current Bonneville Power Administration process with Department of Energy
  - Each auditor would provide KPMG instructions
- Would still need to load DDRS with CEFMS II accurate trial balances
- Would require buy-in from DoDIG and contract modifications to each audit contract
- If successful would transition all audits to this new approach
Other Army - Plan

- **Pros**
  - No need to prepare financial statement and notes
  - Larger materiality = less samples
  - Easier use of our auditors report
  - Still have same Planning, Testing phases

- **Cons**
  - No more opinions
Tip’s For Those Under Audit

- Why?
  - Most powerful question you can ask
- Be a Facilitator at each Walk Through
  - Understand the process and assist in answering the questions don’t ask them
- Work with the auditors to ensure all documents requested are available
  - Don’t have the field chasing documents you have not confirmed are available
Questions?