Army Auditability Overview

Mr. Robert Thurston
Director, G-46 Enterprise Support

30 May 2019

ASMC National Professional Development Institute (PDI) Conference
SECARMY Memo: Army Auditability in FY 2018 and Beyond

“The Army will aggressively move to meet the longstanding statutory requirement to develop and maintain a culture that supports auditable records at all levels of the Army”

“I am directing every HQDA principal official, commander, general officer, and member of the senior executive service to read and comply with HQDA EXORD 026-18 (Army Auditability Plan) published in December 2017.”

- Established governance to oversee audit efforts
- Published EXORD 223-17 for Acquisition (ACQ) & Logistics (LOG) domains

“I am also directing all Army senior leaders to establish accountable practices that set conditions to support full financial statement audits...”

- OASA(FM&C) as OPR has overall responsibility
- DCS, G-4 is Logistics Domain Champion

“I will hold leaders accountable for establishing a culture that emphasizes auditability.”

- Inform via articles, newsletters and forums
- Reinforcing through policy and audit guides

“Commanders will also personally provide quarterly updates to me on their progress toward obtaining an audit opinion.”

- Commander’s Audit Update (CAU) to SecArmy & Chief of Staff (quarterly)
- Monthly BMA Champion briefs provide input for CAU

“I am also directing the development of standardized business processes to ensure compliance with accounting standards.”

- In-process of baselining business processes
- Validating with laws, regulations and policy

“HQDA system owners must ensure these systems are compliant with accounting standards, and that they address audit findings and systems control issues.”

- PM AESIP Financial Compliance Division is OPR
- System Change Requests status monitored

Congress has taken considerable interest in DoD’s ability to become auditable

DALO-IM – 30 May 2019
Army Governance/Leadership Oversight

Co-chair: SA/CSA (once per quarter); USA/VCSA (twice per quarter)
OPR: ASA (FM&C)
Participants: Commanders of ACOMs, ASCCs, DRUs, ARSTAF & Secretariat Principals.
Frequency: Monthly
Purpose: Provide SA/CSA or USA/VCSA and key stakeholders metric updates on progress towards obtaining a clean audit opinion.

Co-chair: ADCS, G-4 & DASA PPR
OPR: G-46/LESA
Participants: G-4, ASA (ALT), ASA (FM&C), AMC, FORSCOM, others as required.
Frequency: Monthly
Purpose: Monitor progress of audit remediation efforts within the Acquisition and Logistics Business Mission Area (BMA) domains.

Chair: ASA(FM&C)
OPR: ASA (FM&C)
Participants: ASA (ALT), ASA (FM&C), ASA (M&RA), ASA (IE&E), ACSIM, G-4, CIO/G-6, others as required.
Frequency: Monthly
Purpose: Own and oversee the development of solutions to enterprise-wide audit impediments, especially those involving end-to-end processes.

Successful Audit Readiness entails top-down leader oversight and bottom-up driven solutions.

Priority Lead/Action Officer Forums and other working level engagements

Three key senior leader forums for monitoring progress towards obtaining a clean audit opinion
Army Audit Challenges

Fiscal

- Audit requirements compete for resources alongside weapons systems and readiness activities, and they have not always competed well.
- Identifying and defining complex requirements requires active participation from stakeholders throughout the enterprise: audit infrastructure; data quality clean-up; remediating audit findings; standardizing business processes; and, IT controls and ERPs.

Complex Systems Environment

- Number of legacy systems and interfaces results in significant reconciliation issues. Eliminating legacy systems reduces costs.
- Numerous system changes need to occur in the ERP environment (AESIP, LMP, GCSS-A, and GFEBS) to pass audit. These are expensive, but they need to be funded.

Business Process Standardization

- Business processes are executed using vastly different methodologies across the enterprise making identification of internal controls and key supporting documents difficult.
- Certain business processes are not clearly defined (e.g., Separation of Duties), causing difficulty in providing audit populations for substantive testing.

Building and Sustaining a Culture of Auditability/Accountability

- We are an “Army in Motion”; Audit is not always viewed as a “warfighting” need; sometimes just a bill.
- Requires an increase in participation of leadership and governance support; starting with “Tone at the Top” and holding Commanders accountable.

The Army has significant challenges but has made auditability a top priority.
Army & ACQ-LOG Auditability Plans

HQDA EXORD 026-18
(Army Auditability Plan)
Published 1 Oct 17
- FRAGORD: 3 and 5 Year Plan to Audit Opinion
  - Annex H: Strategy Plans for Property, Plant and Equipment*
  - Annex I: Strategy Plans for Inventory (OM&S)

HQDA EXORD 223-17
(Auditability Plan for Acquisition and Logistics Domains)
Published 24 Oct 17
- FRAGORD:
  - Logistics Operational Guidance to Support Equipment Readiness; Published 30 Apr 19

* Includes GE

Enablers
- Policy Updates
- SME Site Visits
- Inventory Reconciliation between DLA and Army
- Audit Guides for Field Units
- Corrective Action Plan Workshops
- Communications to Field
- Satisfy Auditor Data Requests
- ALET, ALESC, LEMR Updates

Army Plan addresses all priorities; ACQ-LOG Plan addresses E&C and Valuation
Army Audit Successes

- Well established governance mechanisms at the Army Secretariat and HQ level and within each business domain
- The functional community works closely with the financial community and external partners such as DLA
- Established Army Analytics Board to address data quality from top-down
- Increased Process Owner/Stakeholder Engagement through Control Workshops with KPMG, CAP Working Groups
- Aligning architecture, business processes, ERP functionality and policy
- In FY18 moved from an Adverse Opinion to a Modified Opinion on the General Fund Enterprise Business System Service Organizations Control munitions report
- Identifying the universe of Capital Assets and ensuring accurate recording in an Army Accountable Property System of Record
- Identified and documented key controls and systems included within the end-to-end business processes
- Identified what “right looks like” with a suite of audit guides for the field and Business Process Smartbooks for the auditors
- Functional subject matter experts support auditor site visits and walkthroughs

Auditability is a journey, we continue to execute to our goal of an opinion in FY22
Way Ahead

- Top-down governance provides policy overseeing auditability
- Bottom-up efforts to ensure command emphasis and correct tools are in place
- Change culture to align to sound practices and controls that ensure auditability and build readiness
# Acronyms

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<thead>
<tr>
<th>Acronym</th>
<th>Description</th>
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<tbody>
<tr>
<td>ACOM</td>
<td>Army Command</td>
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<tr>
<td>ACSIM</td>
<td>Assistant Chief of Staff for Installation Management</td>
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<td>ADCS</td>
<td>Assistant Deputy Chief of Staff</td>
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<td>ALESC</td>
<td>Army Logistics Enterprise Steering Committee</td>
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<td>ALET</td>
<td>Army Logistics Enterprise Team</td>
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<td>AMC</td>
<td>Army Materiel Command</td>
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<td>ARSTAF</td>
<td>Army Staff</td>
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<tr>
<td>ASA(ALT)</td>
<td>Assistant Secretary of the Army (Acquisition, Logistics and Technology)</td>
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<td>ASA(IE&amp;E)</td>
<td>Assistant Secretary of the Army (Installation, Energy and Environment)</td>
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<td>ASA(M&amp;RA)</td>
<td>Assistant Secretary of the Army (Manpower and Reserve Affairs)</td>
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<td>ASCC</td>
<td>Army Service Component Command</td>
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<td>CIO</td>
<td>Chief Information Officer</td>
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<td>CSA</td>
<td>Chief of Staff of the Army</td>
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<td>DASA PPR</td>
<td>Deputy Assistant Secretary of the Army for Plans, Programs and Resources</td>
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<td>DCS</td>
<td>Deputy Chief of Staff</td>
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<td>DLA</td>
<td>Defense Logistics Agency</td>
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<td>DRU</td>
<td>Direct Reporting Unit</td>
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<td>EXORD</td>
<td>Executive Order</td>
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<td>FORSCOM</td>
<td>U.S. Army Forces Command</td>
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<td>FRAGORD</td>
<td>Fragmentary Order</td>
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<td>GCSS-A</td>
<td>Global Combat Support System – Army</td>
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<td>GFEBs</td>
<td>General Fund Enterprise Business System</td>
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<td>HQDA</td>
<td>Headquarter, Department of the Army</td>
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<td>LEMR</td>
<td>Logistics Enterprise Management Review</td>
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<td>LESA</td>
<td>U.S. Army Logistics Enterprise Support Agency</td>
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<td>LMP</td>
<td>Logistics Modernization Program</td>
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<td>OASA(FM&amp;C)</td>
<td>Office of the Assistant Secretary of the Army (Financial Management &amp; Comptroller)</td>
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<td>OM&amp;S</td>
<td>Operating Materials &amp; Supplies</td>
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<td>OPR</td>
<td>Office of primary responsibility</td>
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<td>PM AESIP</td>
<td>Program Manager, Army Enterprise Systems Integration Program</td>
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<td>SA</td>
<td>Secretary of the Army</td>
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<td>Under Secretary of the Army</td>
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<td>Vice Chief of Staff of the Army</td>
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