Audit Readiness/Accountability Plans
The IG’s Top 5

- Aircraft: Preponderant use/imputed costs
- Useful Life
- Existence
- Valuation: documentation methodology
- Associating expenditures with programs
Audit Readiness: 5 Phases

1. DISCOVERY/ CORRECTION
2. VALIDATION
3. ASSERTION
4. ASSESSMENT
5. AUDIT
Assertions

- **Existence**: that reported equipment exists
- **Completeness**: that which exists is Reported
- **Valuation**: that equipment is valued (full cost)
- **Rights and Obligations**: that DoD owns the equipment
- **Presentation and Disclosure**: that equipment is reported IAW the Accounting Standards
DISCOVERY AND CORRECTION

WHY?
• Correct deficiencies
• Plan solutions to produce accurate data

HOW?
• Identify problem areas, including DoD issues and systems
• Talk to domains & allotment holders
• Involve DFAS
• IG, Audit Agencies, GAO
• Get copies of other entities plans—see what you might have missed.
• Partner with other entities to achieve success.
VALIDATION

WHY?

• Provide basis for informed management assertion
• Ensure corrective actions achieved resolution
• Save unnecessary /assessment audit costs
• Reduce risk of failed audit.

HOW?

• Management requests
• Performed by IR or external audit firm
• Coordinate and obtain comment from IG
• Document processes, controls, systems
• Ensure supporting documentation is available
• Use tools: Talk with other entities.
**ASSERTION PHASE**

**WHY?**
- Inform IG and Transfer Information
  - Documented processes, controls, systems
  - Staff available to support auditors
- Inform ESC

**HOW?**
- Prepare Assertion Package for IG, DoD
  - Respond to IG, DoD/OUSD(C) instructions
  - Complete checklist
  - Include results of validation and reports
  - Have staff available to support auditors
- Send copy of package to OUSD(C)
ASSESSMENT

WHY?

• Assess evidence of management’s assertion
• Determines quality of controls
• Determines availability of evidential matter
• Yields a “Go” or “No Go” decision
• Reduce risk of unknowns (auditors)
• Introduction to organization (auditors)

HOW?

• Approved by ESC
• Conducted/Overseen by OIG
• If pass, schedule for audit through ESC approval process
AUDIT

WHY?
• Required by CFO Act
• Provide decision-makers good information on:
  ➢ Assets and liabilities
  ➢ Cost visibility
  ➢ Internal controls
• Supports an unqualified Defense-wide opinion

HOW?
• Pass Assessment
• Good management plan for audit
• Know how you will support your audit
• IG oversight of Independent Public Accountants
Military Equipment Accountability Improvement Plans (ME AIPs)
Problem Statement

DoD does not yet have the ability to meet military equipment existence requirements for audit because it lacks a systemic, enterprise-wide, headquarters-level capability to uniquely identify military equipment assets, manage those assets over their life-cycle, and relate those assets to their financial value.
Military Equipment Accountability Improvement

The Requirement:
Military Equipment Accountability Improvement Plans (ME AIPs) to be submitted December 31.

The Plan:
We need to be able to answer this question: "Where is this specific asset?"

- If a Component can answer that question based on an ASR(s) then the plan should identify when the assets in the accountability system will be given UIIs and when the accountability system can be interfaced with the IUID Registry.

- If a Component cannot answer that question based on an ASR(s) then the plan should identify when such an accountability system will be available.

The Focus:
The ME AIP is intended to deal with accountability systems that contain assets IAW DoDI 5000.64, not with the assets themselves. The MEAIP is only to address asset identification and accountability system to IUID registry interface.
Accountability Improvement Planning

Military Equipment Accountability Improvement Plans (MEAIPs)

<table>
<thead>
<tr>
<th>Table I</th>
<th>ME assets currently managed w/in an ASR(s)</th>
<th>Table II</th>
<th>ME assets not currently managed w/in an ASR(s)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>How do you plan to execute updates to the DoD IUID Registry? - Include plans for using the DoD WAWF for asset updates.</td>
<td>1</td>
<td>What is required to manage your ME end item assets in an ASR(s), and be in position to initiate IUID Registry integration planning?</td>
</tr>
<tr>
<td>2</td>
<td>What S/W changes are needed to achieve integration, and are the SCR's currently funded?</td>
<td>2</td>
<td>When do you estimate this will commence?</td>
</tr>
<tr>
<td>3</td>
<td>If the SCR's are unfunded, what is the rough order of magnitude to complete this interface?</td>
<td>3</td>
<td>What do you estimate the costs will be?</td>
</tr>
<tr>
<td>4</td>
<td>What is the expected effective date of system integration (Component ASR to IUID Registry)?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>What policy changes are needed to implement the new business processes associated with achieving system integration?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>When do you estimate the business process will be fully in effect?</td>
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</tr>
</tbody>
</table>
Improving Accountability Systems

- Attributes of good accountability system of record (ASR) are defined by DoD Instruction 5000.64
  - DoDI 5000.64 states that an ASR must provide a complete audit trail of all transactions beginning at receipt and acceptance through disposal or retirement of asset

- A November 8, 2006 memo from the Under Secretary of Defense AT&L required each DoD Component to develop and submit Accountability Improvement Plans (AIPs)
  - For systems that meet the DoDI 5000.64 requirements: when and how to connect to the IUID Registry
  - For systems that do not meet DoDI 5000.64 requirements: when and how to develop a compliance
### An Integrated Strategy

<table>
<thead>
<tr>
<th>Service Designated System</th>
<th>ME Assets Managed in Service Systems</th>
<th>Initial Load of Legacy ME in IUID Registry</th>
<th>ME Assets Maintained Current via Service System-IUID Interface</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Army</strong></td>
<td><strong>PBUSE</strong></td>
<td><strong>Jun 08</strong></td>
<td><strong>TBD</strong></td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>TBD</strong></td>
<td><strong>Interface not planned until Enterprise environment</strong></td>
</tr>
<tr>
<td><strong>Navy</strong></td>
<td><strong>NVR (Ships)</strong></td>
<td><strong>Current</strong></td>
<td><strong>May 07</strong></td>
</tr>
<tr>
<td></td>
<td><strong>AIRRS (Aircraft)</strong></td>
<td><strong>Current</strong></td>
<td><strong>Sep 07</strong></td>
</tr>
<tr>
<td></td>
<td><strong>CBSS (Craft &amp; Boat)</strong></td>
<td><strong>TBD</strong></td>
<td><strong>TBD</strong></td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>Flat File Update</strong></td>
<td><strong>Sept 08</strong></td>
</tr>
<tr>
<td><strong>Marine Corp</strong></td>
<td><strong>SASSY (ground)</strong></td>
<td><strong>Jul 07</strong></td>
<td><strong>TBD</strong></td>
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<tr>
<td></td>
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<td></td>
<td><strong>TBD</strong></td>
</tr>
<tr>
<td><strong>Air Force</strong></td>
<td><strong>REMIS (ME)</strong></td>
<td><strong>Current</strong></td>
<td><strong>Aug 07</strong></td>
</tr>
<tr>
<td></td>
<td><strong>AFEMS (Vehicles/GP)</strong></td>
<td><strong>Current</strong></td>
<td><strong>TBD</strong></td>
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<tr>
<td></td>
<td><strong>RAMPODS (PODs)</strong></td>
<td><strong>Current</strong></td>
<td><strong>TBD</strong></td>
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<td><strong>TBD</strong></td>
</tr>
</tbody>
</table>
Don’t Forget

Documentation

- It is important that source documentation be retained for audit readiness. Documentation includes original documents and/or hard and electronic copies of original records.

- Documentation should be maintained in a readily available location, during the applicable retention period, to permit the validation of information pertaining to the asset such as the purchase cost, purchase date, and cost of improvements.

- Supporting documentation includes purchase invoices or sales and procurement contracts.
Human Capital Strategy: Accountable Property Officers
Background

- President’s Management Agenda
- Quadrennial Defense Review
- National Security Personnel System
- DoD Strategic Human Capital Plan
- OUSD AT&L Human Capital Plan
Section 1122 of 2006 National Defense Authorization Act requires a “strategic human capital plan” to include:

- An assessment of:
  - skills and competencies needed of the workforce;
  - projected trends of that workforce (retirements, etc.);
  - gap analysis

- A plan of action for developing and reshaping the civilian employee workforce

www.cpms.osd.mil
AT&L Human Capital Strategic Plan

Published June 13, 2006

GOALS:

1. Alignment and full integration with overarching DoD Human Capital Plan

2. Maintain decentralized execution strategy that recognizes the Components’ lead role and responsibility for force planning and workforce management

3. Establish a comprehensive, data-driven workforce analysis and decision-making capability

4. Provides learning assets at the point of need

5. Execute DoD AT&L communication Plan (common message)
OUSD AT&L Memorandum dated December 6, 2006

- Director, Acquisition Resources and Analysis, in coordination with the Director, Defense Procurement and Acquisition Policy, and President, Defense Acquisition University shall:
  - Develop a strategic human capital plan for Accountable Property Officers
  - Identify core competencies for Accountable Property Officers, as appropriate.
  - Develop training, education, and experience requirements as required for non-AT&L Workforce segments of the property management workforce
Military Departments/DoD Components shall:

- Identify Accountable Property Officers; ensure responsibilities are addressed in job descriptions/performance requirements

- Ensure that Industrial Property and Accountable Property Officer outcomes are tied to DoD goals

- Align Industrial Property Manager and APO resources to the appropriate human capital strategic plan
Today

- **Two Efforts On-Going**
  - Acquisition workforce (Industrial Property, GS-1103s)
  - Non-acquisition workforce (Accountable Property Officers)
- **GS-1103 nearly completed. Expect final report sometime mid-summer**
- **Accountable Property Officers. Just starting**
Observations

- **GS-1103s, Industrial Property Specialists: A part of the Acquisition workforce, yet in many ways isolated**
  - Role is larger and more complex than most realize; need for business acumen is on par with other “contracting” professionals
  - What do they do? They “do” property
  - Training & education are driven by low expectations, e.g., College degrees “preferable” (like most other acquisition positions”)

- More vulnerable to demographic effects, due to small population (approximately 400 DoD-wide)
What is a Competency?

- "... an observable, measurable pattern of skills, knowledge, abilities, behaviors & other characteristics that an individual needs to perform work roles or occupational functions successfully." (OPM definition)

- Developed and attained through education, training, rotational assignments, experience, professional development and self-development.

  - Demonstrated by Behaviors
    - (Required Performance and a Success Criterion)
Why Develop Competencies Now?

- **DoD Acquisition Mission Challenges and Stakeholder Interest Drive Need for Improved Competency Management**
  - President’s Management Agenda – Human Capital, Leverage Technology
  - Congressional Concern – Acquisition Outcomes, Human Capital
  - Human Capital Planning for DoD AT&L Workforce identified as “High Risk” by GAO
  - OPM Human Capital Assessment and Accountability Framework
  - QDR and DoD Human Capital Plan

- **AT&L Human Capital Strategic Plan**
  - Improved Competency management is key outcome
  - HCSP Goal 1 mandates current, standardized functional competencies
  - HCSP Goals 3 and 4 rely on competencies
  - Key enabler for CORE Plus Certification Framework
Competency Management

Outcomes

**Succession Planning**
- Identify expected critical vacancies
- Identify employees & candidate gaps

**Training and Education**
- Analyze skill gaps
- Assess optimal timing
- Target to work requirements
- Performance metrics
- Training evaluation
- Training needs assessment

**Organizational Effectiveness**
- Identify redundant operations
- Link to Mission Goals

**Human Resources System**

**Learning Management System**

**Competency Management System**

**Performance Management System**

**Learning Content System**

**Workforce Planning**
- Retain key skills
- Identify competencies for future missions
- Plan for projected retirements

**Career Planning**
- Develop career management accounts

**Mission Support**
- Analyze alignment between the skills and the mission

**Selection**
- Identify skills for superior performance
- Explain career development to prospects
Core Technical Competency Process
Defense Logistics Agency PILOT
[Consistent with Acquisition Workforce Competency Model]

- Announce: May 9 FIAR Mtg./KICK OFF May 23
- Service participation is CRUCIAL!

**CONVENE EXPERT PANEL**

- AT&L, DPAS, Services VIA On-Line Tool Other (Fed. Agencies) (PLATEAU)
- Deliverable: Identify 3-5 Core Technical Competencies

**Distribute:**
- DLA APO Workforce

**EXPERT PANEL RECONVENES**

- Compile & Analyze data; identify competencies; prepare for Corporate (DoD) Validation

**Corporate Validation of competencies:**
- AT&L/Property Council

**Work Products:**
- Basis for DoD Policy;
- NSPS; Policy Memoranda Training; HR

**Timeline:**
- May 23 – Jun 30
- July 1 - July 31
- Aug 1 - Aug 31
- Aug 31 - Dec 31
Financial Liability for Property Lost, Damaged, Destroyed or Stolen
FMR, Volume 17, Chapter 7
Chapter is restructured to reflect the three major types of DoD Property: Equipment, Material (Inventory), and Real Property

Policy language is now consistent with the Department’s Accountable Property threshold:
- Formal investigation for property valued at $5,000 or more; classified or sensitive; capital lease property*;
- Simple inquiry for other property; formal investigations still permitted if circumstances warrant

Also, now included:
- New language on losses of monetary assets (cash) valued at $750.00—consistent with FMR Volume 5, Chapter 6, “Irregularities in Disbursing Accounts” (major loss of funds)
- New language to accommodate Losses of Government-furnished Real Property and Equipment

*Consistent with DoDI 5000.64
Any Questions?