

# GAO Highlights

Highlights of [GAO-14-60](#), a report to congressional committees

## Why GAO Did This Study

The National Defense Authorization Act for Fiscal Year 2013 requires the Department of Defense (DOD) to describe how its SBR will be validated as ready for audit by September 30, 2014. The DOD Comptroller issued the FIAR Guidance to provide a standard methodology for DOD components to use to develop and implement FIPs, improve financial management, and achieve audit readiness. The Army's FIP for budget execution provides a framework for planning, executing, and tracking essential steps with supporting documentation to achieve audit readiness of its General Fund SBR.

GAO is mandated to audit the U.S. government's consolidated financial statements, including activities of executive branch agencies such as DOD. This report identifies the extent to which the Army developed and implemented its General Fund SBR FIP for budget execution in accordance with the FIAR Guidance with regard to (1) determining the scope of activities included in the FIP and (2) completing those activities included in the scope of the FIP. GAO reviewed the Army's FIP to determine whether it contained the elements required by the FIAR Guidance and reviewed test results, status reports, and other deliverables.

## What GAO Recommends

GAO recommends that among other things, the Army take steps to improve implementation of the FIAR Guidance for its General Fund SBR FIP for budget execution and ensure that all significant SBR processes, systems, and risks are adequately considered and identified deficiencies are resolved. The Army concurred with GAO's recommendations.

View [GAO-14-60](#). For more information, contact Asif A. Khan at (202) 512-9869 or [khana@gao.gov](mailto:khana@gao.gov).

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## DOD FINANCIAL MANAGEMENT

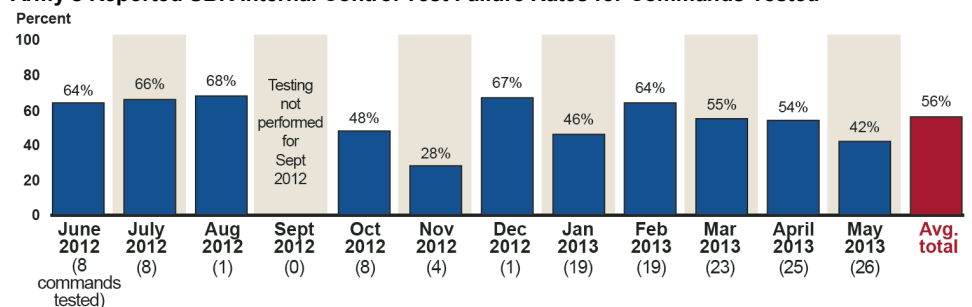
### Improvements Needed in Army's Efforts to Ensure the Reliability of Its Statement of Budgetary Resources

## What GAO Found

The Army has made important progress in developing its financial improvement plan (FIP) for budget execution to help guide its General Fund Statement of Budgetary Resources (SBR) audit readiness efforts. This FIP covers current year activity associated with the recently deployed General Fund Enterprise Business System (GFEBS) emphasizing the implementation of effective business processes. However, the Army did not fully complete certain tasks in accordance with the Financial Improvement and Audit Readiness (FIAR) Guidance to ensure that its FIP adequately considered the scope of efforts required for audit readiness. For example, the Army did not consider the risks associated with excluding current year activity associated with legacy systems and did not adequately identify significant SBR activity attributable to service provider business processes and systems. These activities may continue to represent material portions of future SBRs and, if not auditable, will likely affect the Army's ability to achieve audit readiness goals as planned.

For GFEBS-related audit readiness activities within the scope of its FIP for budget execution, the Army documented controls in narratives and flowcharts and performed monthly tests to assess their effectiveness. Based on test results from June 2012 through May 2013, the Army identified extensive deficiencies, such as lack of appropriate reviews or approvals, and had an average failure rate of 56 percent.

**Army's Reported SBR Internal Control Test Failure Rates for Commands Tested**



Source: GAO analysis of Army Leadership Briefs, June 2012 through May 2013.

The Army did not fully follow the FIAR Guidance in performing the tasks required. For example, the Army's documentation and assessment of controls were not always complete or accurate. Further, extensive deficiencies identified by Army had not been remediated prior to an independent public accountant's (IPA) examination of its audit readiness efforts.

Overall, the gaps and deficiencies identified above are largely due to the Army's focus on (1) the audit readiness of new GFEBS processes despite continued reliance on legacy systems and service providers and (2) asserting audit readiness before correcting extensive control deficiencies. Army officials cited adherence to assertion and IPA examination milestones as essential. However, this approach raises serious concerns regarding the likelihood that SBR audit readiness will occur as planned and the Army's ability to ensure the accuracy of financial information used to monitor budgetary resources to achieve its mission.