



**Department of Defense**

**Federal Managers' Financial Integrity Act**

**Statement of Assurance**

**Fiscal Year 2014 Guidance**

**Updated July 2014**

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Directorate, Office of the Under Secretary of Defense (Comptroller), at 571-256-2207.

## Summary of Revisions

The following table identifies non-administrative updates to the DoD FMFIA Statement of Assurance, Fiscal Year 2014 Guidance issued May 2014.

Updates are identified throughout this document in blue font<sup>1</sup>.

Updates	Reference
<ul style="list-style-type: none"> <li>Clarifies that the OSD Principal Staff Assistants (PSAs) are required to coordinate (versus consolidate) on their respective Components' SOA submissions.</li> </ul>	Page 6
<ul style="list-style-type: none"> <li>Clarifies that significant improvements in internal controls over operations (ICONO) may be reported in the Department's Agency Financial Report.</li> </ul>	Tab A-2, Page 16
<ul style="list-style-type: none"> <li>Corrects the reference to the department-level reported financial material weaknesses and the OSD Senior Accountable Official (SAO) and adds the related appendix.</li> <li>Adds reference to reporting material weaknesses to the SAO.</li> </ul>	Page 7 Appendix 3, Page 25 Tab C, Page 20
<ul style="list-style-type: none"> <li>Eliminates the reference to a Senior Assessment Team (SAT) Chairman-signed memorandum, not required in FY2014.</li> </ul>	Tab C, Page 20
<ul style="list-style-type: none"> <li>Revises Appendix 1 to accurately reflect the Component's required assertions in its SOA.</li> </ul>	Appendix 1, Pages 8-9
<ul style="list-style-type: none"> <li>Removes language referencing the reporting of the ICOFR/ICOFS SOA and corrective action plan (CAP) templates in Tab A-1.</li> <li>Moves the description of inclusion of incorporating detailed CAPs in the Component's respective Financial Improvement Plans (FIPs) from Tab A-1 to the related instruction in Tab C.</li> <li>Moves the description of the assessment activities for the Acquisition Functions from Tab A-1 to the related instruction in Tab D.</li> </ul>	Tab A-1, Page 15  Tab C, Page 20  Tab D, Page 22

<sup>1</sup> Note that blue text may not be legible when printing in black and white.

## **Requirements for Annual Statement of Assurance**

The purpose of this guidance is to establish requirements for the preparation of the annual Statement of Assurance (SOA), required by the Federal Managers Financial Integrity Act of 1982 (FMFIA) and the Department of Defense (the Department) Instruction (DoDI) 5010.40, “Managers’ Internal Control Program Procedures.” The Statement of Assurance (SOA) is an annual report that certifies the level of reasonable assurance as to the overall adequacy and effectiveness of internal controls within the DoD Component (Component).

The Office of Management and Budget (OMB) issued Circular No. A-123, “Management’s Responsibilities for Internal Control,” to assist Federal entities with implementing the requirements of FMFIA. It defines management’s responsibility for internal controls in all Federal entities. OMB Circular No. A-123 provides guidance for federal managers on improving the accountability and effectiveness of federal programs; establishes requirements for conducting management’s assessment of the effectiveness of internal controls over financial reporting; and emphasizes the need for the Department to integrate and coordinate internal control assessments with other internal control-related activities.

DoD has further defined SOA reporting requirements through the issuance of the DoD Instruction 5010.40, “Managers’ Internal Control Program Procedures,” and through the Financial Improvement and Audit Readiness (FIAR) Guidance. Specifically, the Office of the Secretary of Defense (OSD), Military Departments, Joint Staff, Combatant Commands, Department of Defense (DoD) Office of Inspector General, Defense Agencies, and DoD Field Activities (referred to as “Components” for purposes of this guidance) are required to report upon whether there is reasonable assurance that the following objectives have been achieved:

- a) Effectiveness of the internal controls over operational and mission-essential functions (ICONO) as of September 30;
- b) Effectiveness of the internal controls over financial reporting (ICOFR) and financial systems (ICOFS) as of June 30;
- c) Compliance with applicable laws and regulations in each of the above areas; and
- d) Conformance of financial information systems with requirements of the Federal Financial Management Improvement (FFMIA) of 1996 (Public Law 104-208) as of September 30.

Reasonable assurance is an informed judgment by management as to the overall adequacy and effectiveness of internal controls based upon available information that the systems of internal controls are operating as intended.

The SOA includes the Component’s FMFIA material weaknesses identified with [summary-level](#) corrective action plans and internal control related accomplishments. To reinforce and sustain a strong environment of internal controls, the Component reviews existing

material weaknesses to ensure each is sufficiently focused so corrective actions are specific, measurable, and milestones are achievable within a realistic timeline.

Internal controls, or management controls, are the Component's policies, and procedures that help program and financial managers achieve results and safeguard the integrity of their programs.

A material weakness, as it relates to OMB Circular A-123, is a deficiency, or combination of deficiencies, that is significant enough to be reported outside the Department. The determination is based on management's judgment as to the relative risk and significance of deficiencies. Component managers and staff should be encouraged to identify and report deficiencies, as this reflects positively on the Components commitment to recognizing and addressing management problems.

DoD Components will submit one consolidated annual SOA, signed by the Component Head or Principal Deputy. Specifically, the Department no longer will require DoD Components to submit a separate, partial SOA in July that previously asserted only to the effectiveness of internal controls over financial reporting and financial systems.

Appendix 1 to this guidance identifies each DoD Component's applicable reporting requirements and the assertions that are required to be submitted to the Secretary of Defense each fiscal year. Appendix 2 specifies the required format and reporting templates for the different sections that are to be submitted with the Component's SOA.

The Component's annual SOA must be signed by the Component head (or principal deputy) and addressed and submitted to the Secretary of Defense via the Office of the Under Secretary of Defense (Comptroller) (OUSD(C)) no later than September 3, 2014. The signature authority may not be delegated below the Principal Deputy level. No extensions in the SOA submission date are authorized. Late submissions jeopardize the Department's ability to meet OMB reporting deadlines.

The annual SOA will include a signed statement that [reports on the Component's financial management information systems' compliance with FFMIA, and a separate level of assurance over its ICONO, ICOFR and ICOFS, including compliance with applicable laws and regulations \(refer to Appendix 1 for Component assertion areas\)](#). The [assurance statements](#) must take one of the following forms:

- Unqualified Statement of Assurance – The Component has reasonable assurance that internal controls are in place and operating effectively in the Department's mission-essential processes;
- Qualified Statement of Assurance – The Component has reasonable assurance, with the exception of material weaknesses identified in the report, that internal controls are in place and operating effectively in the their mission-essential processes; or

- Statement of No Assurance – The Component cannot provide reasonable assurance that internal controls are in place and operating effectively in their mission-essential processes.

The Component head (or principal deputy) must submit the SOA using the form and content requirements contained in this guidance. As outlined in Appendix 2, “Format of the Statement of Assurance,” multiple tabs may be required. The requirements for financial reporting and financial systems risk, control assessments and reporting are provided in the references listed in Enclosure 1, DoDI 5010.40, “Managers’ Internal Control Program Procedures.”

Corrective action plans submitted under Operational Material Weaknesses (Appendix 2; SOA Tab B-2) will be reviewed during quarterly Defense Business Council (DBC) meetings. OUSD(C) will request updates on the status of corrective actions quarterly for presentation to the DBC. Components that are not completing corrective actions according to their plans will be required to present their challenges and revised plans to the DBC.

Corrective action plans submitted under Financial Reporting/Financial Management System Material Weaknesses (Appendix 2; SOA Tab C) will be reviewed during quarterly Governance Board meetings. OUSD(C) will request updates on the status of corrective actions quarterly for presentation to the Governance Board. Components that are not completing corrective actions according to their plans will be required to present their challenges and revised plans to the Governance Board.

Finally, the [DoD Directive 5000.01, The Defense Acquisition System](#), applies to the Office of the Secretary of Defense, Military Departments, Office of the Chairman of the Joint Chiefs of Staff, COCOMs, DoD Office of the Inspector General, the Defense Agencies, DoD Field Activities, and all organizational entities within DoD. Therefore, these Components are required to summarize the results of the Assessment of Internal Controls over Acquisition Functions (Appendix 2; SOA Tab D).

Each Component shall submit both Microsoft Word and PDF files of its signed SOA via email to the Managers’ Internal Control Program (MICP) account at MICP@osd.mil. The electronic versions of each Component’s SOA are required no later September 3, 2014.

The DoD Agencies and Field Activities must coordinate their SOAs through their respective Principal Staff Assistants (PSAs) prior to submission to the OUSD(C). Each PSA is required to [coordinate](#) on all of its respective Components’ SOAs [prior to submission to OUSD\(C\)](#). Prompt reporting is the responsibility of the Component head (or principal deputy). The Combatant Commands (COCOMs) are to submit electronic versions of their approved Statement of Assurances to both the OUSD(C) and to the Joint Staff. The Defense Intelligence Community is to submit electronic versions of their approved Statement of Assurances to both the OUSD(C) and OUSD(I). (Please refer to Appendix 1 for a list of Defense Agencies and DoD Field Activities required to submit through PSAs.) Defense Agencies/DoD Field Activities are responsible to meet submission timelines to OUSD(C) with PSA coordination and should plan accordingly. Further, the act of reporting should be the byproduct of a sound, well managed

Component internal control program that supports efficiency and effective mission accomplishment.

Components that report a material weakness in financial reporting (ICOFR) in an area that falls under the responsibility of an OSD Senior Accountable Official (SAO) must e-mail a copy of their SOA package to the OSD SAO's identified point of contact (refer to Appendix 3). The OSD Senior Accountable Officials coordinate internal control assessment activities across the Department, serve as members of the FIAR Governance Board, and meet regularly with Components that have reported financial reporting and financial systems material weaknesses. The Senior Accountable Official should clearly communicate assessment objectives throughout the Department to ensure assessments are completed in an effective and timely manner. These efforts promote communication of the Department's expectations and ensure progress is monitored while holding the Components accountable for completing corrective actions. Each OSD Senior Accountable Official will brief the Department's summary-level internal control material weaknesses to the FIAR Governance Board in their meeting, tentatively planned for October 2014.

Each Component is responsible for the accuracy and completeness of financial information in reports that present the financial effects of its operations. Accordingly, Components must ensure they understand the significant financial activities and information system services provided by Service Providers and the effectiveness of the Service Providers' related internal controls. In turn, Service Providers are responsible for providing their customers with a description of their controls that may affect the reporting entities' control environment, risk assessment, control activities, and information and communication systems.

The Department's point-of-contact for this guidance is (Robert) Steven Silverstein ([robert.s.silverstein.civ@mail.mil](mailto:robert.s.silverstein.civ@mail.mil)), DoD MICP Coordinator at 571-256-2207.

**Appendix 1**  
**Components Required to Submit an Annual Statement of Assurance to the**  
**Secretary of Defense (One Consolidated SOA Due**  
**September 3, 2014)**

Component	Operational <sup>2</sup>	ICOFR <sup>1</sup>	ICOFS <sup>1</sup>	Coordinate through PSA
The Department of the Army	✓	✓	✓	
• U.S. Army Corps of Engineers (USACE)	✓	✓	✓	✓ <sup>3</sup>
The Department of the Navy	✓	✓	✓	
• U.S. Marine Corps (USMC)	✓	✓	✓	✓ <sup>4</sup>
The Department of the Air Force	✓	✓	✓	
Joint Staff	✓			
• National Defense University	✓			✓
• U.S. Africa Command	✓			✓ <sup>5</sup>
• U.S. Central Command	✓			✓ <sup>5</sup>
• U.S. European Command	✓			✓ <sup>5</sup>
• U.S. Northern Command/NORAD	✓			✓ <sup>5</sup>
• U.S. Pacific Command	✓			✓ <sup>5</sup>
• U.S. Southern Command	✓			✓ <sup>5</sup>
• U.S. Special Operations Command	✓	✓	✓	✓ <sup>5</sup>
• U.S. Strategic Command	✓			✓ <sup>5</sup>
• U.S. Transportation Command	✓	✓	✓	✓ <sup>5</sup>
Office of the Under Secretary of Defense (Acquisition, Technology and Logistics)	✓			
• Chemical and Biological Defense Program (CBDP)	✓	✓	✓	✓
• Defense Advanced Research Projects Agency	✓	✓	✓	✓
• Defense Contract Management Agency	✓	✓	✓	✓
• Defense Logistics Agency	✓	✓	✓	✓
• Defense Technical Information Center	✓	✓	✓	✓
• Defense Threat Reduction Agency	✓	✓	✓	✓
• DoD Test Resource Management Center	✓			✓
• Missile Defense Agency	✓	✓	✓	✓
• Office of Economic Adjustment	✓			✓
Office of the Under Secretary of Defense (Comptroller)	✓			
• Defense Contract Audit Agency	✓	✓	✓	✓
• Defense Finance and Accounting Service	✓	✓	✓	✓
Office of the Under Secretary of Defense (Intelligence)	✓			
• Defense Intelligence Agency	✓	✓	✓	✓
• Defense Security Service	✓	✓	✓	✓
• National Geospatial-Intelligence Agency	✓	✓	✓	✓
• National Reconnaissance Office	✓	✓	✓	✓
• National Security Agency	✓	✓	✓	✓
Office of the Under Secretary of Defense (Personnel & Readiness)	✓			
• Military Retirement Fund	✓	✓	✓	✓



Component	Operational <sup>2</sup>	ICOFR <sup>1</sup>	ICOFS <sup>1</sup>	Coordinate through PSA
• Defense Commissary Agency	✓	✓	✓	✓
• DoD Education Activity	✓	✓	✓	✓
• DoD Human Resources Activity	✓			✓
• Defense Health Affairs	✓			✓
• Service Medical Activity (SMA)	✓	✓	✓	✓
• Defense Health Agency	✓	✓	✓	✓
Office of the Under Secretary of Defense (Policy)	✓			
• Defense Asian and Pacific Security Affairs	✓			✓
• Defense Global Strategic Affairs	✓			✓
• Defense Homeland Defense and Americas Security Affairs	✓			✓
• Defense International Security Affairs	✓			✓
• Defense POW/Missing Personnel Office	✓			✓
• Defense Security Cooperation Agency	✓	✓	✓	✓
• Defense Special Operations and Low- Intensity Conflict	✓			✓
• Defense Strategy Plans and Forces	✓			✓
• Defense Technology Security Administration	✓			✓
Office of the Deputy Chief Management Officer	✓			
Office of the Assistant Secretary of Defense for Legislative Affairs	✓			
Office of the Assistant Secretary of Defense for Public Affairs	✓			
• Defense Media Activity	✓			✓
Office of the Chief Information Officer	✓			
• Defense Information Systems Agency	✓	✓	✓	✓
DoD Office of the General Counsel	✓			
• Defense Legal Services Agency	✓			✓
Operational Test and Evaluation	✓			
Cost Assessment and Program Evaluation (CAPE)	✓			
DoD Office of Inspector General	✓	✓	✓	
Office of the Assistant to the Secretary of Defense for Intelligence Oversight	✓			
Office of the Director of Administration and Management	✓			
• Pentagon Force Protection Agency	✓			✓
• Washington Headquarters Services	✓	✓	✓	✓
Office of Net Assessment	✓			
Joint Improvised Explosive Device Defeat Organization (JIEDDO)	✓	✓	✓	

<sup>1</sup> Assert as of June 30

<sup>2</sup> Assert as of September 30

<sup>3</sup> USACE will provide a copy of its Annual Statement of Assurances to the Army

<sup>4</sup> USMC will provide a copy of its Annual Statement of Assurances to the Navy

<sup>5</sup> Combatant Commands will provide a copy of the Annual Statement of Assurance submission to the Joint Staff

## Appendix 2

### Sample Format of the Statement of Assurance

#### Contents

- Cover Letter Template: Signed Statement of Assurance
- TAB A-1: Description of Concept of Reasonable Assurance and How the Evaluation was Conducted (How the MICP Program was evaluated during FY 20xx)
- TAB A-2: Significant MICP Accomplishments (Most significant MICP accomplishments achieved during FY 20xx)
- TAB B-1: Operational Material Weaknesses
- TAB B-2: Operational Corrective Action Plans and Milestones
- TAB C: Financial Reporting/Financial Management System Material Weaknesses/Corrective Actions
- TAB D: DoD Assessment of Internal Controls over Acquisition Functions

***Note:** Component may eliminate Tabs B-D from the submission, if not applicable. For each tab determined not applicable, explain the reason for exception in TAB A-1.*

## **SAMPLE STATEMENT OF ASSURANCE**

### MEMORANDUM FOR THE SECRETARY OF DEFENSE

SUBJECT: Annual Statement Required Under the Federal Managers' Financial Integrity Act  
for Fiscal Year 20xx

1. As *(enter Title of Head of Component here)* of the *(Component name here)*, I recognize that the *(Component name here)* is responsible for establishing and maintaining effective internal controls to meet the objectives of the Federal Managers' Financial Integrity Act (FMFIA). Tab A provides specific information on how the *(Component name here)* conducted the assessment of operational internal controls, in accordance with OMB Circular A-123, *Management's Responsibility for Internal Control*, and provides a summary of the significant accomplishments and actions taken to improve the *(Component name here)* internal controls during the past year.

2. *[Required for those Components listed in Appendix 1 that must provide an SOA related to operations.]* I am able to provide *[the statement must take one of three forms: (1) "an unqualified statement of assurance" (no material weaknesses noted); (2) "a qualified statement of assurance" (one or more material weaknesses noted); or (3) "no assurance" (processes not in place or pervasive nonconformance)]* that operational internal controls of the *(Component name here)* meet the objectives of FMFIA *[only use the following language in the case of a qualified statement of assurance: "with the exception of (#) unresolved material weaknesses described in Tab B-1"]*. *[Only use the following language in the case of a qualified statement of assurance or no assurance: "These weaknesses were found in the internal controls over the effectiveness and efficiency of operations and compliance with applicable laws and regulations, as of the date of this memorandum."]* *[Only use the following language in the case of a qualified statement of assurance: "Other than these material weaknesses, the internal controls were operating effectively."]*

3. *[Required for those Components listed in Appendix 1 that must provide an SOA related to financial reporting.]* The *(Component name here)* conducted its assessment of the effectiveness of internal controls over financial reporting in accordance with OMB Circular A-123, Appendix A, *Internal Control Over Financial Reporting*. Tab A-1 provides specific information on how the *(Component name here)* conducted this assessment. Based on the results of this assessment, the *(Component name here)* is able to provide: *[the statement must take one of three forms: (1) "an unqualified statement of assurance" (no material weakness is being reported); (2) "a qualified statement of assurance" (one or more material weaknesses being reported); or (3) "no assurance" (processes not in place to assess all controls or pervasive material weaknesses)]* that the internal controls over financial reporting as of June 30, 20xx, were operating effectively *[if qualified "with the exception of (number) material weakness(es) noted in Tab C"]*.

4. *[Required for those Components listed in Appendix 1 that must provide an SOA related to integrated financial management system (IFMS) controls.]* The *(Component name here)* also conducted an internal review of the effectiveness of the internal controls over the integrated financial management systems. Tab A-1 provides specific information on how the *(Component*

*name here*) conducted this assessment. Based on the results of this assessment, the (*Component name here*) is able to provide: *[the statement must take one of three forms: (1)“an unqualified statement of assurance” (no nonconformance is being reported); (2)“a qualified statement of assurance” (one or more nonconformances being reported); or (3)“no assurance” (processes not in place to assess all controls or pervasive nonconformance)] that the internal controls over the integrated financial management systems as of June 30, 20xx, are in compliance with the Federal Financial Management Improvement Act and OMB Circular A-123 Appendix D [if qualified “with the exception of (number) nonconformance(es) noted in Tab C”].*

Signed by Component Head or Principal Deputy

## TAB A-1

### DESCRIPTION OF THE CONCEPT OF REASONABLE ASSURANCE AND HOW THE EVALUATION WAS CONDUCTED

The *(Component name here)* mission is to *(Expand on Component mission here)*.  
*(Component name here)* is comprised of the following organizations:

- *List all Component Organizations (Headquarters, J1, J2.....).*

*(Component name here)*'s senior management evaluated the system of internal controls in effect during the fiscal year as of the date of this memorandum, according to the guidance in Office of Management and Budget (OMB) Circular No. A-123, "Management's Responsibility for Internal Control," December 21, 2004. The OMB guidelines were issued in conjunction with the Comptroller General of the United States, as required by the "Federal Managers' Financial Integrity Act of 1982." Included is our evaluation of whether the system of internal controls for *(Component name here)* is in compliance with standards prescribed by the Comptroller General.

The objectives of the system of internal controls of *(Component name here)* are to provide reasonable assurance of:

- Effectiveness and efficiency of operations,
- Reliability of financial reporting,
- Compliance with applicable laws and regulations; and
- Financial information systems are compliant with the Federal Financial Management Improvement Act (FFMIA) of 1996 (Public Law 104-208).

The evaluation of internal controls extends to every responsibility and activity undertaken by *(Component name here)* and applies to program, administrative, and operational controls. Furthermore, the concept of reasonable assurance recognizes that (1) the cost of internal controls should not exceed the benefits expected to be derived, and (2) the benefits include reducing the risk associated with failing to achieve the stated objectives. Moreover, errors or irregularities may occur and not be detected because of inherent limitations in any system of internal controls, including those limitations resulting from resource constraints, congressional restrictions, and other factors. Finally, projection of any system evaluation to future periods is subject to the risk that procedures may be inadequate because of changes in conditions, or that the degree of compliance with procedures may deteriorate. Therefore, this statement of reasonable assurance is provided within the limits of the preceding description.

*(Component name here)* evaluated the system of internal controls in accordance with the guidelines identified above. The results indicate that the system of internal controls of *(Component name here)*, in effect as of the date of this memorandum, taken as a whole, complies with the requirement to provide reasonable assurance that the above mentioned

objectives were achieved. This position on reasonable assurance is within the limits described in the preceding paragraph.

Using the following process, (*Component name here*) evaluated its system of internal controls and maintains sufficient documentation/audit trail to support its evaluation and level of assurance.

- a. Management Control Testing: Discuss the Component's approach to testing the system of internal controls. The approach generally includes:
  - i) *Identifying key controls to be tested based on a detailed risk assessment;*
  - ii) *Developing the test plan (consider the nature, extent (including sampling technique) and timing of the execution of the controls tests;*
  - iii) *Selecting the test method (inquiry, observation, inspection, or re-performance);*
  - iv) *Selecting the sample size, sampling technique, and acceptable number of tolerable misstatements;*
  - v) *Executing testing of automated versus manual controls;*
  - vi) *Summarizing and analyzing test results.*
- b. Office of the Inspector General, DoD (DoD IG); DoD Audit Agency (e.g. Naval Audit Service); GAO; or Component IG findings. ***Please note that all reportable Antideficiency Act (ADA) violations are considered material. In the table below, please report the findings that were deemed Material Weaknesses:***

<u>Dates of Reports</u>	<u>Description of Findings</u>	<u>Assessable Unit (AU)<sup>1</sup></u>	<u>Inspection Entity</u>

- c. Components must evaluate the processing of ADA violations reported to the President through the Director of the Office of Management and Budget, Congress, and the Comptroller General of the United States. The following information must be included for all reportable ADA violations:
  - i) ***Case Number.***
  - ii) ***Amount of violation.***
  - iii) ***Appropriation and Treasury Appropriation Symbol.***
  - iv) ***Type of violation and United States Code section.***
  - v) ***Audit report title, number, date, and agency (if identified by an audit).***
  - vi) ***Status of planned and completed corrective actions as a result of the ADA violation. The status of corrective actions is required to be reported until the corrective action is complete and reported as such.***

<sup>1</sup>. Any organizational, functional, programmatic or other applicable subdivision capable of being evaluated by management control assessment procedures. An assessable unit should be a subdivision of an organization, or functional area that ensures a reasonable span of management control to allow for adequate analysis. Assessable units usually have specific management controls that are applicable to their responsibilities.

ADA violations occurring after the SOA reporting date must be reported in the following fiscal year's SOA. If a Component has neither ADA violations nor incomplete corrective actions resulting from a prior year ADA violation to report, please provide the following statement: "The (Component name) had no ADA violations for FY 2014 and no incomplete corrective actions from a prior year ADA violation to report."

## TAB A-2

### SIGNIFICANT MICP ACCOMPLISHMENTS

#### **Most significant MICP accomplishments achieved during FY 20xx**

Significant accomplishments [in improving internal controls over operations \(ICONO\)](#) may be reported in the Management's Discussion and Analysis section of the Department's Agency Financial Report. Highlight areas where your organization became more effective or efficient in operations, improved fiscal stewardship, or complied with applicable laws and regulations. Provide details on accomplishments achieved in the execution of the MICP since you issued the previous SOA. Each significant accomplishment must be identified with one of the internal control categories identified in Enclosure 5, DoDI 5010.40.

#### **Internal Control Reporting Category:**

#### **Description of the Issue:**

#### **Accomplishment:**



## TAB B -1

### OPERATIONAL MATERIAL WEAKNESSES

Components that are required to report on the effectiveness of operational controls are indicated in Appendix 1) and which identified material weaknesses will submit TAB B-1 in the following template format.

#### Operational Material Weakness(es) Reporting Template

##### Uncorrected Material Weaknesses Identified During the Period:

<b>Internal Control Reporting Category</b>	<b>Description of Material Weakness</b>	<b>Targeted Correction Year</b>	<b>Page #</b>
(a)	(b)	(c)	(d)

##### Uncorrected Material Weaknesses Identified During Prior Periods:

<b>Internal Control Reporting Category</b>	<b>Description of Material Weakness</b>	<b>First Year Reported</b>	<b>Targeted Correction Year</b>	<b>Page #</b>
(a)	(b)	(e)	(c)	(d)

##### Material Weaknesses Corrected During the Period:

<b>Internal Control Reporting Category</b>	<b>Description of Material Weakness</b>	<b>First Year Reported</b>	<b>Page #</b>
(a)	(b)	(e)	(d)

#### NOTES:

- Internal Control Reporting Category: Defined in Enclosure 5, DoDI 5010.40.
- Description of Material Weakness: Provide a brief description, approximately 50-75 words in length, of the overall weakness and its impact to the organization.
- Targeted Correction Year: Expected date of resolution. If this date has changed for prior period material weaknesses, provide a brief explanation as to why the date changed in the 'Detailed Corrective Action Plan' section in Tab B-2.
- Page #: The first page number of the corrective action plan and milestones (Tab B-2).
- First Year Reported: The fiscal year in which this material weakness was first reported in your SOA. This date will not change once the weakness has been identified.

## TAB B-2

### OPERATIONAL CORRECTIVE ACTION PLANS AND MILESTONES

Components with material operational weaknesses will submit TAB B-2 (required template format below) as Components must maintain a more detailed corrective action plan in order to properly oversee the status. These corrective action plans will be reviewed during quarterly senior leader updates and are intended for the Components' use in tracking and reporting updates.

#### Detail of Uncorrected and Corrected Material Weaknesses, Corrective Action Plans and Milestones Template

#### Detail of Uncorrected and/or Corrected Material Weaknesses and Corrective Action Plans

**Internal Control Reporting Category:** *(Note a, below)*

**Targeted Correction Date:** *(Note b, below)*

**Description of Material Weakness:** *(Note c, below)*

**Detailed Corrective Action Plan:** Provide a detailed corrective action plan (including milestones) for each material weakness identified (example below). Describe the steps necessary to correct the deficiency. Explain how your organization will validate that the deficiency no longer exists and validate actions taken. The validation may either be a documented independent audit review or the accomplishment of a pre-established reported metric. Also, if the targeted correction date changes for prior period material weaknesses, provide a brief explanation as to why the date changed.

<i>4<sup>th</sup> Qtr, FY 20xx</i>	<i>Review policies to support standardizing data and processes established across the Command.</i>
<i>1<sup>st</sup> Qtr, FY 20xx</i>	<i>Identify two programs for implementation of revised processes and begin tracking compliance and use.</i>
<i>2<sup>nd</sup> Qtr, FY 20xx</i>	<i>Develop and deploy a formal training program.</i>
<i>3<sup>rd</sup> Qtr, FY 20xx</i>	<i>Training curriculum developed and deployed.</i>
<i>3<sup>rd</sup> Qtr, FY 20xx</i>	<i>Surveillance/oversight in place to support annual report of compliance to the expected standard.</i>
<i>4<sup>th</sup> Qtr, FY 20xx</i>	<i>Implement recommended changes for centralization of the process ownership and consistent support for programs.</i>
<i>4<sup>th</sup> Qtr, FY 20xx</i>	<i>Implement recommended changes for staffing levels and oversight of processes.</i>
<i>4<sup>th</sup> Qtr, FY 20xx</i>	<i>Implement recommended changes to address shipbuilding program office capability and support.</i>
<i>4<sup>th</sup> Qtr, FY 20xx</i>	<i>Policy compliance meets target level.</i>
<i>4<sup>th</sup> Qtr, FY 20xx</i>	<i>Validate corrective action plan effectiveness by testing shipbuilding program office compliance with the program changes.</i>

NOTES:

- a. Internal Control Reporting Category: Defined in Enclosure 5, DoDI 5010.40.
- b. Targeted Correction Date: Expected date of resolution. If this date changes for prior period material weaknesses, provide a brief explanation as to why the date changed in the 'Detailed Corrective Action Plan' section.
- c. Description of Material Weakness: Provide a brief description, approximately 50 – 75 words in length, of the overall weakness and the impact to the organization.

## TAB C

### FINANCIAL REPORTING/FINANCIAL MANAGEMENT SYSTEMS MATERIAL WEAKNESSES/ CORRECTIVE ACTIONS

Components required to report on the effectiveness of internal controls over financial reporting (ICOFR) and/or internal controls over financial systems controls (ICOFS) are identified in Appendix 1. Reported material weaknesses must be submitted in TAB C using the following template format, [with detailed corrective action plans \(CAPs\) incorporated in the respective Financial Improvement Plans \(FIPs\)](#). The assessment of [ICOFR](#) and [ICOFS](#) should follow the requirements detailed in the current Financial Improvement and Audit Readiness (FIAR) Guidance. **Note:** [Components that report a material weakness in an area identified with an OSD Senior Accountable Official \(SAO\) must e-mail a copy of their statement of assurance \(SOA\) submission to the OSD SAO's point of contact \(refer to Appendix 3\).](#)

This section presents the internal control weakness information submitted in the current fiscal year.

#### Financial Reporting/Financial System Material Weakness(es) Template

##### Uncorrected Material Weaknesses Identified During the Period:

Internal Control Reporting Category	Description of Material Weakness	Targeted Correction Year	Corrective Action Summary
(a)	(b)	(c)	(f)

##### Uncorrected Material Weaknesses Identified During Prior Periods:

Internal Control Reporting Category	Description of Material Weakness	First Year Reported	Targeted Correction Year	Original Target Date	Corrective Action Summary
(a)	(b)	(e)	(c)	(d)	(f)

##### Material Weaknesses Corrected During the Period:

Internal Control Reporting Category	Description of Material Weakness	First Year Reported	Original Target Date	Corrective Action Summary
(a)	(b)	(e)	(d)	(f)

#### NOTES:

- a. Internal Control Reporting Category: Defined in Enclosure 5, DoDI 5010.40.
- b. Description of Material Weakness: Provide a brief description, approximately 50-75 words in length, of the overall weakness and the impact to the organization.
- c. Targeted Correction Year: Expected date of resolution. If this date changes, provide a brief explanation in the Corrective Action Summary cell as to why this date changed.
- d. Original Target Date: The date originally targeted for resolution of the material weakness.

- e. First Year Reported: The fiscal year in which this material weakness was first reported in your SOA. This date will not change once the weakness has been identified.
- f. Corrective Action Summary: Provide a brief corrective action summary, approximately 50 – 75 words in length, for each material weakness identified, as well as a brief explanation if the expected date of resolution has changed. Briefly describe the steps necessary to correct the deficiency. Explain how your organization will validate that the deficiency no longer exists. The validation may either be a documented independent audit review or the accomplishment of a pre-established reported metric.

## TAB D

### DOD ASSESSMENT OF INTERNAL CONTROL OVER ACQUISITION FUNCTIONS DoD Assessment of Internal Control over Acquisition Functions Template

Components are required to summarize the results of its assessment of the Acquisition Functions. The assessment includes:

- i) Completing the DoD Assessment of Internal Control over Acquisition Functions Template (TAB D) to evaluate acquisition functions;
- ii) Determining if there are any new deficiencies or material weaknesses and developing corrective action plans. (Material weaknesses will be reported in TAB B);
- iii) Explaining how the DoD Template was used to determine deficiencies and weaknesses; and
- iv) Summarizing the results.

Components required to submit TAB D (if not submitted previously, or if anything reported previously has changed) should see the template below for the required format.

**Note:** Components that submit Tab D should also provide a copy of their entire Statement of Assurance to the OSD (AT&L) MICP Coordinator at the following email address:

[ATL\\_MICP@osd.mil](mailto:ATL_MICP@osd.mil)

<b>Cornerstones<sup>i</sup></b>	<b>Control Environment</b>  (What are the standards or objectives that set the tone or provide the discipline and structure?)	<b>Risk Assessment</b>  (What are the relevant risks to properly implementing the standards or objectives?)	<b>Control Activities</b>  (What are the policies and procedures that help ensure the necessary actions are taken to address risks?)	<b>Monitoring</b>  (What monitoring activities or separate evaluations are in place to assess performance over time?)
<b>Organizational Alignment and Leadership</b> <ul style="list-style-type: none"> <li>▪ Aligning Acquisition with Agency Mission and Needs</li> <li>▪ Commitment from Leadership</li> </ul>				
<b>Policies and Processes</b> <ul style="list-style-type: none"> <li>▪ Planning Strategically</li> <li>▪ Effectively Managing the Acquisition Process</li> <li>▪ Promoting Successful Outcomes of Major Projects</li> </ul>				

<b>Cornerstones<sup>i</sup></b>	<b>Control Environment</b>  (What are the standards or objectives that set the tone or provide the discipline and structure?)	<b>Risk Assessment</b>  (What are the relevant risks to properly implementing the standards or objectives?)	<b>Control Activities</b>  (What are the policies and procedures that help ensure the necessary actions are taken to address risks?)	<b>Monitoring</b>  (What monitoring activities or separate evaluations are in place to assess performance over time?)
<b>Human Capital</b> <ul style="list-style-type: none"> <li>▪ Valuing and Investing in the Acquisition Workforce</li> <li>▪ Strategic Human Capital Planning</li> <li>▪ Acquiring, Developing, and Retaining Talent</li> <li>▪ Creating Results-Oriented Organizational Cultures</li> </ul>				
<b>Information Management &amp; Stewardship</b> <ul style="list-style-type: none"> <li>▪ Identifying Data and Technology that Support Acquisition Management Decisions</li> <li>▪ Safeguarding the Integrity of Operations and Data</li> </ul>				

<sup>i</sup> Cornerstone descriptions as described in the U.S Government Accountability Office report, *Framework for Assessing the Acquisition Function at Federal Agencies*, September 2005:

**Organizational Alignment and Leadership:** Organizational alignment is the appropriate placement of the acquisition function in the agency, with stakeholders having clearly defined roles and responsibilities. There is no single, optimal way to organize an agency's acquisition function. Each agency must assess whether the current placement of its acquisition function is meeting its organizational needs. Committed leadership enables officials to make strategic decisions that achieve agency-wide acquisition outcomes more effectively and efficiently.

**Policies and Processes:** Implementing strategic decisions to achieve desired agency-wide outcomes requires clear and transparent policies and processes that are implemented consistently. Policies establish expectations about the management of the acquisition function. Processes are the means by which management functions will be performed and implemented in support of agency missions. Effective policies and processes govern the planning, award, administration, and oversight of acquisition efforts, with a focus on assuring that these efforts achieve intended results.

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**Human Capital:** The value of an organization and its ability to satisfy customers depends heavily on its people. Successfully acquiring goods and services and executing and monitoring contracts to help the agency meet its missions requires valuing and investing in the acquisition workforce. Agencies must think strategically about attracting, developing, and retaining talent, and creating a results-oriented culture within the acquisition workforce.

**Knowledge and Information Management:** Effective knowledge and information management provides credible, reliable, and timely data to make acquisition decisions. Each stakeholder in the acquisition process—program and acquisition personnel who decide which goods and services to buy; project managers who receive the goods and services from contractors; commodity managers who maintain supplier relationships; contract administrators who oversee compliance with the contracts; and the finance department, which pays for the goods and services—need meaningful data to perform their respective roles and responsibilities.



**Appendix 3**  
**OSD Senior Accountable Officials and Points of Contact**  
**Department-Level Material Weaknesses in Internal Control over Financial Reporting**

End-to-End Business Process	Material Weakness	OSD Senior Accountable Official (SAO)	E-mail electronic copy of SOA to:
Budget-to-Report	Fund Balance with Treasury	Mr. Mark Easton	Mr. Steve Silverstein, at <a href="mailto:robert.S.Silverstein.civ@mail.mil">robert.S.Silverstein.civ@mail.mil</a>
	Financial Reporting Compilation		
	Financial Reporting of Intragovernmental Eliminations		
Hire-to-Retire	Health Care Liabilities	Mr. Robert Moss	Mr. Robert Moss, at <a href="mailto:robert.moss@dha.mil">robert.moss@dha.mil</a>
	Civilian Pay	Ms. Virginia S. Penrod	Ms. Carrie McVicker, at <a href="mailto:carrie.a.mcvicker.civ@mail.mil">carrie.a.mcvicker.civ@mail.mil</a>
	Military Pay		
Order-to-Cash	Accounts Receivable	Mr. Mark Easton	Mr. Steve Silverstein, at <a href="mailto:robert.S.Silverstein.civ@mail.mil">robert.S.Silverstein.civ@mail.mil</a>
	Reimbursable Work Orders - Performer		
Procure-to-Pay	Contracts	Mr. Richard Ginman	Mr. Dennis Idol, at <a href="mailto:dennis.w.idol2.civ@mail.mil">dennis.w.idol2.civ@mail.mil</a>
	Reimbursable Work Orders - Grantor		
	Transportation of People	Ms. Virginia S. Penrod	Ms. Carrie McVicker, at <a href="mailto:carrie.a.mcvicker.civ@mail.mil">carrie.a.mcvicker.civ@mail.mil</a>
Acquire-to-Retire	Equipment Assets	Dr. Nancy Spruill	Mr. Steve Tkac, at <a href="mailto:stephen.h.tkac.civ@mail.mil">stephen.h.tkac.civ@mail.mil</a>
	General Purpose Equipment		
	Real Property Assets	Mr. John Conger	Mr. Robert Coffman, at <a href="mailto:robert.a.coffman10.civ@mail.mil">robert.a.coffman10.civ@mail.mil</a>
	Environmental Liabilities		Ms. Patricia Huheey, at <a href="mailto:patricia.e.huheey.civ@mail.mil">patricia.e.huheey.civ@mail.mil</a>
Plan-to-Stock	Inventory	Mr. Paul Peters	Mr. Michael Arnold, at <a href="mailto:michael.j.arnold11.ctr@mail.mil">michael.j.arnold11.ctr@mail.mil</a>
	MILSTRIP Orders		
	Operating Materials & Supplies		