



COMPTROLLER

OFFICE OF THE UNDER SECRETARY OF DEFENSE  
1100 DEFENSE PENTAGON  
WASHINGTON, DC 20301-1100

AUG 2 1999

MEMORANDUM FOR INTERNAL MANAGEMENT CONTROL FOCAL POINTS

SUBJECT: Fiscal Year 1999 Annual Statement of Assurance Guidance

This memorandum will serve as a reminder that an Annual Statement of Assurance, signed by the Head of each DoD Component or the principal deputy, must be submitted to the Secretary of Defense by November 15 of every year, covering the prior fiscal year. This is a standing requirement of DoD Instruction 5010.40, "Management Control Program Procedures." A separate memorandum issued by the Under Secretary of Defense (Comptroller) will provide this reminder to the Heads of the DoD Components in the August/September timeframe.

Attached are the fiscal year (FY) 1999 Annual Statement of Assurance preparation guidelines. No further revisions from the Office of Management and Budget in the format of the annual statement are anticipated. When formatting your annual statement, the DoD FY 1998 Annual Statement of Assurance, Volume II, also can be used as a guide.

DoD Components continue to be required to provide their annual statements in both hard (paper) copy and electronically (disk or electronic mail). If your statement is longer than 15 pages, submission is requested on disk rather than through electronic mail. The submitted data should be subdivided, i.e., submitted by statement tab rather than as a continuous document.

A copy of the DoD FY 1998 Annual Statement of Assurance may be viewed and downloaded from the OUSD(Comptroller) web site at [www.dtic.mil/comptroller/fmfia.html](http://www.dtic.mil/comptroller/fmfia.html). A copy of the attached guidelines may also be found at this web site.

Updated narratives for the DoD systemic weaknesses will be provided once they are received by this office. For more information, please contact Ron Massengill by e-mail [massengr@osd.pentagon.mil](mailto:massengr@osd.pentagon.mil) or at (703)-695-6365.

*Cynthia K. Bogner*

Cynthia K. Bogner  
Director for Management Improvement

Attachment

**GUIDELINES**

**FOR PREPARATION OF THE**

**FEDERAL MANAGERS' FINANCIAL INTEGRITY ACT**

**ANNUAL STATEMENT OF ASSURANCE**

**FY 1999**

July 20, 1999

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## ANNUAL STATEMENT OF ASSURANCE REQUIREMENTS

Per DoD Directive 5010.38, "Management Control Program," August 26, 1996 and DoD Instruction 5010.40, "Management Control Program Procedures," August 28, 1996, the Head of each DoD Component shall provide **to the Secretary of Defense**, by November 15 of each year, a statement of assurance based on a general assessment of the effectiveness of their management controls. This statement shall also include material weaknesses and the plan to correct them. **The statement must be signed by the Head of the DoD Component or the principal deputy.**

The list DoD Components required to submit Annual Statements of Assurance is on page 5.

The Annual Statement submission shall consist of the following:

- A cover memorandum **addressed to the Secretary of Defense, signed by the Head of the DoD Component or the principal deputy**, providing the assessment by the Component's senior management as to whether there is reasonable assurance that the Component's management controls are in place and operating effectively. Under OMB Circular A-123, Management Accountability and Control," June 21, 1995, this statement of assurance must take one of the following three forms (see sample memorandum on page 6):
- An unqualified statement of assurance (reasonable assurance). Each unqualified statement must have a firm basis for that position, which will be summarized in the cover memorandum. A more extensive explanation of that position must be clearly articulated in the body of the statement.
- A qualified statement of assurance (reasonable assurance with the exception of material weaknesses noted). The material weaknesses in management controls that preclude an unqualified statement should be cited in the cover memorandum.
- A negative statement (no reasonable assurance). The basis for this position should be summarized in the cover memorandum.
- TAB A: A description of how the DoD Component evaluation was conducted and a statement, based on that evaluation, on the reasonable assurance achieved (see sample on page 7).
- TAB B-1: A listing of the titles of all uncorrected and corrected material weaknesses as of the conclusion of FY 1999 along with projected correction dates (for uncorrected weaknesses) and actual correction dates (for corrected weaknesses). See page 11 for more specific guidance.
- TAB B-2: Narrative descriptions of uncorrected material weaknesses (to include current year and updates of prior years disclosures). These narratives will include the specific plans and schedules for corrective action. Since the corrective actions may be in development, it is acceptable for the narratives to reflect the current perceptions of the Component's senior management. However, the updated material weakness narratives for prior years must explain the reasons for changes to corrective milestones and dates. See page 12 for more specific guidance.
- TAB B-3: Narrative descriptions of material weaknesses corrected in the current year, including specific actions taken to correct the weakness. This section will include material weaknesses from both current and prior years. Each corrected material weakness will include, as the last milestone, a validation milestone which describes how the corrective

action was evaluated and how its effectiveness was certified. See page 15 for more specific guidance.

- TAB C: Pursuant to Section 4, FMFIA, the status of finance, accounting and critical feeder systems conformance to the requirements prescribed by OMB Circular A-127-Revised will be reported in the FY 1999 edition of the DoD Financial Management Improvement Plan (FMIP). See page 16 for more specific guidance.
- Other disclosures or special presentations, including significant management control accomplishments, that may arise from time-to-time due to specific requests or inquiries. In a March 15, 1999 memorandum signed by the Senior Civilian Official, Office of the Assistant Secretary of Defense (Command, Control, Communications and Intelligence) (OASD(C3I)), the DoD Components were directed to treat computer software piracy as a special emphasis area under your Management Control Programs. In addition to the submission of any material weaknesses resulting from your computer software piracy assessments, Components are requested to summarize their assessments in Tab A of their annual statements. A copy of the March 15 memorandum is included as appendix I of this guidance and it can also be accessed at <http://www.c3i.osd.mil/org/cio/index.html> on the OASD(C3I) web page.
- The requirement that Component annual statements be provided both in hard copy and electronically (disc or electronic mail) continues. The electronic version of the Component statements should be subdivided and submitted by statement tab rather than as one continuous document. The electronic version and 30 hard copies of each Component's Annual Statement are required by November 15, 1999. The mailing address is:

Office of the Under Secretary of Defense (Comptroller)  
Directorate for Management Improvement  
1100 Defense Pentagon  
Washington, DC 20301-1100

- Components are reminded that the original, hard copy signed Annual Statements must be provided to the Secretary of Defense. The statement must be signed by the Head of the DoD Component or the principal deputy. The mailing address is:

Honorable William S. Cohen  
Secretary of Defense  
1000 Defense Pentagon  
Washington, DC 20301-1000

- Information copies of the Annual Statements from the Unified Commands should be furnished to the Chairman of the Joint Chiefs of Staff. The mailing address is:

General Henry R. Shelton, USA  
Chairman of the Joint Chiefs of Staff  
9999 Joint Staff Pentagon  
Washington, DC 20318-9999

## **DoD Components Required to Submit FY 1999 Annual Statements of Assurance**

Office of the Secretary of Defense  
Department of the Army  
Department of the Navy  
Department of the Air Force  
Defense Advanced Research Projects Agency  
Defense Information Systems Agency  
Defense Commissary Agency  
Defense Contract Audit Agency  
Defense Finance and Accounting Service  
Defense Intelligence Agency  
Defense Security Service  
Defense Logistics Agency  
Defense Security Cooperation Agency  
Defense Threat Reduction Agency (OSIA and DSWA consolidated)  
Inspector General, DoD  
Joint Staff  
National Imagery and Mapping Agency  
National Reconnaissance Office  
National Security Agency  
Ballistic Missile Defense Organization  
Uniformed Service University of the Health Services  
US Atlantic Command  
US Central Command  
US European Command  
US Pacific Command  
US Southern Command  
US Space Command  
US Special Operations Command  
US Strategic Command  
US Transportation Command

## **SAMPLE (COVER LETTER FOR) ANNUAL STATEMENT OF ASSURANCE**

MEMORANDUM FOR THE SECRETARY OF DEFENSE (**The cover memorandum must be addressed to the Secretary of Defense**)

SUBJECT: Annual Statement Required under the Federal Managers' Financial Integrity Act (FMFIA) of 1982

As **(title)** of the **(name of Component)**, I recognize the importance of management controls. I have taken the necessary measures to ensure that the evaluation of the system of management control of the **(name of Component)** has been conducted in a conscientious and thorough manner. The results indicate that the **(name of Component)** system of internal accounting and administrative control in effect during the fiscal year that ended September 30, **19xx (current FY)**, taken as a whole, **[the statement must take one of three forms: "provides reasonable assurance" (unqualified statement); "provides reasonable assurance with the exception of the material weaknesses noted" (qualified statement); "does not provide reasonable assurance" (negative statement)]** that management controls are in place and operating effectively. Furthermore, the objectives of the FMFIA were **(achieved or not achieved)** within the limits described in Tab A. Tab A also provides information on how the evaluation was conducted and cites any deficiencies in the process.

**The following paragraph will be included if material weaknesses were identified, either in the current fiscal year or past fiscal years:**

The evaluation did identify material weaknesses. Tab B-1 provides a list of material weaknesses which still require corrective action. Tab B-2 provides an individual narrative for each material weakness listed at Tab B-1. **(Include the previous two sentences if your Component has uncorrected material weaknesses)** Tab B-3 provides an individual narrative for each material weakness corrected during the period. **(Include the previous sentence if your Component corrected any material weaknesses during the past fiscal year)**

**The following paragraph will be included if your Component has critical feeder systems and finance and accounting systems in the Financial Management Systems inventory (as identified in the FY 1999 Financial Management Improvement Plan):**

An inventory of the **(name of Component)** critical feeder systems and finance and accounting systems and details on whether the systems conform to the requirements of Office of Management and Budget (OMB) Circular A-127-Revised is incorporated in the FY 1999 edition of the DoD Financial Management Improvement Plan.

**The following paragraph will be included if the preceding paragraph does not apply to your Component:**

The report on critical feeder systems or finance and accounting systems conformance to the requirements of OMB Circular A-127-Revised is not applicable to **(Name of Component)**.

**(Signature of Component Head or Principal Deputy)**

**DESCRIPTION OF THE CONCEPT OF REASONABLE ASSURANCE**  
**AND HOW THE EVALUATION WAS CONDUCTED**  
**Tab A**

This section describes the concept of reasonable assurance and the evaluation process used. The concept of reasonable assurance should be described as follows:

The system of internal accounting and administrative control, of the **(name of Component)**, in effect during the fiscal year ending September 30, 1999, was evaluated in accordance with the guidance provided by Office of Management and Budget Circular No. A-123 (Revised), Management Accountability and Control," June 21, 1995, as implemented by DoD Directive 5010.38, "Management Control Program," August 26, 1996 and DoD Instruction 5010.40, "Management Control Program Procedures," August 28, 1996. The Office of Management and Budget guidelines were issued by the Director of the Office of Management and Budget, in consultation with the Comptroller General, as required by the Federal Managers' Financial Integrity Act of 1982. Included is an evaluation of whether the system of internal accounting and administrative control of the **(name of Component)** is in compliance with standards prescribed by the Comptroller General. **(If a self-evaluation of the system of internal accounting and administrative control was not conducted, or the evaluation was insufficient when compared to the Guidelines, so indicate and provide an explanation).**

The objectives of the system of internal accounting and administrative control of the (name of Component) are to provide reasonable assurance that:

- obligations and costs are in compliance with applicable laws;
- funds, property, and other assets are safeguarded against waste, loss, unauthorized use, or misappropriation; and
- revenues and expenditures applicable to agency operations are properly recorded and accounted for to permit the preparation of reliable accounting, financial and statistical reports and to maintain accountability over the assets.

The evaluation of management controls extends to every responsibility and activity undertaken by (name of Component) and is applicable to financial, administrative and operational controls. Furthermore, the concept of reasonable assurance recognizes that the cost of management control should not exceed the benefits expected to be derived, and that the benefits consist of reductions in the risks of failing to achieve the stated objectives. The expected benefits and related costs of control procedures should be addressed using estimates and managerial judgment. Moreover, errors or irregularities may occur and not be detected because of inherent limitations in any system of internal accounting and administrative control, including those limitations resulting from resource constraints, congressional restrictions, and other factors. Finally, projection of any evaluation of the system to future periods is subject to risk that procedures may be inadequate because of changes in conditions, or that the degree of compliance with procedures may deteriorate. Therefore, statements of reasonable assurance are provided within the limits of the preceding description.

The evaluation was performed in accordance with the guidelines identified above. The results indicate that the system of internal accounting and administrative control of the (name of Component) in effect during the fiscal year that ended September 30, 1999, taken as a whole, (complies/does not comply) 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.

The description of how the evaluation was conducted should include the following:

- (1) the progress made in institutionalizing the program,
- (2) any improvements to program coverage,
- (3) description of the problems encountered in implementing the program,
- (4) other program considerations,
- (5) any deviations from the process as outlined in the OMB Guidelines,
- (6) any special concerns addressed in reports by the DoDIG, Component audit, investigation, inspection and/or internal review organizations regarding Management Control (MC) progress, program needs, and/or problems, and
- (7) methods, mechanisms, or techniques employed in the discovery or execution phases of the program. The following are examples of methods, mechanisms, or techniques:
  - A. MC Weakness Tracking System (number of weaknesses and milestones)
  - B. Component IG or Audit Findings
  - C. Component Inspections
  - D. DoDIG Reports and Reviews
  - E. MC Training
  - F. MC Performance Standards
  - G. GAO Reports and Reviews
  - H. Review of Office of the Secretary of Defense functional proponent (systemic weaknesses, etc.) proposals
  - I. Information Technology Initiatives
  - J. MC references in Directives, Regulations, and other guidance
  - K. Congressional Reviews and Hearings
  - L. Command or other Subordinate "Letters of Assurance"
  - M. Productivity Statistics
  - N. Internal Reviews
  - O. Defense Regional Interservice Support Studies

- P. 'Procurement', 'Command, Control, Communications and Intelligence,'  
Financial, 'Environmental' (or other functional area) Management Reviews
- Q. Quality Assurance Reviews
- R. "Hot Line" Reports

If your MC process employs any of the preceding items, or any other methods, mechanisms, or techniques, they should be described in the narrative for Tab A.

### **Office of the Secretary of Defense Systemic Weakness Disclosure**

In February, 1994, the Secretary of Defense issued guidance which, in part, directed Office of the Secretary of Defense (OSD) Functional Proponents, to identify and report "systemic" DoD material MC weaknesses. Narratives identifying OSD systemic weaknesses are provided to DoD Component focal points periodically. As a last disclosure in Tab A, all DoD Components will develop a section entitled "Systemic Weaknesses." Below the title of each OSD systemic weakness, list all the material weaknesses contained in your organization's current fiscal year Annual Statement of Assurance that are related to the systemic weaknesses. The Component Annual Statement page number of the related weaknesses should be shown immediately to the right of the title of each weakness.

## TAB B

### MATERIAL WEAKNESSES/CORRECTIVE ACTIONS

#### Tab B

This section presents management control weakness information in three subset tabs:

- A listing of the titles of all uncorrected and corrected material weaknesses as of the conclusion of the current period along with actual and projected correction dates (Tab B-1);
- Narratives for the uncorrected material weaknesses identified in the summary listing (Tab B-2); and,
- Narratives for all material weaknesses corrected during the current period (Tab B-3).

The three subset tabs are illustrated on the following pages.

**DoD Management Control Reporting Categories:** Material weaknesses, both uncorrected and corrected, should be grouped by the DoD functional category designations displayed below. Definitions of the categories may be found at Enclosure 4 of DoD Instruction 5010.40, “Management Control Program Procedures.”

- Research, Development, Test and Evaluation
- Major Systems Acquisition
- Procurement
- Contract Administration
- Force Readiness
- Manufacturing, Maintenance, and Repair
- Supply Operations
- Property Management
- Communications and/or Intelligence and/or Security
- Information Technology
- Personnel and/or Organization Management
- Comptroller and/or Resource Management
- Support Services
- Security Assistance
- Other (Primarily Transportation)

# TAB B-1

## LISTS OF UNCORRECTED AND CORRECTED MATERIAL WEAKNESSES

### Tab B-1

This section should be developed following the completion of Tab B-2 and Tab B-3 since it is a summary listing of Tab B-2 and Tab B-3 weakness titles and correction dates. The material weakness titles should be divided into three groupings:: Uncorrected Weaknesses Identified During the Period (the current fiscal year); Uncorrected Weaknesses Identified During Prior Periods; and Corrected Weaknesses Identified During All Periods.

**Uncorrected Weaknesses Identified During the Period:** (List by DoD category, in the order provided on page 10)

| <u>Title</u><br>(1) | <u>Targeted Correction Date</u><br>(4) | <u>Page #</u><br>(5) |
|---------------------|--|----------------------|
|---------------------|--|----------------------|

**Uncorrected Weaknesses Identified During Prior Periods:** (List by DoD category, in the order provided on page 10)

| <u>Title</u><br>(1) | <u>Year First Reported</u><br>(2) | <u>Correction FY Date</u>               |   | <u>Page #</u><br>(5) |
|---------------------|-----------------------------------|---|---|----------------------|
|                     |                                   | <u>Per Last Annual Statement</u><br>(3) | <u>Per This Annual Statement</u><br>(4) |                      |

**Corrected Weaknesses Identified During All Periods:** (List by DoD category, in the order provided on page 10)

| <u>Title</u><br>(1) | <u>Year First Reported</u><br>(2) | <u>Page #</u><br>(5) |
|---------------------|-----------------------------------|----------------------|
|---------------------|-----------------------------------|----------------------|

Notes:

1. Titles should be identical to those found on the material weakness narratives provided in Tab B-2 or B-3.
2. The fiscal year in which this weakness was first reported. List starting with the most recently reported material weakness, continuing to the oldest.
3. The fiscal year noted as the targeted date for correction of the material weakness in the Component's FY 1998 Annual Statement.
4. The fiscal year noted as the targeted date for correction of the material weakness in the Component's FY 1999 Annual Statement.
5. The page number is that of the first page of the material weakness narrative as found in Tab B-2 or B-3.

**UNCORRECTED MATERIAL WEAKNESSES**  
**STATUS OF CORRECTIVE ACTIONS**

**Tab B-2**

This enclosure should provide a narrative for each uncorrected material weakness identified by the Component for which corrective actions have not been completed, regardless of the year of first reporting. Each weakness should begin at the top of a new page. The narratives contained in Tab B-2 should be grouped into two subsections: “Uncorrected Weaknesses Identified During the Period” and “Uncorrected Weaknesses Identified During Prior Periods.”

For weaknesses appearing in the first subsection, " Uncorrected Weaknesses Identified During the Period," the appropriate response for items 5, 6 and 7 (below) is “N/A.” **The numbers and letters used below are only provided to assist in your comprehension of this guidance and should not appear in your Annual Statement. Only the headings (in bold type) should appear.**

Remember that acronyms must be spelled out the first time they are used in every material weakness narrative. This is necessary because narratives are reproduced directly from the "electronic" version of your statement. Other sections of Component statements are not used in the DoD statement. Each deviation from this guidance delays the completion of the DoD statement.

The narratives must follow the format below. Use the headings indicated below in bold type in the exact sequence. Do not exclude sections. If they are not applicable simply note "N/A" following the heading. **Do not include the numbers which appear before the headings below; they are provided to assist in your comprehension of this guidance.** Please note the indentation pattern of items 3 through 7, which are subheadings of “Pace of Corrective Action,”.

1. **Title and Description of Material Weakness:** If the weakness was reported in a prior year, indicate the OSD Tracking System weakness number parenthetically following the title.
2. **Functional Category:** Indicate one of the 15 functional categories provided on page 10 of this guidance.

**Pace of Corrective Action:**

3. **Year Identified:** Fiscal year of the Annual Statement in which the weakness was first reported by the Component.
4. **Original Targeted Correction Date:** Fiscal year of the targeted correction date as it was first reported by the Component in item 3 above.
5. **Targeted Correction Date in Last Year’s Report:** Fiscal year of the targeted correction date as it was reported in the Component’s FY 1998 Annual Statement.

6. **Current Target Date:** Fiscal year of targeted correction date per this reporting.
7. **Reason For Change in Date(s):** Reason for change in fiscal year if response to item 5 is different from item 6. Indicate "N/A" if item 5 and 6 are the same.
8. **Component/Appropriation/Account Number:** Identify the title of the DoD Component related appropriation(s) and account number. The amount of the appropriation is not required. When identifying the appropriation(s), nomenclature should be consistent with standard DoD designations, i.e., Operation and Maintenance, Army; Research, Development, Test and Evaluation, Navy; Aircraft Procurement, Air Force; Military Construction, Defense Agencies (DLA, et. al.), etc.
9. **Validation Process:** Briefly indicate the methodology that will be used to certify the effectiveness of the corrective action and the date that certification is projected to take place. Indicate the role the Inspector General, or the Component audit service can or should play in verification of the corrective action.
10. **Results Indicators:** Describe key results that have been or will be achieved in terms of performance measures. Performance measures are quantitative and/or qualitative measures that determine the benefits derived or will be derived from the corrective action and the overall impact of the correction on operations. If monetary benefits are determinable, that information should be provided here.
11. **Source(s) Identifying Weakness:** Use the following or other applicable sources: (a) Management Control Program Evaluation; (b) DoDIG; (c) Agency Audit Service; (d) GAO; (e) Component Internal Review Organization; (f) Component IG; (g) Other. When audit findings are the source of weakness identification, provide the name, number and date of the document in which the weakness was identified. If the weakness was identified by more than one source, list all identifying sources in order of significance. Please note that dates should be written civilian style (December 31, 19XX), not military style (31 December 19XX), without abbreviating the month.
12. **Major Milestones in Corrective Action:** A milestone chart indicating actions taken and those actions planned for the future. Milestones should be separated into three categories: (A) completed milestones, (B) milestones planned for FY 2000, and (C) milestones planned beyond FY 2000. Milestones should be listed in chronological order by milestone completion date with the terminal milestone listed last. The terminal milestone should be the final corrective action, and should either be or include the verification of the correction. For weaknesses reported in previous years, if a date for a milestone has changed it is **not** necessary to explain or note that information - simply indicate the updated date for each milestone. The letter C (for completed) should be used for accomplished milestones, rather than a date. All future milestones should reflect a specific date. Components should date milestones based on the fiscal year semiannual period in which the milestone will be accomplished. For example, all milestones completed in the first half of fiscal year 2000 should be dated 3/00 and all milestones occurring in the second half of fiscal year 2000 should be dated 9/00. The appropriate format is as follows:



## **TAB B-3**

### **MATERIAL WEAKNESSES CORRECTED THIS PERIOD**

#### **Tab B-3**

Tab B-3 should provide a narrative for each material weakness for which corrective actions have been completed in FY 1999. Each material weakness should begin at the top of a new page. The Tab should be grouped into two subsections: "Identified During the Period" and Identified During Prior Periods." Weaknesses appearing in Tab B-3 should follow format and data requirements identified for Tab B-2. However, for item 12, "Major Milestones in Corrective Actions," only completed milestones should be presented. Also, item 13, "Status of Participating Functional Office/Organization," should be omitted.

## TAB C

### REPORT ON SYSTEM CONFORMANCE TO OFFICE OF MANAGEMENT AND BUDGET FINANCIAL SYSTEM REQUIREMENTS

#### Tab C

Federal agency finance, accounting and critical feeder system requirements are prescribed by OMB Circular A-127-Revised. Instructions for completing the Section 4, FMFIA report on conformance to the OMB requirements were provided in a the March 22, 1999 memorandum, signed by the Principal Deputy Under Secretary of Defense (Comptroller), subject: "FY 1999 Financial Management Improvement Plan." The memorandum stated that, for 1999, the Department is again combining the Section 4, FMFIA requirement with other legislative and regulatory reporting requirements into its annual Financial Management Improvement Plan (FMIP). A copy of the memorandum is provided as appendix II to this guidance.

During the coordination process for the draft FMIP, DoD Components shall confirm the accuracy of the inventory of systems submitted in response to the March 22, 1999, memorandum or update the inventory, if appropriate. Other information necessary to ensure Component input for the FMIP is complete, accurate, and satisfies all of the legislative and regulatory reporting requirements, including Section 4 of the FMFIA also will be requested as part of the coordination process for the draft FMIP. Any additional data for inclusion in the FMIP must be submitted directly to the Office of the Under Secretary of Defense (Comptroller) Financial Management Improvement Initiative Office by August 20, 1999. DoD Components also shall ensure that any data submitted for their Annual Statement of Assurance does not conflict with Section 4 data submitted for the FMIP.

For additional information on the FMIP contact Mr. Kris Beaubien at (703) 602-5019 (DSN 332-5019). No additional action related to Section 4 reporting, beyond what is required for the FMIP, is required by the Components for their Annual Statement of Assurance submission.

## **IG, DoD Comments and Recommendations**

During the coordination process for the FY 1998 DoD Annual Statement the Inspector General of the Department of Defense (IG, DoD), provided comments which indicated areas in which more informative reporting by the DoD Components would be desirable in future annual statements. Those comments were provided to the DoD Components as an attachment to a February 4, 1999 memorandum signed by the Principal Deputy Under Secretary of Defense (Comptroller). A copy of that memorandum and the attachment is provided at appendix III to this guidance. DoD Components should review the comments and report subsequent findings in their FY 1999 Annual Statements.

## CONCEPTUALIZING A MATERIAL WEAKNESS

Defining and specifying a management control material weakness is a management decision. Conceptualizing and clearly stating a specific Management Control (MC) Program weakness requires struggling with that abstraction which is identified as "the weakness." However, the weakness must be defined and specified in such a way that it will provide the relevant "fences" that will enable senior management to visualize the breadth, dimensions and impact of the weakness. The milestones specified to correct the weakness should resolve the materiality of the problem for the entire reporting DoD Component.

Although audit reports are an important source for identification of weaknesses, the appearance of a weakness in an audit report does not necessarily warrant reporting it as a material weakness. As stated in DODI 5010.40, whether a weakness is material enough to warrant reporting to levels higher than that at which it was discovered shall always be a management judgement. If a weakness was first identified in an audit report, the scope of the corrective actions should not focus on or be limited to only one or the few physical locations identified in the audit report. It would be the exceptional weakness that is material enough to warrant reporting to the Secretary of Defense when limited to only one or a few physical locations. Milestones should address and correct the specified weakness, in its entirety, for the entire DoD Component. However, for some smaller Components with only a few sites, the one site focus of an audit report may be sufficient. The same weakness should not reappear as a new weakness in a future Annual Statement because new audit reports have revealed new instances of the same problem at other physical locations. If new additional audit disclosures are significant, then a revision(s) to the milestone(s) associated with the originally reported weakness are necessary. The Component's current-year Annual Statement should reflect the revisions. Remember, a weakness should be resolved throughout the Component, and not just in a limited context.

Specification of the weakness and specification of the corrective actions (milestones) should be consistent. For example, if an audit report in the civilian personnel environment concluded that a DoD Component had inadequately implemented controls which would assure effective implementation of Equal Employment Opportunity (EEO) requirements, the reported weakness and milestones should be consistent with that problem. It would be incorrect to report a weakness which states that the Component will correct deficiencies in civilian hiring practices and then have milestones which address only the EEO requirements deficiency. In this case, the specification of the weakness would be too broad; it implied greater action than the Component intended taking. Furthermore, if the audit report addressed only a deficiency in one aspect of EEO requirements, then the weakness should specify the more narrow, and correct, specification of the problem. The Component should not report a weakness which implies a deficient application of all EEO requirements unless management intends to broaden the scope of this action.

It is often preferable to address several related problems in one weakness statement; however, Components should be cautious when defining a weakness. For example, in addition to the hypothetical EEO weakness stated above, a Component may have concluded that there are other control problems related to civilian hiring practices. Combining all the problems and reporting a weakness which makes the broad statement that the Component will correct deficiencies in civilian hiring practices is still too general and overstates the dimensions of the weakness. The weakness statement should be confined to the scope of the specific problem(s) addressed.

Occasionally, because a weakness was originally ambiguously defined, a new audit finding in a related area may fall within the original ambiguous definition. A conflict results because the original milestones will not resolve the new finding even though that finding appears to be inherently included in the original ambiguously stated weakness. The original ambiguous reporting severely inhibits appropriate new action. This problem may be resolved in several ways. The two most appropriate resolutions would be to either correct the originally misstated weakness and incorporate the new finding with additional milestones, or correct the original misstated weakness and report the new finding as another weakness with another set of corrective milestones.

As a final note, Components are sometimes uncertain when attempting to distinguish a Section 2 management control weakness from a Section 4 noncompliant financial management system. This issue can be resolved by determining if the failure is in the financial management system design. Only financial management system design issues should be reported as a noncompliant system (Tab C). If the failure is in the execution of a financial management system's requirements (data collection, human error, failure to follow guidance, etc.), when the system itself is adequately designed, then the problem should be reported as a Section 2 management control weakness (Tab B).

# **APPENDIX I**



COMMAND, CONTROL,  
COMMUNICATIONS, AND  
INTELLIGENCE

OFFICE OF THE ASSISTANT SECRETARY OF DEFENSE  
6000 DEFENSE PENTAGON  
WASHINGTON, DC 20301-6000

March 15, 1999

MEMORANDUM FOR SECRETARIES OF THE MILITARY DEPARTMENTS  
CHAIRMAN OF THE JOINT CHIEFS OF STAFF  
UNDER SECRETARIES OF DEFENSE  
DIRECTOR, DEFENSE RESEARCH AND ENGINEERING  
ASSISTANT SECRETARIES OF DEFENSE  
GENERAL COUNSEL OF THE DEPARTMENT OF DEFENSE  
INSPECTOR GENERAL OF THE DEPARTMENT OF DEFENSE  
DIRECTOR, OPERATIONAL TEST AND EVALUATION  
ASSISTANTS TO THE SECRETARY OF DEFENSE  
DIRECTOR, ADMINISTRATION AND MANAGEMENT  
DIRECTORS OF THE DEFENSE AGENCIES  
DIRECTORS OF DOD FIELD ACTIVITIES

SUBJECT: Combating Computer Software Piracy

This memorandum provides Department of Defense (DoD) guidance and direction for implementing Executive Order 13103, Computer Software Piracy, dated September 30, 1998.

We share the growing concerns reflected in the attached Executive Order regarding the unauthorized acquisition, use, copy, and distribution of computer software used by the Federal government. Executive Order 13103 essentially requires each agency to develop procedures to ensure that applicable copyright laws protecting computer software are not being violated. These procedures may include inventories of the software being used, developing and maintaining a record of the software, and a determination of what software has been authorized.

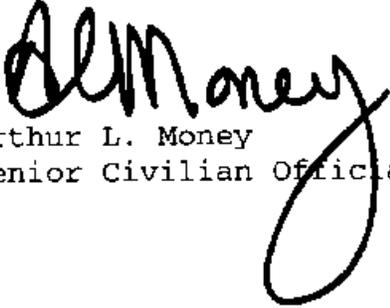
You should take steps necessary to implement the Executive Order within your organization. Along these lines, you should treat computer software piracy as a special emphasis area under your Management Control Program established in accordance with DoD Directive 5010.38, dated August 26, 1996. Components should submit material weaknesses resulting from their computer software piracy assessments as part of their annual Statement of Assurance to the Secretary of Defense. These material weaknesses will be reported under the Information Technology category identified in paragraph E4.1.10, Enclosure 4 of DoD



Instruction 5010.40, Management Control Program Procedures,  
dated August 28, 1996.

With regard to Section 2, subparagraph (b) of the Executive Order, the performance measures recommended by the Federal CIO Council will be promulgated throughout the Department when they are available.

The OASD(C3I) point of contact is Mr. Ron Torezan who can be reached at (703) 604-1592 and e-mail, ron.torezan@osd.mil. Matters pertaining specifically to the Management Control Program should be addressed to the OUSD(Comptroller) representative, Mr. Ron Massengill at (703) 695-6365 or (703) 697-8580, e-mail, massengr@osd.pentagon.mil

  
Arthur L. Money  
Senior Civilian Official

Attachment

## Presidential Documents

Executive Order 13103 of September 30, 1998

### Computer Software Piracy

The United States Government is the world's largest purchaser of computer-related services and equipment, purchasing more than \$20 billion annually. At a time when a critical component in discussions with our international trading partners concerns their efforts to combat piracy of computer software and other intellectual property, it is incumbent on the United States to ensure that its own practices as a purchaser and user of computer software are beyond reproach. Accordingly, by the authority vested in me as President by the Constitution and the laws of the United States of America, it is hereby ordered as follows:

**Section 1. Policy.** It shall be the policy of the United States Government that each executive agency shall work diligently to prevent and combat computer software piracy in order to give effect to copyrights associated with computer software by observing the relevant provisions of international agreements in effect in the United States, including applicable provisions of the World Trade Organization Agreement on Trade-Related Aspects of Intellectual Property Rights, the Berne Convention for the Protection of Literary and Artistic Works, and relevant provisions of Federal law, including the Copyright Act.

(a) Each agency shall adopt procedures to ensure that the agency does not acquire, reproduce, distribute, or transmit computer software in violation of applicable copyright laws.

(b) Each agency shall establish procedures to ensure that the agency has present on its computers and uses only computer software not in violation of applicable copyright laws. These procedures may include:

- (1) preparing agency inventories of the software present on its computers;
- (2) determining what computer software the agency has the authorization to use; and
- (3) developing and maintaining adequate recordkeeping systems.

(c) Contractors and recipients of Federal financial assistance, including recipients of grants and loan guarantee assistance, should have appropriate systems and controls in place to ensure that Federal funds are not used to acquire, operate, or maintain computer software in violation of applicable copyright laws. If agencies become aware that contractors or recipients are using Federal funds to acquire, operate, or maintain computer software in violation of copyright laws and determine that such actions of the contractors or recipients may affect the integrity of the agency's contracting and Federal financial assistance processes, agencies shall take such measures, including the use of certifications or written assurances, as the agency head deems appropriate and consistent with the requirements of law.

(d) Executive agencies shall cooperate fully in implementing this order and shall share information as appropriate that may be useful in combating the use of computer software in violation of applicable copyright laws.

**Sec. 2. Responsibilities of Agency Heads.** In connection with the acquisition and use of computer software, the head of each executive agency shall:

- (a) ensure agency compliance with copyright laws protecting computer software and with the provisions of this order to ensure that only authorized computer software is acquired for and used on the agency's computers;

(b) utilize performance measures as recommended by the Chief Information Officers Council pursuant to section 3 of this order to assess the agency's compliance with this order;

(c) educate appropriate agency personnel regarding copyrights protecting computer software and the policies and procedures adopted by the agency to honor them; and

(d) ensure that the policies, procedures, and practices of the agency related to copyrights protecting computer software are adequate and fully implement the policies set forth in this order.

**Sec. 3. Chief Information Officers Council.** The Chief Information Officers Council ("Council") established by section 3 of Executive Order No. 13011 of July 16, 1996, shall be the principal interagency forum to improve executive agency practices regarding the acquisition and use of computer software, and monitoring and combating the use of unauthorized computer software. The Council shall provide advice and make recommendations to executive agencies and to the Office of Management and Budget regarding appropriate government-wide measures to carry out this order. The Council shall issue its initial recommendations within 6 months of the date of this order.

**Sec. 4. Office of Management and Budget.** The Director of the Office of Management and Budget, in carrying out responsibilities under the Clinger-Cohen Act, shall utilize appropriate oversight mechanisms to foster agency compliance with the policies set forth in this order. In carrying out these responsibilities, the Director shall consider any recommendations made by the Council under section 3 of this order regarding practices and policies to be instituted on a government-wide basis to carry out this order.

**Sec. 5. Definition.** "Executive agency" and "agency" have the meaning given to that term in section 4(1) of the Office of Federal Procurement Policy Act (41 U.S.C. 403(1)).

**Sec. 6. National Security.** In the interest of national security, nothing in this order shall be construed to require the disclosure of intelligence sources or methods or to otherwise impair the authority of those agencies listed at 50 U.S.C. 401a(4) to carry out intelligence activities.

**Sec. 7. Law Enforcement Activities.** Nothing in this order shall be construed to require the disclosure of law enforcement investigative sources or methods or to prohibit or otherwise impair any lawful investigative or protective activity undertaken for or by any officer, agent, or employee of the United States or any person acting pursuant to a contract or other agreement with such entities.

**Sec. 8. Scope.** Nothing in this order shall be construed to limit or otherwise affect the interpretation, application, or operation of 28 U.S.C. 1498.

**Sec. 9. Judicial Review.** This Executive order is intended only to improve the internal management of the executive branch and does not create any right or benefit, substantive or procedural, at law or equity by a party against the United States, its agencies or instrumentalities, its officers or employees, or any other person.

*William Clinton*

THE WHITE HOUSE,  
September 30, 1998.

## **APPENDIX II**



COMPTROLLER

UNDER SECRETARY OF DEFENSE  
1100 DEFENSE PENTAGON  
WASHINGTON, DC 20301-1100

MAR 22 1999



MEMORANDUM FOR SECRETARIES OF THE MILITARY DEPARTMENTS  
UNDER SECRETARIES OF DEFENSE  
DIRECTOR, DEFENSE RESEARCH AND ENGINEERING  
ASSISTANT SECRETARIES OF DEFENSE  
DIRECTOR, ADMINISTRATION AND MANAGEMENT  
DIRECTORS OF THE DEFENSE AGENCIES  
DIRECTORS OF THE DOD FIELD ACTIVITIES

SUBJECT: FY 1999 Financial Management Improvement Plan

The Department's initial (1998) Financial Management Improvement Plan (FMIP) was an extensive, but successful, effort due, in part, to the assistance provided by the DoD Components. This year (1999), the Department again is combining the legislative and regulatory reporting requirements of the Remediation Plan (Federal Financial Management Improvement Act of 1996), Financial Management Status Report and Five-Year Plan (Chief Financial Officer's Act of 1990), and the Statement of Assurance Section IV (Federal Managers' Financial Integrity Act of 1982) into its annual Financial Management Improvement Plan.

In an attempt to minimize the amount of effort required to collect needed data, members of my staff met with DoD Component representatives to identify data and data sources available to satisfy reporting requirements. To minimize duplicative efforts and ensure consistent reporting on financial management improvements, this office has coordinated its efforts with other data collection undertakings. These include efforts such as the Department's ongoing efforts to improve accountability for property, plant, and equipment, and the Defense Finance and Accounting Service's (DFAS's) annual Federal Managers' Financial Integrity Act (FMFIA) financial management systems review process. Agreed upon information requirements for the critical feeder systems and finance and accounting systems for the FY 1999 FMIP are addressed in attachment 1, and are due no later than April 23, 1999. As a result of the April deadline, it is necessary for the DoD Components to provide the data as soon as it becomes available so that it may be incorporated into the FMIP in a timely manner.

Attachment 2 is the FY 1998 Financial Management Systems inventory that was included as Appendix B of the FY 1998 Biennial Financial Management Improvement Plan. The inventory lists the critical feeder systems and finance and accounting systems reported in FY 1998, and is the baseline for the DoD Components FY 1999 inventory submission. DoD Components must update the inventory for FY 1999 by adding any new systems and deleting any systems that have been replaced or discontinued. The FY 1999 Financial Management Systems inventory will be the basis for the remediation plans developed by the DoD Components.

All critical feeder systems and migratory finance and accounting systems listed in the updated attachment 2 discussed in the above paragraph, must be evaluated for compliance with Federal financial management systems requirements and accounting standards. For each feeder system and migratory finance and accounting system DoD Components also must take those actions addressed in attachment 3. Each DoD Component should strive to provide as much of the information requested in attachment 3 as soon as possible. For all critical feeder systems and migratory finance and accounting systems that are not compliant with Federal financial management systems requirements and accounting standards, DoD Components must develop a remediation plan that includes specific corrective actions with intermediate target dates, statements of objectives and performance measures, identify the individual responsible for implementing the corrective actions, and provide estimates of the cost to complete the corrective actions. The results of these DoD Component plans will be integrated into the FY 1999 FMIP. The DoD Component plans should be retained as supporting documentation. After critical feeder systems and migratory finance and accounting systems have been evaluated, Memorandums of Agreement (MOAs) must be established between the feeder systems owners and DFAS. These MOAs should provide an overall coordination mechanism to correct deficiencies and internal control weaknesses, and fully integrate all finance, accounting, and critical feeder systems.

The FMIP Work Group point of contact is Mr. Kris Beaubien. Mr. Beaubien may be contacted by e-mail: [comptroller2@erols.com](mailto:comptroller2@erols.com) or by phone at (703) 602-5019 or 697-8580.



Alice C. Maroni  
Principal Deputy Under Secretary  
of Defense (Comptroller)

Attachments

Data required for all DoD critical feeder systems and finance and accounting systems (legacy and nonlegacy systems) for the FY 1999 Financial Management Improvement Plan  
(Due not later than April 23, 1999)

- Validate the current accuracy of the Financial Management Systems inventory included as attachment 2 to this memorandum. Identify any new systems added since the FY 1998 inventory and delete any systems that since have been replaced or discontinued. For added, replaced, or discontinued systems please explain the reason the system was added or deleted from the inventory.
- Provide a list of all critical feeder systems and finance and accounting systems (legacy systems) listed in the inventory that will be phased out or replaced and identify the feeder system or finance and accounting system that will replace it.
- Identify all system interfaces between critical feeder systems and finance and accounting systems (legacy and nonlegacy) and the data, (such as payroll data, contract data, property data, inventory data, etc.) that the system transmits/receives.
- Update the improvement initiatives published in the FY 1998 Plan to show changes in milestones, resource requirements, and points of contact.
- Provide any additions or deletions of any improvement initiatives published in the FY 1998 Plan to explain why the initiative was added or deleted.

|    | <b>System Name (Acronym)</b>   | <b>Owner</b> |
|----|--|--------------|
|    | <b>ACCOUNTING SYSTEMS</b>  |              |
|    | <b>Defense Wide Working Capital Funds (Accounting)</b>                                 |              |
| 1  | Material Financial Control System (MFCS)   | DON          |
| 2  | Uniform Automated Data Processing System Stock Points E & F (UADPS SP-E&F)             | DON          |
| 3  | Uniform Automated Data Processing System Level II Stock Fund (UADPS Level II SF)       | DON          |
| 4  | Shipyards Management Information System (SYMIS)  | DON          |
| 5  | Defense Industrial Financial Management System (DIFMS)                                 | DFAS         |
| 6  | Naval Ordnance Management Information System (NOMIS)                                   | DON          |
| 7  | Public Works Center Management Information System (PWCNIS)                             | DON          |
| 8  | Industrial Fund Accounting System (IFAS)   | DFAS         |
| 9  | Military Sealift Command (MSC) Financial Management Information System (FMIS)          | DON          |
| 10 | NSWC Dahlgren, Financial Management System (NSWC/DD FMS)                               | DON          |
| 11 | Naval Research Laboratory DBOF Financial System, Washington (NRL-NIF)                  | DON          |
| 12 | Navy Industrial Fund Financial Management Accounting System (NIFMAS)                   | DON          |
| 13 | NSWC Carderock Division Financial System (NSWC/CD FS)                                  | DON          |
| 14 | NSWC Port Hueneme Division Real-Time Integrated Management System (RIMS)               | DON          |
| 15 | Automated Financial Management Information System (AFMIS) NCSS Panama City             | DON          |
| 16 | NAVSUP Uniform Inventory Control Points, Integrated Disbursing G03/G06 (UADPS-G03/G06) | DON          |
| 17 | Defense Business Management System (DBMS)  | DFAS         |
| 18 | Base Operations Support System (BOSS)  | DLA          |
| 19 | Defense Fuel Automated Management System (DFAMS)                                       | DLA          |
| 20 | Defense Integrated Subsistence Management System (DISMS)                               | DLA          |
| 21 | Standard Automated Material Management System (SAMMS)                                  | DLA          |
| 22 | Military Traffic Management Command Financial Management System (MTMC-FMS)             | MTMC         |
| 23 | Air Force Industrial Funds General Ledger System (DMIF-IFGL)                           | DOAF         |
| 24 | Depot Maintenance Budget Management Cost System (DMIF-BUDCOST)                         | DOAF         |
| 25 | Maintenance Labor Distribution & Cost System (DMIF-LABOR)                              | DOAF         |
| 26 | Depot Maintenance Workload Planning & Control System (DMIF-I/O)                        | DOAF         |
| 27 | Depot Maintenance Production Cost System (DMIF-PRODCOST)                               | DOAF         |
| 28 | Maintenance Actual Material Cost System (DMIF-ACTCOST)                                 | DOAF         |
| 29 | Job Order Production Master System (DMIF-JOBORD)                                       | DOAF         |
| 30 | Project Order Control System (DMIF-PROJORDR)   | DOAF         |
| 31 | Contract Depot Maintenance Production & Cost System (DMIF-DEPOTPROD)                   | DOAF         |
| 32 | Depot Maintenance Equipment Program System (DMEP)                                      | DOAF         |
| 33 | Government Furnished Material & End Item Transaction Reporting System (GFMTR)          | DOAF         |
| 34 | Accounting System for Industrial Fund Procurement of GFM (DMIF-IFPGFM)                 | DOAF         |
| 35 | Aerospace Maintenance & Regeneration Center - Cost & Billing System (AMRC-CBS)         | DOAF         |
| 36 | Standard Base Supply System (SBSS)   | DOAF         |
| 37 | Standard Material Accounting System (SMAS)   | DFAS         |
| 38 | Missile Fuels Management System (MFMS)   | DOAF         |

|  | <b>System Name (Acronym)</b>  | <b>Owner</b> |
|--|---|--------------|
| <b>Defense Wide Working Capital Funds (Accounting) continued</b> |   |              |
| 39   | Airlift Services Industrial Fund Integrated Computer System (ASIFICS)                       | DOAF         |
| 40   | Avfuel Management & Accounting System (AMAS)  | DFAS         |
| 41   | Financial Inventory Accounting & Billing System (FIABS)                                     | DOAF         |
| 42   | DECCO Accounting Information System (DAIS)  | DoD          |
| 43   | Commodity Command Standard System (CCSS)  | DOA          |
| 44   | Standard Industrial Fund System (SIFS)  | DFAS         |
| 45   | Standard Army Financial Inventory Accounting & Reporting System (STARFIARS)                 | DFAS         |
| 46   | Standard Army Financial Inventory Accounting & Reporting System Modernization (STARFIARS-M) | DFAS         |
| 47   | Marine Corps Unified Material Management System (MUMMS)                                     | DON          |
| 48   | Defense Working Capital Accounting System (DWAS)  | DFAS         |
| <b>General Funds (Accounting)</b>                                |   |              |
| 1  | Standard Accounting & Reporting System (STARS)  | DFAS         |
| 2  | Facilities Information System 2.0 (FIS)   | DON          |
| 3  | PCS Reservation Obligations Database System (PRODS)   | DON          |
| 4  | Reserve Financial Management/Active Duty for Training System (RESFMS)                       | DON          |
| 5  | General Accounting & Finance System-Base Level (GAFS)                                       | DFAS         |
| 6  | Central Procurement Accounting System (CPAS)  | DFAS         |
| 7  | Job Order Cost Accounting System II (JOCAS)   | DOAF         |
| 8  | Standard Operations & Maintenance, Army R&D System (SOMARDS)                                | DFAS         |
| 9  | Standard Finance System (STANFINS)  | DFAS         |
| 10   | Corps of Engineers Financial Management System (CEFMS)                                      | DOA          |
| 11   | State Accounting & Budget Expenditure Reservation System (SABERS)                           | DOA          |
| 12   | Standard Accounting Budgeting & Reporting Systems (SABRS)                                   | DFAS         |
| 13   | Washington Headquarters Service (WHS) Allotment Accounting System (WAAS)                    | WHS          |
| 14   | Resource Accounting Management System (RAMS)  | CHA          |
| 15   | Centralized Accounting & Finance Resource Management System (CAFRMS)                        | DNA          |
| 16   | Appropriations Control Reporting System (ACRS)  | WHS          |
| 17   | College & University Financial System (CUFS)  | USUHS        |
| 18   | National Security Agency General Accounting & Reporting System (NSAGAC)                     | NSA          |
| 19   | Daily Orders, Ledger, and Finance System (DOLFINS)  | DOA          |
| <b>Foreign Military Sales (Accounting)</b>                       |   |              |
| 1  | Security Assistance Automated Management Support System (SAAMSS)                            | DOA          |
| 2  | Centralized Integrated System for International Logistics (CISIL)                           | DOA          |
| 3  | Defense Integrated Financial System For Foreign Military Sales (DIFS)                       | DFAS         |
| 4  | Case Management Control System (CMCS)   | DOAF         |
| 5  | Security Assistance Management Information System (SAMIS)                                   | DOAF         |
| 6  | Management Information System International Logistics (MISIL)                               | DON          |
| 7  | Student Training Analysis & Tracking Information System (STATIS)                            | DON          |
| 8  | Washington Headquarters Service (WHS) Allotment Accounting System (Modified) (WAAS-MOD)     | WHS          |

|   | <b>System Name (Acronym)</b>   | <b>Owner</b> |
|---|--|--------------|
| <b>Departmental Reporting (Accounting)</b>            |  |              |
| 1   | Navy Headquarters Financial Systems (NHFS)                                       | DON          |
| 2   | Defense Business Operations Fund Central Database Accounting System (CDB)        | DFAS         |
| 3   | General Funds General Ledger System (GFGL)                                       | DFAS         |
| 4   | Command On-Line Accounting & Reporting System (COARS)                            | DFAS         |
| 5   | Industrial Fund General Ledger System-Departmental (IFGL)                        | DFAS         |
| 6   | Status of Funds System (SOF)   | DFAS         |
| 7   | Air Force Stock Funds Accounting & Reporting (AFSF)                              | DFAS         |
| 8   | Headquarters Accounting & Reporting System (HQARS)                               | DFAS         |
| 9   | Program Budget Accounting System - Program, Funds & Order Distribution (PBAS-FD) | DFAS         |
| <b>Cash Accountability (Accounting)</b>               |  |              |
| 1   | Centralized Expenditures & Reimbursement Processing System (CERPS)               | DFAS         |
| 2   | Cash Reconciliation System (CRS)   | DFAS         |
| 3   | Financial Reporting System-Accounting (FRS-ACCTG)                                | DFAS         |
| 4   | Navy Prompt Payment Interest System (NPPIS)                                      | DFAS         |
| 5   | Interdepartmental Fund Billing Group System (IFBGS)                              | DFAS         |
| 6   | Merged Accountability & Fund Reporting System (MAFR)                             | DFAS         |
| <b>Trust Funds (Accounting)</b>                       |  |              |
| 1   | Trust Funds Accounting System (TFAS)   | WHS          |
| <b>FINANCE SYSTEMS</b>                                |  |              |
| <b>Debt Management (Finance)</b>                      |  |              |
| 1   | Defense Debt Management System (DDMS)  | DFAS         |
| <b>Civilian Pay (Finance)</b>                         |  |              |
| 1   | Defense Civilian Pay System (DCPS)   | DFAS         |
| <b>Military Pay (including Retired Pay) (Finance)</b> |  |              |
| 1   | Defense Retired Annuitants Pay System (DRAS)                                     | DFAS         |
| 2   | Reserve Pay System - Drill & Active Duty For Training (ACDUTRA)                  | DON          |
| 3   | Defense Joint Military Pay System - Active Component (DJMS-AC)                   | DFAS         |
| 4   | Defense Joint Military Pay System - Reserve Component (DJMS-RC)                  | DFAS         |
| 5   | Marine Corps Total Forces System (MCTFS)   | DFAS         |
| <b>Contract &amp; Vendor Pay (Finance)</b>            |  |              |
| 1   | Automated Voucher Examination Disbursing System (AVEDS)                          | DLA          |
| 2   | Mechanization of Contract Administration Services (MOCAS)                        | DLA          |
| 3   | Integrated Accounts Payable System (IAPS)  | DFAS         |
| 4   | Computerized Accounts Payable System (CAPS)                                      | DFAS         |

|   | <b>System Name (Acronym)</b>  | <b>Owner</b> |
|---|---|--------------|
| <b>Transportation Payment (Finance)</b>               |   |              |
| 1   | NAVMTO Automated Transportation Data System (NATDS)   | DON          |
| 2   | Defense Transportation Pay System (DTRS)  | DFAS         |
| <b>Travel Payment (Finance)</b>                       |   |              |
| 1   | Integrated Automated Travel System (IATS)   | DFAS         |
| <b>Disbursing (Finance)</b>                           |   |              |
| 1   | Automated Disbursing System (ADS)   | DFAS         |
| 2   | Integrated Paying & Collection System (IPC)   | DFAS         |
| 3   | Standard Finance System - Redesign I (SRD-I)  | DFAS         |
| 4   | Standard Negotiable Instrument Processing System (SNIPS)  | DFAS         |
| <b>FEEDER SYSTEMS</b>                                 |   |              |
| <b>Department of the Navy (Navy and Marine Corps)</b> |   |              |
| 1   | Navy Enlisted Personnel Information System (NES)  | DON          |
| 2   | Officer Personnel Information System (OPINS)  | DON          |
| 3   | Force Management System (FORMAN)  | DON          |
| 4   | Inactive Manpower and Personnel Management Information System (IMAPMIS)                                 | DON          |
| 5   | Microcomputer Claims Processing System (MCPS)   | DON          |
| 6   | Reserve Information Management System (RIMS)  | DON          |
| 7   | Standard Labor Data Collection and Distribution Application (SLDCADA) T&A                               | DON          |
| 8   | Automated Labor and T&A Input and Reporting System (ALTAIRS)  | DON          |
| 9   | Automated Time and Labor System (ATLAS)   | DON          |
| 10  | Command Management System (CMS)   | DON          |
| 11  | Command Resource Management Module (CRMM)   | DON          |
| 12  | DCPS Defense Automated Timekeeping (DCPS-DAT)   | DON          |
| 13  | Local LeJeune   | DON          |
| 14  | Local Naval Personnel Research and Development Center (NPRDC)   | DON          |
| 15  | Fleet Technical Support Center, Atlantic Payroll System (FTSCLANT)                                      | DON          |
| 16  | Automated Procurement and Accounting Data Entry System (APADE)  | DON          |
| 17  | Integrated Technical Item Management Program (ITIMP)  | DON          |
| 18  | Uniform Inventory Control Point (UICP) Applications   | DON          |
|   | G03 -Allotment Accounting   |              |
|   | B04 - Transactions  |              |
| 19  | Uniform Automated Data Processing System - Stock Point (UADPS-SP) Applications; also referred to as U-2 | DON          |
| 20  | Shipboard Uniform Automated Data Processing System (SUADPS)   | DON          |
| 21  | Asset tracking Logistics and Supply System (ATLASS)   | DON          |
| 22  | Aircraft Inventory Reporting System (AIRS)  | DON          |
| 23  | Supported Activities Supply System (SASSY)  | DON          |
| 24  | Marine Ammunition Accounting and Reporting System II (MAARS II)   | DON          |
| 25  | Conventional Ammunition Integrated Management System (CAIMS)  | DON          |
| 26  | Aircraft Engine Management System (AEMS)  | DON          |
| 27  | Meteorology Automated System for Uniform Recall and Reporting (MEASURE)                                 | DON          |

|   | <b>System Name (Acronym)</b>   | <b>Owner</b> |
|---|--|--------------|
| <b>Department of the Navy (Navy and Marine Corps) continued</b> |  |              |
| 28  | Navy Facility Assets Data Base (NFADB)   | DON          |
| 29  | Plant Property System (Great Lakes, Pearl Harbor, Norfolk)                             | DON          |
| 30  | Logistics Management Information System (LMIS)   | DON          |
| 31  | Garrison Mobile Equipment Management System (GMES)                                     | DON          |
| 32  | Missile History Data Base System   | DON          |
| 33  | Missile Status Report System   | DON          |
| 34  | Combat Boat Support System (CBSS)  | DON          |
| 35  | Equipment Reporting Registration and Tracking System (ERRTS)                           | DON          |
| <b>Department of the Air Force</b>                              |  |              |
| 1   | Personnel Data System (PDS)  | DOAF         |
| 2   | Time and Attendance Reporting System (TASYS)   | DOAF         |
| 3   | Item Manager's Wholesale Requisition System (IMWRP)                                    | DOAF         |
| 4   | Wholesale and Retail Receiving/Shipping System (WRRS)                                  | DOAF         |
| 5   | Commercial Operations Integrated System (COINS)  | DOAF         |
| 6   | Acquisition and Due-In System (ADIS)   | DOAF         |
| 7   | Base Contracting Automated System (BCAS)   | DOAF         |
| 8   | Acquisition Management Information System (AMIS)                                       | DOAF         |
| 9   | Aerospace Maintenance & Regeneration Center (AMRC) - Asset Control System (DMIF-ASSET) | DOAF         |
| 10  | Special Support Stock Control and Distribution System (SSSCD)                          | DOAF         |
| 11  | Fuels Automated Management System (FAMS)   | DOAF         |
| 12  | Stock Number User Directory (SNUD)   | DOAF         |
| 13  | Work Information Management System (WIMS)  | DOAF         |
| 14  | Information Processing Management System (IPMS)  | DOAF         |
| 15  | Reliability and Maintainability Information System (REMIS)                             | DOAF         |
| 16  | Comprehensive Engine Management System (CEMS)  | DOAF         |
| 17  | Facility Equipment Planning, Programming and Control System (FEPPC)                    | DOAF         |
| 18  | Combat Ammunition System-Ammunition Control Point (CAS-A)                              | DOAF         |
| 19  | Requirements Data Bank (RDB) System  | DOAF         |
| 20  | Test Measurement and Diagnostic Equipment System (TMDE)                                | DOAF         |
| 21  | Recoverable Assembly Management Process (RAMP)   | DOAF         |
| 22  | On-Line Vehicle Interactive Management System (OLVIMS)                                 | DOAF         |
| 23  | Aerospace Vehicle Resource (AVRS)  | DOAF         |
| <b>Department of the Army</b>                                   |  |              |
| 1   | Standard Installation/Division Personnel System (SIDPERS)                              | DOA          |
| 2   | Headquarters Application System (HAS)  | DOA          |
| 3   | COE Time and Attendance/Labor System (CTALS)   | DOA          |
| 4   | Electronic Timekeeping System (ETS)  | DOA          |
| 5   | Reserve Component Input System (RCIS)  | DFAS         |
| 6   | JUMPS Standard Terminal Input System (JUSTIS)  | ARNG         |
| 7   | ROTC Mission Management System (ROTCMMS)   | DFAS         |
| 8   | Continuing Balance System Expanded/Requisition Validation (CBS-X)/REQVAL               | DOA          |
| 9   | Standard Army Automated Contracting System (SAACONS)                                   | DOA          |
| 10  | Procurement Automated Data and Document System (PADDS)                                 | DOA          |
| 11  | Commodity Command Standard System (CCSS) (Logistics)                                   | DOA          |

|   | <b>System Name (Acronym)</b>                                    | <b>Owner</b> |
|---|---|--------------|
| <b>Department of the Army (continued)</b>   |   |              |
| 12  | Standard Army Retail Supply System (SARRS)                      | DOA          |
| 13  | Standard Depot System (SDS)                                     | DOA          |
| 14  | Create On-Line Procurement System (COPS)                        | DOA          |
| 15  | Standard Property Book System-Redesign (SPBS-R)                 | DOA          |
| 16  | Worldwide Ammunition and Reporting System (WARS)                | DOA          |
| 17  | Integrated Facilities System-Micro/Mini (IFS-M)                 | DOA          |
| 18  | Integrated Facilities System-Micr/Mini Stand Alone (IFS-M)      | DOA          |
| 19  | Headquarters Integrated Facilities System-Micro/Mini (HQ IFS-M) | DOA          |
| 20  | Real Estate Management Information System (REMIS)               | DOA          |
| 21  | Army Medical Department Property Accounting System (AMEDDPAS)   | DOA          |
| <b>Office Of Under Secretary of Defense</b> |   |              |
| 1   | Defense Civilian Personnel Data System (DCPDS)                  | OSD(CPMS)    |
| <b>Defense Logistics Agency</b>             |   |              |
| 1   | Defense Property Accountability System (DPAS)                   | DLA          |
| 2   | Contractor Property Management System (CPMS)                    | DLA          |
| <b>Defense Security Assistance Agency</b>   |   |              |
| 1   | Foreign Military Sales (FMS) Credit Reporting System (FMSCS)    | DSAA         |

Data required for all DoD critical feeder systems and migratory finance and accounting systems (nonlegacy) for the FY 1999 Financial Management Improvement Plan  
(Due not later than April 23, 1999)

- A statement of whether the critical feeder system or migratory finance and accounting system (nonlegacy) has been evaluated as compliant with Federal financial management systems requirements and accounting standards and, if fully compliant, the method used to validate compliance.
- If the system has not been evaluated, provide a plan and the target date for performing a compliance evaluation. (The target date for performing compliance evaluations must be no later than March 31, 2000).
- If the system has been evaluated and is not compliant or is partially compliant state:
  1. How the evaluation was performed.
  2. Specific system deficiencies and internal control weaknesses identified.
  3. Specific planned corrective actions including milestone dates.
  4. Statements of objectives expected to be met upon implementation of the corrective actions and performance measures to determine the effectiveness of the corrective actions.
  5. Individual responsible for implementing the corrective action.
  6. Estimates of cost to complete required corrective actions.

## **APPENDIX III**



COMPTROLLER

UNDER SECRETARY OF DEFENSE  
1100 DEFENSE PENTAGON  
WASHINGTON, DC 20301-1100

FEB -4 1999



MEMORANDUM FOR SECRETARIES OF THE MILITARY DEPARTMENTS  
CHAIRMAN OF THE JOINT CHIEFS OF STAFF  
UNDER SECRETARIES OF DEFENSE  
ASSISTANT SECRETARIES OF DEFENSE  
COMMANDERS OF THE UNIFIED COMBATANT COMMANDS  
DIRECTOR, ADMINISTRATION AND MANAGEMENT  
DIRECTORS OF THE DEFENSE AGENCIES  
DIRECTOR OF THE, NATIONAL RECONAISSANCE OFFICE  
PRESIDENT OF THE UNIFORMED SERVICE UNIVERSITY OF  
THE HEALTH SERVICES

SUBJECT: Inspector General of the Department of Defense Comments on the Contents of the  
"FY 1998 DoD Annual Statement of Assurance"

Attached are comments by the Inspector General of the Department of Defense (IG, DoD) received during the coordination process for the FY 1998 DoD Annual Statement. Many of the comments were addressed in the final version of the FY 1998 DoD Annual Statement. The remaining comments, summarized below, did not effect the materiality of the FY 1998 DoD Annual Statement, but should be considered as your offices continue to implement Federal Managers' Financial Integrity Act (FMFIA) requirements during FY 1999.

In future Annual Statements, the IG, DoD will look for more informative reporting by the DoD Components related to the systemic weakness "Acquisition Process and Systems." This systemic weakness was identified and reported by the Office of the Under Secretary of Defense (Acquisition and Technology) (OUSD (A&T)). The IG, DoD noted that only three material weaknesses were reported by the DoD Components and subsequently listed as subsets to the Acquisition Process and Systems systemic weakness in the FY 1998 DoD Annual Statement. The three material weaknesses were reported by the Navy, Defense Logistics Agency and Defense Special Weapons Agency. The IG, DoD agreed with these weaknesses, but commented that it did not seem credible that the other major DoD Components did not report material control weaknesses in the acquisition processes and systems area.

OUSD (A&T) had recommended that the "Acquisition Process and Systems" systemic weakness be closed following its inclusion in the FY 1998 DoD Annual Statement. However, the IG, DoD questioned the prudence and accuracy of the statement, contained in the draft version of the FY 1998 DoD Annual Statement transmittal letter, that the Acquisition Process and Systems systemic weakness was close to resolution. The IG, DoD's recommended alternative wording to the effect that substantial progress has been made, but more acquisition reform effort is needed, was incorporated into the final version of the transmittal letter. Therefore, OUSD (A&T) should work directly with the office of the IG, DoD to validate the actions required to close the systemic weakness.

The IG, DoD commented that the systemic weakness "Unreliable Financial Reporting of Personal and Real Property," reported by the Office of the Under Secretary of Defense (Acquisition and Technology), does not fully address the property area. The IG, DoD also commented that the Defense Property Accountability System (DPAS), which is presented as the solution to the systemic weakness, will not solve the problems associated with a very large portion of the property area. The final version of the FY 1998 DoD Annual Statement of Assurance did incorporate IG, DoD suggestions to revise the milestones associated with this systemic weakness. For the FY 1999 DoD Annual Statement of Assurance, this office recommends that the comments of the IG, DoD be addressed in an expanded narrative for this systemic weakness.

The IG, DoD commented that the Navy did not report a weakness under the systemic weakness "Information Assurance." Since the other Services did report information assurance weaknesses, the IG, DoD recommended that the Navy reevaluate its self-assessment during FY 1999.

The IG, DoD commented that the DoD Components should have reported more weaknesses related to the "Year 2000 Computer Problem" systemic weakness, reported by the Office of the Assistant Secretary of Defense (Command, Control, Communications and Intelligence). This is another area in which the IG, DoD will be looking for expanded reporting in future Annual Statements.

Please review the comments provided by the IG, DoD and report subsequent findings in your FY 1999 Annual Statements of Assurance or updated systemic weakness narratives, as appropriate. Should you disagree with the IG, DoD comments, direct response to the IG, DoD is requested. Please furnish this office with a copy of all related correspondence.

My point of contact for this action is Mr. Ron Massengill. He is available to assist your office with this process and can be reached by e-mail: [massengr@osd.pentagon.mil](mailto:massengr@osd.pentagon.mil) or by telephone at (703) 695-6365.



Alice C. Maroni  
Principal Deputy Under Secretary  
of Defense (Comptroller)

Attachment

cc: GC IG,DoD DoD Component Management Control Program Senior Responsible Officials



INSPECTOR GENERAL  
DEPARTMENT OF DEFENSE  
400 ARMY NAVY DRIVE  
ARLINGTON, VIRGINIA 22202

DEC 18 1998

MEMORANDUM FOR PRINCIPAL DEPUTY UNDER SECRETARY  
OF DEFENSE (COMPTROLLER)

SUBJECT: Draft FY 1998 Annual Statement of the Secretary of  
Defense in response to Requirements of the Federal  
Managers' Financial Integrity Act (FMFIA) of 1982

I have coordinated on the draft statement, which is generally an excellent compilation of DoD management control weaknesses. We note that the DoD internal audit community continues to play an important role as the principal source for identification of DoD management control issues, as indicated in the many references in the package to audits. This underscores the need to provide adequate resources to ensure comprehensive audit coverage of management controls in all DoD components and program areas.

Time does not permit a thorough review of Volume II of the package, so we have focused primarily on the transmittal letters and Volume I. We offer the following suggestions for your consideration in fine tuning the package:

- Transmittal letters, second page. We question the prudence and accuracy of the statement that "the Acquisition Process and Systems problem is close to resolution; accomplishment of the final corrective milestone is scheduled for FY 1999." We suggest alternative wording to the effect that substantial progress has been made, but more acquisition reform effort is needed.

- Volume I, pages 14-17. We reiterate our concern that, except for a passing reference to other systems, the writeup on "Unreliable Financial Reporting of Personal and Real Property" fails to indicate what will be done to address the very large portion of property that the Defense Property Accountability System (DPAS) apparently will not cover. This control weakness will not be solved by DPAS alone. In addition, you should delete the statement that "the milestones have been adjusted in order to reflect the dates needed to obtain a clean audit opinion by FY 1999." There is no prospect of obtaining an unqualified audit opinion (presumably on the DoD-wide financial statements) "by FY 1999" and the statement implies that the adjusted milestones are artificial. We continue to doubt the realism of September 2000 for the milestone described as "Finish fielding DPAS in Military Services and Agencies." In any case, a system fielded in 2000 is not going to enable an unqualified audit opinion by or for FY 1999. Finally, because the Implementation Strategies include measures related to property,

you should repeat the Implementation Strategies milestone from page 7 on page 15 and discuss the linkage between those Strategies and the specific weaknesses listed on pages 14 through 17.

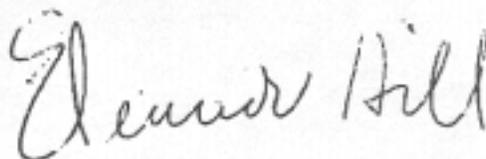
- Volume I, page 33. We agree with the three control weaknesses listed as unresolved by the Navy, Defense Logistics Agency and Defense Special Weapons Agency. Those weaknesses were identified by audits. It is not credible, however, for the other major DoD components to be reporting no material control weaknesses in acquisition processes and systems. Although it may be too late to work this issue for the FY 1998 assurance package, we urge you to discuss this matter with the DoD acquisition community, so that future reporting can be more informative.

- Volume I, page 34. The Source of Identification entry for "Management of Unexploded Ordnance" should also include "Inspector General, DoD, reports." At the request of the Secretary of Defense, we reviewed management controls over the funding of unexploded ordnance and other dangerous materials. The resulting report, Evaluation of the Disposal of Munitions Items, September 5, 1997, identified many of the same problems and recommended many of the same corrective actions outlined in the writeup.

- Volume I, Page 37. Under Statement of the Problem, change the third sentence to read "No classified DoD systems are known to have been penetrated." Under the Source of Identification add "and General Accounting Office reports." We noted that the Navy did not report a weakness in the information assurance, although the Army and Air Force did. This is another instance where a DoD component should be advised to reevaluate its self-assessment next year.

Volume I, Pages 44-45. The Navy, several Defense agencies and all unified commands, except the Special Operations Command, reported no weakness related to Year 2000 conversion. Over 200 audit and inspection reports issued to date indicate Year 2000 problems for virtually every DoD component. You should add wording to the Related Initiatives writeup to indicate that component level weaknesses are by no means confined to the six organizations that reported Year 2000 problems.

Thank you for the opportunity to comment on the package. If there are any questions, please contact me or Mr. Robert J. Lieberman, Assistant Inspector General for Auditing, at (703) 604-8901



Eleanor Hill  
Inspector General