

# Air Force Materiel Command

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## **AFLCMC Acquisition Readiness**

Larry Trame  
HQ AFMC/FMI  
Angelo Wilson  
HQ AFMC/A4RM



# Purpose

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***Provide an overview of FIAR and how the Acquisition Community fits into achieving our audit readiness goals***



# Overview

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- **Tone from Congress**
- **Why FIAR?**
- **DoD Four-Wave Strategy**
- **How did we adapt?**
- **Steady State**
- **Challenges**
- **How can you help?**

***“Whenever you do a thing, act as if all the world were watching.”***

*Thomas Jefferson*



# Tone from AF Leadership

*United States Senate Committee on Homeland Security and Governmental Affairs to Acting Secretary of the Air Force, Eric Fanning, 25 June 2013*

- “In our view, we must redouble our efforts towards achieving auditability while avoiding the colossal waste of taxpayer money...the Air Force has thus far missed 10 deadlines, pushed back 20 upcoming deadlines, and only achieved three [FIAR] milestones.”
- “It is deeply disturbing that Acting Chief Management Officer of the Air Force Jamie Morin believes the Air Force is on a “risky path” to auditability.”
- “The Air Force cannot continue to avoid accountability by delaying auditability.”



*Eric Fanning, Under Secretary of the Air Force*



# Why is Financial Improvement & Audit Readiness Important?

- **Comply with Laws**
  - Requires financial statement audits
  - National Defense Authorization Act (NDAA) 2013 requires Statement of Budgetary Resources auditability by 30 Sep 2014
  - NDAA 2010 requires full financial statement auditability by 30 Sep 2017
- **Verify Correct Allocation of Funds**
  - Verify that all resources are allocated to approved mission priorities in a legal manner
- **Make Better Use of Resources**
  - Provide better information for timely, informed decision-making and identify funds for other purposes
- **Understanding the value proposition**
  - extends beyond auditable financials – accountability, cost control, operational improvement
- **Increase Public Trust**
  - Reassure the public and Congress that the Air Force is a good steward



# DoD Four Wave Strategy

## Current Position



### Wave 1: (Done!)

- Focus on the flow of money from receipt by Treasury to distribution to the Services

### Wave 2: (FYE 2014)

- Life-cycle of funds (commit, obligate, spend)
- Audit trail for all funds

### Wave 3: (CYE 2015)

- Asset Accountability
  - Book-to-Floor/Floor-to-Book Inventory
  - Proof of Ownership of Assets

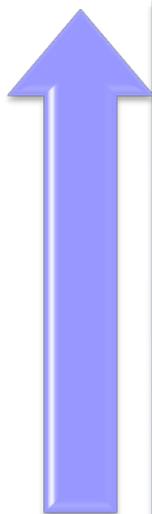
### Wave 4: (FYE 2017)

- Full financial statement audit
- Incl. AF Working Capital Funds



# How Did We Adapt?

- Organized to focus on goals/objectives
- HQ AFMC Strategic Plan
- AFMC FIAR Governance Structure
- AFMC Learning/ Training Model
- Commander's Report Card
- Wins/ Accomplishments



**SAF/FMP**  
**HQ AFMC**  
**Center**  
**Base**

*Vision, Leadership,  
Oversight, Accountability,  
Assertion*

*Leadership, Implementation  
Direction, Readiness*

*Guidance Development,  
Issue Resolution,  
Consolidation*

*Plan Development, Issue  
Identification, Quality  
Control*

*Plan, Test Execution,  
Provide Sample Data*





# HQ AFMC Strategic Plan



## AFMC Priority:

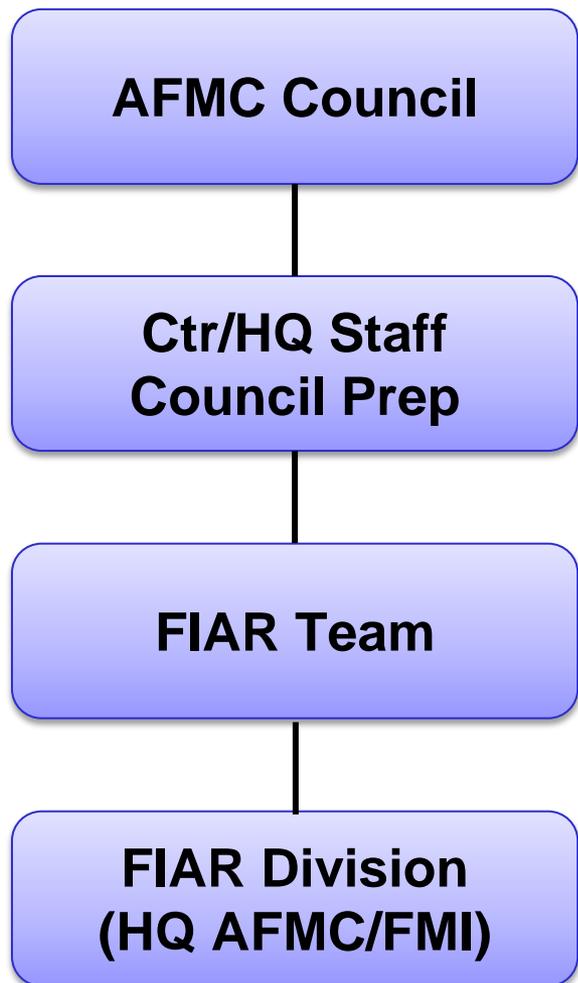
**Demonstrate Cost Effectiveness  
Across All Mission Areas**

## Goals:

- Demonstrate Cost Effective Mission Execution
- **Achieve and Maintain Financial Accountability/ Auditability (3.2.1.)**
  - Stmt. of Budgetary Resources
  - Mission Critical Asset Accountability
  - Full Financial Statements
  - IT Controls



# AFMC FIAR Governance Structure

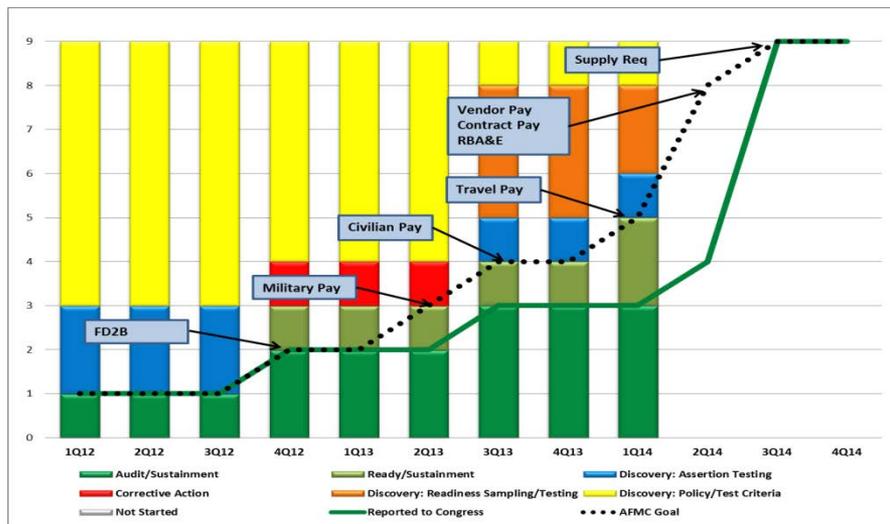


- Chair: AFMC/CC
  - Members: AFMC/CV/CA, Center CC/CV/CA & HQ Directors/Deputies
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- Chair: AFMC/FM, Director
  - Members: HQ Directors/Deputies & Ctr FMs
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- Chair: AFMC/FM, Senior Financial Advisor
  - Members: Center & 2-Ltr FIAR OPRs
- 
- Execution arm of the FIAR Team; oversees and coordinates audit readiness initiatives across the Command



# Metric 3.2.1.1 Budgetary Resources

## Baseline & Trend



## Discussion

- 9 assertions due by Sep 2014
- First 5 ready on schedule
- 4 more to complete
- Independent Audit phase for Funds Distribution to Base and Civilian Pay started Sep 2013 – Scheduled to complete Mar 2014

## Causes/Issues

- None

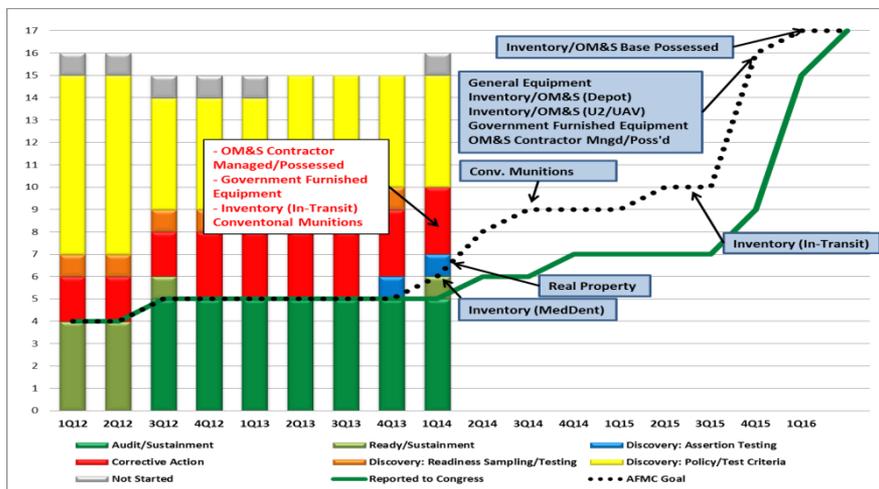
## Mitigation

- N/A



# Metric 3.2.1.2 Asset Accountability

## Baseline & Trend



## Discussion

- 16 assertions complete by Jan 2016
- 4 AFMC assertions - due by Dec 2015
- First 6 completed on/before schedule
- 10 more to complete

## Causes/Issues

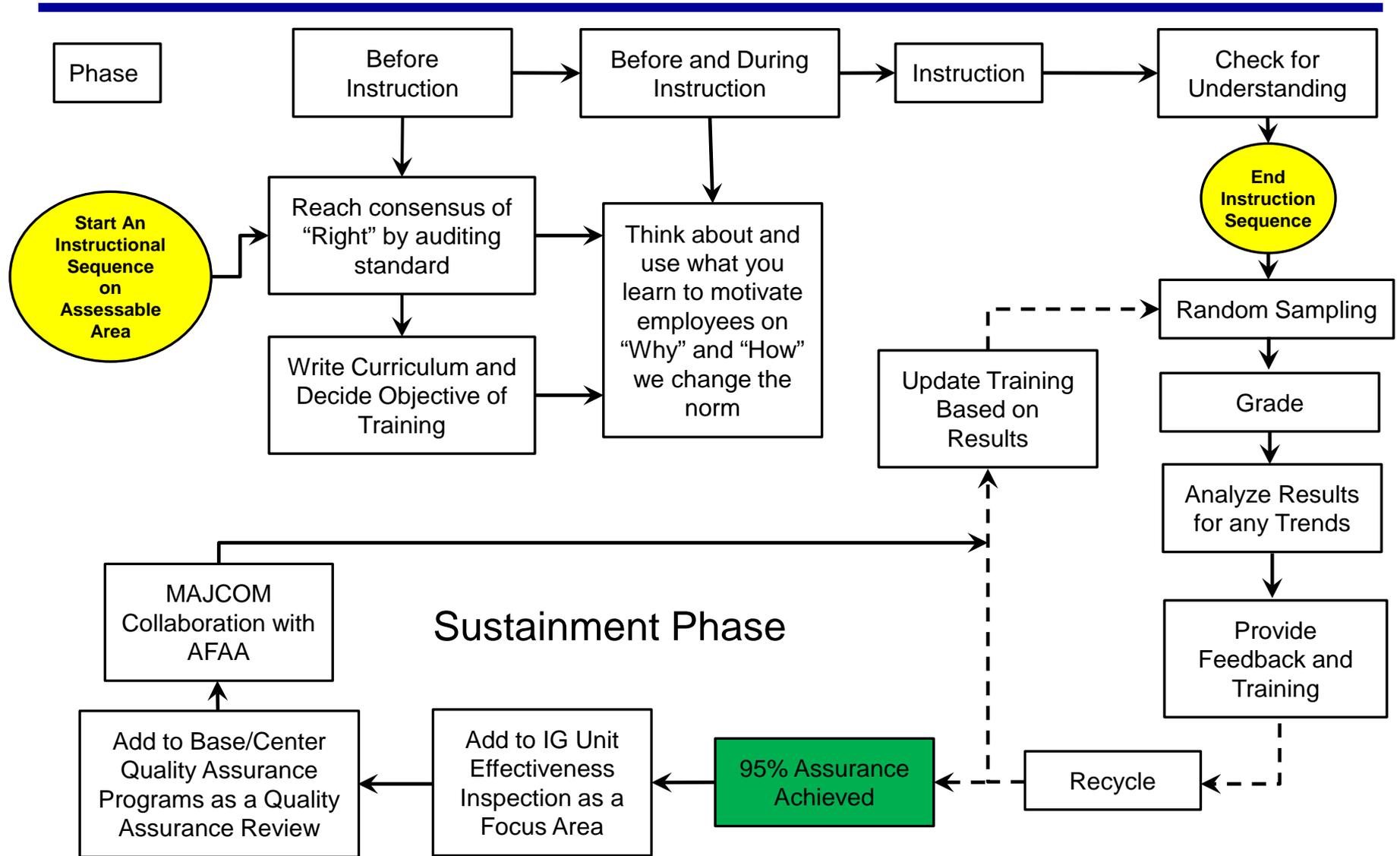
- 1 Corrective Action Plan
  - Spare Engines
- 3 Material Weaknesses Identified
  - Govt. Furnished Equip. (GFE): Completeness Deficiencies
  - Inventory In-transit: Accountability & Valuation Deficiencies
  - OM&S Contractor Managed/Possessed

## Mitigation

- 2013 LCAP – Satisfactory Overall
  - No Major Findings
  - Eng. Mgmt. Training & Quality Assurance Improvements
- Received guidance memo; HAF establishing GFP working group
- AFAA review to downgrade to significant deficiency – Apr 2014
- HAF has OSD approved plan
  - Short Term – Review existing systems at Contractor sites
  - Long Term – SDDP to identify APSR



# Compliance Learning/Training Model





# Commander's Report Card SBR

## Overall Readiness & IT Status (as of 28 Feb 14)

SBR Assessible Units (Supporting AFMC Owned/ Operated* IT Systems)	Overall Readiness Status (Schedule)	IT Ind. Assessment (Performance)	Data Readiness Status (Performance)						Comments
			AFMC	AFLCMC	AFNWC	AFRL	AFSC	AFTC	
Funds Distr. to MAJCOM	Opinion	●	●	N/A	N/A	N/A	N/A	N/A	N/A
Funds Distr. To Base	Asserted	N/A	●	●	●	●	●	●	≥ 95% since Oct 13
Civilian Pay (DMAPS-TAA, JOCAS II*)	Asserted	●	●	●	●	●	●	●	≥ 95% since Sep 13
Travel Pay	On Track	N/A	●	●	●	●	●	●	≥ 95% since Mar 13
Military Pay	On Track	N/A	●	●	●	●	●	●	≥ 95% since Aug 13
Supply Requisitions (MILSTRIP)	On Track	N/A	●	●	●	●	●	●	N/A
Vendor Pay (ACPS, ConWrite, SPS*)	Off Track	●	●	●	●	●	●	●	96% as of Jan 13
Contract Pay (ACPS, ConWrite, SPS*)	On Track	●	●	●	●	●	●	●	≥ 95% since Dec 13
Reimb. Budget Auth. & Execution (SAMIS, JOCAS II*)	On Track	●	●	●	●	●	●	●	≥ 95% since Nov 13

**Blue:** ● Opinion

**Green:** ● On Track/Pass

**Red:** ● Off Track/Fail

**Gray:** ● Not Graded



# Wins/Accomplishments

Assessable Unit	Initial	Now	Rate Improvement
Civilian Pay	62%	98%	36%
Military Pay	83%	98%	15%
Travel Pay	88%	96%	8%
Contract Pay	92%	96%	4%
Reimbursable Budget Authority & Execution	92%	96%	4%
Real Property	75%	99%	24%



Overall Status  
**On Track**

# Contract Pay

Assessable Units: <i>Statement of Budgetary Resources: 30 Sep 2014</i>	FY 2013												FY 2014												FY 2015																						
	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S											
Contract Pay (MOCAS) - Joint GF & WCF	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Green											
SBR CRC Data Status:													Assessable Unit IT Status:													IT CRC Status:	ACPS	ConWrite	SPS																		

- **Current Focus Areas / Issues**

- Data/Manual Processes: (Achieved 2 straight 95%!)
  - Poor descriptions of services/goods being procured
- Systems: AFAA audit findings (Priority 1 corrective action ECD's 31 Mar 13)
  - Identified multiple findings that create IT control environment risk for the command:
    - System Security Plans (SSP); Access Controls; Continuity of Operations Plans (COOP)
    - Corrective Action Plans (CAP's) initiated to mitigate findings
  - IT control reliability is imperative for cost effective and sustainable audit environment

- **Completed Actions / Way Forward**

- ✓ Developed test criteria
- ✓ Trained field
- ✓ Completed 5th sampling (96% accuracy on data/manual processes, Dec13 and Jan 14)
  - Next sample to be pulled ECD 28 Mar 14



# Steady State

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- **Achieve FIAR Plan Goals: 2014 – 2017**
  - Waves 1 through 4
- **Audit Compliance Sustainment**
  - Right size the test criteria for annual testing and move into the AF Manager's Internal Control Program
  - Post FY17, switch to a Financial Statement Line driven focus vs. an Assessable Unit focus
  - Utilize IG/AFAA audits as well as Quality Assurance program
  - Compliance testing of high risk items based on IG/AFAA audit results



# Challenges to Meeting Our Goals

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- **Time**

- 2014 is here for AF General Fund Statement of Budgetary Resources, 2017 is not that far away for the rest...Time is of the essence

- **Automated Systems Environment**

- Need to implement process and IT mitigating controls to offset legacy system weaknesses
- Need to ensure Systems Controls (FISCAM) and Business Enterprise Architecture (BEA) compliance



# How can you help?

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- **Your Involvement**

- **Look at what you are doing**

- Ensure the documents are correct before you sign them
- Will an person outside the organization understand the description of what you are buying
- Is the LOA complete and correct. Modifications changing Line of Accounting muddies the audit trail and causes rework.

- **Perform Quality Reviews as required in your functional guidelines**

- **Answer data calls quickly with all required documentation, Auditors only give us 3-5 days to reply**



# Call to Action

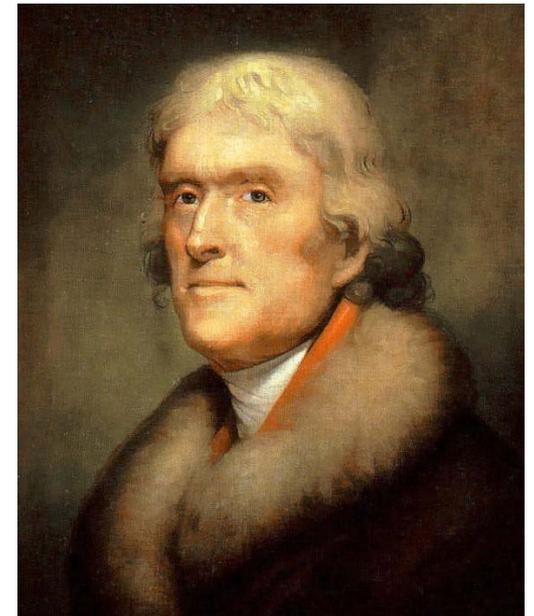


***“Being able to audit this Department’s finances is a high priority for me and for the Department’s senior leadership. It should also be a high priority for each of us.”***

*Chuck Hagel*

***“If we can but prevent the government from wasting the labours of the people, under the pretence of taking care of them, they must become happy.”***

*Thomas Jefferson*





# Financial Improvement Audit Readiness (FIAR) Background

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- **FIAR Statutory and Policy Deadlines**

- NDAA 2013: Budgetary ready by end of 2014
- SECAF: Asset Accountability by end of 2015
- NDAA 2010: Fully audit ready by end of 2017
- NDAA 2012: IT Compliance

- ***What is Government Furnished Property (GFP)***

- Government property that is provided to contractors.
  - Government Furnished Equipment (GFE)
    - equipment furnished by the Government to a Contractor
  - Government Furnished Material (GFM)
    - Examples of GFM are titanium, nuts, bolts, washers, screws, and other consumable items.
  - Contractor Acquired Property (CAP)
    - Property acquired, fabricated, or otherwise provided by the contractor for performance of the contract.



# GFP Background

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- **Material Weakness**

- Office of the Undersecretary of Defense (OUSD) declared material weakness on GFP
- AF declared material weakness for Government Furnished Equipment (GFE), June 2010

- **Two AFAA reports issued in 2010 addressed AF GFP**

- *Government Furnished Equipment Financial Statement Reporting (F2010-0005-FB3000)*
  - AF did not account for GFE in AFEMS or maintain support documents
  - AF did not take effective actions to improve GFE financial reporting
- *Government Furnished Equipment and Material on Services Contracts (F2010-0001-FC1000)*
  - AF contracting personnel did not always obtain/maintain justification and authorization for GFE/GFM
  - Neither AF or contractor personnel effectively controlled nor accurately accounted for GFE/GFM



# Government Furnished Property Next Steps

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- **The AF has established an IPT for GFP**
  - Co-chaired by SAF/AQX and HQ AF/A4L
- **Scope:** GFE and GFM in the hands of contractors
  - GFE
    - USD(AT&L) “Standard Equipment Data Elements for Government Furnished Property Baseline Establishment” memo signed January 7, 2012.
    - SAF/AQXA and AF/A4LM developing a POAM
  - GFM
    - Service Development and Delivery Process (SDDP) to determine the Accountable Property System of Record (APSR)
- **Challenges:** Identifying the universe of GFP
- **Current Status:**
  - Identifying CLS and ICS and repair contract POCs
  - Assisting AF/A4L with GFE Corrective Action Plan (AFMC Lead Command)
  - AFMC/A4R assisting AEDC to develop transition plan to enter equipment items into Air Force Equipment Management System (AFEMS) and materials into the Integrated Logistics System-Supply (ILS-S)



# How Acquisition Community Can Help

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- **Contracts:**
  - Ensure all property clauses are in contracts
  - Enforcement of contract clauses
  - Mandatory use of Wide-area Workflow
  - Penalty clauses, if necessary
  - Metrics
- **Requirements of DCMA:**
  - Documented agreement between PCO and ACO
  - Mandatory monitoring of contract requirements
  - Metrics



# Current Regulatory Landscape

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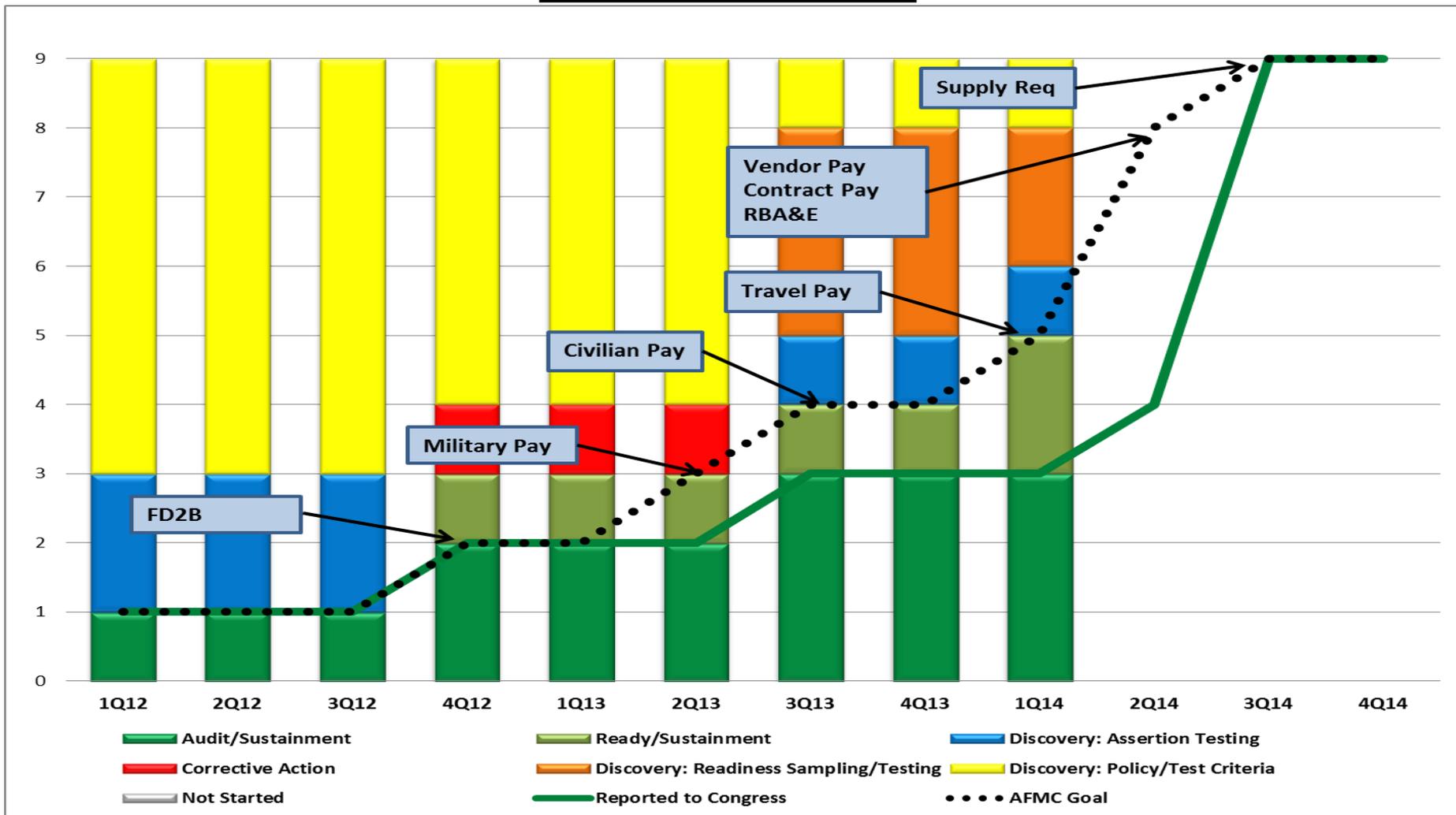
- **Federal Acquisition Regulation**
  - Part 45: Policy
  - Clause 52.245-1
- **Defense Federal Acquisition Regulation Supplement**
  - Part 245—DoD Policy
  - DFARS clauses:
    - 252.211-7007 (Reporting of Government Furnished Property)
    - 252.245-7001 (Tagging, Labeling and Marking of GFP)
    - 252.245-7002 (Reporting Loss of Government Property)
    - 252.245-7003 (Contractor Property Management System Admin.)
    - 252.245-7004 (Reporting, Reutilization, and Disposal)





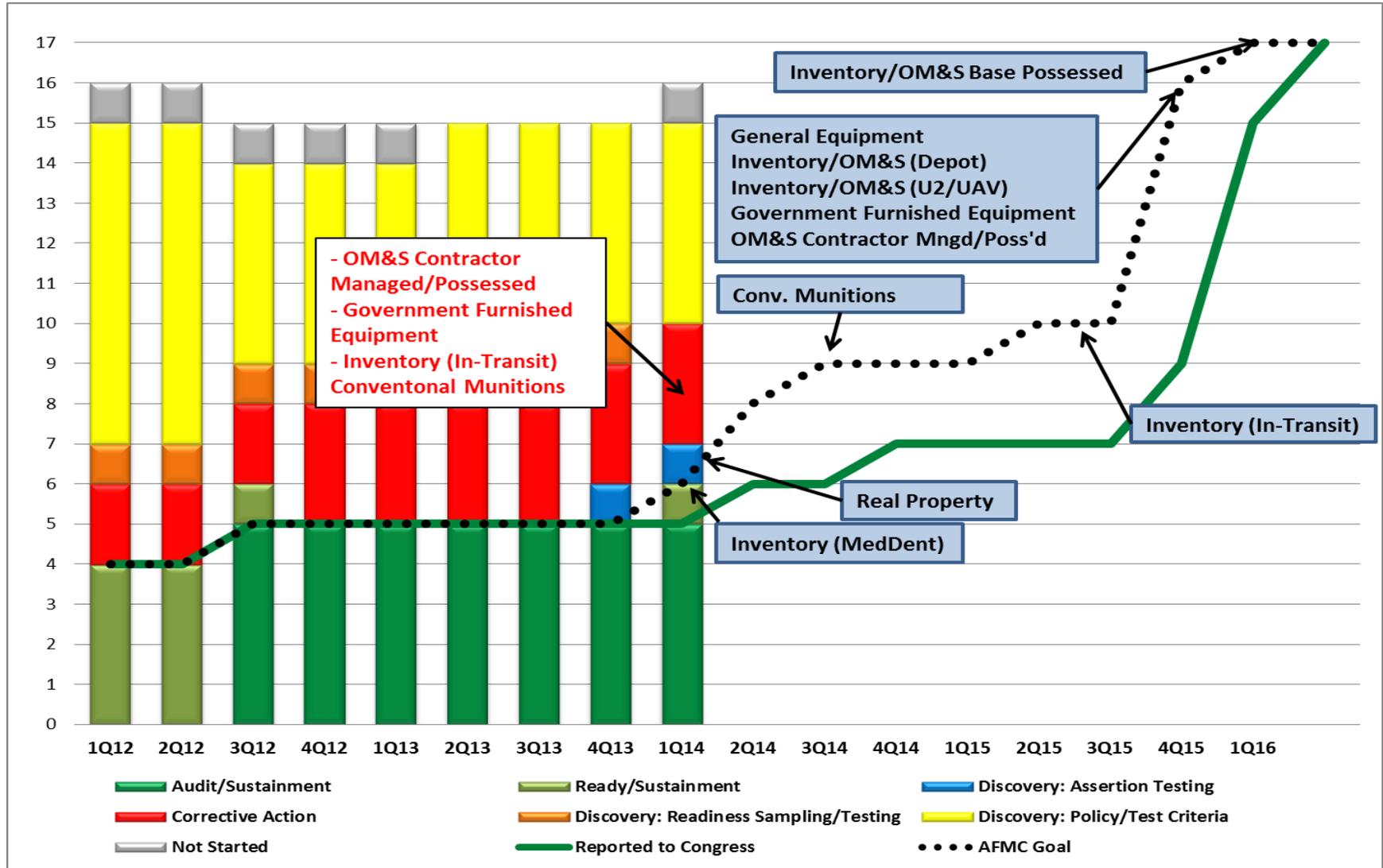
# Metric 3.2.1.1 Budgetary Resources

## Baseline & Trend





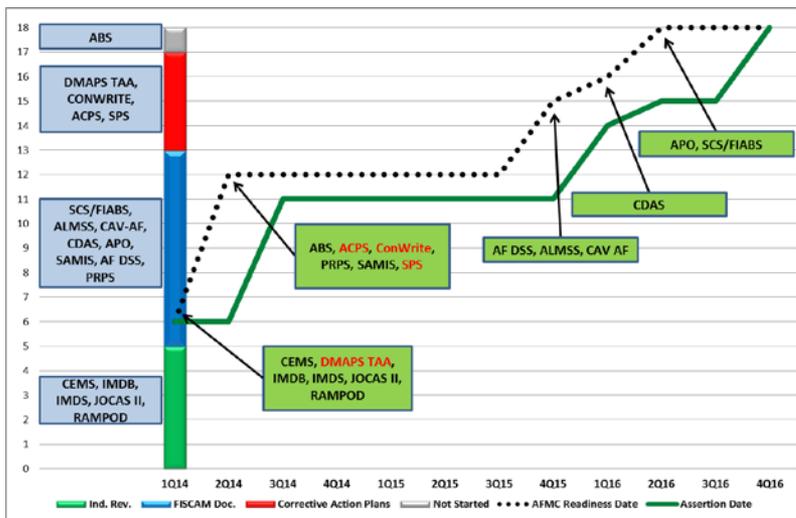
# Metric 3.2.1.2 Asset Accountability





# Metric 3.2.1.4 IT System Compliance

## Baseline & Trend



## Discussion

- 18 AFMC owned/operated critical financial/financial feeder systems
- **Priorities**
  - FISCAM review (Priority 1- Deal Breakers, Priority 2- FISCAM High)
  - Compliance with LRPs (Priority 3)

## Causes/Issues

- SAF/FMP compiled list of IT Sys deal-breakers from previous audit readiness lessons learned that represent the highest risk to compliance
- “Core” logistics systems require catch-up due to ECSS cancellation

## Mitigation

- SAF/FM CIO coordination with senior leaders
- AF/A4/7 IT Governance structure to prioritize critical fixes



# Metric 3.2.1.4 IT System Compliance

