



Air Force Materiel Command



**Financial Improvement and
Audit Readiness (FIAR)**

***Government Furnished
Equipment (GFE)***

Mr James Fletcher
HQ AFMC/A4RM

Integrity ★ Service ★ Excellence



Purpose

Provide information on Financial Improvement Audit Readiness (FIAR) Government Furnished Equipment activities and outline how the Acquisition community supports GFE audit readiness goals



Overview

- **Background**
 - **GFE Defined**
 - **Historical Context**
- **Current Status**
- **GFE Way Ahead**
- **Challenges**
- **How Acquisition Community Can Help**



Background: GFE Defined

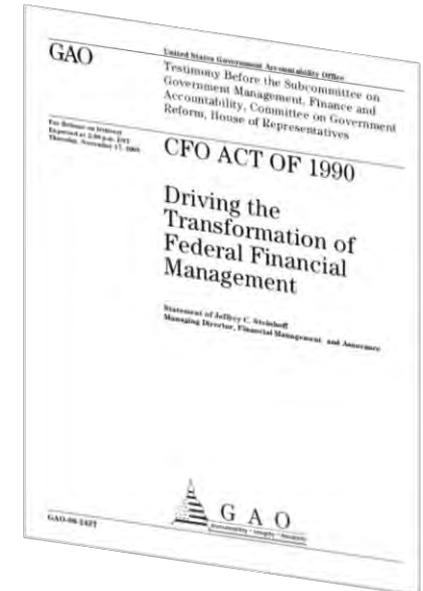
GFE is equipment that is owned by the Government and delivered to, or made available to, a contractor in the performance of a contract

- **Category of Government Furnished Property**
- **A FIAR Assessable Unit (AU)**
- **GFE AU owned by HAF...AFMC a key player**
- **Overarching Goals:**
 - **Ensure Existence & Completeness of GFE inventory**
 - **Ensure GFE is accurately recorded in an Accountable Property System of Record (APSR)**
- **Maj Gen Baker is involved in the GFE effort and receives regular updates.**



Background: Historical Context

- **Chief Financial Officer Act of 1990**
 - Required audited financial statements
 - Strengthened accountability reporting requirement
- **GFE deficiencies noted in two 2010 AFAA Audits**
 - **GFE not accounted for in an APSR**
 - Estimated \$22B of unrecorded GFE in contractor possession
 - **GFE authorizations not always obtained/maintained**
 - **Inadequate financial reporting /internal controls**
- **AF declared GFE a Material Weakness in Jun 2010**





Current Status

- **SAF/AQX & HAF/A4L established a GFP IPT**
 - Meets monthly to monitor/shape progress
 - Provides updates to AF senior leadership
- **Completed GFE baseline data collection (Mar 15)**
 - HQ AFMC/A4RM & AFEMS SPO uploading GFE data to AFEMS
- **Developed 'as is' & 'to be' GFE process flows at AF GFE Summit, Phase 1 (May 15)**
- **Developing GFE policy document & process guide during AF GFE Summit, Phase 2 (Jun 15)**
- **Centers passing additional GFE data updates to HQ AFMC/A4RM (Ongoing)**



DoD GFP Clause Scorecard: AFMC FY 15

Clause Compliance in New Contracts

Include FAR GFP Clause

Component	2015-Q1	2015-Q2	Apr 2015	May 2015
Air Force	92%	TBD		
AFMC Total	97%	98%	100%	100%
AFMC Centers				
AFLCMC	92%	94%	100%	100%
AFNWC	100%	100%	100%	100%
AFRL	98%	99%	100%	100%
AFSC	100%	100%	100%	100%
AFTC	100%	100%	100%	100%
AFIMSC				

Include Five GFP DFARS Clauses

Component	2015-Q1	2015-Q2	Apr 2015	May 2015
Air Force	67%	TBD		
AFMC Total	92%	97%	98%	100%
AFMC Centers				
AFLCMC	84%	95%	100%	100%
AFNWC	100%	100%	100%	100%
AFRL	95%	99%	98%	100%
AFSC	86%	96%	100%	100%
AFTC	100%	88%	100%	100%
AFIMSC				

Scorecard Goal		
Status	Lower	Upper
Green	92	100
Yellow	85	< 92
Red	0	< 85

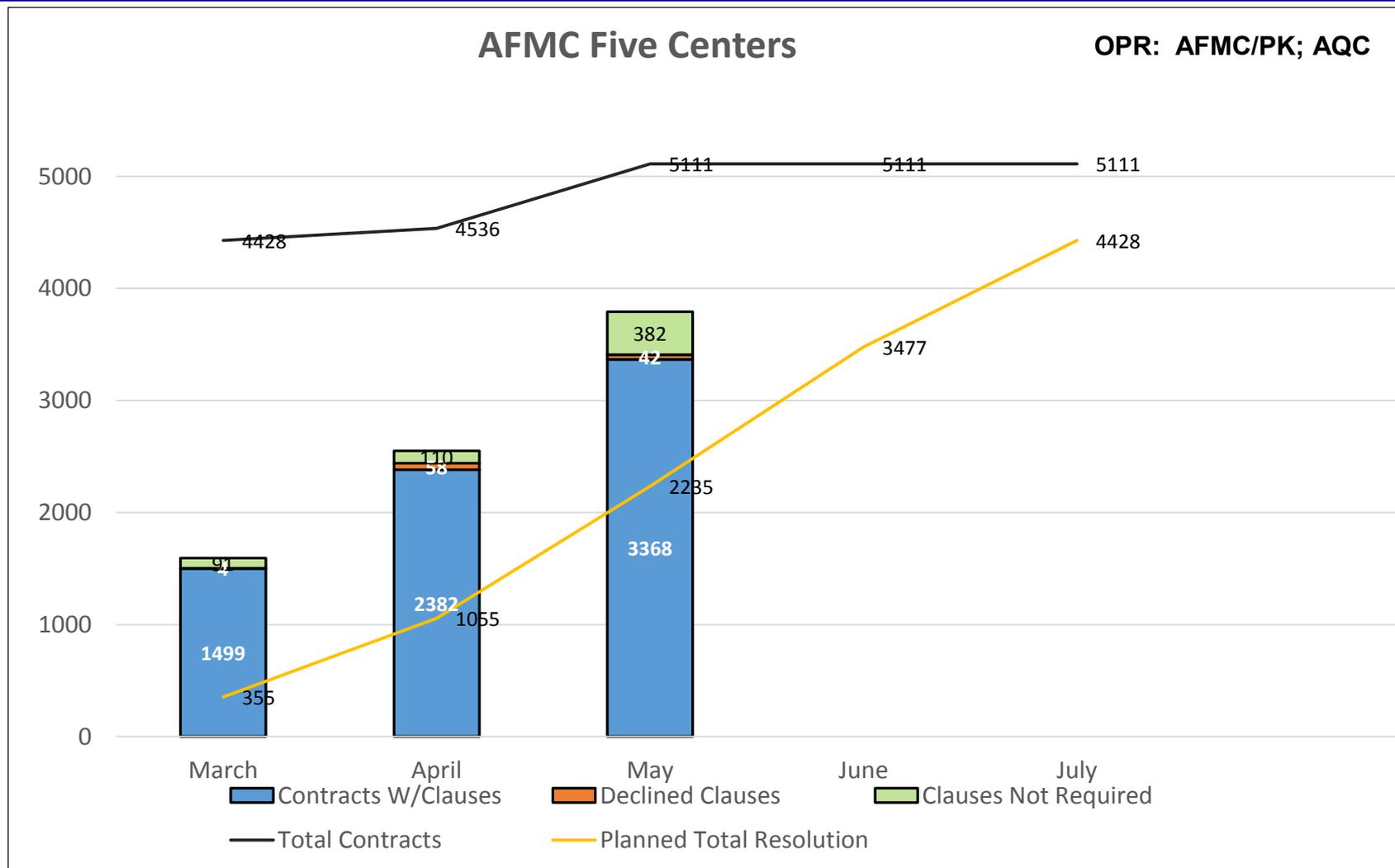
Excludes BPAs & task, delivery and purchase orders

Data Source for AFMC: Data from FPDS-NG, CBIS and EDA



Contracts GFP Compliance: Clauses

Contract Actions



- Data includes progress as of 31 May 2015 on actions awarded prior to 1 May 2015
- Includes In-Process and Task Complete actions



GFE Way Ahead

- **Add mandatory GFE clauses/attachments in contracts (31 Jul 15)**
- **Publish GFE Process Guide (31 Jul 15)**
- **Implement revised AF GFE policy with GFE Process Guide/standard processes (Dec 15)**
- **HAF FIAR assertion GFE testing at contractor sites begins (Jan 16)**
- **Implement AFEMS GFE enhancements**
 - **GFE Module (CY16/1)**
 - **Automated GFE Query Capability (CY16/3)**
- **Track/manage GFE accountability in the IUID Registry, iRAPT, & AFEMS (CY 16/1)**
- **Assert for GFE accountability (Jun 16)**



Significant Open Issues: GFE Guide

- **Need guide to help Field navigate GFE process**
 - **Capture end-to-end process, roles & responsibilities**
 - **Various system requirements – AFEMS? D035 for Stock-Controlled items? CAV-AF for reparable?**
 - **Short-term GFE baseline vs long-term sustainment**
 - **Validation among Registry, AFEMS & contract?**
 - **Ensuring quality of data**
- **AF GFE Summit @ WPAFB 4-8 May 2015 & 15-19 June 2015**



Challenges

- **Identifying the universe of GFE and populating AFEMS & the IUID Registry**
 - HAF-developed data collection spreadsheets require a manual, labor-intensive process
 - Inability to capture all required data elements for AFEMS, e.g., equipment acquisition date
- **Missing GFE clauses/attachments in some contracts**
 - Minimal recourse with contractors to capture GFE data in the IUID Registry or iRAPT
 - Refusal of some contractors to provide GFE data w/o contract modification/additional funding



How Acquisition Community Can Help

- **Follow current GFP policy and procedures**
 - When providing AF-managed equipment assets, follow loan/lease procedures
 - Ensure CAP is accounted for/documented when transferred to follow-on contracts...becomes GFP for gaining contract
- **Coordinate with CO to ensure DoD Activity Address Codes (DoDAACs) EZ or EY are established**
 - GFE shipped/transferred to contractors using DoDAACs
- **Work with CO to ensure all property clauses are included in future contracts**
 - Ensure GFE is listed as a Section J attachment
- **ID all programs with GFE/GFM**
 - Report GFE to AFMC/A4RM using current spreadsheet methodology to complete/sustain the baseline
- **Work with AFLCMC/LG POCs on GFE related issues**

AFLCMC Support is Crucial to Achieving AF Audit Readiness Goals

Headquarters U.S. Air Force

Accountability from Flightline to Bottomline

U.S. Air Force Military Equipment Valuation (MEV)



**Patricia Heyman
SAF/FMFAS**

Jun 2015



Agenda

- **Purpose**
- **What is MEV?**
- **MEV Approach**
- **Impact on Program Office**
- **Next Steps**



Purpose

The purpose of this briefing is to communicate the MEV action plan and the support needed to accomplish the AF military equipment audit readiness goals by 30 September 2015



What is MEV?

MEV is:

- **The Financial Improvement and Audit Readiness (FIAR) effort to capture historical cost estimates required to be capitalized for the acquisition of weapons systems**
 - Recorded on the AF balance sheet
 - Includes Aircraft, Engines and Modifications
- **A subset of the General Equipment (GE) assessable unit**
 - 80% of GE
- **A Congressional mandate as part of FIAR**

MEV is not:

- **An audit**
- **Budget and expense data exclusively**
- **A “value to the AF” determination of any specific program**



MEV Approach

- **SAF/FMF to deploy four teams of 3-4 resources to provide Program Office support for valuation**
 - **Methodology is data centric focusing primarily on airframe, engine, and modification contracts**
 - **Most Program Offices will focus on acquisitions and modifications occurring since FY 2009**
 - **Estimated 3 to 4 weeks per Program Office**
 - **Valuation packages used to update REMIS**
 - **OSD Critical Milestone 1 October 2015**



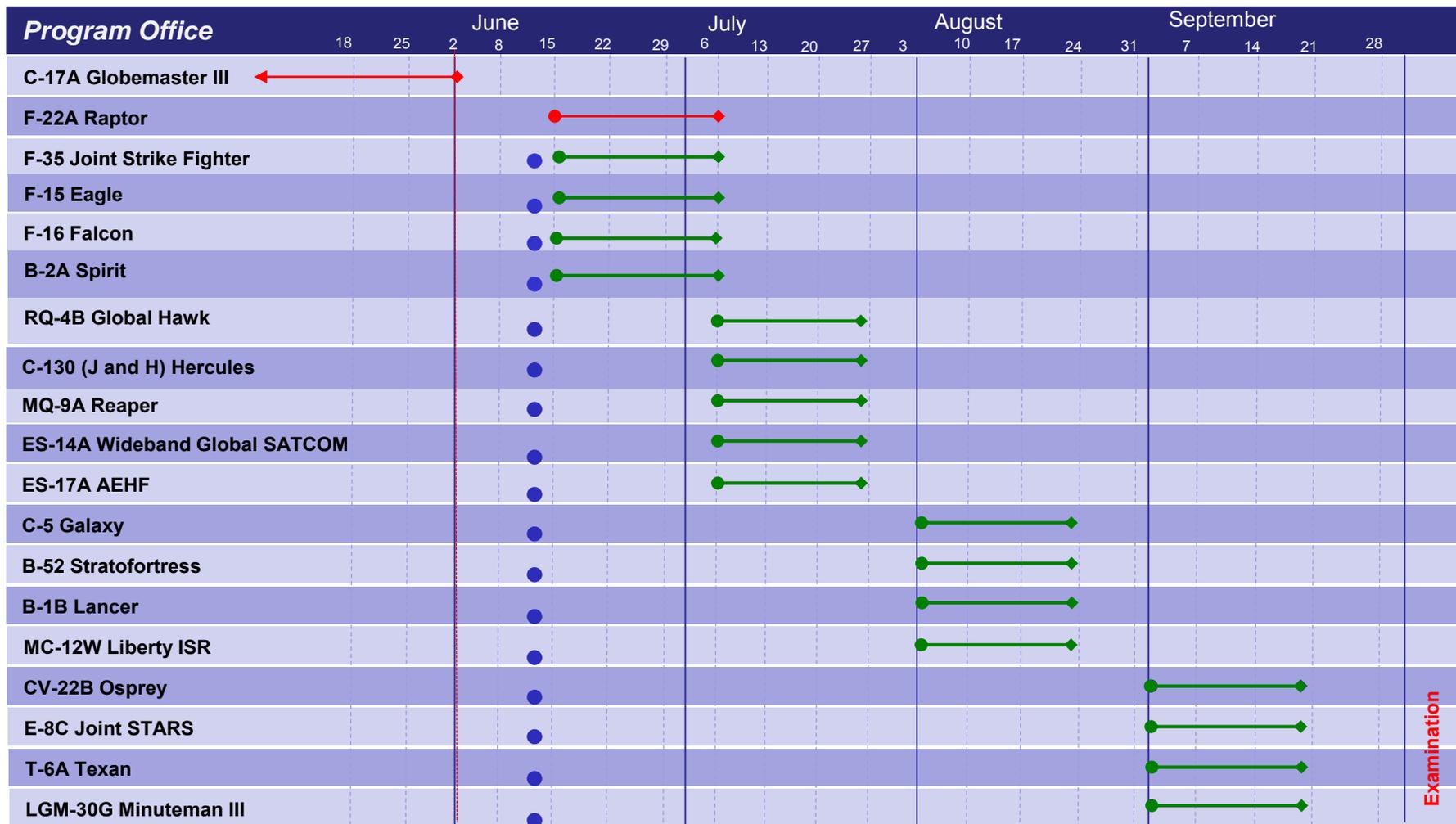
Impact on Program Offices

- **Program Office and Functional Area resources (FM, PK, A4) asked to provide:**
 - **Personnel with access to systems to obtain acquisition data and take corrective actions**
 - **Gather and upload contract data (airframe, engine, and modifications) to SharePoint and REMIS**
 - Modifications expected to be largest part of effort
 - **Be available for questions clarifying language in contracts**
 - **Concurrence on final asset valuation for Program Office and documentation of MEV process**

MEV IS A MULTI-FUNCTIONAL, MULTI-LEVEL EFFORT



High Priority Weapon Systems Notional MEV Timeline



Examination

Red – Initial Programs Blue – Initial Kick Off Green - Remaining Programs a/o 5 Jun 2015



Next Steps

Next Steps required from Program Offices

- **Attend MEV Kick-Off**
 - **Confirm availability and readiness to support MEV efforts**
- **Identify program office lead and resources to support data gathering and MEV support**
- **Begin gathering contract data for airframe, engines, and modifications**



BACK UP





BACKUP SLIDES



Tone from the Top

“Transforming financial management and achieving audit readiness is the law. General Welsh and I are committed to meeting these requirements, which are critical to maintaining the trust and confidence of Congress and the American people, and which will ultimately strengthen our Air Force.”

“In support of this essential effort, I directed SAF/FMP to provide monthly updates on IT system Corrective Action Plans. These IT remediation efforts are critical in establishing the trust and confidence of our stakeholders and ultimately in strengthening our Air Force.”



*Mark Easton
OSD Deputy Chief
Financial Officer*



*Deborah Lee James,
SECAF*

“The [FIAR] Guidance has been recognized by audit communities as providing a reasonable methodology for achieving audit readiness. However, the audit communities and members of Congress have provided feedback that we need to improve our execution of the FIAR Guidance. While significant progress has been made by the Department, a substantial amount of work remains to be done. I am confident that collectively we, as a Department, will devote the effort necessary to enter into full financial statement audit in Fiscal Year 2018. ”



Objectives/Challenges/Goal

- **Objectives**

- Achieve full audit readiness in the DoD by FY 2018
- Attain auditable annual financial statements that enable improved and transparent business and financial operations

- **Challenges**

- Reduce defense spending by \$487 billion over the next 10 yrs
- Maintain critical national security capabilities while achieving spending cuts

- **Goal:**

- Improve DoD financial management operations;
- Help provide America's Service men and women with the resources they need to carry out their mission; and
- Improve our stewardship of the resources entrusted to us by the taxpayers



FIAR Methodology: Key Aspects

- **Physical Inventory**
 - **Book-to-Floor** – APSR reflects property (**Existence**)
 - **Floor-to-Book** – All property is recorded correctly in an APSR (**Completeness**)
- **System**
 - **Accountable property is documented in an APSR**
 - Air Force Equipment Management System (AFEMS) for GFE
 - AF policy also requires documentation of equipment in the Item Unique Identification (IUID) Registry



Mission Critical Assets (MCA)

- One of four FIAR Priorities
- MCA Scope
 - Real Property
 - Inventory
 - Operating Materiel and Supplies (OM&S)
 - General Equipment
 - Government Furnished Equipment ←
 - Internal Use Software
- Ensure Existence & Completeness of Inventory

Objective: Ensure important MCA management information is accurately recorded in Accountable Property Systems of Record (APSRs)



Significant Open Issues: Determining Value

	GFP Atch (AT&L DPAP)	IUID Registry (AT&L DPAP)	AFEMS
Unit Acquisition Cost	Unit Acq Cost	Acq Cost	Acq Cost
Placed in Service Date	Not Required	Date of Mfg; Acceptance Date (New Items)	Acquisition Date
Useful Service Life	Not Required	Not Required	Not Required

- **Assertion date for valuation is Mar 17**
- **Required documentation per FIAR Guidance**
 - **Obligations: Contracts; purchase orders; Statements of Work; clauses showing rights and obligations; MIPRs, etc.**
 - **Place in Service Date: Receiving reports, acceptance documents, invoices, etc.**
 - **Include documentation supporting useful life estimate**
 - **Depreciation: Documentation supporting calculation for recorded depreciation/amortization**



Previously Valued Weapons Systems

■ The following weapons systems were valued as of 30 September 2009

- B-1 Lancer
- B-2 Spirit
- C-130 Hercules
- C-130J "Super" Hercules
- C-17 Globemaster III
- C-32 and C-40 Clipper
- C-5 Galaxy
- CV-22 Osprey
- E-8 JSTARS
- ES-8 Milstar
- F-15E Strike Eagle
- F-16 Falcon
- F-22 Raptor
- KC-10 Extender
- KC-135 Stratotanker
- LGM-30 Minuteman III
- MQ-1 Predator and MQ-9 Reaper
- NS-7 GPS
- RQ-4 Global Hawk
- T-6 Texan II