

Evaluating DoD Compliance with FFMIA

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FFMIA Requirements

- Each agency shall implement and maintain financial systems that comply substantially with:
 - ◆ Federal Financial Management System Requirements
 - ◆ Applicable Federal Accounting Standards
 - ◆ U.S. Government Standard General Ledger at the Transaction Level

FFMIA Requirements

(continued)

- IG, DoD required to report whether DoD systems comply with the requirements.
- If DoD does not comply, DoD must prepare a remediation plan to correct systems
- IG, DoD required to report in semi-annual report to Congress on instances when target dates have not been met.

DoD Audit Results

- DoD systems do not substantially comply with FFMIA requirements
 - ◆ Auditors identified deficiencies with all three FFMIA requirements
 - ◆ DoD acknowledged system problems in Management Rep Letters and Annual Statements of Assurance
 - ◆ System deficiencies have been a primary source of information to support disclaimers of opinion

DoD Remediation Plan-1998

- FY 1998 DoD prepared the first Financial Management Improvement Plan
- IG, DoD assessed the FY 1998 DoD Improvement Plan and determined it did not adequately report on the remedies, resources, and intermediate target dates needed to correct systems

DoD Remediation Plan-1999

- FY 1999 Improvement Plan identified 168 critical financial management systems
- DoD challenged with identifying and correcting multiple systems owned by different DoD Components in various business areas.
- IG, DoD currently auditing FY 1999 Improvement Plan

DoD Compliance Plan

- DoD plans to implement a management approach similar to approach used to manage Y2K challenge
- DoD audit community organizing group to establish standard methodology for auditing systems compliance

Auditing Challenges

- DoD systems are in a constant state of change as DoD moves towards more standardized systems
- The large number of systems to be reviewed requires a coordinated audit approach between the DoD audit organizations.
- Overall impact and practicality of contracting out reviews has not been determined