



Department of Defense

Federal Managers' Financial Integrity Act

**Preparation and Submission of the Annual
Statement of Assurance**

Fiscal Year 2016 Guidance

April 2016

Summary of Revisions

The following table highlights changes and updates made since the July 2014 issuance of the annual Statement of Assurance (SoA) Guidance.

Change #	Section	Revision	Purpose
1.	Section 1. Introduction	Included an introduction in Section 1.	Describes the purpose of an annual SoA and high-level submission requirements.
2.	Section 2. Overview of Internal Controls	Included an overview of internal controls in Section 2.	Provides an overview of internal controls as defined by the GAO Green Book.
3.	Section 3. Types of Control Deficiencies	Included descriptions of various types of control deficiencies.	Provides a description of various types of control deficiencies to guide Components as they prepare their SoA submissions.
4.	Section 4. Submission Requirements for Annual Statement of Assurance	Updated the assertion language from Unqualified, Qualified and No Assurance to Unmodified, Modified and No Assurance.	In accordance with the draft OMB A-123 Guidance.
5.	Section 4. Service Provide Service Providers and Reporting Entities	Included a requirement for Service Providers to submit SSAE-16 reports that impact SoA reporting areas by June of each fiscal year.	To ensure that Service Provider controls are well accounted for in the annual SoAs.
6.	TABS B-D Reporting Templates	For uncorrected material weaknesses: Include prior year	To hold material weakness owners accountable for

		targeted correction dates, revised target correction dates, and the rationale for why dates slipped.	missed milestone dates.
7.	TAB D Financial Management Systems Material Weaknesses	Included a requirement that Components indicate the affected financial systems in their SoA submissions.	To require greater accountability from system owners.
8.	Appendix 5 Example Risk Profile	Included the example agency risk profile template.	To require agencies document their agency risk profile as required by the draft OMB Circular A-123 and the September 2014 revision of the GAO's Green Book.

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Please address all comments and concerns to R. Steven Silverstein (robert.s.silverstein.civ@mail.mil), DoD Managers' Internal Control Program Coordinator, FIAR Directorate, Office of the Under Secretary of Defense (Comptroller), at 571-256-2207.

1. Introduction

The DoD Instruction 5010.40, in accordance with the authority in DoD Directive 5118.03 to implement the policy in Section 3512 of Title 31, United States Code (also known and referred to as the “Federal Managers’ Financial Integrity Act (FMFIA)), requires agencies to establish internal control and financial systems that provide reasonable assurance that the three objectives of internal control are achieved:

- Effectiveness and efficiency of operations;
- Compliance with applicable laws and regulations; and
- Reliability of financial reporting.

This guidance compliments Financial Improvement and Audit Readiness (FIAR) Guidance of April 2016 to provide the DoD and DoD Components (e.g., Military Services, Combatant Commands and Other Defense Organizations) instructions for the consistent submission across the DoD, of the DoD and each required DoD Component’s annual Statement of Assurance (SoA) based on the assessment of the effectiveness of their internal controls over operations, financial reporting, and financial systems.

The SoA represents the informed judgement as to the overall adequacy and effectiveness of the Component’s internal controls. The SoA must be signed by the Component’s Head or Principal Deputy and should include a signed statement reporting on the:

- a. Component’s financial systems’ compliance with *Federal Financial Management Improvement Act* (FFMIA) and Office of Management and Budget (OMB) Circular A-127; *Financial Management Systems*; and
- b. Component’s level of assurance over internal controls over financial reporting (ICOFR), internal controls over financial systems (ICOFS) and internal controls over non-financial operations (ICONO), including compliance with applicable laws and regulations (separately from FFMIA).

The FMFIA requires the Secretary of Defense to submit an annual SoA to the President and Congress on the status of ICOFR, ICOFS, and ICONO within the DoD. In addition, OMB requires periodic updates on the status of material weaknesses DoD previously reported.

For Fiscal Year (FY) 2016, DoD components will provide an annual SoA to the Secretary of Defense no later than September 1, 2016, to include an explicit level of assurance on the effectiveness of internal controls for operations, financial reporting, and financial systems.

For FY 2016, the Under Secretary of Defense (Comptroller) plans to issue a revised DoD Instruction 5010.40 which will prescribe revised procedures for the execution of the Managers’ Internal Control Program. The revised DoD Instruction 5010.40 will include implementation guidance for the revised OMB Circular A-123, *Management’s Responsibility for Internal Control and Enterprise Risk Management*, as well as Government Accountability Office’s (GAO) September 2014 broad revision to its *Standards for Internal Control in the Federal*

Government, also known as the “Green Book.” As part of the revisions, in FY 2016, agencies are required to develop and document an agency Risk Profile. See Appendix 5 for an example Risk Profile.

2. Overview of Internal Controls

In accordance with GAO’s *Standards for Internal Control in the Federal Government* (the “Green Book”), internal control is defined as an integral component of an organization’s management that provides reasonable assurance that the following objectives are being met:

- a. Effectiveness and efficiency of operations;
- b. Reliability of financial reporting; and
- c. Compliance with applicable laws and regulations

Internal control includes the plans, methods, policies, and procedures an organization uses to conduct its core mission, safeguard its assets, and assure the accurate recording and reporting of financial data. Internal control is affected by the systems the entity has in place, the people involved, and the viewpoints of management regarding internal control. An effective system of internal controls will only be useful if it is properly maintained. Management must evaluate the results of control testing. As a result of the assessment of key controls, management will conclude whether the:

- a. control objective has been properly identified;
- b. controls are designed effectively;
- c. controls are operating effectively, partially effectively, or not effectively; and
- d. control objective has been achieved.

Reporting entities must assess internal controls on a regular, consistent basis in accordance with DoDI 5010.40, “*Managers’ Internal Control Program Procedures*” and the steps outlined in the FIAR Guidance. Periodic, well-designed internal control assessments provide reporting entities the ability to determine the stability of their control environments. Internal control assessments also enable reporting entities to evaluate year-to-year changes in their control environments, identify new risks, and develop and implement corrective action plans. The current *Managers’ Internal Control Program* guidance emphasizes:

- a. Importance of Director/Commander support (aka “tone-at-the-top,” overall control environment, or organizational culture);
- b. Reliance upon a “risk-based framework;” and
- c. Implementation of a “self-reporting concept.”

To complete these ongoing assessments, reporting entities must obtain and evaluate findings from available sources to identify the potential impact on internal controls over financial

reporting, financial systems, and operations. Relevant available sources include but are not limited to the following:

- a. Financial Improvement and Audit Readiness Self-Assessments;
- b. ICOFR, ICOFS and ICONO Self-Assessments;
- c. FMFIA/FFMIA Self-Assessments;
- d. Federal Information Security Management Act of 2002 Self-Assessments;
- e. Certification and Accreditation (DoD Information Assurance Certification and Accreditation/DoD Risk Management Framework);
- f. Financial Statement Audits and/or Examinations;
- g. Statement on Standards for Attestation Engagements (SSAE) No.16 “Reporting on Controls at a Service Organization” reports;
- h. GAO, DoD Office of Inspector General, and Agency Audit Reports; and
- i. Joint Interoperability Test Command’s DoD U.S. Standard General Ledger and Standard Financial Information Structure System Testing Requirements.

3. Types of Control Deficiencies

Control deficiencies range from control deficiencies to material weaknesses in internal control as defined below:

- *Control Deficiency:* Exists when the design or operation of a control does not allow Management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. Control deficiencies are internal to the Component and not reported externally.
- *Significant deficiency:* A deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness yet important enough to merit attention by those charged with governance. Significant deficiencies are internal to the Component and not reported externally.
- *Material Weakness:* A significant deficiency in which the Agency Head determines to be significant enough to report outside of the agency as a material weakness. Material weaknesses and a summary of corrective actions are reported in the Component’s annual SoA to the Secretary of Defense. The Secretary of Defense identifies and summarizes systemic material internal control weaknesses in the Annual Financial Report to OMB and to Congress.

- *Nonconformance*: Instances in which financial management systems do not substantially conform to financial systems requirements. Financial management systems include both financial and financially related (or mixed) systems (*FMFIA Section 4*). Non-conformances and a summary of corrective action to bring systems into conformance are reported to OMB and Congress through the AFR. Progress against corrective action plans should be periodically assessed and reported to Component management.

For all the above deficiencies, progress against remediation plans should be periodically assessed and reported to Component management. When categorizing internal control deficiencies, Component management should consider the following factors:

Factors	Control Deficiency	Significant Deficiency	Material Weakness	Nonconformance
Has the cause of the control deficiency been identified and corrected?	✓			
How was the deficiency detected? For example, if detected by management as part of the normal process, overall internal control may be effective due to the existence of compensating controls?	✓			
Is the control deficiency confined to a single application, or is it pervasive and/or systemic?				✓
Assuming the control deficiency is not pervasive, is it attributable to occasional carelessness or inadequately trained staff?	✓			
Provided the control deficiency is confined to one application, how significant is the application to the Component as a whole?				✓
How significant is the deviation from stated policy? For example, if the Component's policy requires accounts to be reconciled within four weeks of month end, an exception where reconciliations were not performed for six months might be more significant than an exception where reconciliations were actually performed within six weeks?		✓	✓	
What is the likelihood that other similar control exceptions have occurred and remain undetected?	✓	✓	✓	✓
How frequent are control exceptions in relation to the frequency of performing the control?	✓	✓	✓	✓

The list above is not intended to be all-inclusive; its purpose is to stimulate thought with respect to other questions that may be relevant in the circumstances. Management's consideration of these factors and responses to other inquiries may indicate that the control exceptions or deficiencies represent deficiencies that are required to be reported.

4. Submission Requirements for Annual Statement of Assurance

As described in Enclosure 3 of the DoDI No. 5010.40, DoD Components shall annually submit a SoA. Please see Appendix 1 for a list of Components for which this requirement applies. The Component Head (or Principal Deputy) of the DoD Component must sign the SoA. This signature authority may not be delegated below the DoD Component Head (or Principal Deputy).

Submission Date: DoD Component Head (or Principal Deputy) must submit the SoA as required, no later than September 1 of each year. No extensions will be provided.

Timely reporting is essential. Late statements jeopardize the Department's ability to meet the OMB deadlines. The Component Head (or Principal Deputy) is encouraged to submit the SoA on or in advance of the suspense date of September 1. The DoD Component Head (or Principal Deputy) must submit SoAs using the form and content requirements of this guidance. Each Component will provide electronic and hard copies of its SoA to its PSAs and Senior Accountable Officials (SAOs) as depicted in Figure 1. See Appendix 1 for the Principal Staff Assistants (PSAs) for each Component and Appendix 3 for the list of SAOs per assessable unit.

The electronic version of the SoA should also be emailed to Mr. Robert Silverstein (robert.s.silverstein.civ@mail.mil) and the OUSD(C) MICP mailbox (osd.pentagon.ousd-c.mbx.micp@mail.mil). A read receipt is required. Hard copies of the SoA must also be received on or before September 1 at the following two addresses:

Office of the Under Secretary of Defense (Comptroller)
Deputy Chief Financial Officer
Room 3C653A, Pentagon
Washington, DC 20301-1100

The Honorable Ashton Carter
Secretary of Defense
1000 Defense Pentagon
Washington, DC 20301-100

A revised SoA Reporting Process is located at Appendix 3.

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

- a) Effectiveness of the internal controls over operational and mission-essential functions (ICONO) (FMFIA Section 2) as of September 30;
- b) Effectiveness of the internal controls over financial reporting (ICOFR) (FMFIA Section 2 & 4) and financial systems (ICOFS) as of June 30;
- c) Compliance with applicable laws and regulations in each of the above areas; and
- d) Conformance of financial information systems with requirements of the Federal Financial Management Improvement (FFMIA) (Section 803(a)) of 1996 (Public Law 104-208) as of September 30.

The SoA includes the Component's and its Service Providers' FMFIA material weaknesses identified with corrective action plans and also internal control related accomplishments. To reinforce and sustain a strong environment of internal controls, the Component reviews previously reported material weaknesses to determine the status of these correction actions as well as the status of previously reported milestones agreed upon for their remediation. Management must provide a detailed explanation for those previously reported milestones that have been successfully completed. For newly reported corrective actions, management must ensure that material internal control deficiency has each specifies measurable milestones and the related milestone date for their correction. .

Appendix 1 to this guidance identifies each DoD Component's applicable reporting requirements and the assertions that are required to be submitted to the Secretary of Defense each fiscal year. Appendix 2 specifies the required format and reporting templates for the different sections that are to be submitted with the Component's SoA. The annual SoA will include a signed statement that reports on the Component's financial management information systems' compliance with FFMIA, and a separate level of assurance over its ICONO, ICOFR and ICOFS, including compliance with applicable laws and regulations. The assurance statements must take one of the following forms:

- Unmodified Statement of Assurance: The Component has reasonable assurance that internal controls are in place and operating effectively in the Department's mission-essential processes;
- Modified Statement of Assurance: The Component has reasonable assurance, with the exception of material weaknesses identified in the report, that internal controls are in place and operating effectively in their mission-essential processes; or
- Statement of No Assurance: The Component cannot provide reasonable assurance that internal controls are in place and operating effectively in their mission-essential processes.

Corrective action plans submitted under Operational Material Weaknesses (Appendix 2; SoA Tab B-2) will be reviewed during quarterly Defense Business Council (DBC) meetings.

Throughout the fiscal year, OUSD(C) coordinate with the DCMO regarding the status of corrective actions at least quarterly for presentation to the DBC. Components that are not completing corrective actions according to their plans will be required to present their challenges and revised plans to the DBC.

Corrective action plans submitted under Financial Reporting/Financial Management System Material Weaknesses (Appendix 2; SoA Tab C) will be reviewed during quarterly FIAR Governance Board meetings. OUSD(C) will coordinate with the assigned Senior Accountable Official to review and confirm updates to corrective actions on a quarterly basis for presentation to the Governance Board. Components that are not completing corrective actions according to their plans will be required to present their challenges and revised plans to the Governance Board.

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

SoA Coordination

The DoD Agencies and Field Activities must coordinate their SoAs through their respective PSAs prior to submission to the OUSD(C). Defense Agencies/DoD Field Activities are responsible to meet submission timelines to OUSD(C) with PSA coordination and should plan accordingly. Each PSA is required to coordinate on all of its respective Components' SoAs prior to submission to OUSD(C). Prompt reporting is the responsibility of the Component head (or principal deputy). The Combatant Commands (COCOMs) are to submit electronic versions of their approved SoAs to both the OUSD(C) and to the Joint Staff. Please refer to Appendix 1 for a list of Defense Agencies and DoD Field Activities required to submit through PSAs. Further, the act of reporting should be the byproduct of a sound, well managed Component internal control program that supports efficiency and effective mission accomplishment. The SoA reporting process is captured below in Figure 1.

SOA Reporting Process

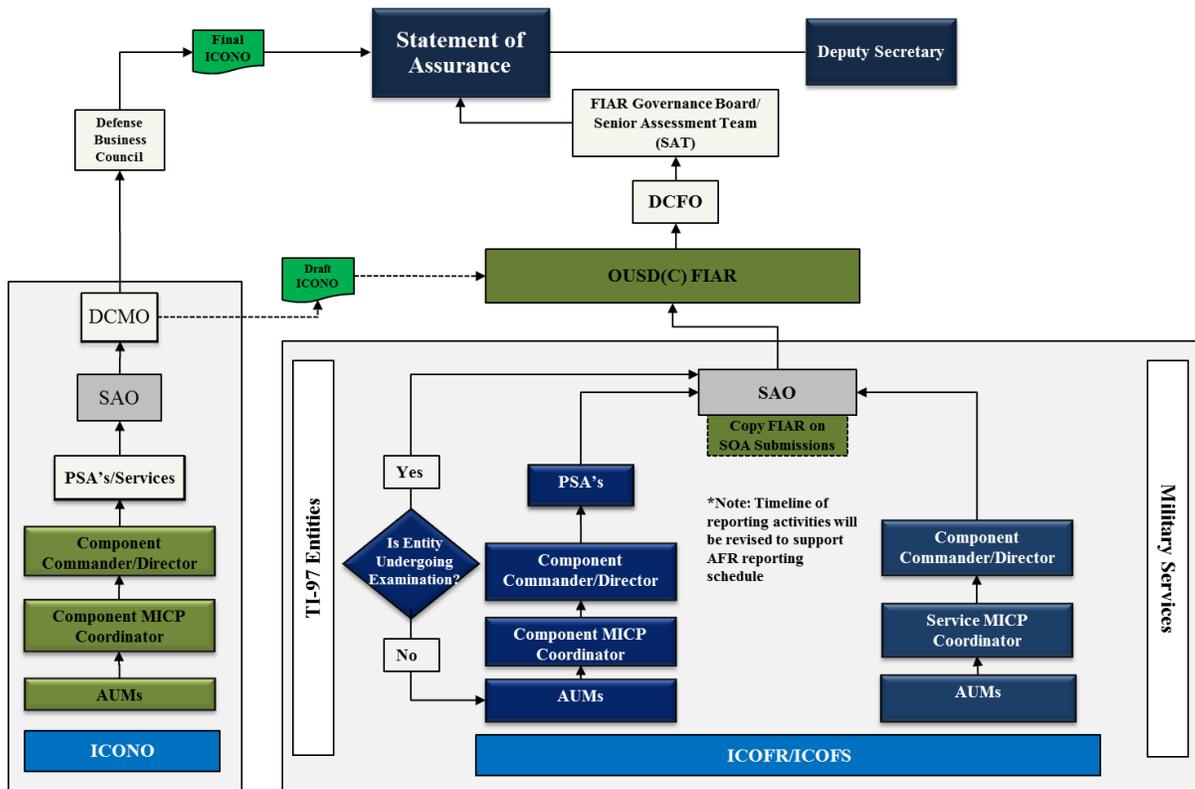


Figure 1: SoA Reporting Process

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

Service Providers and Reporting Entities

Each Component is responsible for the accuracy and completeness of financial information in reports that present the financial effects of its operations. Accordingly, Components must understand the significant financial activities and information system services performed by

Service Providers and the effectiveness of the Service Providers' related internal controls. In turn, Service Providers are responsible for providing their customers with a description of their controls that may affect the reporting entities' control environment, risk assessment, control activities, and information and communication systems. Service Providers are required to submit their SSAE 16 reports for input and consideration into their applicable Reporting Entities' SoAs by the June/July time frame to coincide with assessment testing.

Appendix 1
Components Required to Submit an Annual Statement of Assurance to the
Secretary of Defense
(One Consolidated SoA Due September 1, 2016)

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

Component	Operational ²	ICOFR ¹	ICOFS ¹	Coordinate through PSA
• National Security Agency	✓	✓	✓	✓
Office of the Under Secretary of Defense (Personnel & Readiness)	✓			
• Military Retirement Fund	✓	✓	✓	✓
• Defense Commissary Agency	✓	✓	✓	✓
• DoD Education Activity	✓	✓	✓	✓
• DoD Human Resources Activity	✓	✓		✓
• Service Medical Activity (SMA)	✓	✓	✓	✓
• Defense Health Program	✓	✓	✓	✓
Office of the Under Secretary of Defense (Policy)	✓			
• Defense Asian and Pacific Security Affairs	✓			✓
• Defense Global Strategic Affairs	✓			✓
• Defense Homeland Defense and Americas Security Affairs	✓			✓
• Defense International Security Affairs	✓			✓
• Defense Personnel Accounting Agency	✓	✓		✓
• Defense Security Cooperation Agency	✓	✓	✓	✓
• Defense Special Operations and Low- Intensity Conflict	✓			✓
• Defense Strategy Plans and Forces	✓			✓
• Defense Technology Security Administration	✓	✓		✓
Office of the Deputy Chief Management Officer	✓			
• Washington Headquarters Services	✓	✓	✓	✓
• US Court of Appeals	✓	✓		✓
• Pentagon Force Protection Agency	✓	✓		✓
Office of the Assistant Secretary of Defense for Legislative Affairs	✓			
Office of the Assistant Secretary of Defense for Public Affairs	✓			
• Defense Media Activity	✓	✓		✓
Office of the Chief Information Officer	✓			
• Defense Information Systems Agency	✓	✓	✓	✓
DoD Office of the General Counsel	✓	✓		
• Defense Legal Services Agency	✓	✓		✓
Operational Test and Evaluation	✓	✓		
Cost Assessment and Program Evaluation (CAPE)	✓			
DoD Office of Inspector General	✓	✓	✓	✓
Office of the Director of Administration and Management	✓			
Office of Net Assessment	✓			

¹ Assert as of June 30

² Assert as of September 30

³ USACE will provide a copy of its Annual Statement of Assurances to the Army

⁴ USMC will provide a copy of its Annual Statement of Assurances to the Navy

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

Appendix 2

Format of the Statement of Assurance

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

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

SAMPLE STATEMENT OF ASSURANCE MEMORANDUM

MEMORANDUM FOR THE SECRETARY OF DEFENSE

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

1. As *(enter Title of Head of Component here)* of the *(Component name here)*, I recognize that the *(Component name here)* is responsible for establishing and maintaining effective internal controls to meet the objectives of the Federal Managers' Financial Integrity Act (FMFIA). Tab A provides specific information on how the *(Component name here)* conducted the assessment of operational internal controls, in accordance with OMB Circular A-123, *Management's Responsibility for Internal Control*, and provides a summary of the significant accomplishments and actions taken to improve the *(Component name here)* internal controls during the past year.
2. *[Required for those Components listed in Appendix 1 that must provide an SoA related to operations.]* The *(Component name here)* conducted its assessment of the effectiveness of internal controls over non-financial operations in accordance with the FFMIA Act of 1982 and the DoDI 5010.40. Tab A-1 provides specific information on how the *(Component name here)* conducted this assessment. Based on the results of this assessment, the *(Component name here)* is able to provide: *[the statement must take one of three forms: (1) "an unmodified statement of assurance" (no material weakness is being reported); or (2) "a modified statement of assurance" (one or more material weaknesses being reported); or (3) "no assurance" (processes not in place to assess all controls or pervasive material weaknesses)]* that the internal controls over non-financial operations as of September 30, 20xx, were operating effectively *[if modified "with the exception of (number) material weakness(es) noted in Tab B"]*.
3. *[Required for those Components listed in Appendix 1 that must provide an SoA related to financial reporting.]* The *(Component name here)* conducted its assessment of the effectiveness of internal controls over financial reporting in accordance with OMB Circular A-123, Appendix A, *Internal Control Over Financial Reporting*. Tab A-1 provides specific information on how the *(Component name here)* conducted this assessment. Based on the results of this assessment, the *(Component name here)* is able to provide: *[the statement must take one of three forms: (1) "an unmodified statement of assurance" (no material weakness is being reported); (2) "a modified statement of assurance" (one or more material weaknesses being reported); or (3) "no assurance" (processes not in place to assess all controls or pervasive material weaknesses)]* that the internal controls over financial reporting as of June 30, 20xx, were operating effectively *[if modified "with the exception of (number) material weakness(es) noted in Tab C"]*.
4. *[Required for those Components listed in Appendix 1 that must provide an SoA related to integrated financial management system (IFMS) controls.]* The *(Component name here)* also conducted an internal review of the effectiveness of the internal controls over the integrated financial management systems in accordance with FFMFIA of 1996 (Public Law

104-208) and the DoDI 5010.40. Tab A-1 provides specific information on how the *(Component name here)* conducted this assessment. Based on the results of this assessment, the *(Component name here)* is able to provide: *[the statement must take one of three forms: (1) “an unmodified statement of assurance” (no nonconformance is being reported); (2) “a modified statement of assurance” (one or more nonconformance’s being reported); or (3) “no assurance” (processes not in place to assess all controls or pervasive nonconformance)] that the internal controls over the integrated financial management systems as of June 30, 20xx, are in compliance with the Federal Financial Management Improvement Act and OMB Circular A-123 Appendix D [if modified “with the exception of (number) nonconformance(s) noted in Tab C”].*

Signed by Component Head or Principal Deputy

TAB A-1

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

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

- List all Component Organizations (Headquarters, J1, J2.....).
- List all Component material assessable units related to ICOFR, ICOFS, and ICONO

(*Component name here*)’s senior management evaluated the system of internal controls in effect during the fiscal year as of the date of this memorandum, according to the guidance in Office of Management and Budget (OMB) Circular No. A-123, “Management’s Responsibility for Risk Management and Internal Controls,” May 19, 2015. The OMB guidelines were issued in conjunction with the Comptroller General of the United States, as required by the “Federal Managers’ Financial Integrity Act of 1982.” Included is our evaluation of whether the system of internal controls for (*Component name here*) is in compliance with standards prescribed by the Comptroller General.

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

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

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

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

complies with the requirement to provide reasonable assurance that the above mentioned objectives were achieved. This position on reasonable assurance is within the limits described in the preceding paragraph.

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

- a. Management Control Testing: Discuss the Component’s **separate** approaches to testing the system of internal controls for ICOFR, ICOFS, and ICONO. The approaches should be clear and measurable, and should generally include*:
 - 1. Identifying material assessable units that were included in the assessment of internal controls
 - 2. Identifying key controls to be tested based on a detailed risk assessment;
 - 3. Developing the test plan (consider the nature, extent (including sampling technique) and timing of the execution of the controls tests;
 - 4. Selecting the test method (inquiry, observation, inspection, or re-performance);
 - 5. Selecting the sample size, sampling technique, and acceptable number of tolerable misstatements;
 - 6. Executing testing of automated versus manual controls;
 - 7. Summarizing and analyzing test results.
 - 8. Accounting for its Service Providers’ internal controls and weaknesses, and including these Service Provider controls in its overall assessment.
 - 9. Identifying any existing scope limitations (e.g. Material assessable units that were not included in the evaluation of internal control, no consideration of Service Provider controls, and unassessed processes or financial systems) in its testing of internal controls and any mitigating actions around these limitations

****Please note that this is not an all-inclusive list for testing and assessing internal controls, however Components are required to use the above list as a baseline for evaluating controls.***

- b. Incorporate internal/external audit findings in the material weakness sections of the SoA (i.e. Tabs B-C), e.g. Office of the Inspector General, DoD (DoD IG); DoD Audit Agency (e.g. Naval Audit Service); GAO; or Component IG findings. In addition, incorporate material weaknesses identified from mock audits, monthly testing and other internal FIAR initiatives. ***Please note that all reportable Anti-deficiency Act (ADA) violations are considered material. In the table below, please report the findings that were deemed Material Weaknesses:***

Dates of Reports	Description of Findings	Assessable Unit (AU) ¹	Inspection Entity	Is the Finding listed as one of the Material Weaknesses in Tabs B through D?
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- c. Components must evaluate the processing of ADA violations reported to the President through the Director of the Office of Management and Budget, Congress, and the Comptroller General of the United States. The following information must be included for all reportable ADA violations:
 - 1. Case Number.
 - 2. Amount of violation.
 - 3. Appropriation and Treasury Appropriation Symbol.
 - 4. Type of violation and United States Code section.
 - 5. Audit report title, number, date, and agency (if identified by an audit).
 - 6. Status of planned and completed corrective actions as a result of the ADA violation. The status of corrective actions is required to be reported until the corrective action is complete and reported as such.

- d. ADA violations occurring after the SoA reporting date must be reported in the following fiscal year's SoA. If a Component has neither ADA violations nor incomplete corrective actions resulting from a prior year ADA violation to report, please provide the following statement: "The (Component name) had no ADA violations for FY 2016 and no incomplete corrective actions from a prior year ADA violation to report."

- e. Material Weaknesses in assertion packages: Material weaknesses reported in the Quality Assurance Review assertion package should be included as part of Management's assessment of internal controls and the support for the level of assurance provided by a Component.

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

TAB A-2

SIGNIFICANT MICP ACCOMPLISHMENTS

Most significant MICP accomplishments achieved during FY 20xx

Document a maximum of **five** significant accomplishments in how your Component improved internal controls over operations. These accomplishments may be reported in the Management's Discussion and Analysis section of the Component's Agency Financial Report. Highlight areas where your Component became more effective or efficient in operations, improved fiscal stewardship, or complied with applicable laws and regulations. Provide succinct and specific details on accomplishments achieved in the execution of the MICP since you issued the previous SoA, and where possible, provide quantitative measures such as dollar amounts saved. Also, indicate whether an accomplishment is related to the correction of a previously identified material weakness. Each significant accomplishment must relate to one of the internal control categories identified in Enclosure 5, DoDI 5010.40. See an example format of how to report accomplishments below:

Internal Control Reporting Category:

Description of the Issue:

Accomplishment:

TAB B -1

OPERATIONAL MATERIAL WEAKNESSES

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

Operational Material Weakness(es) Reporting Template

Uncorrected Material Weaknesses Identified During the Period:

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

Uncorrected Material Weaknesses Identified During Prior Periods:

Internal Control Reporting Category	Description of Material Weakness	First Year Reported	Prior Year Targeted Correction Date	Revised Target Correction Date	Page #
(a)	(b)	(e)	(f)	(g)	(d)

Material Weaknesses Corrected During the Period:

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

NOTES:

- a. Internal Control Reporting Category: Defined in Enclosure 5, DoDI 5010.40.
- b. Description of Material Weakness: Provide a brief description, approximately 50-75 words in length, of the overall weakness and its impact to the assessable unit and/or on the Component.
- c. Targeted Correction Year: Expected date of resolution. If this date has changed for prior period material weaknesses, provide a brief explanation as to why the date changed in the 'Detailed Corrective Action Plan' section in Tab B-2.
- d. Page #: The first page number of the corrective action plan and milestones (Tab B-2).
- e. First Year Reported: The fiscal year in which this material weakness was first reported in your SoA. This date will not change once the weakness has been identified.
- f. Prior Year Targeted Correction Date: Provide the targeted correction date in your prior year's SoA.
- g. Revised Target Correction Date: If the prior year correction date slipped, provide the revised correction date in the Quarter and Fiscal Year of estimated completion, and the rationale for the previously slipped correction date. NOTE: Target correction dates should be realistic i.e. when submitting an SoA on September 1 of each fiscal year, do not state that a correction date is slated for the 4th quarter of that fiscal year.

TAB B-2

OPERATIONAL CORRECTIVE ACTION PLANS AND MILESTONES

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

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

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

Internal Control Reporting Category: Defined in Enclosure 5, DoDI 5010.40.

Targeted Correction Date: Expected date of resolution. If this date changes for prior period material weaknesses, provide a brief explanation as to why the date changed in the 'Detailed Corrective Action Plan' section.

Description of Material Weakness: Provide a brief description, approximately 50 – 75 words in length, of the overall weakness and the impact to the Component.

Detailed Corrective Action Plan

For Uncorrected Weaknesses: Provide a detailed corrective action plan (CAP) (including milestones) for each material weakness identified (example below). The CAP consists of revising or enhancing an already existing control, or implementing a new control. It also should describe the steps and associated timelines necessary to correct the deficiency. Explain how your Component will validate that the deficiency no longer exists and validate actions taken. The validation may either be a documented independent audit review or the accomplishment of a pre-established reported metric. An entry of "TBD" (To Be Determined) is not an acceptable target date for a corrective action plan. When developing a CAP to resolve a material weakness or noncompliance, use the standard CAP template as shown in Appendix 4 and:

- State the as-is weakness/noncompliance condition. The weakness should be briefly detailed and clearly stated;
- List the tasks to be accomplished to correct weaknesses;
- Tasks should clearly describe what needs to be done in that step and should include a date the Component/assessable unit expects to complete the task; and
- It is recommended that the steps be a short duration from each other.

If system development and deployment is a Component's solution to correcting a material weakness or noncompliance issue, the corrective action plan must include the following:

- A schedule for development and fielding to the point where the Component believes the weakness will be corrected, and internal controls will be effective;
- Tasks within the schedule demonstrating attention to internal controls which include addressing the system control assertions discussed in the OMB Circular A-123, Appendix A; and
- Compliance with the Department Business Enterprise Architecture.

Weaknesses that slip year-after-year and do not meet target correction dates reflect negatively on the Department’s commitment to improve internal control weaknesses. Therefore, senior management should resolve material weaknesses and noncompliance issues as quickly as possible and help ensure that the targeted correction dates are met.

<i>Example Corrective Action Plan Uncorrected Weaknesses</i>	
<i>4th Qtr., FY 2016</i>	<i>Review policies to support standardizing data and processes established across the Command.</i>
<i>1st Qtr., FY 2017</i>	<i>Identify two programs for implementation of revised processes and begin tracking compliance and use.</i>
<i>2nd Qtr., FY 2017</i>	<i>Develop and deploy a formal training program.</i>
<i>3rd Qtr., FY 2017</i>	<i>Training curriculum developed and deployed.</i>

Also, if the targeted correction date changes for prior period material weaknesses, provide an explanation for the date change and planned steps implemented to make progress in accordance with the revised target date.

<i>Example Revised Corrective Action Plan Target Correction Date Change</i>			
<i>Original Target Date</i>	<i>Revised Target Date</i>	<i>Example Revised Corrective Action Plan Target Correction Date Change</i>	<i>Justification for Date Change</i>
<i>4th Qtr., FY 2016</i>	<i>3rd Qtr., FY 2017</i>	<i>Review policies to support standardizing data and processes established across the Command.</i>	<i>Additional resources were required to staff this corrective action. Resources are now in place and will complete these tasks by the revised target date.</i>
<i>1st Qtr., FY 2017</i>	<i>1st Qtr., FY 2018</i>	<i>Identify two programs for implementation of revised processes and begin tracking compliance and use.</i>	<i>Two programs were identified and revised processes were identified. However, the compliance tracking tool has not been developed. This task is planned and resourced</i>

			<i>for completion by the revised target date.</i>
<i>2nd Qtr., FY 2017</i>	<i>2nd Qtr., FY 2018</i>	<i>Develop and deploy a formal training program.</i>	<i>Contractor resources were needed to develop and deploy the necessary training program. Contractor resources are now in place directly supporting this training effort. Corrective actions are scheduled to be completed by the revised target date.</i>
<i>3rd Qtr., FY 2017</i>	<i>1st Qtr., FY 2018</i>	<i>Training curriculum developed and deployed.</i>	<i>Training curriculum has been developed, but not yet approved and deployed. Corrective action expected to be completed by the revised target date.</i>

For Corrected Weaknesses: Provide clear, actionable, and measurable steps that the agency took to remediate the weakness using the example template below. Include milestone dates of each corrective action.

<i>Example Corrective Action Plan Corrected Weaknesses</i>	
<i>4th Qtr., FY 2015</i>	<i>Reviewed policies to support standardizing data and processes established across the Command.</i>
<i>1st Qtr., FY 2016</i>	<i>Identified two programs for implementation of revised processes and began tracking compliance and use.</i>
<i>2nd Qtr., FY 2016</i>	<i>Developed and deployed a formal training program.</i>
<i>3rd Qtr., FY 2016</i>	<i>Training curriculum developed and deployed.</i>

TAB C-1

**FINANCIAL REPORTING
MATERIAL WEAKNESSES**

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

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

Financial Reporting Material Weakness(es) Template

Uncorrected Material Weaknesses Identified During the Period:

Internal Control Reporting Category	Description of Material Weakness	Targeted Correction Year	Page #
(a)	(b)	(c)	(f)

Uncorrected Material Weaknesses Identified During Prior Periods:

Internal Control Reporting Category	Description of Material Weakness	First Year Reported	Prior Year Targeted Correction Date	Revised Targeted Correction Date	Page #
(a)	(b)	(e)	(g)	(h)	(f)

Material Weaknesses Corrected During the Period:

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

NOTES:

- a. *Internal Control Reporting Category: Defined in Enclosure 5, DoDI 5010.40.*
- b. *Description of Material Weakness: Provide a brief description, approximately 50-75 words in length, of the overall weakness and its impact to the assessable unit and/or on the Component.*

- c. *Targeted Correction Year: Expected date of resolution. If this date has changed for prior period material weaknesses, provide a brief explanation as to why the date changed in the 'Detailed Corrective Action Plan' section in Tab C-2.*
- d. *Page #: The first page number of the corrective action plan and milestones (Tab C-2).*
- e. *First Year Reported: The fiscal year in which this material weakness was first reported in your SoA. This date will not change once the weakness has been identified.*
- f. *Prior Year Targeted Correction Date: Provide the targeted correction date in your prior year's SoA.*
- g. *Revised Target Correction Date: If the prior year correction date slipped, provide the revised correction date in the Quarter and Fiscal Year of estimated completion, and the rationale for the previously slipped correction date. NOTE: Target correction dates should be realistic i.e. when submitting an SoA on September 1 of each fiscal year, do not state that a correction date is slated for the 4th quarter of that fiscal year.*

TAB C-2

FINANCIAL REPORTING CORRECTIVE ACTION PLANS AND MILESTONES

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

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

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

Internal Control Reporting Category: Defined in Enclosure 5, DoDI 5010.40.

Targeted Correction Date: Expected date of resolution. If this date changes for prior period material weaknesses, provide a brief explanation as to why the date changed in the 'Detailed Corrective Action Plan' section.

Description of Material Weakness: Provide a brief description, approximately 50 – 75 words in length, of the overall weakness and the impact to the Component.

Detailed Corrective Action Plan

For Uncorrected Weaknesses: Provide a detailed corrective action plan (CAP) (including milestones) for each material weakness identified (example below). The CAP consists of revising or enhancing an already existing control, or implementing a new control. It also should describe the steps and associated timelines necessary to correct the deficiency. Explain how your Component will validate that the deficiency no longer exists and validate actions taken. The validation may either be a documented independent audit review or the accomplishment of a pre-established reported metric. An entry of "TBD" (To Be Determined) is not an acceptable target date for a corrective action plan. When developing a CAP to resolve a material weakness or noncompliance, use the standard CAP template as shown in Appendix 4 and:

- State the as-is weakness/noncompliance condition. The weakness should be briefly detailed and clearly stated;
- List the tasks to be accomplished to correct weaknesses;
- Tasks should clearly describe what needs to be done in that step and should include a date the Component/assessable unit expects to complete the task; and
- It is recommended that the steps be a short duration from each other.

If system development and deployment is a Component's solution to correcting a material weakness or noncompliance issue, the corrective action plan must include the following:

- A schedule for development and fielding to the point where the Component believes the weakness will be corrected, and internal controls will be effective;

- Tasks within the schedule demonstrating attention to internal controls which include addressing the system control assertions discussed in the OMB Circular A-123, Appendix A; and
- Compliance with the Department Business Enterprise Architecture.

Weaknesses that slip year-after-year and do not meet target correction dates reflect negatively on the Department’s commitment to improve internal control weaknesses. Therefore, senior management should resolve material weaknesses and noncompliance issues as quickly as possible and help ensure that the targeted correction dates are met.

<i>Example Corrective Action Plan Uncorrected Weaknesses</i>	
<i>4th Qtr., FY 2016</i>	<i>Review policies to support FBwT reconciliations and standardizing financial data elements and corresponding supporting business processes established across the Command.</i>
<i>1st Qtr., FY 2017</i>	<i>Identify material weaknesses associated with two financial processes or programs and develop and implement remediated business processes and begin tracking compliance and use.</i>
<i>2nd Qtr., FY 2017</i>	<i>Develop and deploy a formal financial management training program.</i>
<i>3rd Qtr., FY 2017</i>	<i>Financial management training curriculum developed and deployed.</i>

Also, if the targeted correction date changes for prior period material weaknesses, provide an explanation for the date change and planned steps implemented to make progress in accordance with the revised target date.

<i>Example Revised Corrective Action Plan Target Correction Date Change</i>			
<i>Original Target Date</i>	<i>Revised Target Date</i>	<i>Example Revised Corrective Action Plan Target Correction Date Change</i>	<i>Justification for Date Change</i>
<i>4th Qtr., FY 2016</i>	<i>3rd Qtr., FY 2017</i>	<i>Review policies to support FBwT reconciliations and standardizing financial data elements and corresponding supporting business processes established across the Command.</i>	<i>Additional resources were required to staff this corrective action. Resources are now in place and will complete these tasks by the revised target date.</i>
<i>1st Qtr., FY 2017</i>	<i>1st Qtr., FY 2018</i>	<i>Identify material weaknesses associated with two financial processes or programs and develop and implement remediated business processes and begin tracking compliance and use.</i>	<i>Material weaknesses associated with two business processes and required process improvements were identified. However, the compliance tracking tool has not been</i>

			<i>developed. This task is planned and resourced for completion by the revised target date.</i>
<i>2nd Qtr., FY 2017</i>	<i>2nd Qtr., FY 2018</i>	<i>Develop and deploy a formal financial management training program.</i>	<i>Contractor resources were needed to develop and deploy the necessary training program. Contractor resources have been acquired and have started working. Corrective actions are scheduled to be completed by the revised target date.</i>
<i>3rd Qtr., FY 2017</i>	<i>1st Qtr., FY 2018</i>	<i>Financial management training curriculum developed and deployed.</i>	<i>Training curriculum has been developed, but not yet approved and deployed. Corrective action expected to be completed by the revised target date.</i>

For Corrected Weaknesses: Provide clear, actionable, and measurable steps that the agency took to remediate the weakness using the example template below. Include milestone dates of each corrective action.

<i>Example Corrective Action Plan Corrected Weaknesses</i>	
<i>4th Qtr., FY 2015</i>	<i>Reviewed policies to support FBwT reconciliations and standardizing financial data elements and corresponding supporting business processes established across the Command.</i>
<i>1st Qtr., FY 2016</i>	<i>Identified material weaknesses associated with two financial processes and developed and implemented remediated business processes and began tracking compliance and use.</i>
<i>2nd Qtr., FY 2016</i>	<i>Developed and deployed a formal financial management training program.</i>
<i>3rd Qtr., FY 2016</i>	<i>Financial management training curriculum developed and deployed.</i>

TAB D-1

**FINANCIAL MANAGEMENT SYSTEMS
MATERIAL WEAKNESSES/NONCONFORMANCES and CORRECTIVE ACTIONS**

Components required to report on the effectiveness of internal controls over financial systems controls (ICOFs) are identified in Appendix 1. Reported material weaknesses or nonconformances must be submitted in TAB D-1 using the following template format. The assessment of ICOFS should follow the requirements detailed in OMB Circular A-123 Section VI Exhibit 1. **Note:** Components that report a material weakness or nonconformance in an area identified with an OSD Senior Accountable Official (SAO) must e-mail a copy of their statement of assurance (SoA) submission to the OSD SAO’s point of contact (refer to Appendix 3).

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

Financial Management Systems Material Weakness(es)/Nonconformance(s) Template

Uncorrected Material Weaknesses/Nonconformances Identified During the Period:

Internal Control Reporting Category	Description of Material Weakness/Nonconformance	Financial System Affected	Targeted Correction Year	Page #
(a)	(b)	(i)	(c)	(f)

Uncorrected Material Weaknesses/Nonconformances Identified During Prior Periods:

Internal Control Reporting Category	Description of Material Weakness/Nonconformance	Financial System Affected	First Year Reported	Prior Year Targeted Correction Date	Revised Targeted Correction Date	Page #
(a)	(b)	(i)	(e)	(g)	(h)	(f)

Material Weaknesses/Nonconformances Corrected During the Period:

Internal Control Reporting Category	Description of Material Weakness/Nonconformance	Financial System Affected	First Year Reported	Original Target Date	Page #
(a)	(b)	(i)	(e)	(d)	(f)

NOTES:

- a. *Internal Control Reporting Category: Defined in Enclosure 5, DoDI 5010.40.*
- b. *Description of Material Weakness/Nonconformance: Provide a brief description, approximately 50-75 words in length, of the overall weakness/nonconformance and the impact to the Component.*
- c. *Targeted Correction Year: The expected date of resolution of the material weakness/nonconformance.*
- d. *Original Target Date: The date originally targeted for resolution of the material weakness/nonconformance when the weakness was identified.*

- e. *First Year Reported:* The fiscal year in which this material weakness was first reported in your SoA. This date will not change once the weakness has been identified.
- f. The first page number of the corrective action plan and milestones (Tab D-2).
- g. *Prior Year Targeted Correction Date:* The targeted correction date in your prior year's SoA.
- h. *Revised Target Correction Date:* If the prior year correction date slipped, provide the revised correction date in the Quarter and Fiscal Year of estimated completion, and the rationale for the previously slipped correction date. NOTE: Target correction dates should be realistic i.e. When submitting an SoA on September 1 of each fiscal year, do not state that a correction date is slated for the 4th quarter of that fiscal year.
- i. Indicate the financial system that was affected by the material weakness.

TAB D-2

FINANCIAL SYSTEMS CORRECTIVE ACTION PLANS AND MILESTONES

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

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

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

Internal Control Reporting Category: Defined in Enclosure 5, DoDI 5010.40.

Targeted Correction Date: Expected date of resolution. If this date changes for prior period material weaknesses, provide a brief explanation as to why the date changed in the 'Detailed Corrective Action Plan' section.

Description of Material Weakness: Provide a brief description, approximately 50 – 75 words in length, of the overall weakness and the impact to the Component.

Detailed Corrective Action Plan

For Uncorrected Weaknesses: Provide a detailed corrective action plan (CAP) (including milestones) for each material weakness identified (example below). The CAP consists of revising or enhancing an already existing control, or implementing a new control. It also should describe the steps and associated timelines necessary to correct the deficiency. Explain how your Component will validate that the deficiency no longer exists and validate actions taken. The validation may either be a documented independent audit review or the accomplishment of a pre-established reported metric. An entry of "TBD" (To Be Determined) is not an acceptable target date for a corrective action plan. When developing a CAP to resolve a material weakness or noncompliance, use the standard CAP template as shown in Appendix 4 and:

- State the as-is weakness/noncompliance condition. The weakness should be briefly detailed and clearly stated;
- List the tasks to be accomplished to correct weaknesses;
- Tasks should clearly describe what needs to be done in that step and should include a date the Component/assessable unit expects to complete the task; and
- It is recommended that the steps be a short duration from each other.

If system development and deployment is a Component's solution to correcting a material weakness or noncompliance issue, the corrective action plan must include the following:

- A schedule for development and fielding to the point where the Component believes the weakness will be corrected, and internal controls will be effective;

- Tasks within the schedule demonstrating attention to internal controls which include addressing the system control assertions discussed in the OMB Circular A-123, Appendix A; and
- Compliance with the Department Business Enterprise Architecture.

Weaknesses that slip year-after-year and do not meet target correction dates reflect negatively on the Department’s commitment to improve internal control weaknesses. Therefore, senior management should resolve material weaknesses and noncompliance issues as quickly as possible and help ensure that the targeted correction dates are met.

<i>Example Corrective Action Plan Uncorrected Weaknesses</i>	
<i>4th Qtr., FY 2016</i>	<i>Review policies and procedures to support standardizing data element requirements for processing financial transactions and establish controls that ensure transactions can be traced through the financial systems and processes across the Command.</i>
<i>1st Qtr., FY 2017</i>	<i>Develop system controls that require and verify supervisory review and approval of all transactions entered into the financial system(s) and develop and implement remediated business processes to support this system functionality and begin tracking compliance and use.</i>
<i>2nd Qtr., FY 2017</i>	<i>Develop and execute user acceptance testing (UAT) for newly implemented system controls.</i>
<i>3rd Qtr., FY 2017</i>	<i>Release newly implemented controls into production environment and train users.</i>

Also, if the targeted correction date changes for prior period material weaknesses, provide an explanation for the date change and planned steps implemented to make progress in accordance with the revised target date.

<i>Example Revised Corrective Action Plan Target Correction Date Change</i>			
<i>Original Target Date</i>	<i>Revised Target Date</i>	<i>Example Revised Corrective Action Plan Target Correction Date Change</i>	<i>Justification for Date Change</i>
<i>4th Qtr., FY 2016</i>	<i>3rd Qtr., FY 2017</i>	<i>Review policies and procedures to support standardizing data element requirements for processing financial transactions and establish controls that ensure transactions can be traced through the financial systems and processes across the Command.</i>	<i>Additional resources were required to staff this corrective action. Resources are now in place and will complete these tasks by the revised target date.</i>
<i>1st Qtr., FY 2017</i>	<i>1st Qtr., FY 2018</i>	<i>Develop system controls that require and verify supervisory</i>	<i>The necessary system controls were identified</i>

		<i>review and approval of all transactions entered into the financial system(s) and develop and implement remediated business processes to support this system functionality and begin tracking compliance and use.</i>	<i>and developed. However, the compliance tracking tool has not been developed. This task is planned and resourced for completion by the revised target date.</i>
<i>2nd Qtr., FY 2017</i>	<i>2nd Qtr., FY 2018</i>	Develop and execute user acceptance testing (UAT) for newly implemented system controls.	<i>Transition from legacy system delayed implementation of system change request. New timeline now aligns to the new ERP tool.</i>
<i>3rd Qtr., FY 2017</i>	<i>1st Qtr., FY 2018</i>	Release newly implemented controls into production environment and train users.	<i>Newly implemented controls will be released in the ERP environment.</i>

For Corrected Weaknesses: Provide clear, actionable, and measurable steps that the agency took to remediate the weakness using the example template below. Include milestone dates of each corrective action.

<i>Example Corrective Action Plan Corrected Weaknesses</i>	
<i>4th Qtr., FY 2015</i>	<i>Reviewed policies and procedures to support standardizing data element requirements for processing financial transactions and established controls that ensure transactions can be traced through the financial systems and processes across the Command.</i>
<i>1st Qtr., FY 2016</i>	<i>Developed system controls that require and verify supervisory review and approval of all transactions entered into the financial system(s). We have also developed and implemented agency policies and remediated business processes to support this system functionality and began tracking compliance and use.</i>
<i>2nd Qtr., FY 2016</i>	Develop and execute user acceptance testing (UAT) for newly implemented system controls.
<i>3rd Qtr., FY 2016</i>	Release newly implemented controls into production environment and train users.

TAB E-1

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

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

- a. Completing the DoD Assessment of Internal Control over Acquisition Functions Template (see table below) to evaluate acquisition functions;
- b. Determining if there are any new deficiencies or material weaknesses and developing corrective action plans. (Material weaknesses will be reported in TAB B-1);
- c. Explaining how the DoD Template was used to determine deficiencies and weaknesses; and
- d. Summarizing the results.

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

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

ATL_MICP@osd.mil

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

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

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

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

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

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

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

Appendix 3
FY16 Senior Accountable Officials MICP Reporting Process POCs

SAO	Office	Assessable Unit	PSA/SAO Action Officer
Mr. Mark Easton	Office of the Under Secretary of Defense (Comptroller)	Fund Balance with Treasury	Alice Rice/Ken Schulze
		Financial Reporting	Jimmy Davila/Susan Peterson
		Accounts Receivable	Alice Rice
		Civilian Pay	Alice Rice
		Military Pay	Alice Rice
		Reimbursable Work Orders – Grantor	Mary Kemp
		Financial Management Systems	Greg Little – FFMI Shawn Sparks – FISCAM
Mr. Gary Motsek	OUSD Acquisition, Technology & Logistics/Logistics & Material Readiness	Transportation of Things	Bob Carroll/ Nathan Shepherd/ Rosie Heraud
		Inventory	
		Operating Materials and Supplies	
		Military Standard Requisitioning & Issue Procedures (Requisitioning Procedures)	
Mr. Darryl Landreaux	Defense Health Agency	Health Care Liabilities	Bob Moss/Kevin Vink/Joyce Forrest
Ms. Virginia Penrod	OUSD Personnel & Readiness	Transportation of People	Kevin Vink/Carrie McVicker/Mike Labejsza
Ms. Claire Grady	OUSD Acquisitions Technology & Logistics/Defense Procurement & Acquisition Policy	Contract/Vendor Pay	Dennis Idol/Rosie Heraud
Dr. Nancy Spruill	OUSD Acquisitions Technology & Logistics/Acquisition, Resources & Analysis	Equipment Assets	Steve Tkac/Rosie Heraud
Mr. Pete Potochney	OUSD Acquisitions Technology & Logistics/Energy, Installations & Environment	Real Property	Mitchell Fiedler Overall/Patricia Huheey EL/ Bob Coffman RP/Rosie Heraud
		Environmental Liabilities	
Mr. David Tillotson	Acting Deputy Chief Management Officer	ICONO	Mark Doehner/Carolyn Jones

Appendix 4
Corrective Action Plan Template

Organization			
Name of Other Defense Organization (ODO):			
Name of ODO Component:			
Program Manager:			
ODO Point of Contact:			
Notifications of Findings and Recommendations (NFR) Details			
Review Name:			
NFR Number:			
NFR Title:			
Summary Description of the Design Gap or Control Deficiency:			
Classification of Finding:	<input type="checkbox"/> Control Deficiency <input type="checkbox"/> Significant Deficiency <input type="checkbox"/> Material Weakness <input type="checkbox"/> Compliance - Description of Noncompliance: _____		
Schedule of Budgetary Activity (SBA) Impacted:	Samples for General Ledger Account Codes (GLACs): 4801 & 4901 Obligations, 4902 Outlays and 4251 & 4252 Collections		
End-to-End Business Process:	<input type="checkbox"/> Budget-to-Report <input type="checkbox"/> Hire-to-Retire <input type="checkbox"/> Order-to-Cash <input type="checkbox"/> Procure-to-Pay <input type="checkbox"/> Acquire-to-Retire <input type="checkbox"/> Plan-to-Stock		
Related Financial Statement Assertion(s) impacted:	<input type="checkbox"/> Existence & Occurrence <input type="checkbox"/> Completeness <input type="checkbox"/> Valuation <input type="checkbox"/> Rights & Obligations <input type="checkbox"/> Presentation & Disclosure		
Financial Reporting Risk(s) Impacted:			
CAP/Remediation Control Activity Details			
CAP Number			
CAP Description			
Remediation Milestones			
Action Organization (e.g., DFAS, Navy, DARPA, etc.)	Milestone Activity (actual execution of the CAP):	Task Owner (name, title):	Milestone Completion Date:

Appendix 5
Example Risk Profile

OBJECTIVE – To implement new legislation requirements.								
	Inherent Assessment		Controls in place	Residual Assessment		Action Planned	Target Date	Owner
RISK	Impact	Likelihood		Impact	Likelihood			
Agency X may fail to proactively conduct an impact analysis of new legislation and communicate results to appropriate parties	High	Medium	Agency X is currently conducting an impact analysis.	High	Medium	Agency X is developing a communication plan to share the results of the impact analysis internally.	March	Primary – Program Office. Secondary- Legislative Affairs, and General Counsel Office
Program Office may fail to monitor and manage contracts in an efficient, effective, and/or timely manner.	Medium	Medium	Program Office CORs are required to take certain training classes to maintain certification, which include payment of invoices, contract	Medium	Low	Program Office ensures COR works with the Project Manager and vendor to create well written quality assurance and monitoring plans.	August	Program and Acquisition Office