
DEFENSE FINANCIAL IMPROVEMENT AND AUDIT READINESS

THE COMMANDER'S AUDIT READINESS CHECKLIST

The Department of Defense faces increasing pressure to deliver the same capability with fewer resources. In these leaner times, maximizing funding and having better control over assets have a major effect on mission success. In order to reduce costs and make efficiencies, leaders across DoD need more accurate and complete financial information.

The Department is the only major federal agency that cannot comply with the law to produce financial statements for independent audit. Secretary Panetta has declared audit readiness a Department-wide priority and an all-hands responsibility. His directive cannot be achieved without the action of each Commander and Defense Agency Director.

The Commander's Role in Audit Readiness

Commanders use funding to execute DoD missions and are therefore responsible for the management of funds under their control. Local systems of record must be accurate and complete. To help the Department become audit ready, Commanders should begin military style readiness inspections of financial information, as several cycles of inspection and training may be needed to achieve success. Having accurate financial information will help Commanders prioritize, eliminate inefficiencies, and maintain a high degree of excellence with fewer resources.

While financial reporting is the responsibility of Comptrollers, the actual financial events are the result of actions in our logistics, acquisition, personnel and other communities. It is the responsibility of each Commander to ensure all elements of their organization have the controls and record keeping in place to become audit ready.

Using the Commander's Audit Readiness Checklist

The Audit Readiness Checklist provides questions Commanders should ask leaders within their organization to ensure they have the records needed to make sound resource decisions and the Department has the records needed to succeed in coming audits. The checklist provides Commanders with the basic actions their organization should take to determine whether they are audit ready and, if not, identify areas for improvement. The checklist helps Commanders assess the efficiency of their organization and validate how well each function performs.

Can your Command or Agency answer the following questions and provide supporting evidence:

- ✦ What are your top ten expenses?
- ✦ What are your top ten mission objectives and the outcomes?
- ✦ How do you measure the quality of your outcomes?
- ✦ Do your expenses align with your objectives?
- ✦ Are there expenses you can eliminate and not impact the quality of outcomes?
- ✦ Does the quality of your objectives justify the amount of expenditures?

The Funding Lifecycle

Funds have a lifecycle just as other assets do. The Department must be able to report the status of funds as funds pass through their lifecycle. The Commander's Checklist helps ensure Commands have the documentation the Department needs at each stage of the funding lifecycle to support its financial statements during an audit.

Checklists based on the funding lifecycle are provided for seven major uses of funds. The funding lifecycle example below uses terminology geared toward contracts and supply orders, but the same general lifecycle applies to the other major uses of funds, such as military pay.



During an audit, each phase of the lifecycle for each major use of funds must be supported by documentation. For example, Funding Authorization Documents (FADs) support the amount of funding available in the first phase. Contracts support amounts in the Under Contract phase. Under the Goods/Services Received phase, receiving reports support goods received, and timesheets support services received from employees.

When using the checklists and ensuring funds are accurately classified into the funding lifecycle, each Commander will complete the following general steps:

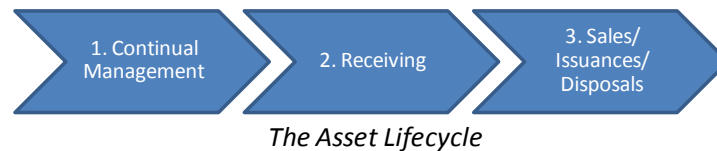
- ❖ Establish the amount of funds the organization “owns.”
- ❖ Determine the major uses of those funds (e.g., contract acquisition, supply orders, MIPRs, civilian labor).
- ❖ Determine the amount of funds in each lifecycle status in each business process.
- ❖ Prepare a list of the transactions supporting each category.
- ❖ Identify and test the ability to produce documents supporting the lifecycle classification.
- ❖ Identify and test the procedures designed to ensure transactions are reported in the right classification.

Current evidence shows widespread weakness in the accuracy of our cost information. Until DoD can prove the soundness of its financial decisions, funding is at risk. The attached checklist provides actions an organization can use to prove its financial information is accurate.

The Asset Lifecycle

In addition to funding resources, the Department receives, maintains, and disposes of physical assets. As the accountable entity for real property, inventory, operating material and supplies, military equipment, and general equipment, Components are required to track and report on assets throughout their lifecycle. The Commander's Audit Readiness Checklist helps ensure Commands have the documentation the Department needs at each stage of the asset lifecycle

to support its financial statements during an audit. A general checklist based on the asset lifecycle is provided, and can be applied for any type of physical property held by a command.



During an audit, each phase of the asset lifecycle must be supported by documentation. For example, contracts, invoices, and receiving reports support an organization’s rights to the assets in the Receiving phase. Periodic physical inventory counts support the existence of assets during the Continual Management phase. Under the Sales, Issuances, Disposals phase, sales or disposal documents support that assets were appropriately removed from the accountable property system of record. When using the checklist and ensuring assets are accurately classified the asset lifecycle, each Commander will complete the following general steps:

- ❖ Establish the population of assets for which the organization is accountable.
- ❖ Verify documentation is retained to support the receipt and “ownership” of new assets added to the property book.
- ❖ Identify and test a sample of physical assets to ensure they are appropriately recorded in the books.
- ❖ Identify and test a sample of assets in the property book to verify they exist and are supported with a contract or receiving report that demonstrates rights to the asset.
- ❖ Verify documentation is retained to support the sale, issuance, or disposal of assets removed from the property book.

Current evidence shows improvements need to be made in the Department’s tracking and reporting of physical assets. The attached checklist provides actions an organization can use to prove the existence and completeness of its reported physical assets.

For Additional Information and Assistance

With each Command giving the control of money the same attention it gives other important assets, the Department will certainly achieve Secretary Panetta’s audit readiness goal. For additional information or assistance, contact the Command’s Defense Finance and Accounting Services representative or the Office of the Undersecretary of Defense (Comptroller), Financial Improvement and Audit Readiness Directorate at AuditReadiness@osd.mil.



DEFENSE FINANCIAL IMPROVEMENT AND AUDIT READINESS

**THE COMMANDER’S AUDIT READINESS CHECKLIST:
INSTRUCTIONS FOR USE**

The checklist is a tool a Commander or Director’s direct reports will use to evaluate and report the organization’s financial management effectiveness and audit readiness. Just as the command uses checklists to assess engineering, logistics, medical, and operational readiness and to identify training needs before the next deployment, this checklist assesses an organization’s financial readiness for upcoming financial audits.

Step 1: Distribute each checklist to the respective responsible organization as identified below.

Step 2: Complete the steps as indicated in the checklist.

Step 3: Retain documentation that demonstrates that the step was performed.

Step 4: Document the result of each step by circling either “yes” or “no” in the "Results" field. The goal is to have all “yes” responses.

Step 5: Document your results in the "Summary of Results" field in the table below. For any “no” responses, provide an estimated correction date.

Step 6: Submit the completed checklist to your Commander.

Distribution		Summary of Results	
Responsible Organization	Page	Area Ready (all “yes” responses) or Action Needed / Next Assessment Date	
Comptroller/Resource Management:			
Appropriations	2		
Reimbursable Orders	3		
Personnel:			
Military	5		
Civilian	6		
Acquisition:			
Major Contracts and Vendors	8		
Interagency Purchases	11		
Logistics:			
Supply Requisition	13		
Existence & Completeness	15		


Individual Commands may not have experience obtaining and testing the information described on the checklist. The Command’s Comptroller can provide much of the expertise needed. For additional information or assistance, contact your DFAS representative or the OUSD(C) FIAR Directorate at AuditReadiness@osd.mil.

COMMANDER'S AUDIT READINESS CHECKLIST

For all procedures completed below, documentation should be retained that demonstrates the step was performed.
For assistance in using the checklist, contact your Comptroller organization or email the FIAR office at AuditReadiness@osd.mil.

Appropriations (Page 1 of 1)

To support the auditability of the SBR, the sum of all budget authority distributed to each organization must equal the sum of all budget authority received. Commanders are responsible to ensure all budget authority received by the organization is recorded in full and in the proper accounts at the time of receipt. All budget authority recorded in the accounting system must be supported by the appropriate documentation.

Lifecycle Classification	Procedures/Questions	Results (Circle "Yes" or "No")	
 1. Funding Available	<i>Monthly Reconciliations</i>		
	1. Obtain annual funding dollar amount issued to your organization. Were you successful? Documentation Required: Funding Authorization Document (FAD) from [Insert Funding Distribution System here]	Yes	No
	2. Obtain annual funding amount recorded in the general ledger. Were you successful? Documentation Required: General Ledger Report [insert report name/# here] showing annual funding	Yes	No
	3. Compare annual funding amount from FAD to annual funding amount in the general ledger. Do the amounts agree? <i>If the amounts do not agree, investigate and resolve the differences.</i> Documentation Required: Documentation of the comparison showing that any differences were resolved [insert document name here]	Yes	No
	4. Based on the annual funding received, determine the major uses of funds (Contract Pay/Vendor Pay, Civilian Pay, Military Pay, MIPR Grantor, MIPR Acceptor, and MILSTRIP). Documentation Required: General Ledger Report [insert report name/# here] showing major uses of funds and related dollar amount		
	5. Determine the dollar amount of funding for each major use of funding. Documentation Required: General Ledger Report [insert report name/# here] showing major uses of funds and related dollar amount		
	<i>Annual Testing</i>		
	6. Obtain a listing of all funding documents received for your organization. Were you successful? Documentation Required: FAD from [Insert Funding Distribution System here]	Yes	No
	a. Select a sample of 22 funding documents.		
	b. Was the funding recorded in the general ledger at the correct amount, appropriation, type of funds, years of availability, and reporting entity for at least 20 of the 22 of the sample items? Documentation Required: FAD from [Insert Funding Distribution System here]	Yes	No
	7. Obtain a listing from the Funding Distribution System owner of all users with system access for your organization. Were you successful? Documentation Required: Funding Distribution System Report [insert report name/# here] showing all system users from your organization	Yes	No
	a. Select a sample of 22 users from the listing.		
	b. For at least 20 of the 22 users selected, was the access authorized and the level of access granted commensurate with the form? Documentation Required: DD-2875, System Authorization Access Request	Yes	No
	8. Obtain a listing from the general ledger owner of all users with system access for your organization. Were you successful? Documentation Required: General Ledger Report [insert report name/# here] showing all system users from your organization	Yes	No
	a. Select a sample of 22 users from the listing.		
	b. For at least 20 of the 22 users selected, was the access authorized and the level of access granted commensurate with the form? Documentation Required: DD-2875, System Authorization Access Request	Yes	No



COMMANDER'S AUDIT READINESS CHECKLIST

For all procedures completed below, documentation should be retained that demonstrates the step was performed.
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Reimbursable Orders - Acceptor (Military Interdepartmental Purchase Request Category I)


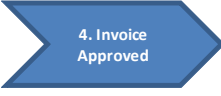


(Page 1 of 2)

Reimbursable Work Orders are a critical component of the SBR. By completing this checklist, the Commander will have reasonable assurance about health of the unit's reimbursable program. Elements under the Commander's direct responsibility are high risk to audit readiness and are the focus of this checklist.

Lifecycle Classification	Procedures/Questions	Results (Circle "Yes" or "No")	
	<i>Monthly Reconciliations</i>		
	1. Obtain a listing of all open MIPR acceptances as of month end for your organization. Were you successful? Documentation Required: Listing of all open MIPRs Category 1 (CAT 1) showing MIPR numbers and open dollar amount (original amount, plus/minus all changes, less amounts received and/or paid to date) from [insert MIPR system here]	Yes	No
	2. Obtain a listing/report of all open orders related to the MIPR acceptances as of month end from the general ledger. Were you successful? Documentation Required: General Ledger Report showing all unfilled customer orders [insert report name/# here]	Yes	No
	3. Compare the listing of open reimbursable MIPR acceptances to the listing of open orders in the general ledger. Do the amounts agree? <i>If the amounts do not agree, investigate and resolve the differences.</i> Documentation Required: Documentation of the comparison showing that any differences were resolved [insert document name here]	Yes	No
	<i>Annual Testing</i>		
	4. Select a sample of 22 open MIPRs (CAT I) acceptances and determine the following:		
	a. Were at least 20 of the 22 MIPRs approved by authorized personnel? Documentation Required: DD Form 448, (CAT I) MIPR from [insert MIPR system here]	Yes	No
	b. Were at least 20 of the 22 orders recorded in the general ledger in the correct fiscal year? Documentation Required: DD Form 448-2, Acceptance of MIPR from [insert MIPR system here]	Yes	No
	c. Were at least 20 of the 22 orders recorded at the correct dollar amount in the general ledger? Documentation Required: DD Form 448-2, Acceptance of MIPR from [insert MIPR system here]	Yes	No
	d. Were at least 20 of the 22 orders recorded in the general ledger using the correct appropriation? Documentation Required: DD Form 448-2, Acceptance of MIPR from [insert MIPR system here]	Yes	No

Reimbursable Orders - Acceptor (Military Interdepartmental Purchase Request Category I)
(Page 2 of 2)

Reimbursable Work Orders are a critical component of the SBR. By completing this checklist, the Commander will have reasonable assurance about health of the unit's reimbursable program. Elements under the Commander's direct responsibility are high risk to audit readiness and are the focus of this checklist.

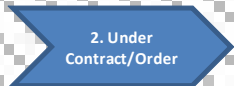
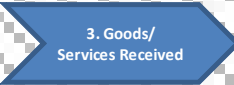

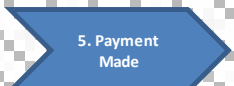

Lifecycle Classification	Procedures/Questions	Results (Circle "Yes" or "No")	
		Yes	No
	e. For at least 20 of the open orders selected, is there documentation supporting the most recent estimate of goods and services that were provided, but not yet invoiced to the customer? Documentation Required: Documentation supporting the estimate	Yes	No
	f. Obtain the most recent invoice related to each of the 22 MIPR acceptances (CAT I) selected above. Were you able to obtain at least 20 of the 22 invoices? Documentation Required: Invoice	Yes	No
	g. For at least 20 of the 22 invoices, does the MIPR number on the invoice agree to the original MIPR? Documentation Required: Invoice; DD Form 448-2, Acceptance of MIPR	Yes	No
	h. For at least 20 of the 22 invoices selected above, is there supporting documentation for the amount billed? Documentation Required: Documentation showing that the full cost of providing the goods/services was billed to the customer	Yes	No
	5. Obtain a listing from the MIPR system owner of all users with system access for your organization. Were you successful? Documentation Required: Report [insert report name/# here] showing all system users from your organization from [insert MIPR system here]	Yes	No
	a. Select a sample of 22 users from the listing.		
	b. For at least 20 of the 22 users selected, was the access authorized and the level of access granted commensurate with the form? Documentation Required: DD-2875, System Authorization Access Request	Yes	No
	DFAS is responsible for the cash collection and the related supporting documentation.		
	6. For at least 20 of the 22 invoices selected above, was the collection applied to the correct appropriation and recorded at the correct amount in the general ledger? Documentation Required: Invoice or other billing document; DD Form 448, (CAT I) Military Interdepartmental Purchase Request (MIPR); General Ledger report showing the collection [insert other documents used for invoicing, billing, or receiving reports here]	Yes	No
	7. Identify the 10 oldest open MIPRs (CAT I) acceptances with amounts greater than \$100,000. Were you successful? Documentation Required: General Ledger Report showing all open obligations [insert report name/# here]	Yes	No
	8. If there has been no activity related to the MIPR acceptance selected above for 120 days, did authorized personnel determine whether the MIPR acceptance is still valid? Documentation Required: Documentation indicating that activity is still expected for the MIPR acceptance.	Yes	No

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Military (Page 1 of 1)

Military Pay is a critical component of the SBR. Likewise, commanders are responsible for the morale and welfare of their personnel. By completing this checklist, the Commander will have reasonable assurance about the health of the unit's military pay. Elements under the Commander's direct responsibility are high risk to audit readiness and are the focus of this checklist. Military Pay testing will involve documentation subject to the Privacy Act of 1974 as amended and contain information which must be protected IAW DoD 5400.11R and is For Official Use Only (FOUO).



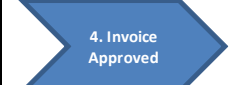
Lifecycle Classification	Procedures/Questions	Results (Circle "Yes" or "No")	
<i>Annual Testing</i>			
 	The Organization headquarters is responsible for the completeness, accuracy, and validity of Military Pay obligations in the general ledger.		
	1. Get a list of all Service Members assigned to your organization. Were you successful? Documentation Required: [insert DJMS report name here]	Yes	No
	2. Select a sample of 22 military service members and do the following:		
	a. Obtain the service member's personnel file. Were you able to obtain at least 20 of the 22 personnel files? Documentation Required: Official Military Personnel File (OMPF) from [insert Personnel System here]	Yes	No
	b. Does the name, rank, entitlements, promotions, dependents, entering/exiting theater, and special/incentive pays in the service member's Master Military Pay Account (MMPA) match the documentation in the OMPF for at least 20 of the service members? Documentation Required: OMPF from [insert Personnel System here], MMPA from DJMS	Yes	No
	c. For each of the 22 members selected, obtain the most recent leave activity report. Is there an approved leave slip for at least 20 of the 22 members selected? Documentation Required: leave activity report from DJMS, leave slip	Yes	No
	3. Obtain a listing from the DJMS owner of all users with DJMS system access for your organization. Were you successful? Documentation Required: DJMS Report [insert report name/# here] showing all system users from your organization	Yes	No
	a. Select a sample of 22 users from the listing.		
	b. For at least 20 of the 22 users selected, was the access authorized and the level of access granted commensurate with the form? Documentation Required: DD-2875, System Authorization Access Request	Yes	No
	4. Obtain a listing from the DMO/NCIPS owner of all users with system access for your organization. Were you successful? Documentation Required: DMO/NCIPS Report [insert report name/# here] showing all system users from your organization	Yes	No
	a. Select a sample of 22 users from the listing.		
	b. For at least 20 of the 22 users selected, was the access authorized and the level of access granted commensurate with the form? Documentation Required: DD-2875, System Authorization Access Request	Yes	No
	DFAS is responsible for the disbursement and related supporting documentation.		
	The Organization headquarters is responsible for reviewing and ensuring that invalid Military Pay obligations are removed from the general ledger.		

COMMANDER'S AUDIT READINESS CHECKLIST

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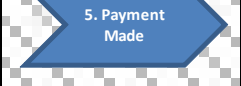

Civilian (Page 1 of 2)

Civilian Pay represents a significant portion of the Commander's operating budget, making reconciliation of valid resources assigned to payroll expenditures and outlays an important component of audit readiness. Testing will involve documentation subject to the Privacy Act of 1974 as amended and contain information which must be protected IAW DoD 5400.11R and is For Official Use Only (FOUO).

Lifecycle Classification	Procedures/Questions	Results (Circle "Yes" or "No")	
 2. Under Contract/Order	The Organization headquarters is responsible for the completeness, accuracy, and validity of Civilian Pay obligations in the general ledger.		
	<i>Bi-Weekly Reconciliation</i>		
	1. Obtain a listing of civilian employees in your organization for the pay period. Were you successful? Documentation Required: DCPS Gross Pay File (D04)	Yes	No
	2. Run a report of all payroll expenditures/outlays for the same pay period from the general ledger. Were you successful? Documentation Required: General Ledger Report showing all expenditures/outlays for payroll [insert report name/# here]	Yes	No
 3. Goods/ Services Received	3. Compare the payroll expenditures/outlays recorded in the General Ledger to the DCPS Gross Pay File (D04). Do the amounts agree? <i>If the amounts do not agree, investigate and resolve the differences.</i> Documentation Required: Documentation of the comparison showing that any differences were resolved [insert document name here]	Yes	No
	<i>Annual Testing</i>		
	4. Select a sample of 22 individual employees do the following: Documentation Required: DCPS Gross Pay File (D04)		
	a. Obtain the employee's personnel records. Did you obtain at least 20 of the 22 personnel records? Documentation Required: Standard Form (SF) 66 - Official Personnel File (OPF)	Yes	No
	b. Obtain the employee's timesheet (electronic or hardcopy) supporting the pay period selected. Did you obtain at least 20 of the 22 timesheets? Documentation Required: Timesheet from [insert T&A system here]	Yes	No
 4. Invoice Approved	c. Does the employee name, SSN, grade/step and locality on the SF-52/SF-50 that was in affect for the pay period match the DCPS Gross Pay File (D04) for at least 20 of the 22 employees? Documentation Required: DCPS Gross Pay File (D04); Standard Form (SF) 52, Request for Personnel Action; SF 50, Notification of Personnel Action	Yes	No
	d. For any bonuses or special payments, is there supporting documentation in the OPF for at least 20 of the 22 employees? Documentation Required: Documentation supporting bonuses or special payments [insert applicable personnel forms here]	Yes	No
	e. Do the hours on the timesheet match the hours on the DCPS Gross Pay File (D04) for at least 20 of the 22 employees? Documentation Required: DCPS Gross Pay File (D04), timesheet from [insert T&A system here]	Yes	No
	f. Were at least 20 of the 22 timesheets signed and reviewed by a supervisor? Documentation Required: Timesheet from [insert T&A system here]	Yes	No
	g. For any leave taken for the time period, were at least 20 of the 22 leave slips reviewed and approved? Documentation Required: timesheet from [insert T&A system here]; SF 71, Request for Leave or Approved Absence	Yes	No

Civilian (Page 2 of 2)

Civilian Pay represents a significant portion of the Commander's operating budget, making reconciliation of valid resources assigned to payroll expenditures and outlays an important component of audit readiness. Testing will involve documentation subject to the Privacy Act of 1974 as amended and contain information which must be protected IAW DoD 5400.11R and is For Official Use Only (FOUO).



Lifecycle Classification	Procedures/Questions	Results (Circle "Yes" or "No")	
	5. Obtain a listing from the time and attendance system owner of all users with system access for your organization.	Yes	No
	Documentation Required: Report [insert report name/# here] showing all system users from your organization		
	a. Select a sample of 22 users from the listing.		
	b. For at least 20 of the 22 users selected, was the access authorized and the level of access granted commensurate with the form?	Yes	No
	Documentation Required: DD-2875, System Authorization Access Request		
	6. Obtain a listing from the DCPDS owner of all users with system access for your organization.	Yes	No
	Documentation Required: Report [insert report name/# here] showing all DCPDS users from your organization		
	a. Select a sample of 22 users from the listing.		
	b. For at least 20 of the 22 users selected, was the access authorized and the level of access granted commensurate with the form?	Yes	No
	Documentation Required: DD-2875, System Authorization Access Request		
	Payments are included in the DFAS SSAE 16 for Civilian Pay.		
	The Organization headquarters is responsible for reviewing and ensuring that invalid Civilian Pay obligations are removed from the general ledger.		

COMMANDER'S AUDIT READINESS CHECKLIST

For all procedures completed below, documentation should be retained that demonstrates the step was performed.
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Major Contracts and Vendors (Page 1 of 3)

Contracts and Purchase Orders are a significant component of the Commander's operating budget and the SBR. The consistent and timely review of open contracts and purchase orders provides commanders reasonable assurance of available resources. Elements under the Commander's direct responsibility are high risk to audit readiness and are the focus of this checklist.

Lifecycle Classification	Procedures/Questions	Results (Circle "Yes" or "No")	
	<i>Monthly Reconciliation</i>		
	1. Provide a list of all open contracts and purchase orders as of month-end for your organization. Were you successful? Documentation Required: Listing of all open contracts and purchase orders (from the contract writing or purchase order system) showing contract/purchase order numbers and open dollar amount (original amount of all contracts, plus/minus all modifications, less amounts received and/or paid under contract to date) for each contract/purchase order.	Yes	No
	2. Run a report of all open obligations as of month-end from the general ledger. Were you successful? Documentation Required: General Ledger Report showing all open obligations <i>[insert report name/# here]</i>	Yes	No
	3. Compare the obligations to the open contracts and purchase orders. Do the amounts agree? <i>If the amounts do not agree, investigate and resolve the differences.</i> Documentation Required: Documentation of the comparison showing that any differences were resolved <i>[insert document name here]</i>	Yes	No
	<i>Annual Testing</i>		
	4. Select a sample of 22 open contracts and purchase orders and determine the following:		
	a. Were at least 20 of the 22 contracts or purchase orders approved by authorized personnel? Documentation Required: DD Form 1155, Order for Supplies or Services; SF 26, Award/Contract; SF 1449, Solicitation/Contract/Order for Commercial Items; SF 30, Amendment of Solicitation/Modification of Contract; <i>[insert other documents used for contracts]</i>	Yes	No
	b. Were at least 20 of the 22 contracts or purchase orders recorded in the general ledger in the correct fiscal year? Documentation Required: DD Form 1155, Order for Supplies or Services; SF 26, Award/Contract; SF 1449, Solicitation/Contract/Order for Commercial Items; SF 30, Amendment of Solicitation/Modification of Contract; <i>[insert other documents used for contracts]</i>	Yes	No
	c. Were at least 20 of the 22 contracts or purchase orders recorded as an obligation at the correct dollar amount in the general ledger? Documentation Required: DD Form 1155, Order for Supplies or Services; SF 26, Award/Contract; SF 1449, Solicitation/Contract/Order for Commercial Items; SF 30, Amendment of Solicitation/Modification of Contract; <i>[insert other documents used for contracts]</i>	Yes	No
	d. Were at least 20 of the 22 contracts or purchase orders recorded in the general ledger using the correct appropriation? Documentation Required: DD Form 1155, Order for Supplies or Services; SF 26, Award/Contract; SF 1449, Solicitation/Contract/Order for Commercial Items; SF 30, Amendment of Solicitation/Modification of Contract; <i>[insert other documents used for contracts]</i>	Yes	No
	e. For each of the contracts/purchase orders selected, obtain the most recent estimate of goods and services that were received but not yet invoiced. Were you successful? Documentation Required: Documentation that supports the estimate	Yes	No
	f. Do at least 20 of the estimates agree to the amount on the receiving report with no related invoice? Documentation Required: DD Form 250, Material Inspection and Receiving Report	Yes	No



Major Contracts and Vendors (Page 2 of 3)

Contracts and Purchase Orders are a significant component of the Commander's operating budget and the SBR. The consistent and timely review of open contracts and purchase orders provides commanders reasonable assurance of available resources. Elements under the Commander's direct responsibility are high risk to audit readiness and are the focus of this checklist.

Lifecycle Classification	Procedures/Questions	Results (Circle "Yes" or "No")	
 4. Invoice Approved	g. Obtain the most recent invoice/interim payment related to each of the 22 items selected. Were you successful? Documentation Required: Certified invoice	Yes	No
	h. For at least 20 of the 22 items selected, does the amount agree to the receiving report in WAWF? Documentation Required: DD Form 250-Material Inspection and Receiving Report; Certified invoice; SF 1034, Public Voucher for Purchases and Services other than Personal <i>[insert other documents used for receiving reports or invoices]</i>	Yes	No
	i. For at least 20 of the 22 the invoices/interim payments selected above, does the contract or purchase order number on the invoice agree to the original contract or purchase order and receiving report? Documentation Required: Certified invoice; DD Form 1155, Order for Supplies or Services; SF 26, Award/Contract; SF 1449, Solicitation/Contract/Order for Commercial Items; SF 30, Amendment of Solicitation/Modification of Contract; SF 1034, Public Voucher for Purchases and Services other than Personal; [insert other documents used for contracts or invoices]	Yes	No
	5. Obtain a listing from the contract writing system owner of all users with system access for your organization. Were you successful? Documentation Required: Contract writing system report [insert report name/# here] showing all system users from your organization	Yes	No
	a. Select a sample of 22 users from the listing.		
	b. For at least 20 of the 22 users selected, was the access authorized and the level of access granted commensurate with the form? Documentation Required: DD-2875, System Authorization Access Request	Yes	No
	6. Obtain a listing from the WAWF system owner of all users with system access for your organization. Were you successful? Documentation Required: WAWF Report [insert report name/# here] showing all system users from your organization	Yes	No
	a. Select a sample of 22 users from the listing.		
	b. For at least 20 of the 22 users selected, was the access authorized and the level of access granted commensurate with the form? Documentation Required: DD-2875, System Authorization Access Request	Yes	No
	7. Obtain a listing from the entitlement system owner of all users with system access for your organization. Were you successful? Documentation Required: Entitlement system report [insert report name/# here] showing all system users from your organization	Yes	No
	a. Select a sample of 22 users from the listing.		
	b. For at least 20 of the 22 users selected, was the access authorized and the level of access granted commensurate with the form? Documentation Required: DD-2875, System Authorization Access Request	Yes	No

Major Contracts and Vendors (Page 3 of 3)

Contracts and Purchase Orders are a significant component of the Commander's operating budget and the SBR. The consistent and timely review of open contracts and purchase orders provides commanders reasonable assurance of available resources. Elements under the Commander's direct responsibility are high risk to audit readiness and are the focus of this checklist.

Lifecycle Classification	Procedures/Questions	Results (Circle "Yes" or "No")	
	DFAS is responsible for the disbursement and related supporting documentation.		
	8. For the invoice/interim payment selected above, were at least 20 of the 22 related payments applied to the correct appropriation and recorded at the correct amount in the general ledger? Documentation Required: Certified invoice; DD Form 1155, Order for Supplies or Services; SF 26, Award/Contract; SF 1449, Solicitation/Contract/Order for Commercial Items; SF 30, Amedment of Solicitation/Modification of Contract; SF 1034, Public Voucher for Purchases and Services other than Personal <i>[insert other documents used for contracts or invoices]</i>	Yes	No
	9. Identify the 10 oldest open contracts/purchase orders with amounts greater than \$100,000. Were you successful? Documentation Required: General Ledger Report showing all open obligations <i>[insert report name/# here]</i>	Yes	No
	10. If there has been no activity related to the contract/purchase order for 120 days, did authorized personnel determine whether the remaining amount should be closed and de-obligated? Documentation Required: Documentation indicating that activity is still expected.	Yes	No



COMMANDER'S AUDIT READINESS CHECKLIST

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Interagency Purchases (Military Interdepartmental Purchase Request Category I)

Page 1 of 2

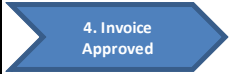
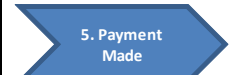

Reimbursable Work Orders are a critical component of the SBR. By completing this checklist, the Commander will have reasonable assurance about the health of the unit's reimbursable program. Elements under the Commander's direct responsibility are high risk to audit readiness and are the focus of this checklist.

Lifecycle Classification	Procedures/Questions	Results (Circle "Yes" or "No")	
	<i>Monthly Reconciliations</i>		
	1. Obtain a listing of all open reimbursable MIPRs (CAT 1) as of month end. Were you successful? Documentation Required: Listing of all open MIPRs (CAT 1) showing MIPR numbers and open dollar amount (original amount, plus/minus all changes, less amounts received and/or paid to date)	Yes	No
	2. Obtain a report of all open obligations related to MIPRs (CAT 1) as of month end from the general ledger. Were you successful? Documentation Required: General Ledger Report showing all open obligations [insert report name/# here]	Yes	No
	3. Compare obligations in the general ledger to the open MIPRs (CAT I). Do the amounts agree? <i>If the amounts do not agree, investigate and resolve the differences.</i> Documentation Required: Documentation of the comparison showing that any differences were resolved [insert document name here]	Yes	No
	<i>Annual Testing</i>		
	4. Select a sample of 22 open MIPRs (CAT I) and determine the following: a. Were at least 20 of the MIPRs approved by authorized personnel? Documentation Required: DD Form 448, (CAT I) Military Interdepartmental Purchase Request (MIPR)	Yes	No
	b. Were at least 20 of the obligations recorded in the general ledger in the correct fiscal year? Documentation Required: DD Form 448-2, Acceptance of Military Interdepartmental Purchase Request (MIPR)	Yes	No
c. Were at least 20 of the obligations recorded at the correct dollar amount in the general ledger? Documentation Required: DD Form 448-2, Acceptance of Military Interdepartmental Purchase Request (MIPR)	Yes	No	
d. Were at least 20 of the obligations recorded in the general ledger using the correct appropriation? Documentation Required: DD Form 448-2, Acceptance of Military Interdepartmental Purchase Request (MIPR)	Yes	No	
	e. For each MIPR selected, obtain the most recent estimate of goods and services that were received but not yet invoiced. Were you successful? Documentation Required: Documentation that supports the estimate	Yes	No
	f. Do at least 20 of the estimates agree to the amount on the receiving report with no related invoice? Documentation Required: DD Form 250-Material Inspection and Receiving Report	Yes	No

Interagency Purchases (Military Interdepartmental Purchase Request Category I)

Page 2 of 2

Reimbursable Work Orders are a critical component of the SBR. By completing this checklist, the Commander will have reasonable assurance about the health of the unit's reimbursable program. Elements under the Commander's direct responsibility are high risk to audit readiness and are the focus of this checklist.



Lifecycle Classification	Procedures/Questions	Results (Circle "Yes" or "No")	
	g. Obtain the most recent invoice related to each of the 22 reimbursable MIPRS (CAT I) selected above. Were you successful? Documentation Required: Invoice or other billing document	Yes	No
	h. For at least 20 of the 22 invoices, does the amount agree to the receiving report? Documentation Required: Invoice or other billing document; DD Form 250-Material Inspection and Receiving Report; [insert other documents used for invoicing, billing, or receiving reports here]	Yes	No
	i. For at least 20 of the 22 invoices selected above, does the MIPR number on the invoice agree to the original MIPR and receiving report? Documentation Required: Invoice or other billing document; DD Form 250-Material Inspection and Receiving Report; DD Form 448, (CAT I) Military Interdepartmental Purchase Request (MIPR); [insert other documents used for invoicing, billing, or receiving reports here]	Yes	No
	5. Obtain a listing from the MIPR system owner of all users with system access for your organization. Were you successful? Documentation Required: MIPR System Report [insert report name/# here] showing all system users from your organization	Yes	No
	a. Select a sample of 22 users from the listing.		
	b. For at least 20 of the 22 users selected, was the access authorized and the level of access granted commensurate with the form?	Yes	No
	Documentation Required: DD-2875, System Authorization Access Request		
	DFAS is responsible for the disbursement and related supporting documentation.		
	6. For at least 20 of the 22 invoices selected in above, was the related payment applied to the correct appropriation and recorded at the correct amount in the general ledger? Documentation Required: Invoice or other billing document; DD Form 448, (CAT I) Military Interdepartmental Purchase Request (MIPR); [insert other documents used for invoicing, billing, or receiving reports here]	Yes	No
	7. Identify the 10 oldest open MIPRS (CAT I) with amounts greater than \$100,000. Were you successful? Documentation Required: General Ledger Report showing all open obligations [insert report name/# here]	Yes	No
	8. If there has been no activity related to the MIPR for 120 days, did authorized personnel determine whether the MIPR should be closed and de-obligated? Documentation Required: Documentation indicating that activity is still expected for the MIPR	Yes	No

COMMANDER'S AUDIT READINESS CHECKLIST

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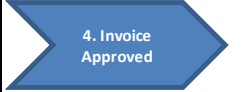
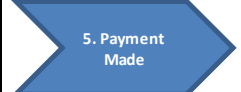

Supply Requisition - Military Standard Requisitioning and Issue Procedures (MILSTRIP) (Page 1 of 2)

To support the auditability of the SBR, MILSTRIP obligations and expenses within the accounting system must be supported by approved orders within the supply system. Commanders are responsible for ensuring that all orders initiated by their organization are recorded in the appropriate period and accounts with appropriate supporting documentation.

Lifecycle Classification	Procedures/Questions	Results (Circle "Yes" or "No")	
	<i>Monthly Reconciliations</i>		
	1. Obtain a listing of all open MILSTRIP orders as of month end for your organization. Were you successful? Documentation Required: Listing of all open MILSTRIP orders showing requisition numbers and open dollar amount	Yes	No
	2. Obtain a report of all open obligations related to MILSTRIP as of month end from the general ledger. Were you successful? Documentation Required: General Ledger Report showing all open obligations [insert report name/# here]	Yes	No
	3. Compare the obligations in the general ledger to the open MILSTRIP orders. Do the amounts agree? <i>If the amounts do not agree, investigate and resolve the differences.</i> Documentation Required: Documentation of the comparison showing that any differences were resolved [insert document name here]	Yes	No
	<i>Annual Testing</i>		
	4. Select a sample of 22 open MILSTRIP orders and determine the following: a. Were at least 20 of the MILSTRIP orders approved by authorized personnel? Documentation Required: Requisition	Yes	No
	b. Were at least 20 of the obligations recorded in the general ledger in the correct fiscal year? Documentation Required: Requisition	Yes	No
c. Were at least 20 of the obligations recorded at the correct dollar amount in the general ledger? Documentation Required: Requisition	Yes	No	
d. Were at least 20 of the obligations recorded in the general ledger using the correct appropriation? Documentation Required: Requisition	Yes	No	
	e. For each of the MILSTRIP orders selected, obtain the most recent estimate of goods and services that were received but not yet invoiced. Were you successful? Documentation Required: Documentation that supports the estimate	Yes	No
	f. Do at least 20 of the estimates agree to the amount on the receiving report with no related invoice? Documentation Required: DD Form 250-Material Inspection and Receiving Report	Yes	No

Supply Requisition - Military Standard Requisitioning and Issue Procedures (MILSTRIP) (Page 2 of 2)

To support the auditability of the SBR, MILSTRIP obligations and expenses within the accounting system must be supported by approved orders within the supply system. Commanders are responsible for ensuring that all orders initiated by their organization are recorded in the appropriate period and accounts with appropriate supporting documentation.

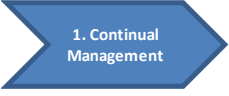
Lifecycle Classification	Procedures/Questions	Results (Circle "Yes" or "No")	
	g. Obtain the most recent invoice related to each of the 22 MILSTRIP orders. Were you successful? Documentation Required: Invoice or other billing document	Yes	No
	h. For at least 20 of the 22 invoices selected above, does the amount agree to the receiving report? Documentation Required: Invoice or other billing document; Requisition; [insert other documents used for invoicing, billing, or receiving reports here]	Yes	No
	i. For at least 20 of the invoices selected above, does the requisition number on the invoice agree to the original MILSTRIP order and receiving report? Documentation Required: Invoice or other billing document; Requisition; [insert other documents used for invoicing, billing, or receiving reports here]	Yes	No
	5. Obtain a listing from the requisition system owner of all users with requisition system access for your organization. Were you successful? Documentation Required: Report [insert report name/# here] showing all system users from your organization	Yes	No
	a. Select a sample of 45 users from the listing.		
	b. For at least 20 of the users selected, was the access authorized and the level of access granted commensurate with the form? Documentation Required: DD-2875, System Authorization Access Request	Yes	No
	DFAS is responsible for the disbursement and related supporting documentation.		
	6. For at least 20 of the 22 invoices selected above, was the payment applied to the correct appropriation and recorded at the correct amount in the general ledger? Documentation Required: Invoice or other billing document; Requisition; [insert other documents used for invoicing, billing, or receiving reports here]	Yes	No
	7. Identify the 25 oldest open MILSTRIP orders. Were you successful? Documentation Required: General Ledger Report showing all open obligations [insert report name/# here]	Yes	No
	8. If there has been no activity related to the MILSTRIP order for 120 days, did authorized personnel determine whether the MILSTRIP order should be closed and de-obligated? Documentation Required: Documentation indicating that activity is still expected for the MILSTRIP order	Yes	No

COMMANDER'S AUDIT READINESS CHECKLIST

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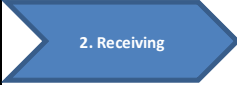

Existence and Completeness (Page 1 of 2)

To support the existence and completeness of assets reported on the Balance Sheet, commanders should complete this checklist for each relevant asset class (e.g., Inventory, OM&S, Real Property, Equipment, Military Equipment)

Lifecycle Classification	Procedures/Questions	Results (Circle "Yes" or "No")	
 1. Continual Management	<i>Monthly Reconciliations</i>		
	1. Obtain a listing of all items in the selected asset category as of month end for your organization. Were you successful? Documentation Required: APSR report listing of all balances for the selected asset category as of month-end	Yes	No
	2. Obtain a report of all balances for the selected asset category as of month end from the general ledger. Were you successful? Documentation Required: General Ledger Report showing all balances for the selected category of assets <i>[insert general ledger report name/# here]</i>	Yes	No
	3. Compare the amounts in the general ledger to the amount in the inventory system report. Do the amounts agree? <i>If the amounts do not agree, investigate and resolve the differences.</i> Documentation Required: Documentation of the comparison showing that any differences were resolved.	Yes	No
	4. Do you perform regular inventory counts (monthly, quarterly, annually)? Documentation Required: Results of inventory counts, including number of items counted, number of adjustments made as a result, etc.	Yes	No
	5. If yes, did more than 10% of the items counted require adjustments? Documentation Required: Documentation supporting the number of adjustments made.	Yes	No
	<i>Annual Testing</i>		
	6. If you answered yes to questions 4 and 5 above, skip steps 7 and 8 below.		
	7. Select a sample of 22 items from the APSR and determine the following:		
	a. Does the item quantity reported on the APSR report agree to the quantity counted at the physical location? <i>If the amounts do not agree, investigate and resolve the differences.</i> Documentation Required: APSR report listing of all balances for the selected asset category; record of count at the physical location	Yes	No
	b. Does evidence exist to demonstrate which organization "owns" the items? Documentation Required: Documentation demonstrating which organization "owns" the item	Yes	No
	c. Is the item owner correctly recorded in the APSR? Documentation Required: APSR report indicating the item owner	Yes	No
	8. Select 22 items from their physical location ("the floor").		
	a. Count the items in the physical location. Documentation Required: Documentation of the items counted at the physical location	Yes	No
	b. Compare the quantity counted at the physical location for each of the selected items to the quantity recorded in the APSR. <i>If the amounts do not agree, investigate and resolve the differences.</i> Documentation Required: APSR report listing of all balances for the selected asset category; record of count at the physical location; documentation of the items counted at the physical location	Yes	No
	c. Does evidence exist to demonstrate which organization "owns" the items? Documentation Required: Documentation demonstrating which organization "owns" the item	Yes	No
	d. Is the item owner is correctly recorded in the APSR? Documentation Required: APSR report indicating the item owner	Yes	No
	9. Obtain a listing from the APSR system owner of all users with system access for your organization. Documentation Required: APSR system report indicating users	Yes	No
	a. Select a sample of 22 users from the listing.		
	b. For at least 20 of the 22 users selected, was the access authorized and the level of access granted commensurate with the form? Documentation Required: DD-2875, System Authorization Access Request	Yes	No

Existence and Completeness (Page 2 of 2)

To support the existence and completeness of assets reported on the Balance Sheet, commanders should complete this checklist for each relevant asset class (e.g., Inventory, OM&S, Real Property, Equipment, Military Equipment)

Lifecycle Classification	Procedures/Questions	Results (Circle "Yes" or "No")	
 2. Receiving	10. Obtain a listing of all receipts during the year for the selected category of assets from the supply/property system. Were you successful? Documentation Required: Property or supply system report identifying all receipts during the year for the selected category of assets.	Yes	No
	a. Select a sample of 22 receipts from the listing		
	b. Were at least 20 of the 22 receipts recorded in the APSR timely (within 10 days of receipt and/or prior to the end of the month)? Documentation Required: Invoice, shipping documents, bill of lading, contract documents, etc., indicating the date received	Yes	No
	c. For the acquisitions selected above, were at least 20 recorded accurately (correct location, type, quantity)? Documentation Required: Invoice, shipping documents, bill of lading, contract documents, etc., indicating the location, type and quantity	Yes	No
 3. Sales/ Issuances/ Disposals	11. Obtain a listing of all sales/issuances/disposals from the property or supply system. Were you successful? Documentation Required: Property or supply system report showing all sales/issuances/disposals for the year	Yes	No
	a. Select a sample of 22 sales/issuances/disposals from the listing		
	b. Were at least 20 of the 22 sales/issuances/disposals recorded in the APSR timely (within 10 days of receipt and/or prior to the end of the month)? Documentation Required: Documentation supporting the sale, issuance, or disposal date (e.g., invoice, shipping document, disposal documents)	Yes	No
	c. Were at least 20 of the sales/issuances/disposals accurately recorded in the APSR (type, quantity, location)? Documentation Required: Documentation supporting the sale, issuance, or disposal type, quantity, and location (e.g., invoice, shipping document, disposal documents)	Yes	No