



Assertion Package Reference Guide



Office of the Under Secretary of Defense (OUUSD)
Acquisition, Technology & Logistics (AT&L)
Acquisition Resources and Analysis (ARA)
Property & Equipment Policy (P&EP)

February 2011



Overview:

In an effort to assist Department of Defense (DoD) Components prepare and document their state of readiness for audit of equipment, Property and Equipment Policy has created the Assertion Package Reference Guide and Assertion Package Review Checklist.

The intent of the Assertion Package Reference Guide and Review Checklist is to provide the key execution points and minimum documentation requirements for preparing and submitting an assertion package for existence and completeness of General and Military Equipment.

Details incorporated into the Assertion Package Reference Guide were obtained from the Financial Improvement and Audit Readiness (FIAR) Guidance. The Reference Guide steps through prescribed tasks by the FIAR Guidance and highlights the requested deliverables. Examples of the required documentation are provided for easy reference.

The Reference Guide and Assertion Package Review Checklist are designed to be used in conjunction with the FIAR Guidance. They are not intended to replace or supersede guidance issued by the Office of the Under Secretary of Defense (Comptroller) (OUSD(C)) FIAR Directorate. The 2010 FIAR guidance remains the authoritative source of guidance on the compilation of the assertion package.

Assertion Process:

When a Component is ready to assert that an assessable unit is ready for validation, the following three key steps must be performed:

- Submit a memorandum to the Deputy Chief Financial Officer (DCFO) and DoD Office of the Inspector General (OIG) declaring management's assertion along with the related scope and necessary details. The memorandum must be signed by the Component's FIAR Governance Board representative.
- Submit "audit ready" assertion documentation in accordance with the prescribed requirements to both the DoD OIG and FIAR Directorate. Assertion documentation must be provided in either hard copy and/or electronic format, such as the Defense Finance and Accounting Service (DFAS) ePortal or CD-ROM, depending on the volume of documentation.
- Schedule and conduct a "kick-off" meeting between the Component, FIAR Directorate, DoD OIG, and DFAS (if appropriate) to walk through the contents of the assertion documentation.

Test Work Performed for the Assertion Package:

In preparing the assertion package the following test work should be conducted:

1. Existence Test Work:
 - Validate assets recorded in an Accountable Property System of Record (APSR) exist
 - Test by randomly selecting assets from APSR



2. Completeness Test Work:
 - Validate assets that exist on the ground are recorded in the APSR
 - Test by physically observing assets on site and verifying that they are recorded in the APSR
3. Internal Controls:
 - Validate internal control processes for asset management and accountability
 - Identify internal controls by completing an internal controls questionnaire and conducting interviews of key personnel
 - Test by selecting transactions and reviewing for compliance to process and key control points
4. Supporting Documentation
 - Ensure data in APSR is supported with documentation. Verify Rights and Obligations
 - Test by reviewing supporting documentation for equipment assets maintained by the Program Office and Accountable Property Officer

Minimum Assertion Package Requirements:

At a minimum, packages should include the following:

- Test Plans
- Results of Test Plans
- Process and System Documentation
- Controls Assessment
- Physical Inventory Processes and Results
- Corrective Action Plans
- Reconciliation of Data within the APSR
- Supporting Documentation Matrix

General Approach:

- Each Component's management will assert to the existence (what is reported actually exists) and completeness (all Property that is owned and exists are accurately reported according to Federal accounting standards) of its mission critical assets.
- Adequate documentation exists to substantiate the assertions made.
- Substance of documentation in the Assertion Package relies on whether a controls or substantive approach should be taken.
 - Areas with High Transaction Volume = More reliance on internal control documentation in the package.
 - Areas with Low Transaction Volume = More reliance on substantive testing documentation.



Example Cover Memo

For: Under Secretary of Defense (Comptroller)
From: Assistant Secretary for Financial Management and Comptroller
Date: xx/xx/2011

The memorandum will include the following statements:

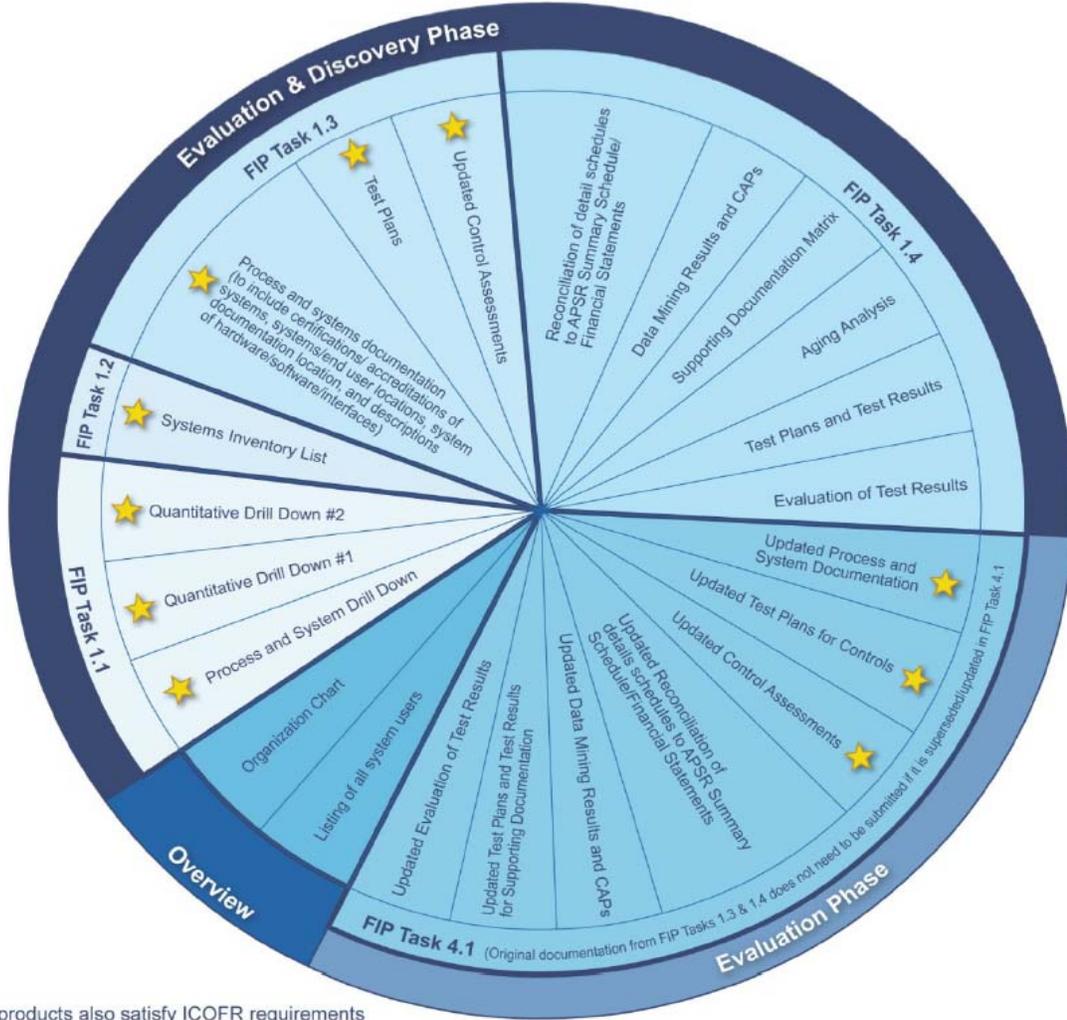
- This memorandum provides management assertion that the Component Name mission critical assets under evaluation (Insert Assets Here) and recorded in the accountable systems of record exist; are held under rightful ownership of Component Name; and represent a complete universe of assets, as of XX XX, 2011.
- This assertion is based on our understanding of the process, identification of risks and controls, accessibility of the asset universe in the accountable systems of record, inventories of asset universes, system reconciliations, and the identification and accessibility of source documents.
- Details regarding the assertion are included in the accompanying assertion package. My point of contact for this assertion is XX, who can be reached at (XX) XXX-XXXX, or by email at XX@XX.mil.
- Statement that Component has the rights & obligations to the assets
- Statement that this represents the entire population of the specific assets
- Statement that assertion is based on
 - Understanding of the processes, risks and controls
 - Accessibility of the asset universe in the APSR
 - Inventory validation of the asset universe
 - Systems reconciliations
 - Identification and accessibility to source documentation

Name

(Signature Line)



FIAR GUIDANCE Assertion Documentation Work Product Requirements



★ These work products also satisfy ICOFR requirements

Figure 1: Assertion Documentation Work Product Requirements

This is a graphical depiction of the work products which should be included in the assertion documentation. Documents should be stored in a repository so they can be readily available. Also, documents should be updated as task activities occur.

The assertion package supporting documentation should consist of five main tasks:

- Task 1.1 – Statement to Process Analysis
- Task 1.2 – Prioritization
- Task 1.3 – Assess & Test Controls
- Task 1.4 – Evaluate Supporting Documentation
- Task 1.5 – Define Audit-Ready environment



TASK 1.1: Statement to Process Analysis

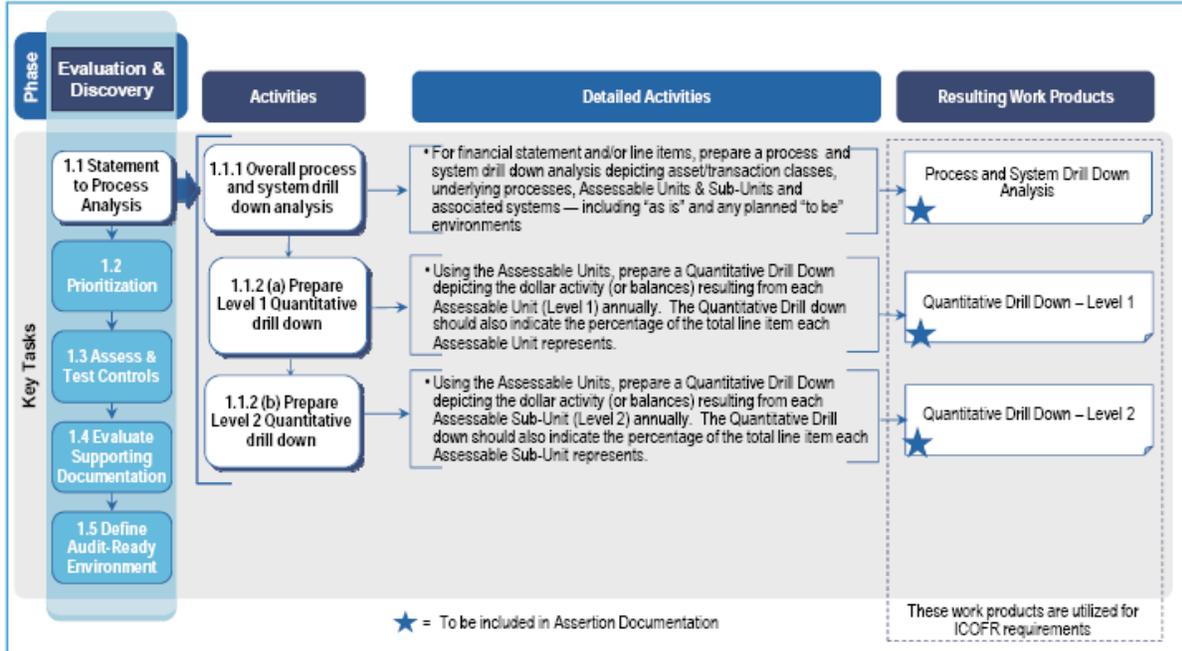


Figure 2: Statement to Process Analysis Activities

Purpose of Task 1.1

- Identification of systems and processes involved
- Shows the relationship between processes, systems and assessable units and sub-units
- Quantifies assessable unit and sub-unit dollar amount and the percent of the total that they represent

Task 1.1 will produce the following documents:

- Process and System Drill Down: Purpose is to show the relationship between processes, units, subunits and systems (See Figure 46 FIAR)
- Quantitative Drill Down #1: Shows Assessable Units & their corresponding dollar activity (See Figure 47 FIAR)
- Quantitative Drill Down #2: Shows Assessable Sub-Units and their corresponding dollar activity (See Figure 48 FIAR)

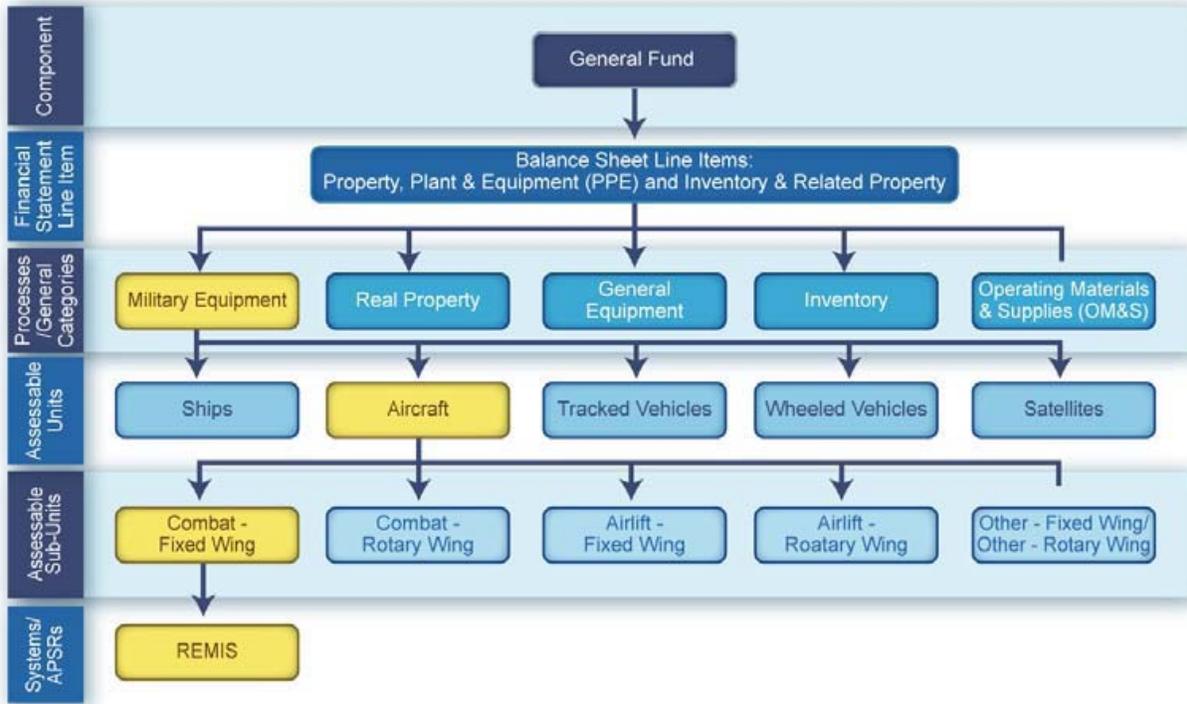


Figure 3: E&C Example: Statement to Process Analysis Work Product

Reporting Entity as of September 30, 20XX		
Asset Category	Assessable Unit	# of Assets
Military Equipment	Ships	-
	Aircraft	4,744
	Vehicles	-
	Ballistic Missiles	530
	Satellites	66
	Other Military Equipment	910
	Modification Assets	-
	<i>Subtotal of Summary Schedule per APSR</i>	6,250
	<i>Total from Detailed Listing of Assets</i>	6,250
	Difference	-

Figure 4: E&C Example - Quantitative Drill Down Analysis - Level 1 Work Product



Reporting Entity as of September 30, 20XX			
Asset Category	Assessable Unit	Assessable Sub-Unit	# of Assets
Military Equipment	<i>Aircraft - Total</i>		4,744
		Combat - Fixed Wing	2,724
		Combat - Rotary Wing	108
		Airlift - Fixed Wing	1,692
		Airlift - Rotary Wing	119
		Other - Fixed Wing	-
		Other - Rotary Wing	101
	Ballistic Missiles		530
	Satellites		66
	Other Military Equipment		910
	Modification Assets		-
		<i>Subtotal of Summary Schedule per APSR</i>	6,250
		<i>Total from Detailed Listing of Assets</i>	6,250
	Difference	-	

Figure 5: E&C Example - Quantitative Drill Down Analysis - Level 2 Work Product



Task 1.2: Prioritization

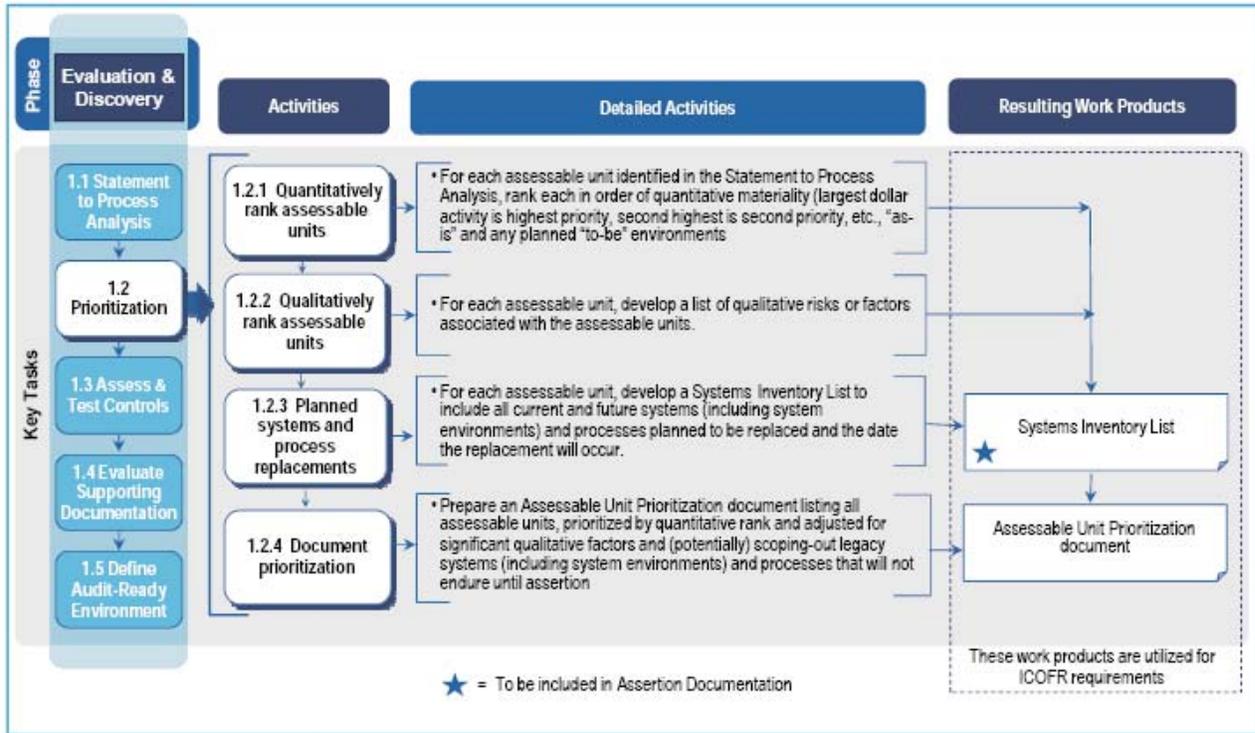


Figure 6: Evaluation & Discovery Phase - Prioritization

Purpose of Task 1.2

- To rank the assessable units according to quantitative and qualitative factors

Task 1.2 will produce the following work products:

- Systems Inventory List: The inventory listing of all current and future systems that affect the assessable unit prioritization such as dollar activity and qualitative risks (See Figure 51 FIAR)
- Assessable Unit Prioritization Document: Uses inputs from aforementioned inventory listing to show prioritization (See Figure 52 FIAR)



Reporting Entity CIVPAY Systems Inventory List				
System Name	System Owner	System Type	System Implementation / Replacement Date	Description
General Fund EnterpriseBusiness System (GFEBS)	Army	ERP	FY2012	* The Army's enterprise resource planning (ERP) system that will serve as the web-enabled financial, asset and accounting management system that standardizes, streamlines and shares critical data across the active Army, Army National Guard and Army Reserve. * GFEBS interfaces files from several external time-tracking systems (ATAAPS, WMT, etc.) and has a manual spreadsheet upload for organizations who do not use an external system. GFEBS brings in time-tracking hours in order to perform allocations of labor costs to the cost objects worked on. * GFEBS receives a payroll file from DCPS to post obligations and disbursements (same as STANFINS and SOMARDS).
Standard Financial System (STANFINS)	DFAS	Accounting	To be replaced with GFEBS in FY2012.	Field level accounting system that supports most major installations. Obligations and disbursements are recorded in the appropriate field accounting database relating to civilian pay.
Defense Departmental Reporting System - Audited Financial Statements (DDRSAFS)	BTA	Financial Reporting	No current replacement plans.	DoD application that produces the quarterly and annual DoD financial statements, management reports, Required Supplementary Information reports, and trend analysis reports. Accrued Payroll - A payroll accrual is calculated in DCPS and used to create a journal voucher for the accrual in the respective GL account in DDRS. Accrued Leave - A summary file is created in DCPS that includes an accrued and unfunded leave liability file and civilian pay information. A journal voucher is created for the accrual in the respective GL account in DDRS.
Automated Disbursing System (ADS)	DFAS	Disbursing	No current replacement plans.	Disbursements for civilian pay are made through ADS. The system has been designated to provide disbursing services for most ERP deployments.
Defense Civilian Pay System (DCPS)	DFAS	Pay	No current replacement plans.	DoD civilian pay system. The system maintains pay and leave entitlement records, deductions and withholdings, time and attendance data and other pertinent employee personnel data.
Automated Time and Attendance Payroll System (ATAAPS)	DFAS	Time & Attendance	No current replacement plans.	ATAAPS provides an automated, single-source input for reporting and collecting time and attendance and labor data and passing that information to interfacing payroll and accounting systems.

Figure 7: E&C Example - Systems Inventory List

Note: The Systems Inventory List shown above in Figure 7 is not an E&C example but pertains to Civilian Pay Systems and is shown for illustrative purposes.



 Department of Defense Insert Component's Name Insert Financial Statement Line Item Risk Assessment and Priority Ranking Report As of March XX, 20XX						
Priority Ranking	End-to-End Process	Assessable Unit	Assessable Sub-unit	\$	Qualitative Risk	Determination of Priority
1	Hire to Retire	Civilian Pay	Payroll Processing	\$15,315,147,000	Multiple system interfaces and data transfers and high volume of activity	Material & qualitatively higher risk
2	Hire to Retire	Civilian Pay	Time & Attendance	\$15,322,815,000	High volume of activity	Material & qualitatively higher risk
3	Hire to Retire	Civilian Pay	Hiring	\$25,587,000		Material
4	Hire to Retire	Civilian Pay	Separations	0		Immaterial and low risk

Figure 8: E&C Example - Assessable Unit Prioritization Work Product



Task 1.3: Assess and Test Controls

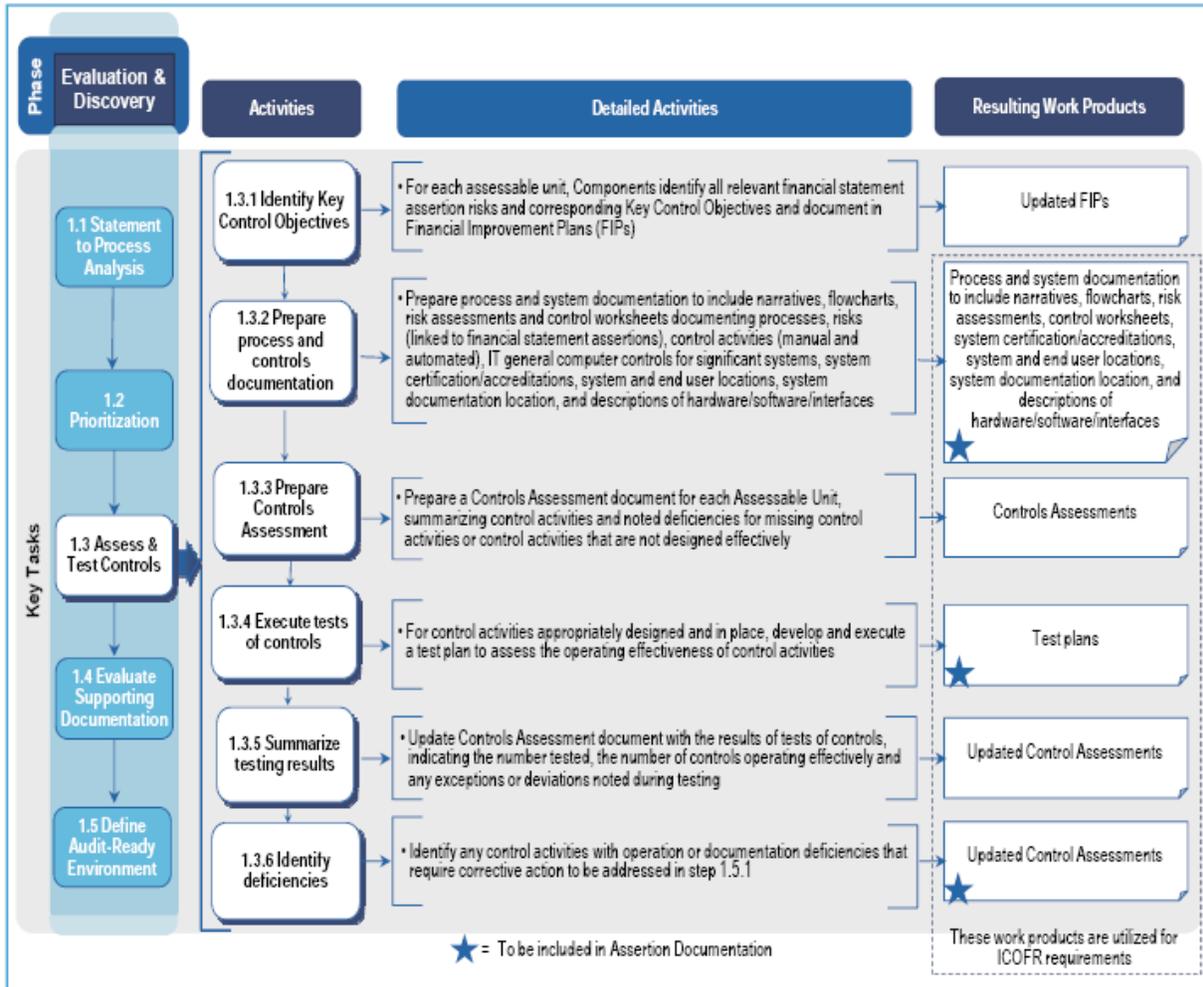


Figure 9: Evaluation & Discovery - Assess & Test Controls

Purpose of Task 1.3

- To assess and document material financial statement risks and the corresponding controls mitigating such risks

Task 1.3 will produce the following work products:

- Process and systems documentation (to include certifications/accreditations of systems, systems/end user locations, system documentation, and descriptions of hardware/software interfaces). The centerpiece of this documentation should be a comprehensive Process Flowchart showing the business process, supporting systems, and lanes of responsibility
- Test Plans: The test plan should show the relevant risks, describe the test approach, method for selecting the items to test and how to present the results of testing (See Figure 75 FIAR)



- Updated Control Assessments: The controls assessment will document conclusions for controls testing, including the operating effectiveness of internal controls (See Figure 56 FIAR)

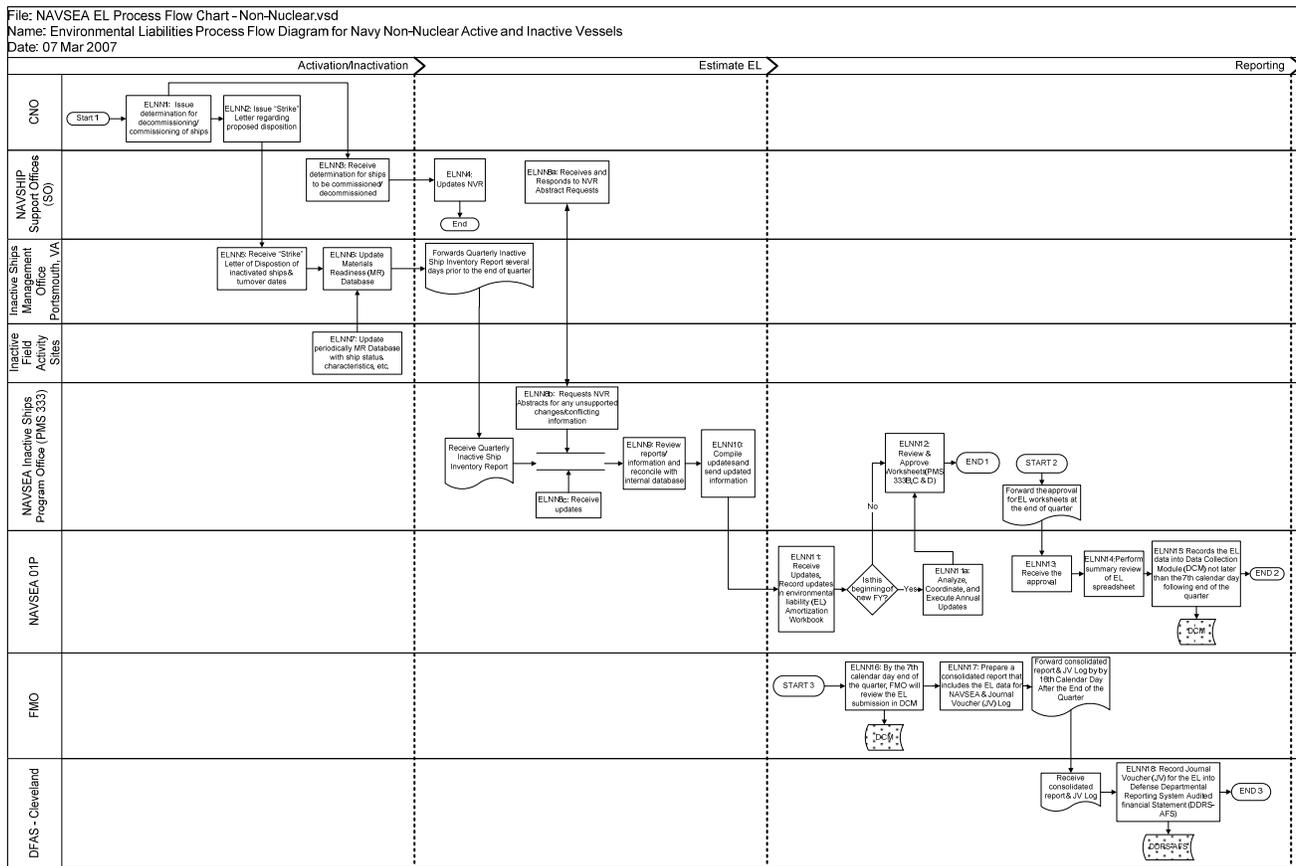


Figure 10: E&C Example - Sample Process Flow Chart



Test Plan			
1	Entity	DoD Component	4 Preparer
2	Account Line	PP&E	5 Preparer's Phone #
3	Business Cycle/Segment, Accounting Application	General Property	6 Documentation Location
7	Control #	1	
8	Risk	Recorded assets may not represent valid assets that actually exist	
9	Assertion	Existence	
10	Internal Control Currently In Place	Annual physical inventory counts are performed by Property Book Officers, who use an asset listing from the Accountable System of Record to physically inspect all items on the listing to verify their existence.	
11	Test Objective	To confirm that assets recorded in the Accountable System of Record exist	
12	Testing Period	July 1, 20XX - June 30, 20XX	
13	Test Method	External Assurance	
14	Control Type	Manual	
15	Control Frequency	Annual	
16	Population and Sample Size	45	
17	Criteria for Effectiveness/ Tolerance Rate	0 Effectiveness ≥ 90% Tolerance < 10%	
18	Location of Testing	TBD	
19	Test Description	Randomly select a sample of 45 locations from the Accountable System of Record's asset listing, and either observe the next scheduled physical inventory count, or reperform the count independently by inspecting the supporting documentation and related asset.	
20	Expected Effectiveness	Yes	
21	Determined Risk	Low	
Test Script			
22	Test Procedures	Randomly select a sample of 45 locations from the Accountable System of Record's asset listing, and either observe the next scheduled physical inventory count, or reperform the count independently by inspecting the supporting documentation and related asset evidencing the most recent review to (a) confirm physical count was performed, (b) count was performed on schedule, (c) all differences were adequately resolved and (d) count was performed by appropriate personnel.	
23	Test Results	Randomly selected and tested 45 locations, noted that 40 of 45 locations had no exceptions, 3 of 45 did not perform physical inventory counts within the required timeframe and an additional 2 of 45 did not retain adequate documentation demonstrated count differences were adequately resolved.	
24	Is it Material	No	
25	Tester's Signature & Date	signature	date
26	Manager's Signature of Acceptance & Date	signature	date

Figure 11: E&C Example - Controls Test Plan Work Product



ACCOUNTING APPLICATION: CASH RECEIPTS		ACCOUNTING APPLICATION: CASH RECEIPTS		ACCOUNTING APPLICATION: CASH RECEIPTS		ACCOUNTING APPLICATION: CASH RECEIPTS		ACCOUNTING APPLICATION: CASH RECEIPTS	
ACCOUNTING APPLICATION ASSERTION	RELEVANT ASSERTIONS IN RELATED GROUPS OF ACCOUNTS		POTENTIAL MISSTATEMENT IN ACCOUNTING APPLICATION ASSERTIONS	CONTROL OBJECTIVES	INTERNAL CONTROL ACTIVITIES	IS (Y/N)	EFFECTIVENESS OF CONTROL ACTIVITIES	DOC REF. & CONTROL TESTING STEP	
	Cash	Accts. Rec.							
Existence or occurrence	Existence or occurrence	Completeness	Occurrence/validity: 1. Receipt is recorded, but cash is not received.	1a. Recorded cash receipts and cash receipt processing procedures are authorized by federal laws, regulations, and management's policy.	1a. Receipts processing is governed by documented procedures for accepting, obtaining, reviewing, and approving receipts.	N	Effective	[In this column, the auditor would indicate, by cross-referencing, the audit procedures in the detailed control testing audit plan that were designed to test each effective control determined to be relevant. Such tests will involve inquiry, observation, inspection, or a combination thereof.]	
				1b. Appropriate individuals approve recorded receipts in accordance with management's general or specific criteria.	1b. A supervisor reviews receipts processing to provide reasonable assurance that procedures are followed.	N	Effective		
				1c. Recorded receipts represent amounts actually received by the entity and are properly classified.	1c. Recorded cash receipts are matched with the appropriate supporting documentation.	N	Effective		
				1d. Entries to the accounting records are reviewed and approved by supervisory personnel.	1d. Entries to the accounting records are reviewed and approved by supervisory personnel.	N	Effective		
			Cutoff: 2. Receipts are recorded in this period, but the cash is received in a different period.	2. Cash receipts recorded in the period are actually received in the period.	2. Recorded receipts are reconciled to cash receipts listings and bank deposit reports before posting.	Y	Effective		
			Summarization: 3. Receipt	3. The summarization of	3a. Receipt data in the	Y	Effective		

Figure 12: E&C Example - Updated Controls Assessment Work Product

Note: Although this control assessment shows a Cash Receipts example, the same methodology may be applied to Equipment.



Task 1.4: Evaluate Supporting Documentation

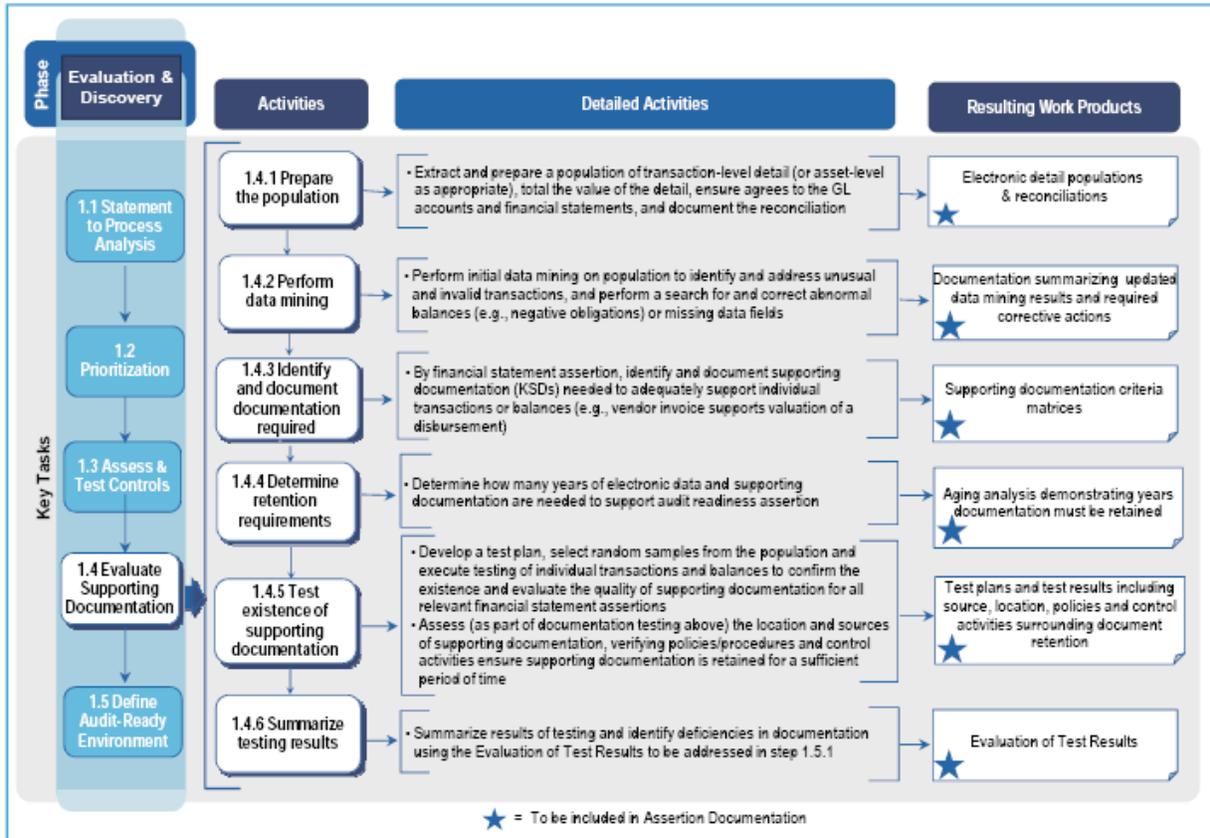


Figure 13: Evaluation & Discovery Phase - Evaluate Supporting Documentation

Purpose of Task 1.4:

- Prepare electronic population of assets and reconcile to GL accounts and financial statements. Document the reconciliation work performed.
- Analyze population for unusual/invalid assets and investigate. Again, document the item, work performed, conclusion and how conclusion reached.
- Determine what source documentation is required to substantiate the asset and lifecycle events (e.g., DD250, DD1149).
- Review where this documentation is maintained and controls surrounding the maintenance of these documents.
- Assess the documentation retention requirements and number of years documents must be maintained.
- Develop test plan for testing existence of assets and reviewing supporting documentation. Document how the number of sample items determined and how sample items were selected. Be sure to address “completeness” sample items chosen.



- Execute testing and document findings (to include source, location, policies & controls surrounding document retention).
- Summarize and evaluate test results and any control deficiencies noted. Document results and conclusions drawn.

Task 1.4 will produce the following documents:

- Reconciliation of detail schedules to APSR Summary Schedule/Financial Statements: The reconciliation accounts for any differences between the detailed population total and the trail balance account total.
- Data Mining Results and CAPs: Data mining on the population should be performed to determine any unusual transactions (ex – negative appropriation transactions). Describe the action taken, items found, research performed, and conclusions reached.
- Supporting Documentation Matrix: The matrix illustrates acceptable forms of documentation required for each assertion
- Aging Analysis: The aging analysis determines how many years of electronic data and supporting documentation are needed to support the audit readiness assertion
- Test Plans and Test Results: Testing should be planned and conducted on the population for a random sample in order to confirm the existence of adequate supporting documentation.
- Evaluation of Test Results: Test results are summarized and deficiencies are identified

Task 1.4: Documentation for the Assertions Made

Based upon direction issued by the DoD Comptroller, Components are asked to declare their state of audit readiness in relation to existence and completeness of mission-critical equipment assets and to the Component's rights and obligations to these assets. Listed below are details regarding the Existence, Completeness and Rights/Obligations assertions.

Existence Assertion

The Existence assertion certifies that the DoD reported military equipment assets exist and that there is evidence to support existence. When the enterprise-level reporting capabilities are in place, the acquisition and logistics communities will provide the Existence assertion. To support the Existence assertion, auditors may want to see:

- Asset listing reports from accountability systems that identify all known equipment assets
- Periodic inventories documentation:
 - That walks through the inventory processes conducted by the components, including explanations of alternative procedures used to validate any asset
 - Validating the performance of physical inventories, including wall-to-wall efforts
- Examples of valid asset receipt and acceptance documentation (e.g., DD Form 250)
- A list identifying transferred assets and documentation supporting those transferred assets (e.g., DD Form 1149)



- A list identifying disposed assets and documentation supporting those disposed assets (e.g., DD Form 1348-1A)

Completeness Assertion

The Completeness assertion certifies that all programs that meet the military equipment criteria have been recorded and reported. To support this assertion, auditors may examine:

- A list of programs provided in the valuation data reports from P&E Policy
- Budget documents (e.g., P-40 exhibits, P-5 exhibits, and R-2 exhibits)
- Documentation showing Floor-Book testing conducted

Rights and Obligations Assertion

The Rights and Obligations assertion certifies that the Component or Agency reporting the assets claims that the DOD has the rights to and “owns” the equipment, and has documentation to support this assertion. For this assertion, auditors may examine:

- Examples of valid receipt and acceptance documentation (e.g., DD Form 250)
- Example of Contract documents after Fiscal Year 2002 (mandated by SFFAS No. 23) illustrating ownership of assets
- Written directives detailing the preponderant use of assets



Task 1.5: Define Audit Ready Environment

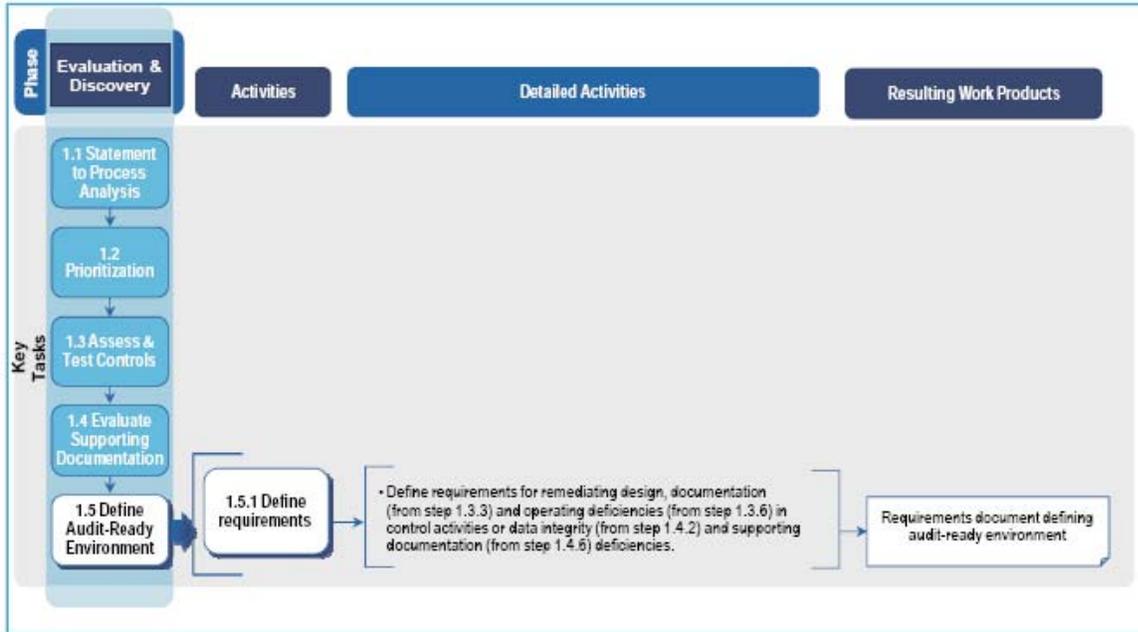


Figure 14: Evaluation & Discovery Phase - Define Audit Ready Environment

Purpose of Task 1.5:

- To identify the requirements necessary for audit readiness

Task 1.5 will produce the following work products updated:

- Process and System Documentation
- Test Plans for Controls
- Control Assessments
- Reconciliation of details schedules to APSR Summary Schedule/Financial Statements
- Test Plans and Test Results for Supporting Documentation
- Evaluation of Test Results