
CALIBRE

WHITE PAPER

Resolving Material Weaknesses to Assist Army's Goal to be Audit Ready in FY 2017

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Resolving Material Weaknesses to Assist Army's Goal to be Audit Ready in FY 2017

The Challenge

In the last four years, the Army has experienced unprecedented changes in its business operations, and more are coming. The result will be an Army that can produce timely, relevant, and accurate financial information that supports the highest standards of military readiness. Congress requires the Department of Defense (DoD) to have audit-ready financial statements by September 30, 2017. Former Secretary of Defense Leon E. Panetta assured Congress that all branches of the U.S. Military would achieve audit readiness for all financial statements by 2017. The Army leadership is committed to these audit readiness goals. They have communicated in strategic documents, such as the Secretary's Top Priorities and the Army Campaign Plan, that improved financial operations and strengthened fiscal stewardship are top priorities throughout the Army. Committed leadership, governance, and oversight, sound systems, strong internal controls, and a well-trained and qualified workforce have placed the Army on a path to successfully assert audit readiness of its full financial statements by September 2017.

Hurdles to Audit Readiness

One of the major hurdles to meeting the financial accountability requirements is to resolve the Army's material weaknesses (MWs). During 2014, the Army reported 32 uncorrected MWs and only one was resolved. A MW will:

1. Significantly impair components of the Army's ability to achieve its objectives

2. Result in use of resources in a way that is inconsistent with the DoD mission
3. Violate statutory or regulatory requirements
4. Result in significant lack of safeguards against fraud, waste, abuse, and mismanagement
5. Impair ability to obtain, maintain, report, and use timely information for decision making
6. Permit improper ethical conduct or a conflict of interest

The Opportunity

CALIBRE Systems, Inc. (CALIBRE) is the Army's current partner for MW resolution. Founded in 1989, CALIBRE is an employee-owned management consulting and technology services company committed to the success of our customers. We deliver integrated solutions that solve financial management, technology, logistic, and business transformation challenges. Our current and direct experience resolving an Army-level MW, expertise in the Army's financial management system, and understanding of strategic continuous process improvement ensures success in resolving MW. We have a proven Technical Capabilities Plan that provides a continuous process improvement approach to successfully resolve Army-level MW at the lowest cost and least risk. We were evaluated by the United States Army Audit Agency (USAAA) in September 2014 and received a passing attestation score on the Permanent Change of Station MW resolution. As mentioned earlier, only one Army MW was resolved in FY 2014; Team CALIBRE planned and executed this enterprise-wide accomplishment (Attestation Report A-2014-0101-FMF, 4 September 2014, USAAA).

CALIBRE's personnel understand the complexities evident in resolving MW with Army and joint stakeholders, and the risks associated with Anti-Deficiency Act (ADA) violations, and we are prepared to deliver a solution to meet the USAAA requirements. CALIBRE provides organizations the lowest risk and best-value solution because only CALIBRE can incorporate lessons learned from previous Army MW successful efforts to address today's challenges and implement solutions to meet audit deadlines.

CALIBRE's Immediate Value

- › CALIBRE provides an Army-proven, deliberate Lean Six Sigma process from beginning to end with an in-depth knowledge of the Army's financial management system
- › CALIBRE recently resolved an Army MW in the Office of the Assistant Secretary of the Army (Financial Management & Comptroller), has personnel working an MW with Army G-4 today, and is ready today for new challenges
- › CALIBRE understands the complexity necessary to provide strategic communication and change management across the Army

The Approach

CALIBRE provides an Army-proven, deliberate Lean Six Sigma (LSS) continuous process improvement process from beginning to end with an in-depth knowledge of the Army's financial management system. We recently resolved an Army MW in the Office of the Assistant Secretary of the Army (Financial Management & Comptroller) and are currently working to resolve a second MW in the Army G-4 office. With our recent experience, CALIBRE is positioned to resolve complex, enterprise problems with the unique experience we've gained. We understand the complexity necessary to provide strategic communication and change management across the Army.

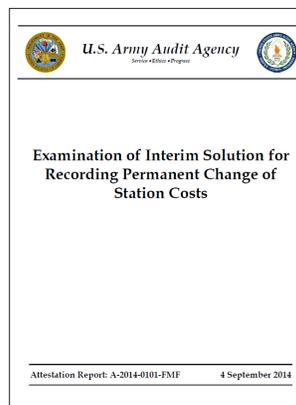
CALIBRE applies its successful experience in resolving Army-level MWs by using LSS methodology consisting of five separate steps, Define-Measure-Analyze-Improve-Control (D-M-A-I-C). We group our process steps into a Define section to explain how we will define the problem, then a Measure and Analyze section to explain how we will baseline the problem and use the data collected to perform root cause analysis. We group the last steps, Improve and Control, into a separate section to identify, prioritize, select, and implement internal financial control solutions, then pilot the improved process to validate results. We engage early with USAAA in the Define, Measure, and Analyze phases to validate the defects of the problem and receive guidance on next steps for the MW resolution. CALIBRE continues to partner with USAAA through Improve and Control phases to resolve the MW.

Objectives of CALIBRE's Technical Capabilities Plan

- › Identify Root Causes of Audit Problems
- › Implement Internal Financial Control Improvements to Synchronize Transportation Operations with Financial processes
- › Resolve the MW
- › Help Achieve Full Auditability by FY 2017

Benefits

CALIBRE will plan and execute a deliberate LSS approach that will resolve an Army-level MW on time and within budget. We are currently working with other offices within the Army to resolve and/or sustain the improvement (via Corrective Action Plans). CALIBRE is ready on day one with no loss of momentum or interruption of operations. We have a long-term relationship with USAAA, and we will continue to work side-by-side with USAAA to resolve Army MWs. We are experts in setting up controls to oversee compliance, innovative training approaches, assisting in the preparation of justification books, and optimizing utilization of resources at hand.



CALIBRE recently identified and documented \$17 million in cost savings for the Army-level Permanent Change of Station MW and assisted in enabling future budget formulation process improvements. We understand the importance of meeting the FY 2017 full auditability timeline and will continue to provide continuous process improvement services with these positive results in order to assist the Army in doing so.

Recommendation

The Army should continue to utilize this proven methodology to resolve MWs. CALIBRE understands the technical requirements. We are also the only company with the qualifications and experience to resolve an Army MW, and ultimately help the Army meet FY 2017 auditability. Based on our experience, we can state the necessary requirements are as follows:

- Successful experience resolving MW in an Army enterprise environment

- In-depth knowledge of Army and Joint operational and financial processes and systems
- Beginning-to-end partnership with USAAA to ensure compliance and on-going azimuth checks
- Recurring senior-level updates
- A project team with multiple skillsets comprised of LSS, logistic, and financial management expertise
- Keen understanding on day one of the stakeholders involved in the enterprise project
- Ability to work diplomatically with multiple stakeholders
- An understanding that change should first be viewed from a process perspective, then from a system change request perspective pending Enterprise Resource Planning (ERP) implementation

Many firms offer LSS capabilities which apply to financial activities. Only CALIBRE has current and direct experience resolving Army MWs. We are confident in our ability to assist OASA(ALT) in resolving its contracts administration MW and put the Army one step closer to 2017 audit readiness.

References:

- USAAA Attestation Report: A-2-14-0101-FMF, 4 Sept 2014, Examination of Interim Solution for Recording Permanent Change of Station Costs
- FY 2014 U.S. Army Annual Statement of Assurance, Tab B-2, Internal Control Reporting Category: Comptroller and Resource Management
- RM Resource Management CY 2014 3rd Quarter: Pathway to Success: The Army's Journey to Resolve the Permanent Change of Station Program Material Weakness