

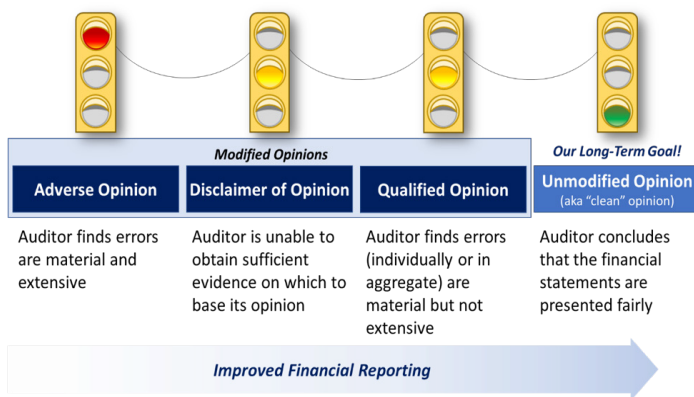


QUICK REFERENCE FACT SHEET

AUDIT AND SUSTAINMENT

WHAT IS A FINANCIAL STATEMENT AUDIT?

- A financial statement audit is a formal independent examination to determine if an organization's financial statements are fairly presented and in accordance with appropriate accounting standards.
- The auditor will determine if our business and financial processes are well-controlled, repeatable, and contributing to an accurate, complete, and reliable financial snapshot via the DON's annual financial statements.
- Each year's financial statement audit results are included in an audit report in which the auditor issues an opinion on the state of the DON's annual financial statements.



WHAT DOES THE RELATIONSHIP BETWEEN THE AUDITORS AND DON PERSONNEL LOOK LIKE?

- During the financial statement audit, auditors conduct activities to help them understand and evaluate the business and financial processes of various DON organizations.
- Auditors are governed by professional auditing standards and maintain their independence throughout the audit. They are not answerable to the DON.
- There are also duties and responsibilities for DON personnel to provide timely information to ensure that our auditors can successfully complete the audit.
- ASN (FM&C) (FMO-3 Audit Response division) is the central POC for DON financial statement audits requests. Upon receiving sample requests from our auditors, FMO-3 manages the response by directly engaging with the appropriate organization to provide the auditor with all required information and Key Supporting Documentation (KSDs).

- KSDs must be readily available, well-organized, and located in the appropriate repository and must provide auditor-requested information in a timely manner.
- In response to prior-year audit findings, ASN (FM&C) (FMO-4 Audit Remediation division) tracks audit findings (called Notice of Findings (NFRs)) and monitors progress made by the associated DON accountable office on Corrective Action Plans (CAPs). DON accountable offices (e.g., organizations, commands, etc.) develop CAPs to implement solutions to fix NFRs, and coordinate with DON service providers as required.



WHY IS AUDIT SUSTAINMENT IMPORTANT?

- Financial statement audit is not a "one-and-done" exercise. The DON will undergo annual financial statement audits from now on as a standard practice.
- The expectation of DON leadership, Congress, and the American taxpayers is that we are iteratively making improvements to our financial and business processes. These improvements need to endure and will contribute to enhanced readiness and lethality.
- Audit is a tremendous opportunity to open our processes and systems and identify what is broken or inefficient. The goal is NOT to treat symptoms; we want to be thorough and honest in assessing root causes and inspiring collaboration to fix or embed new, sustainable processes across the DON.
- Our nation's security depends on our ability to adapt to evolving threats while procuring and sharpening warfighter capabilities. To do so, we must modernize our business and financial processes to ensure dollars are used as effectively as possible.
- We cannot rely on what we did yesterday, and we cannot regress once we've made progress.

