DEPUTY SECRETARY OF DEFENSE
1010 DEFENSE PENTAGON
WASHINGTON, DC 20301-1010

NOV 4 2005

MEMORANDUM FOR SECRETARIES OF THE MILITARY DEPARTMENTS
UNDER SECRETARY OF DEFENSE FOR ACQUISITION, TECHNOLOGY, AND LOGISTICS
UNDER SECRETARY OF DEFENSE FOR POLICY
UNDER SECRETARY OF DEFENSE FOR PERSONNEL AND READINESS
UNDER SECRETARY OF DEFENSE (COMPTROLLER)
UNDER SECRETARY OF DEFENSE FOR INTELLIGENCE
ASSISTANT SECRETARY OF DEFENSE FOR NETWORKS AND INFORMATION INTEGRATION
INSPECTOR GENERAL OF THE DEPARTMENT OF DEFENSE
DIRECTOR, ADMINISTRATION AND MANAGEMENT

SUBJECT: Establishment of a Senior Assessment Team

The Office of Management and Budget (OMB) issued Appendix A to its OMB Circular A-123, Management's Responsibility for Internal Control, effective fiscal year 2006. The appendix requires an annual report on internal control over financial reporting. The annual report will be published in the Department of Defense (DoD) Performance and Accountability Report.

The report requires documentation of five steps required to produce a quality report for OMB and one that is useful to the Department in achieving financial improvement. The five steps include: 1) a requirement to establish a Senior Assessment Team (SAT) which will establish a level of materiality for reporting to OMB; 2) evaluate business processes; 3) test related internal controls which create financial report balances; 4) report on the internal controls, weaknesses and corrective action plans; and, 5) subsequently, monitor corrective plan progress. The DoD SAT will provide oversight and guidance on these responsibilities which will be performed primarily at the subcomponent level.

Since the business processes of the DoD mission ultimately create the balances on the DoD financial reports, the SAT should be composed of DoD representatives cognizant of those business processes. Therefore, I am directing the establishment of a Senior Assessment Team for reporting internal controls over financial reporting. The

team will be chaired by the Principal Deputy Under Secretary of Defense (Comptroller) and vice-chaired by the Deputy Chief Financial Officer. Team membership will be composed of the following:

- Principal Deputy Under Secretary of Defense for Acquisition, Technology and Logistics
- Principal Deputy Under Secretary of Defense for Policy
- Principal Deputy Assistant Secretary of Defense for Health Affairs
- Deputy Under Secretary of Defense for Intelligence Policy, Requirements and Resources
- Principal Deputy to the Assistant Secretary of Defense for Networks and Information Integration
- Deputy Inspector General, for advisory purposes only
- Director of Administration and Management, OSD
- Assistant Secretary of the Army for Financial Management and Comptroller
- Assistant Secretary of the Navy for Financial Management and Comptroller
- Assistant Secretary of the Air Force for Financial Management and Comptroller

These members have sufficient expertise in the functional areas on which the Department is focusing to improve accountability and reporting. As members, they will determine which identified weaknesses should be reported to OMB in the assurance statement and also monitor the corrective action plans of the entities that identified the weaknesses. The SAT will meet approximately twice a year.

Please have your principals provide phone numbers and email addresses where they can be reached to my point of contact, Mary Braun. She can be reached by email at mary.braun@osd.mil or by phone at 703-693-6505.

Acting 11-4-05