

The 2017 FIAR Directorate

How to be Audit-Ready and Compliant to the Financial
Improvement and Audit Readiness (FIAR) Initiative





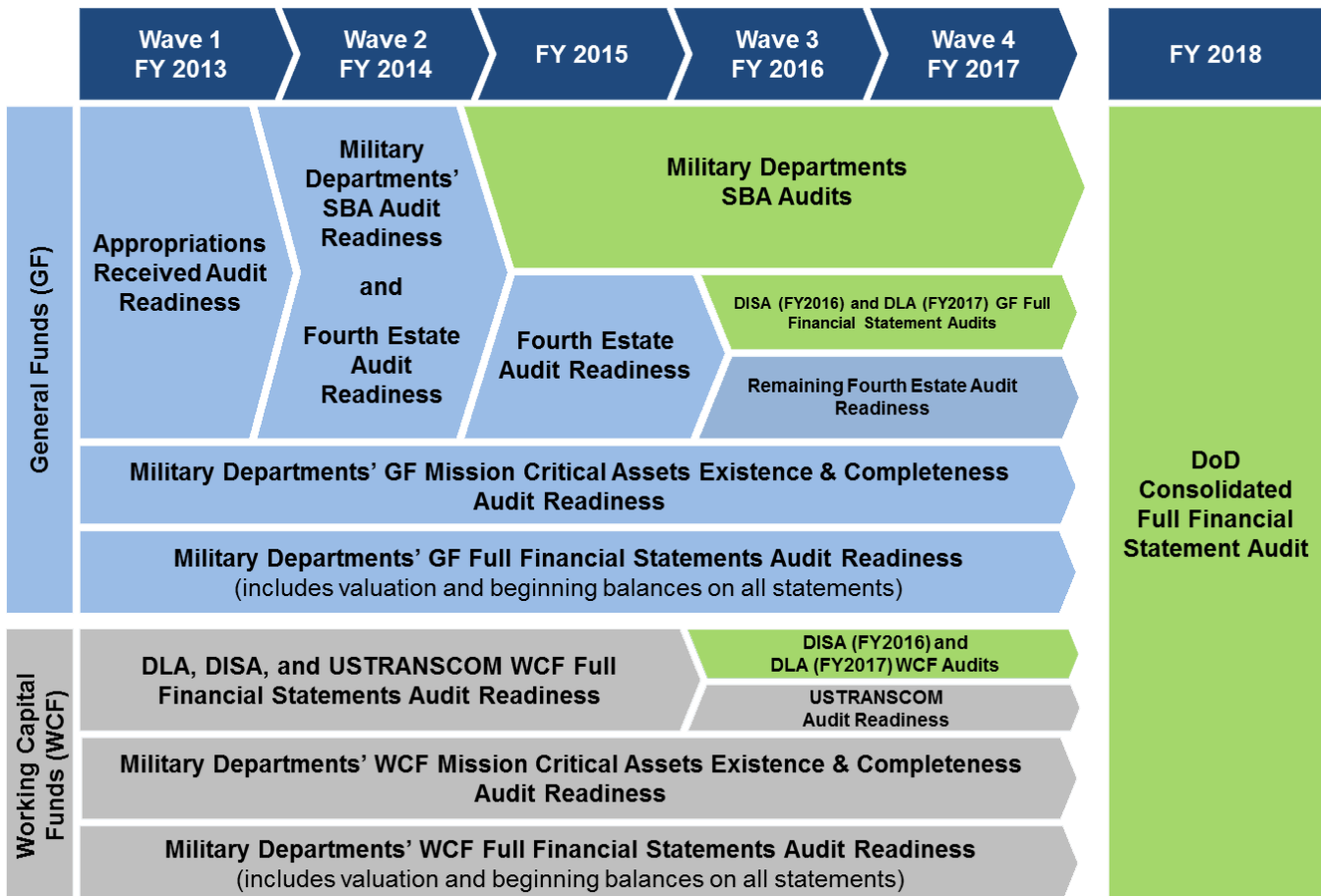
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Introduction

Since 2009, all branches of the US Department of Defense have been working on the Financial Improvement and Audit Readiness (FIAR) directorate in a quest to become audit-ready by September 2017. Criticized as “the only major federal agency that has been unable to receive an audit opinion of any kind on its department-wide financial statements” in a 2013 [report](#) by the Government Accountability Office, the pressure is on to demonstrate the Department of Defense is not vulnerable to the ailments that afflict unaudited departments with waste, fraud and mismanagement.

The Department is acting diligently to rectify this problem through the Financial Improvement and Audit Readiness (FIAR) initiative. This department-wide endeavor requires military contractors and program managers to track and report real property, inventory, operating material and supplies, military equipment and general equipment by this date.



This table represents the official FIAR strategy and deadlines as provided by DoD Comptroller Office. As illustrated above, the deadline for asset Existence and Completeness audit readiness is September 30, 2017. <http://comptroller.defense.gov/fiar/fiarguidance.aspx>

But whether you're in one of the branches of the military or a military contractor, the process of tracking and reporting assets is no small feat. Approximately 32.7 million serialized and non-serialized assets have been reported to the IUID Registry, which has also become the master data source for government furnished property (GFP), but an estimated 100 million assets remain unregistered — and this number is increasing. What's more, over [60 percent](#) of the inventoried records are inaccurate or incomplete making the goal of asset Existence and Completeness for audit readiness even more difficult to achieve within the short timeframe leading up to the deadline.

As the September deadline quickly approaches, military personnel and contractors are scrambling to comply with FIAR regulations in light of the scarcity of time and resources required to accurately report their assets while meeting military asset identification and reporting requirements. Asset identification policies like the Item Unique Identification (IUID) have been created to simplify and streamline the process of accounting for assets. Furthermore, iRAPT and the IUID Registry have become the DoD e-Commerce systems that are the gateway to reporting assets to all branches of the military.

In this whitepaper, we explain exactly what FIAR means for the Department of Defense, the Defense contracting community and, as a result, what this means for your branch of the services or business. You'll get a breakdown of IUID and RFID technologies as the modern, sustainable approach to asset management, and how your organization will benefit beyond just meeting FIAR standards. In addition, we'll explain why IUID and RFID works and what makes A2B Tracking's cloud-based approach to asset identification and tracking so effective for achieving compliance and enabling effective asset management and reporting.

The Challenge: So Many Assets Marked. So Many More to Go.



As of February 2017, DoD has reported only 32.7 million accountable assets according to an A2B Tracking webinar and IUID Registry statistics.

Criticality of Broader Deadlines in 2017

“The DoD’s reported inventory, buildings, and other property and equipment represent 73 percent of the federal government’s reported physical assets as of September 30, 2015,” reports the [U.S. Government Accountability Agency](#). “However, DoD cannot demonstrate that it has accurately and completely accounted for all of these assets, including their location and condition.” Becoming audit ready will help the Department of Defense make more informed decisions and evaluate the sustainability of its assets and programs. “It’s not that DoD doesn’t know where it’s spending its money,” said [Elizabeth McGrath](#), DoD’s Deputy Chief Management Officer. “It’s that granular information on how much individual programs and procedures cost on a day-to-day basis is hard to track, given the department’s current systems and practices.” FIAR was designed to ensure these department-wide financial improvement efforts continue to mature and are integrated with transformation activities across the department during and beyond this auditing process. FIAR is a substantial initiative when you look at the guidelines outlined within it, as well as the reasoning for its timeline and priorities.

The Guidelines

A contributing factor to the Department’s struggle to be auditable is IT system weaknesses, which can be resolved by streamlining the management process throughout the industry. “Simply stated, we have too many systems and most of them were not originally configured to conform to auditability standards,” said Dr. Susan Rabern, Assistant Secretary of the Navy’s [financial management](#). The guidelines outlined within FIAR are necessary to ensure standards are being met across all contributing parties, and it is used to execute and explain the goals, priorities, strategies and methodology for becoming audit ready.

The Internal Deadline

The Department’s September 2017 deadline is due to the fact that the department itself is being audited the following year. The department plans to prove the method as an important practice that should be executed regularly. Ultimately, the Department is using FIAR to:

- Achieve and sustain audit readiness.
- Achieve and sustain unqualified assurance on effectiveness of internal controls.
- Attain Federal Financial Management Improvement Act (FFMIA) compliance—financial management systems that support effective financial management.

The Priorities

The FIAR initiative values accountability, with two of its highest priorities being budgetary and mission critical asset information. The department is ultimately looking for inventory completeness and existence and puts its highest priority on accountability for all mission critical assets. (Existence and completeness translates to a “book to floor” and “floor to book” level of accountability for property and equipment.) These mission-critical assets can include:

Military Equipment	Inventory	Operating Materials and Supplies	General Equipment
Ships Aircraft Vehicles Etc.	Rations Supplies Spare Parts Fuel Etc.	Ammunition Munitions Missiles Etc.	Material Handling Training Tooling Testing Etc.





Specific Asset Information

The asset data that is required to be able to perform a clean audit has been clearly outlined. These requirements are expected on each unique asset and cannot just be applied across a group or a type of asset. Each asset will need a number of very specific pieces of data and all of this detailed asset information will need to be reported to the IUID Registry. This reporting requirement is applicable to assets that are newly acquired items, legacy items, as well as Government Furnished Property (GFP). The required asset information includes:

- Unique Item Identifier (UII)
- Category/Type
- Location
- Status
- Description
- Custody
- Controlling/Financial Reporting Entity

The Department of Defense's call for asset management will undoubtedly help it become more accountable and strategic in its financial decisions. It's crucial that all DoD agencies and defense contracting businesses work together to be FIAR compliant in order to create a long-standing process that makes them audit ready.

Accountable Property Systems of Record (APSR)

The APSR is a subsidiary ledger to the financial systems general ledger and represents the transactions impacting the property. The asset data identified in the section above must be recorded in an official APSR. What's more is that each APSR can only account for each asset one time which is why IUID is the key data field required to identify each asset as one of a kind within the US military enterprise, a massive place.

Validating completeness has challenged property managers and comptrollers for many years and will continue to do so until the discipline of tracking assets with IUID is incorporated. Adding IUID as the key enabler for existence and completeness of accountable property ensures that assets are captured correctly, one time only, and that the data will remain in the APSR forever more.

Using Item Unique Identification (IUID) -- Barcodes and RFID

The Department of Defense has made it clear that it is committed to having fully auditable financial statements by the end of September 2017. This was the deadline that was established by Congress in the National Defense Authorization Act of 2010. The FIAR Plan has evolved and matured since the plan was first issued in 2005; but, the bottom line is that the DoD needs to capture and account for all serialized assets.

The Department's IUID Policy is at the core of this plan and outlines the use of and regulations for utilizing barcode technology. Item Unique Identification (IUID) is a method of using a 2D barcode to create a globally unique asset identifier. This unique ID or barcode represents a one of a kind item in the possession of the military or the defense contracting community. Labeling each unique asset is the first step in this process. Once the item has been marked or labeled that unique asset information has to be reported to the IUID Registry.

IUID is a globally unique number represented by a 2D barcode on each individual asset or component. Every IUID acts as a key reference to the accountable asset or property in an APSR or the IUID Registry.



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Although it is possible to submit asset data to the IUID Registry manually – it is not recommended. The use of barcode scanning technology to commission an asset, enter into a database, associate it with specific asset pedigree and then track the movement or custody changes of that asset with the barcode represents a significant improvement over the manual clipboards and spreadsheets historically found in military environments. This can generate a 10:1 return on time alone, meaning a 10-hour manual inventory can take as little as 1-hour to perform with IUID. At the end of the day, not only will barcode technology save time and labor; but, it also enables more frequent inventory cycle counting which translates to improved database accuracy and audit-readiness.

Radio Frequency Identification (RFID)

RFID, on the other hand, is not a mandated technology for asset identification; but, can complement IUID very nicely as a wireless asset identification technology using radio frequency to identify the asset. This can generate a 30:1 return on time alone, meaning a 30-hour manual inventory can take as little as 1-hour to perform with RFID.

There are a number of benefits to using RFID technology; but, the most obvious is that it does not require a direct line of sight between the scanner and the label. The RFID reader is able to “pick-up” and read the specific tags even if they are hidden or embedded in a larger component. In contrast, utilizing a barcode scanner requires that you physically handle the item, find the barcode and scan the label with the reader.



Specific asset classes that are great candidates for RFID are assets that are frequently moving. By setting up RFID reading at choke points such as doorways or zones within a warehouse, assets can move and automatically update the database with location status. This approach enables automated asset identification which translates to significantly improved database accuracy and audit-readiness with potentially little to no labor increase requirements.

Defense contractors and all branches of the military benefit from IUID and RFID today; but, it's only a percentage of the assets and areas of military operation that benefit from these technologies. This represents a major opportunity for the military community to support labor savings, increase efficiencies and improve audit-readiness at the same time.

The Modern Tracking Solution

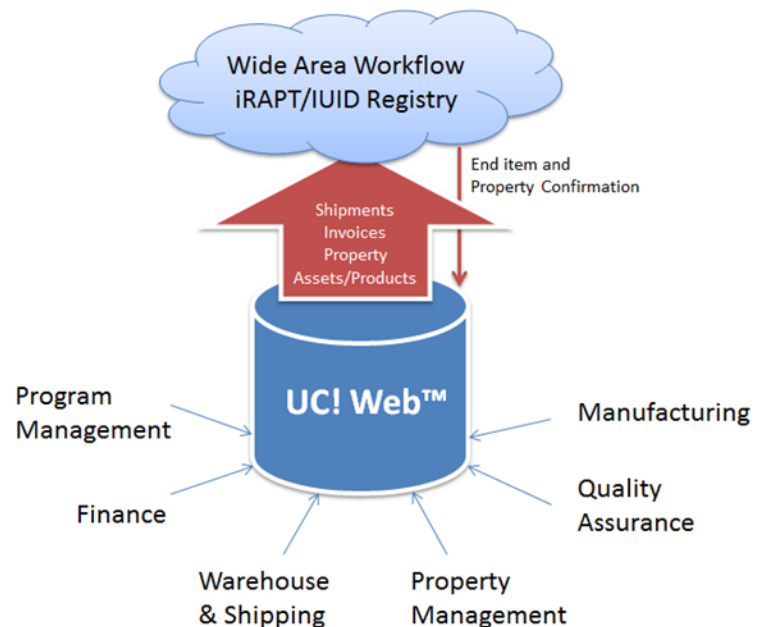
IUID and RFID provide a more efficient way to identify, mark, track, and report critical assets because it contains item unique information (IUI) for both end items and embedded parts or components. This allows complex assemblies to account for all levels of accountable assets within the hierarchy with a much more simplified and automated approach. For example, you might be tasked with identifying six levels worth of embedded parts and components in an armored Humvee while reporting and registering each of them, which means you'd need to have marked and labeled traceable identifiers on key components like the transmission and engine for a particular vehicle.

Commercial organizations have been using global serialized identifiers like IUIDs and RFID tags for years, and many industries agree that this is a best practice. The Department of Defense is joining a multitude of other industries that use barcodes and RFID to track and trace assets all the way from the original manufacturer through to final disposition.

Understanding the management of the data and reporting is a critical piece to any asset tracking solution.

There needs to be a centralized Asset Management Platform supporting this

property accountability initiative. From the contractors perspective, data needs to be collected from multiple departments (e.g. invoices from Finance, shipping reports from Warehouse, product data from Manufacturing, etc.) and stored in a centralized location in such a way that the data can be managed efficiently and accessed by users from anywhere. All of this unique asset information needs to be validated, checked for completeness and then transmitted to the DoD eBusiness Suite.



Whether a contractor or government, proven data management capability is critical to exchanging data with government systems and enabling asset tracking and property management across the enterprise.



For over 20 years, A2B Tracking has pioneered military-grade enterprise-class solutions for identifying, marking and tracking critical assets for DoD agencies and the contractors who support them. A2B Tracking helps the enterprise take control of assets by providing cloud-based asset tracking and data management solutions, called UC! Web™, that incorporate advanced barcode (IUID) and RFID technologies. A2B Tracking enables total compliance to military asset and shipment identification standards and automates reporting to government systems such as iRAPT and the IUID Registry. By utilizing advanced labeling and cloud-based technology, IUID and RFID produces significant saving and automation in our advanced technological world.

In addition, A2B Tracking's IUID and RFID-enabled asset management systems are secure and cloud-based, which provides many modern conveniences of its own:

- **Secure Hosting Services:** store sensitive information with peace of mind as the UC! Web™ cloud environment is certified as secure by the Federal Risk and Authorization Management Program (FedRAMP).
- **Portability:** track and log assets directly from your laptop, tablet or smartphone at the point of activity, rather than logging and transposing information in a manual, error-ridden process.
- **Scanning ability:** Scan asset barcodes or RFID tags using an app to get immediate access to detailed product information. This streamlined process eliminates the need for lengthy spreadsheets and improves accuracy.

Sustainability is Key

With over 53,000 members in the Department's [financial management workforce](#), it's safe to say everyone in this industry wants a system that's going to work for years to come. In addition to its modern approach, IUID gives defense contractors and property managers a long-term, sustainable auditing strategy. Not only will your records be safe and secure for future reference and auditing, but you'll also be reducing long-term costs by knowing exactly what parts and spares you already have.

You're not just getting physical identification marks on items (through barcodes or RFID tags), but you're setting up an infrastructure of a higher level of sustainable capability. This kind of awareness can reduce your manpower by up to 30 times when compared to the level of effort it would take to do a manual, physical count.

For defense contractors specifically, achieving a consistent approach to IUID compliance is critical to getting paid on time, avoiding the potential of a rejected shipment, meeting your contract obligations and avoiding a failed audit. A2B Tracking provides essential support by making sense of these contract obligations and simplifying these challenges. UC! Web was specifically designed from the ground up to comply with US military asset identification requirements (IUID and RFID) as well as integrated iRAPT and IUID Registry reporting as core capabilities.

What sets UC! Web apart

- Total asset control from one fully integrated system
- Easier item traceability and greater security
- Integrated with mobile computing devices - tablets, scanners, smartphones
- Automated reporting and integration to iRAPT and IUID Registry
- Reports all military asset types and shipments, property transfers and lifecycle events
- Secure and cloud-based with certified ITAR or self-hosted software deployment options
- 100% Military Compliance



Full Compliance to the FIAR Mandate

Maintaining asset visibility isn't rocket science, but it requires the precision of rocket science. At A2B Tracking we're experts at managing assets in regulated environments where best practices are imperative and everything depends upon accuracy. We'll help you gain total asset visibility around the globe with our asset tracking software and range of services. And we can implement a solution to help your organization become fully compliant to the FIAR directive.

Property Accountability Requirements	How A2B Tracking Meets Requirements
Must meet all FAR and DFARS requirements to asset management and inventory control.	UC! Web™ captures and stores all data elements required by FAR 52.245-1 Government Property.
Must identify and mark assets to all military IUID standards for asset and shipment identification.	UC! Web™ meets DFARS 252.211-7003 Item Identification and Valuation, DFARS 252.211-7007 Reporting of Government Furnished Property, DFARS 252.211-7006 Passive Radio Frequency Identification, DFARS 252.245-7001 Tagging, Label, and Marking of Government-Furnished Property .
Must maintain audit trail for asset marking and lifecycle events from cradle to grave.	UC! Web™ maintains an audit trail for every asset identifier created such as an IUID or RFID tag. UC! Web provides traceability of all asset lifecycle transactions from cradle to grave.
Must transmit GFP and legacy asset data to the IUID Registry for all transaction types.	UC! Web™ is integrated to the IUID Registry for all transactions including new records and updates to assets.
Must transmit new acquisition data to iRAPT for all invoice and receiving report transaction types.	UC! Web™ is integrated to Defense e-Commerce systems such as iRAPT, enabling fast and error-free transmission of all invoices, assets and shipments for new acquisitions.
Must perform cycle counts and maintain inventory control.	UC! Web™ manages and performs cycle counting of assets or real-time asset visibility while exceeding all reporting requirements for inventory control.
Must provide asset existence and completeness to Accountable Property Systems of Record (APSR).	UC! Web™ integrates with any APSR using modern API integration standards for automated file or data transmission.

100% Military Compliance

A2B Tracking will help you implement IUID and RFID by guiding you through the necessary milestones it takes to be compliant, including meeting verification and management standards. We'll help you draw up an implementation plan, as well as provide ongoing training, policy coaching and user support. A2B Tracking has more than 20 years of experience working with these military asset identification requirements and can help you achieve 100% US Military compliance today and can offer total peace of mind that you will continue to meet policy specifications as they evolve in the future.

We spend hundreds of man-hours every year keeping up on DoD policy changes and any new regulations that would impact military compliance. We have experience in supporting our customers success in managing DCMA audits and achieving full compliance to these contract obligations. And we frequently participate in WAWF, iRAPT and IUID Registry working groups, whether from a government property or end item deliverable perspective. This allows us to stay ahead of government system changes that are constantly evolving and implement them as new features to the UC! Web platform as soon as they're released to our customers.

Proven Deployments

With more than 3,000 tracking installations around the globe, A2B Tracking serves a broad range of commercial and government organizations from small and large scale manufacturers to government agencies and the military. The US Department of Defense entrusts us as its largest Item Unique Identification program partner. And as such, we have deployed over 4 million IUID labels worldwide and have processed over 7 million assets with our UC! Web software platform. Whatever your mission may be, we'll work with your enterprise to ensure that every item leaves your dock on time and in full compliance.





About A2B Tracking

A2B Tracking has pioneered military-grade enterprise-class solutions for identifying, marking and tracking critical assets for DoD agencies and the contractors who support them. We'll help your enterprise take control of your assets by providing you cloud-based asset tracking and data management solutions that incorporate advanced barcode and RFID technologies. We enable total compliance to military asset and shipment identification standards and we automate your reporting to government systems.



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