



DEPARTMENT OF THE NAVY
OFFICE OF THE ASSISTANT SECRETARY
(FINANCIAL MANAGEMENT AND COMPTROLLER)
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WASHINGTON, DC 20350-1000

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MEMORANDUM FOR DISTRIBUTION

MAR 15 2012

Subj: GUIDANCE ON RETAINING DOCUMENTATION TO SUPPORT CURRENT
AND FUTURE DEPARTMENT OF THE NAVY FINANCIAL STATEMENT AUDITS

- Ref: (a) Deputy Assistant Secretary of the Navy (Financial Operations) Memo Immediate Retention of All Documentation to Support Current and Future Department of the Navy Financial Statements 5 Oct 11
- (b) SECNAV Manual 5210.1, Department of the Navy (DON), Navy Records Management Program, Records Management Manual, of 07 Jan 12
- (c) SECNAVINST 5210.8D, Department of the Navy (DON) Records Management Program, of 31 Dec 05
- (d) Department of Defense (DoD) Directive 5015.2 DoD Records Management Program, of 6 Mar 00
- (e) National Archives and Records Administration General Records Schedule 20 (NARA GRS 20), Electronic Records, of 30 Apr 10
- (f) NAVMC DIR 5210.11E, Marine Corps Records Management Program, of 15 May 06
- (g) OPNAVNOTE 5210, Designation of Navy Functional Area Manager (FAM) Approved Records Management Solution for All Chief of Naval Operations (CNO) Commands, of 28 Jul 06

Encl: (1) Key Supporting Document Matrix

1. This memorandum updates reference (a), which required the immediate retention of all documentation to support financial statement audits. The Department of the Navy (DON) must continue to retain all documentation that support financial statement balances until beginning balances on the DON financial statements have been verified and accepted by the financial statement auditors. The DON, as well as other components of the Department of Defense (DoD) and the Federal Government are subject to financial statement audits in accordance with the Chief Financial Officers (CFO) Act of 1990 and the Government Management Reform Act (GMRA) of 1994. We acknowledge that the audit of all DON financial statements may not be in the near future, and some of the documents supporting the recorded amounts were created years ago and affects current data storage. However, as the DON moves toward audit, the adequacy and availability of supporting documents will be critical to the establishment and validation of beginning balances on the financial statements.

2. The DON is responsible for maintaining adequate records in support of reported financial statement balances so that it is prepared to respond to audit inquiries. If it is determined during the financial statement audit readiness and audit process that a document or documents are

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required to be maintained beyond the timeframes required by SECNAV Manual 5210.1 (Reference (b)), my office will submit the necessary changes in retention period to the Department of the Navy Administrative Assistant/Department of Navy Chief Information Officer to modify Reference (b), and alert the Commands of the more stringent requirements. However, subsequent to the financial audit as the beginning balances are validated and specific documents are identified, the Commands will be notified of documents that would not be required to be retained indefinitely, but could revert back to the document retention timeframes outlined in Reference (b). References (c) through (g) provide overall document retention requirements applicable to federal entities.

3. Reference (a) requested completion of a Document Retention Matrix as an aid in identifying the potential documents to retain that relate to each line on the Statement of Budgetary Resources (SBR). On February 8th, 2012, FMO also sent a subsequent data request to identify additional documents that support line item amounts recorded on the remaining financial statements which are the Balance Sheet, Statement of Net Costs, and the Statement of Changes in Net Position. We have also discussed document requirements in support of audit inquiries with the United States Marine Corps, United States Coast Guard, Defense Information Systems Agency, and the Army Corps of Engineers, who have all been subject to financial statement audits. Based on the information provided by these entities and Command responses to our document request data calls, we have developed the Key Supporting Document (KSD) Matrix (Enclosure). The documents within the matrix have been aligned to Business Assertion Segments in accordance with OUSD(C) FIAR guidance. As additional guidance becomes available, we will continue to update this KSD Matrix. This KSD Matrix is provided as a guide for you to be aware of the type of documents that we expect the financial statement auditors to request with respect to transaction testing.

4. The FMO has established an Audit Response Center (ARC) to manage Provided by Client (PBC) list items and other auditor document requests. The ARC is an organizational alignment and integration of people, information, and technology systems, and business intelligence applications collated to provide centralized management and transparent collaboration capabilities and enable the execution of DON audit readiness priorities and requirements.

5. During the financial statement audit we anticipate the time frame to respond and provide requested PBC list items to be short. The ARC will administer the PBC lists by determining the necessary documents required to support auditor requests, then retrieve the required documents from the authoritative source identified in the Key Supporting Document (KSD) Matrix. In order to provide a timely response, it is critical that Command activities work with the ARC (as it develops) and the respective Command system and document storage providers to update current and authoritative document repositories identified in the KSD Matrix. Collectively, working with current document repository and system managers we can establish sound document retrieval processes and prescribe improved approaches to digitize and standardize document management requirements.

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6. This is an iterative process. As we continue to validate authoritative document sources and increase our visibility of audit document requirements, the ARC will announce updates to KSDs, broadcast new PBC list requirements and provide summaries of ongoing audit efforts through Really Simple Syndication (RSS) messages to registered ARC users.

Your assistance in this effort and continued support is acknowledged and greatly appreciated and will move the DON closer to sustainable auditability. My points of contact are Mr. Kyle Fugate at (202) 685-6727 or kyle.fugate@navy.mil and Mr. Phillip Graham at (202) 685-6721 or phillip.graham@navy.mil.



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