



Agency Priority Goal Action Plan

Financial Management: Complete yearly audits, gain actionable feedback, and remediate findings toward achieving a clean audit opinion for the DoD

Goal Leader:

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OUSD(C)/CFO

Overview

Goal Statement:

- Continue annual audits and use the resulting recommendations as feedback on implemented corrective actions and other improvement opportunities toward a positive/clean/unmodified audit opinion for the entire DoD. By September 30, 2021, make demonstrable progress in closing prior-year audit findings, reducing material weaknesses, and increasing the number of components with positive/clean/unmodified audit opinions.

Challenge:

- The major audit challenges faced by the Department range from a lack of documentation, to cultural changes (change of focus from just mission to improving financial management practices to drive proper accounting for resources) to major system impediments, including the use of legacy systems that lack the transactional details necessary to support the financial statement audit.
- Given our size and complexity, auditors may not be able to complete detailed testing on all critical assessable units in the first few years of the audit. Consequently, Notices of Findings and Recommendations (NFRs) will continue to increase in the initial years. As we mature and remediate findings, we will be able to demonstrate progress by increasing the number of findings closed by the auditors yearly, reliance on our internal controls, and reduction in material weaknesses.

Opportunity

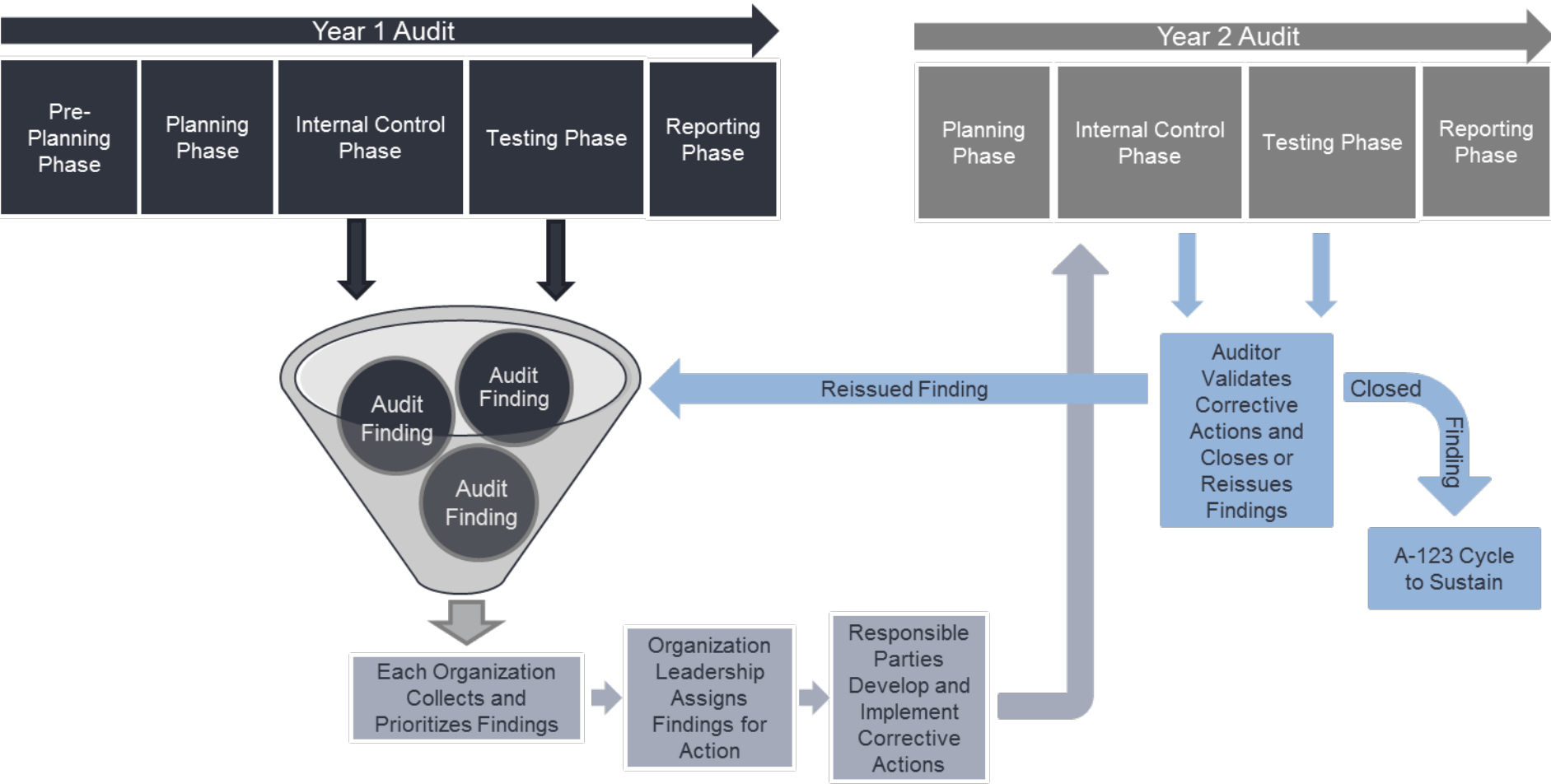
1. Better data quality for better decision making
 - The financial statement audit helps drive enterprise-wide continuous improvements to standardize our business processes and improve the quality of our data, which will lead to improved financial management and more informed decision-making.
2. Transparency and accountability
 - Audit activities involve all DoD components and have a governance process that ultimately reports progress and status to the Deputy Secretary and the Secretary.
 - The audit improves the quality of our financial statements and underlying data available to the public, including a reliable picture of our assets, liabilities, and spending.
3. Cost savings to help drive reform
 - System investments in ERP systems will be reviewed to ensure that both Information Technology requirements and financial auditability requirements are addressed.
 - The financial statement audit is part of leadership's vision to bring enduring business reform to the DoD, which directly aligns with one of the Department's three lines of effort in the National Defense Strategy.

Goal Structure & Strategies

Strategies on how the goal will be achieved:

- Audit opinions will be based on comprehensive auditor testing and will result in actionable feedback.
- The Department has established a tool and a process to capture, prioritize, assign responsibility for, and develop corrective actions to address audit findings
- The Secretary and Deputy Secretary establish the Audit Priority areas for the Department.
- DoD establishes functional councils to address Audit Priority areas identified by the Secretary to address challenges and monitor and report remediation progress in those areas: financial reporting; property, plant, and equipment; and information technology. These functional councils consists of leaders within the financial and functional communities that are responsible for making key decisions and driving changes within their respective areas in support of the audit and the National Defense Strategy.
- Progress briefings on findings and corrective action plans are provided to the Deputy Secretary and the Secretary on a recurring basis to ensure that findings are being addressed.
- Each year, auditors will assess and report on whether the Department has successfully addressed the findings.
- Going forward, DoD will measure and report progress toward achieving a positive audit opinion using the number of audit findings resolved through corrective action plans.

DoD Audit Feedback Cycle



DoD has implemented an audit feedback cycle to respond to and maximize auditor feedback

Summary of Progress – FY 2020 Q1 & Q2

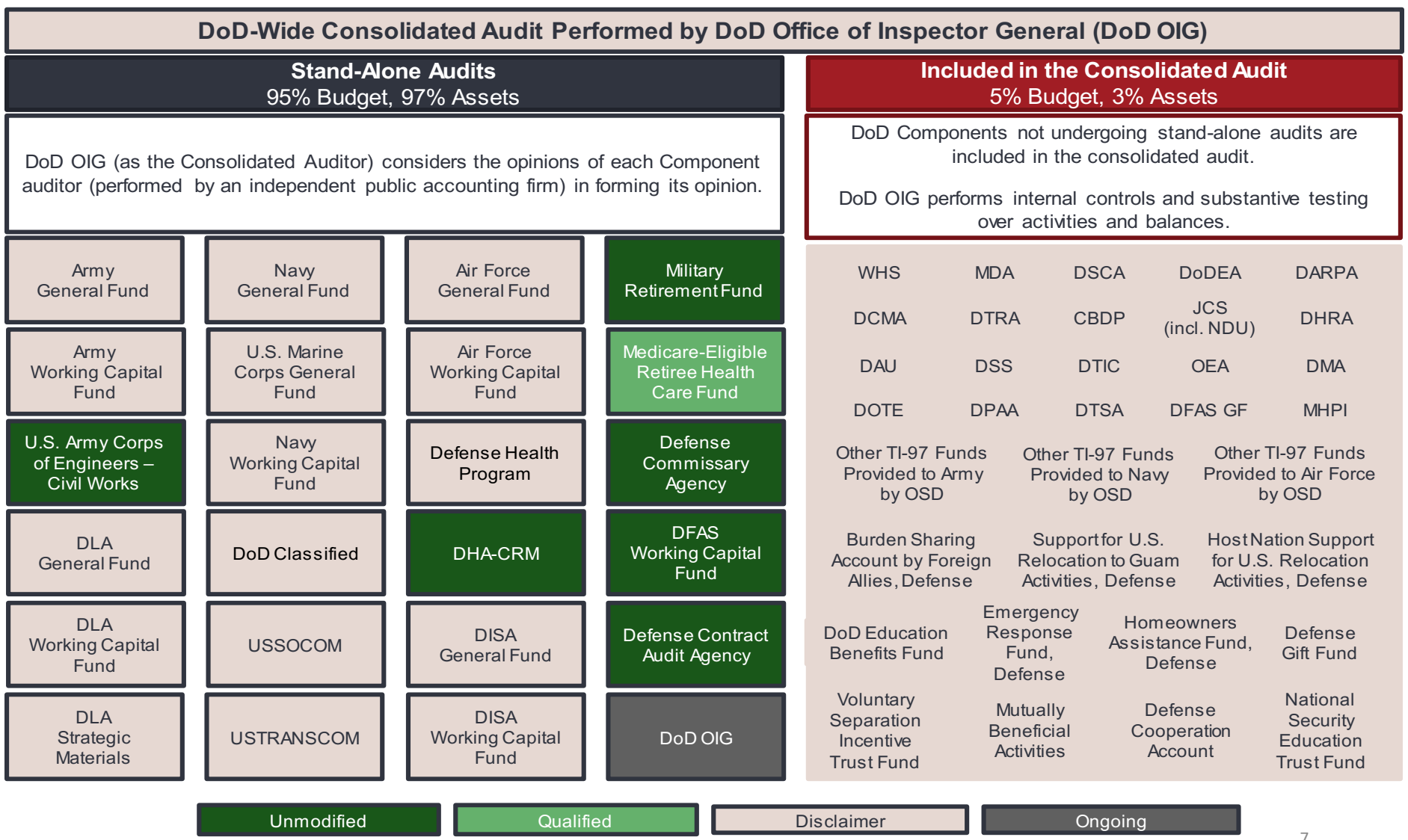
DoD will provide regular updates on the status of the Fiscal Year 2020 audit and related remediation efforts to Congress and OMB

The DoD consolidated audit is likely the largest audit ever undertaken in the federal government and the United States:

- Comprises more than 24 stand-alone audits and an overarching consolidated audit as performed by the DoD Office of Inspector General (DOD OIG).
- During FY 2019, the Department effectively remediated over 25% of the NFRs issued during the FY 2018 audit, allowing auditors to not re-issue those findings.
- Six reporting entities received unmodified (clean) opinions, one received a qualified (modified) opinion, and one opinion is pending as shown in Figure 7.1. All other DoD reporting entities received a disclaimer of opinion.

Summary of Progress – FY 2020 Q1 & Q2 (continued)

Figure 7.1. DoD Consolidated Audit Structure and Progress



Key Milestones

Milestone Summary			
Key Milestone	Milestone Due Date	Milestone Status	Comments
Provide report to Congress on Audit results status to include Audit findings and remediation statistics (Recurring in Q1 and Q3) of each fiscal year.	Q1, FY20	Complete	Audit results status briefing was provide to Congress.
Percentage of established opening balances for the Department’s Inventory and Related Property (I&RP) and General Property, Plant and Equipment (GPP&E)	Q1, FY20	Complete	28% of established opening balance for I&RP and GPP&E was achieved in FY 2020 Q1
Percentage of established opening balances for the Department’s Inventory and Related Property (I&RP) and General Property, Plant and Equipment (GPP&E)	Q2, FY20	On-track	28% of established opening balance for I&RP and GPP&E was achieved in FY 2020 Q2
Percentage of established opening balances for the Department’s Inventory and Related Property (I&RP) and General Property, Plant and Equipment (GPP&E)	Q3, FY20	On-track	
Provide report to Congress on Audit results status to include Audit findings and remediation statistics (Recurring in Q1 and Q3) of each fiscal year.	Q3, FY20	On-track	
Percentage of established opening balances for the Department’s Inventory and Related Property (I&RP) and General Property, Plant and Equipment (GPP&E)	Q4, FY20	On-track	
Percentage of notice of findings and recommendations closed in support of a clean audit opinion for the Department	Q4, FY20	On-track	
Percentage of universes of transactions (UOT) provided the auditors using the ADVANA tool for the Fourth Estate.	Q4, FY20	On-track	
Percentage of reconciliations completed at the transaction level between general ledger and feeder systems for the Fourth Estate	Q4, FY20	On-track	
Percentage of reconciliations completed at the transaction level between general ledger and feeder systems for the Fourth Estate.	Q4, FY20	On-track	
Percentage of service provider audit reports with an unmodified (clean) opinion.	Q4, FY20	On-track	
Percentage reduction of unsupported Journal Vouchers (over FY 2017) recorded in the Defense Departmental Reporting System.	Q4, FY20	On-track	

Data Accuracy and Reliability

Historically, the Department's data was scattered across hundreds of systems, making it difficult to access information and answer basic business questions timely. The Office of the Under Secretary of Defense (Comptroller)/Chief Financial Officer developed a single authoritative source for audit and business data analytics. This big data platform, Advana, currently hosts over 15 billion transactions, has over 7,000 users, 250+ dashboards, ingests data automatically from over 120 DoD source systems, reconciles over \$1 trillion in financial transactions, and has the flexibility to support analytics in the areas of audit, financial operations, cost management, and performance management.

The increasing reliance on Advana for audit sampling, supporting transaction details in response to auditor requests, monitoring remediation activities, and inspiring data-driven conversation with Components and other stakeholders will also allow for improved decision-making and better informed budget execution.

The Department is already seeing the benefits of better data. For example, the Department, using the Advana tool, recently automated the quarterly review process of its obligations. This workflow tool eliminated inefficiencies and provided analysts time and insight to identify a cumulative \$316 million in high-risk funds, allowing for a better use of those resources before expiring or canceling.

Additional Information

Contributing Programs:

- Federal Accounting Standards Advisory Board (FASAB): FASAB issues federal financial accounting standards and provides guidance after considering the needs of external and internal users of federal financial information (www.fasab.gov).
- Government Accountability Office (GAO): GAO performs audits and issues reports on a variety of subject matters in an effort to improve the performance and ensure the accountability of the federal government (www.gao.gov).
- DoD Office of Inspector General (DoD OIG): Provides independent oversight of the DoD (www.dodig.mil). The DoD OIG serves as the Auditor of the DoD's consolidated financial statements.

Stakeholder / Congressional Consultations:

- The DoD corresponds, as requested, with Congress, GAO, and the Office of Management and Budget (OMB) to provide audit and audit remediation status.