



Agency Priority Goal Action Plan

Financial Management

Goal Leader:

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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 and increase 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 year. 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 tracking/increasing the number of findings closed by the auditors yearly.

Opportunity

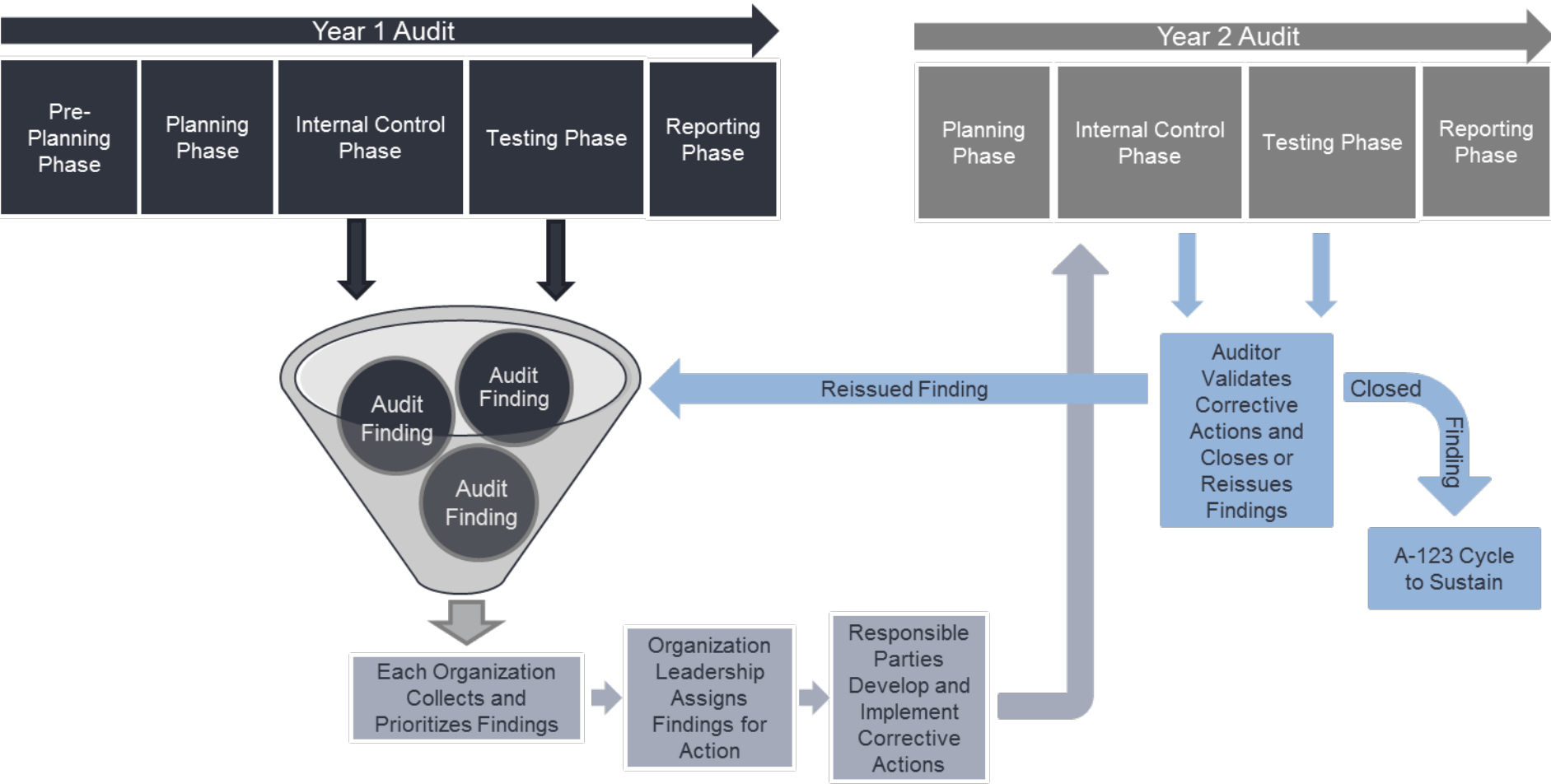
1. Better data quality for better decision making
 - The financial statement audit helps drive enterprise-wide continuous improvements to standardize our business processes and improve the quality of our data, which will lead to improved financial management and more informed decision-making.
2. Transparency 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 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.
- DoD established three functional councils to address specific audit challenges and monitor and report remediation progress: financial reporting; property, plant, and equipment; and information technology. These functional councils consist 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 Q4

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

The FY 2020 audit covered the Department's total assets of approximately \$3.1 trillion and involved more than 1,400 auditors, who conducted over 600 site visits (more than 500 of which were conducted virtually). Auditor findings and recommendations help DoD leaders prioritize improvements, drive efficiencies, identify issues with systems, measure progress, and inform business reform efforts. The outcomes of the audit remediation efforts will include greater financial data integrity, better support for the warfighter, and increased transparency for Congress and the American people:

- Auditors conducted 24 standalone audits of DoD reporting entities and the DoD Office of Inspector General (DoD OIG) performed the overarching consolidated audit.
- Six reporting entities received unmodified (clean) opinions, one received a qualified opinion, and four audit are ongoing (see slide 7). All other DoD reporting entities received a disclaimer of opinion.
- During FY 2020, the Department effectively remediated over 20% of the NFRs issued during the FY 2019 audit, allowing auditors to not re-issue those findings.

Summary of Progress – FY 2020 Q4 (continued)

FY 2020 Audit Structure and Results

DoD-Wide Consolidated Audit Performed by DoD Office of Inspector General (DoD OIG)

Standalone Audits
95% Budget, 97% Assets

**Included in the Consolidated Audit
5% Budget, 3% Assets**

DoD OIG (as the Consolidated Auditor) considers the opinions of each Component auditor (performed by an independent public accounting firm) in forming its opinion.

Those DoD Components not undergoing standalone audits are included in the consolidated audit.

DoD OIG performs internal controls and substantive testing over activities and balances.

Army General Fund	Navy General Fund	Air Force General Fund	Military Retirement Fund
Army Working Capital Fund	U.S. Marine Corps General Fund	Air Force Working Capital Fund	Medicare-Eligible Retiree Health Care Fund
U.S. Army Corps of Engineers - Civil Works	Navy Working Capital Fund (DON)	Defense Health Program	Defense Commissary Agency
DLA General Fund	DoD Classified	DHA - CRM	DFAS Working Capital Fund
DLA Working Capital Fund	USSOCOM	DISA General Fund	Defense Contract Audit Agency
DLA Strategic Materials	USTRANSCOM	DISA Working Capital Fund	DoD OIG

WHS	MDA	DSCA	DoDEA	DARPA
DCMA	DTRA	CBDP	JCS (incl. NDU)	DHRA
DAU	DCSA	DTIC	OEA	DMA
DOTe	DPAA	DTSA	DFAS GF	MHPI
Other TI-97 Funds Provided to Army by OSD		Other TI-97 Funds Provided to Navy by OSD		Other TI-97 Funds Provided to Air Force by OSD
Burden Sharing Account by Foreign Allies, Defense		Support for U.S. Relocation to Guam Activities, Defense		Host Nation Support for U.S. Relocation Activities, Defense
DoD Education Benefits Fund	Emergency Response Fund, Defense	Homeowners Assistance Fund, Defense	Defense Gift Fund	
Voluntary Separation Incentive Trust Fund	Mutually Beneficial Activities	Defense Cooperation Account	National Security Education Trust Fund	

Unmodified

Modified

Disclaimer

Audit Ongoing

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
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	Complete	28% of established opening balance for I&RP and GPP&E
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	Complete	32% of established opening balance for I&RP and GPP&E
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	Complete	Audit results status briefing was provided 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)	Q4, FY20	Complete	32% of established opening balance for I&RP and GPP&E
Percentage of notice of findings and recommendations closed in support of a clean audit opinion for the Department	Q4, FY20	Complete	Department estimates NFR closure of over 20%
Percentage of universes of transactions (UOT) provided the auditors using the Advana tool for the Fourth Estate.	Q4, FY20	Complete	100% of UOT provided using Advana
Percentage of reconciliations completed at the transaction level between general ledger and feeder systems for the Fourth Estate	Q4, FY20	Missed	32% of reconciliations completed
Percentage of service provider audit reports with an unmodified (clean) opinion.	Q4, FY20	Missed	48% of service provider with unmodified opinion
Percentage reduction of unsupported Journal Vouchers (over FY 2017) recorded in the Defense Departmental Reporting System.	Q4, FY20	Complete	95% reduction of unsupported JVs

Data Accuracy and Reliability

Means used to verify and validate measured values: The FIAR Governance Board provides vision, leadership, direction, oversight, and accountability in support of moving toward an unmodified audit opinion. It verifies, validates, and prioritizes Department-wide corrective actions that provide the greatest value to the warfighter. The goal of the governance structure is to ensure leadership, at all levels, has the information and support they need to stay committed to audit success.

Sources of the data: The Department uses the number of auditor findings closed and material weaknesses downgraded to a significant deficiency or resolved from year to year as independent benchmarks for measuring progress toward achieving an unmodified opinion. Each year's audit findings are uploaded into a centralized database managed by the DCFO. The DCFO NFR Database continues to be the single source for accurate, real-time, independent information on the progress of the DoD financial statement audits.

Level of accuracy required for the intended use of the data: The audits are the most efficient way to evaluate and reform the Department's business practices, and it is the law. Similarly, reform activities often shape audit solutions. Audits test internal controls; verify the count, location, and condition of military equipment, property, materials, and supplies; test vulnerabilities in DoD IT systems; and validate the accuracy of records and actions.

Limitations to the data at the required level of accuracy: There are numerous business and mission systems across the Department, all with different interfaces, formats, and schemas. Historically, these systems have proven so difficult to navigate that analysts have resorted to basic reporting within departmental silos.

How the department has compensated for such limitations if needed to reach the required level of accuracy: Advana, a mash-up of the words "Advancing Analytics," is the DoD technology platform that houses a collection of enterprise data and arms leaders and decision-makers with analytics, visualizations, and data tools. Advana is helping resolve some of the largest financial statement audit challenges with custom tools predicated on the idea that to achieve an unmodified opinion, each reporting entity must be able to identify and record its transactions accurately and completely, and demonstrate how those transactions flow to its financial statements.

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.