Current Issues in DoD Financial Operations: Paving the Path for the CFO of Tomorrow

Financial Operations Panel
Presentation to the ASMC National PDI
Workshop #43
May 30, 2019
DoD Long-Term Audit Strategy

*FY 2019 Operational Priorities
- Real Property – Existence & Completeness
- Inventory and Operating Materials and Supplies
- Government Property in the Possession of Contractors
- IT – Access Controls

- Initiate annual, full-scope financial statement audits
- Develop infrastructure to collect findings, prioritize remediation and monitor progress
- Establish baseline using first-year audit findings
- Align findings to operational priorities* and material weaknesses

Align remediation to achieve unmodified opinions for DoD Components
Complete remediation for operational priorities and material weaknesses
Monitor and refine internal controls going forward

Annual Audit Cycle
1. Collect Feedback from Audit
2. Align Findings to Priorities
3. Complete Remediation
4. Monitor Implementation

✓ = Completed
We Can See a Theme of Data Quality and Data-Driven Decision-Making in Policy and Statute

- National Defense Authorization Act
- President's Management Agenda
- 2018 National Defense Strategy
- CFO Act of 1990
Evolution of the CFO

From the classical approach...
- Manual activities
- Compliance driven
- Data manipulation
- Coordinating function
- Traditional capabilities

...to a digitally enabled future
- Digital workflow & processes
- Strategic partnerships
- Analytical decision-making
- Business advisor
- Advanced hard & soft skills
What’s Different This Time?

• Enlighted Leadership Engagement
  - Bi-weekly meetings with the Deputy Secretary of Defense and the Deputy Under Secretary of Defense (Comptroller) to discuss CAP status and progress.

• Audit

• Technology

• We are actually doing things and seeing value
  - DoD plans to continue to use the audit to improve our internal controls, mitigate material weaknesses and reform key business processes.
  - DoD must transition to a culture of performance results and accountability.
The DoD Financial Operations Team

• **Department of the Army**  
  Wes Miller  
  Deputy Assistant Secretary of the Army (Financial Operations)

• **Department of the Navy**  
  Alaleh Jenkins  
  Deputy Assistant Secretary of the Navy (Financial Operations)

• **Department of the Air Force**  
  Tom Murphy  
  Deputy Assistant Secretary of the Air Force (Financial Operations)

• **Defense Finance and Accounting Service**  
  Audrey Davis  
  Principal Deputy Director
Nine Army Audit Priorities

1. Develop Complete Population of Business Data
2. Accurately Report Business Data
3. Balance Army Checkbook with Treasury
4. Improve IT System Controls
5. Improve Data Transfer Between IT Systems
6. Improve Budget Execution
7. Account for Assets and Improve Asset Data
8. Determine Value of Assets
9. Assess Environmental and Disposal Liability

Identifies highest FY19 priorities and account for 217 of the 429 FY18 NFRs for AWCF and AGF

All FY18 NFRs map to these priority areas
Audit Management and Governance

**Account for Assets and Improve Asset Data**

- Responsible Organizations: ASA (ALT), ACSIM, & G4
  - Modify contract language and incorporate system changes to properly account for and value all new assets.
  - Estimate values for all existing assets
  - Improve completeness and accuracy of asset data, including Real Property, Equipment, Spare Parts, Ammunition and Inventory

**Develop Complete Population of Business Data**

- Responsible Organization: ASA (FM&C)
  - Establish a sustainable and complete aggregation of all audited financial transactions from the range of IT systems (owned by Army, Defense Agencies)

**Improve IT Systems Controls**

- Responsible Organizations: CIO (G6) & PEO (EIS)
  - Improve IT controls designed to ensure the security and reliance of systems and data covered by the audit
  - Deploy IPPS-A, ACWS, and implement system change requests for LMP immediately and GFEBS by FY2020 to support data accuracy and reliability

**Balance Army Checkbook with Treasury**

- Responsible Organization: DFAS
  - Research and resolve variances between accounting systems and Treasury
Governance and CAP Execution Tracking

Key Army CAP Execution Tracking

- DAS: Bi-Weekly tracking by organization
- VCSA: Weekly tracking of aggregate progress
- USA/VCSA: Monthly tracking by organization (CAU)
- SA/CSA: Monthly tracking of aggregate progress (priorities review) and quarterly tracking by organization (CAU)

OSD Governance

- Functional Council Meeting (Monthly)
- NDS Implementation Meeting (Monthly)
- DSD Audit Meeting (Bi-Weekly)

Army Executive Governance

- Command Audit Update (Monthly)
- ARSTAFF Meeting (Weekly)
- Deputy Assistant Secretary (DAS) Metric Meeting (Bi-Weekly)

Army Functional Governance

- Business Mission Area Champion (BMAC) Meeting (Monthly)
- Acquisition / Logistics Meeting AL&T/G-4 (Bi-Weekly)
- CIO/G-6 Scorecard Calls (Weekly)
- Real Property, General Officer/SES, Coordination (Monthly)
• Rooted and aligned to the *National Defense Strategy (NDS) & DON Business Operations Plan (BOP).*
• Reforms are essential to achieve DON aggressive readiness & lethality goals.

**National Defense Strategy**
*Line of Effort 3*
Reform the Department’s Business Practices for Greater Performance and Affordability

**DON Business Operations Plan**
*Strategic Objective 3.3*
Undergo an Audit, and Improve the Quality of Budgetary and Financial Information that is Most Valuable in Managing the DoD
DON’S CURRENT REALITY

* Billions of dollars in de-obligations
* Redundant Financial Management Processes
* Fragmented, localized systems
* Lack of integration within end-to-end business processes
* 20 – 30% Inventory Error Rates
DON’S FUTURE TRANSFORMATION

✓ The right part in the right place at the right time, every time!
✓ Improved operational effectiveness and readiness in an increasingly dynamic and unpredictable security environment
✓ Increased agility in getting capability to the warfighter
✓ Enhanced workforce competency and commitment
**TRANSFORMATION: PRIMARY GOALS AND OUTCOMES**

- **Audit**
  - Continue full-scope audit with full transparency
  - Prioritize and remediate findings
  - Strengthen internal controls
  - Improve the accuracy of financial reports

- **Budgetary Reform**
  - Rigorously execute the budget
  - Improve execution effectiveness & transparency
  - Reduce reimbursable work

- **Consolidation of Systems**
  - Consolidate & reduce feeder & general ledger systems
  - Modernize Navy ERP employing standard business processes

**Improved accuracy & reliability of asset information to make better-informed readiness & warfighting decisions.**

**Make effective financial management an enabler for the warfighter.**

**Flexibility, speed, and efficiency in getting capability to the warfighter.**
• **The right part in the right place at the right time, every time!**
  
  • Pilot clean-up at 2 squadrons, 1 warehouse:
    - $73 million of active material identified as available for immediate use
    - Optimized space allocation, improved maintenance operations, eliminated off-site warehouse lease
  
  • Clean-up at industrial support team:
    - $10M excess material recovered
    - Items used to quickly fill 2,000 orders and avoid $600K in costs
  
  • Military Sealift Command:
    - 160 trucks of excess removed
    - Improved warehouse operations
Increased rigor over **business processes**, **data accuracy**, and **internal controls** are driving operational value through:

- Quality data
- Transparency
- Accountability
- Standardization
- Efficiencies
- Effectiveness

Results are validating the purpose behind the Chief Financial Officers Act of 1990.
1 - Culture of Discipline

- Comptroller Score Card
- “Chicago” Countermeasures
  - Accounting Adjustments (1081s/JVs) - Status of “On Hold” or “In Process”
  - Dormant Obligations
  - Daily Cash Balancing

30 Days  60 Days  80 Days  90 Days  ACTION
2 – Technology Accelerators

- Innovation
  - FM Dashboard (MVP)
  - Comptroller Services Portal

- Robotics
  - Leave Web Unreconciled Leave
  - DEAMS Aged Travel Orders
3 – Built to Last

- Consolidating Customer Support
  - Analytics
  - Field Support
  - Education

USAFe On the Move: Denver to San Antonio
DFAS of Tomorrow: Your Trusted Financial Partner

- People
- Audit Steadiness
- Business Environment Modernization
- Agency Operational Health

Timeliness of Data

From: Quarterly/Annually
To: Daily/Near Real Time

CFO Organizational Impact

Lower

CFO impact

Higher

Financial Reporting

Compliance Control

Decision Analytics Financial Reporting

Decision Analytics Mission Performance

Integrity - Service - Innovation
DATA STRIKE

1. FINANCIAL REPORTING
2. FUND BALANCE WITH TREASURY
3. REFORM EFFORTS
4. ROBOTICS / BOTS
Software Robotics Video (Pilot)

Mechanical Robotics
- Transport
- Sensory Feedback
- Turn & Lift
- Manufacturing Behaviors or cognition

Software Robotics
- Robotics Process Automation
- Data Input
- Auto Review
- Auto Login
- Auto Process Start
- Auto Calculation
- Auto Completion
- Auto Answer

Physical Robots
- Artificial Intelligence
- Smart Objects
- Sensors

Screen Scrapping
- Monitoring Activities
- Macro Scripting
- Custom Coding
Software Robotics Video (Pilot)
Questions???