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Feb 01, 2024

Department of Defense
OFFICE OF PREPUBLICATION AND SECURITY REVIEW

24-P-0296



Defense Business Board Meeting

February 6 - 7, 2024

Meeting Agenda

--- Day 1 ---

TUESDAY, FEBRUARY 6, 2024

PENTAGON LIBRARY CONFERENCE CENTER, ROOM M2

OPEN SESSION

- 9:00 – 9:05 AM Begin Open Session – Ms. Cara Allison Marshall, Designated Federal Officer (DFO)
- 9:05 – 9:10 AM Chair’s Welcome – Hon. Deborah James
- 9:10 – 10:10 AM Discussion on the role of Private Industry and Business in the National Defense Industrial Strategy (NDIS) – Hon. Radha Iyengar Plumb, Deputy Under Secretary of Defense for Acquisition and Sustainment
The NDIS provides the strategic vision to coordinate actions and emphasizes four long-term strategic priorities: building resilient supply chains, securing workforce readiness, enabling flexible acquisition, and promoting economic deterrence. The discussion will focus on how business leaders can best support the NDIS and ways to overcome the obstacles to implementation.
- 10:10 – 10:15 AM Adjourn Open Session – Ms. Cara Allison Marshall, DFO

CLOSED SESSION

- 10:15 – 10:20 AM Begin Closed Session – Ms. Cara Allison Marshall, DFO
- 10:20 – 11:15 AM *Classified Discussion* on the DoD Audit and Incremental Progress – Hon. Michael McCord, Under Secretary of Defense (Comptroller)/Chief Financial Officer
This session will include an overview of the latest DoD Audit, progress to date, and the path forward. Discussion will include current obstacles and recommended courses of action from the Board.
- 11:15 AM – 1:30 PM Lunch Break
- 1:30 – 2:50 PM *Classified Discussion* on the State of the Workforce – Recruiting, Training, Retention, Obstacles, and Solutions – Chief Master Sergeant of the Air Force, CMSAF JoAnne Bass - *The conversation is expected to delve into the multifaceted aspects of managing a contemporary workforce, addressing challenges in recruiting talent in the current environment, implementing effective training programs, and devising retention strategies. Discussion will focus on identifying obstacles such as changing workforce expectations, skill gaps to address future needs per the National Security Strategy and exploring innovative solutions to foster a resilient and high-performing workforce.*



Meeting Agenda

--- Day 1 ---

TUESDAY, FEBRUARY 6, 2024, continued...

PENTAGON LIBRARY CONFERENCE CENTER, ROOM M2

- 2:50 – 3:00 PM Break
- 3:00 – 3:45 PM *Classified* Discussion On DoD Industry Partnerships – Mr. Jedidiah P. Royal, Principal Deputy Assistant Secretary of Defense for Indo-Pacific Security Affairs
Mr. Royal will discuss his work with allies and partners in the Indo-Pacific region to obtain key capabilities for a future fight.
- 3:45 – 4:00 PM Break
- 4:00 – 5:00 PM *Classified Discussion* on Current Operations, Crisis Action Planning, and Adaptive Decision Making in Dynamic Environments – LTG Douglas A. Sims II, U.S. Army, Director of the Joint Staff
This forum will explore the intersection of military operations and corporate crisis management, highlighting the parallels between the principles of current operations, crisis action planning, and adaptive decision-making in both contexts. Through this exploration, participants can gain valuable insights into proactive crisis management, strategic preparedness for “black swan” events, and the cultivation of an agile organizational culture that is capable of navigating complex and rapidly changing landscapes.
- 5:00 – 5:15 PM Transition to Air Force Mess Room
- Air Force Mess Room 4D880**
- 5:15 – 5:20 PM Chair’s Remarks – Hon. Deborah James
- 5:20 – 5:25 PM Deputy Secretary Remarks – Hon. Kathleen Hicks



Meeting Agenda

--- Day 1 ---

TUESDAY, FEBRUARY 6, 2024, continued...

PENTAGON LIBRARY CONFERENCE CENTER, ROOM M2

5:25 – 7:00 PM

Classified Update from Defense Advanced Research Projects Agency (DARPA) –
Dr. Stefanie Tompkins, Director of DARPA

This discussion focuses on significant updates from DARPA in support of the National Security Strategy, how they have a different remit from the DoD, and what best business practices could be imported to the rest of the DoD.

7:00 – 7:05 PM

Adjourn Closed Session – Ms. Cara Allison Marshall, DFO

- End of Day One Sessions -



Meeting Agenda

--- Day 2 ---

WEDNESDAY, FEBRUARY 7, 2024, continued...
PENTAGON LIBRARY CONFERENCE CENTER, ROOM M2

CLOSED SESSION

- 9:20 – 9:25 AM Begin Closed Session – Ms. Cara Allison Marshall, DFO
- 9:25 – 9:30 AM Chair’s Welcome – Hon. Deborah James
- 9:30 – 10:15 AM *Classified Discussion* on the “Replicator” Initiative – Hon. Kathleen Hicks, Deputy Secretary of Defense
This discussion focuses on DoD's initiative on meeting critical warfighter needs at speed and scale. Mr. Doug Beck, Director of the Defense Innovation Unit (DIU); Ms. Aditi Kumar, Deputy Director of the DIU; and Mr. Jay Dryer, Director of the Strategic Capabilities Office will join Hon. Hicks for this discussion.
- 10:15 – 10:20 AM Adjourn Closed Session – Ms. Cara Allison Marshall, DFO

OPEN SESSION

- 10:20 – 10:25 AM Begin Open Session – Ms. Cara Allison Marshall, DFO
- 10:25 – 11:30 AM Discussion on Supply Chain Risk Management – BG Stephanie Howard, Executive Director, Operational Contract Support, Office of the Under Secretary of Defense (Acquisition & Sustainment)
- 11:30 – 11:35 AM Adjourn Open Session – Ms. Cara Allison Marshall, DFO

- End of Board Meeting -



Day 1

Begin Open Session

PLCC, Room M2

Ms. Cara Allison Marshall
Designated Federal Officer



Chair's Welcome

Hon. Deborah James
Chair, Defense Business Board



Discussion on
**The Role of Private Industry and Business in the
National Defense Industrial Strategy (NDIS)**

Hon. Radha Iyengar Plumb
Deputy Under Secretary of Defense for Acquisition and Sustainment



Adjourn Open Session

Ms. Cara Allison Marshall

Designated Federal Officer



Begin Closed Session

PLCC ROOM M2

Ms. Cara Allison Marshall
Designated Federal Officer



Classified Discussion
DoD Audit and Incremental Progress

Hon. Michael McCord
Under Secretary of Defense (Comptroller)
Chief Financial Officer



Under Secretary of Defense (Comptroller)

Defense Business Board Financial Statement Audit Brief

February 6, 2024

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24-P-0300



Audit-Related Provisions in P.L. 118-31, the NDAA for FY 2024

- **Title IX, Sec. 920 Operationalizing Audit Readiness:** SECDEF and military departments develop audit remediation goals and metrics to measure progress, evaluate how those metrics can be used in performance evaluations, and brief committees.
- **Title X, Sec. 1004 Audit Requirement for DoD Components:** Any component that fails to be subject to audit during any fiscal year shall have 1.5 percent of unobligated amounts available be cancelled.
- **Title X, Sec. 1005a Requirement for Unqualified Opinion:** SECDEF to ensure DoD has received an *unqualified opinion by 31 December 2028*.
- **Title X, Sec. 1061 Reporting Modifications:** Eliminates March 31 Audit Results Report. Extends due date of CAP Funding Report to 10 days following submission of the President's Budget. Moves the due date the FIAR Report and semiannual corrective action plan briefing from 30 June to 31 July. Removes audit services ratio reporting requirement.
- **Title XI, Sec. 1413 DLA Transaction Fund:** Establishes beginning balances for the DLA NDSTF Fund Balance With Treasury, Total Actual Resources – Collected and Unapportioned – Unexpired Authority.



Note: Resulting changes to U.S. Code are still pending.

Secretary of Defense (SECDEF) Memorandums



In FY2024, the Secretary of Defense issued two significant audit related memorandums:

Expectations for Supporting Department of Defense Financial Statement Audits

(Signed 13 October 2023)

- Outlines SECDEF expectations of principal staff assistants (PSAs) for accelerating audit progress.
- Implementation plan for expectations due to DSD by 1 March.
- Areas of focus vary by PSA and each PSA has defined measures of success.
- SES members shall include all SECEF audit priority goals in individual performance plans.
- Audit progress will be considered in the PPBE POM process.
- Service organizations shall maximize use of Advana to support PSAs.

FY 2024 Financial Statement Audit Priorities

(Signed 30 November 2023)

- Calls for continued pursuit of prior year priorities (i.e., Improve Fund Balance with Treasury, Strengthen Internal Control Environment, and Create a Universe of Transactions).
- Adds a fourth priority of Optimizing Asset Valuations.
- Specifies goals and KPIs for Components to use in tracking progress.
- OUSD(C) to submit report on alternatives for valuing assets acquired as part of Major Defense Acquisition Programs and Major Weapon Systems to DSD by 30 September.
- January 2024 deadline for Components to report plans for achieving priority goals.

FY 2023 Audit Results



Summary of DoD-Wide Audit Results

Fiscal Year 2023 Audit Results

- The audit was comprised of 29 standalone audits and one Consolidated audit. In FY 2023, there was no change in component audit results (other than the two new audits).
- Two new audits started in FY 2023, Defense Advanced Research Projects Agency (DARPA) and Defense Threat Reduction Agency (DTRA); both received disclaimers.
- The results of the USMC audit is not yet known.
- Favorable opinions are estimated to cover 50 percent of the Department's assets. This does not mean that the other 50 percent is unaccounted for.

DoD-Wide Material Weaknesses

- No new DoD-wide material weaknesses (MWs) were reported resulting in no net change in the overall number of MWs

DoD Audit Strategy – Looking Ahead

- The 2024 NDAA legislative requirement for the Department to achieve an unmodified audit opinion by 2028 provides an opportunity to reexamine our current audit strategy.
 - The Department is revisiting the audit approach, and accompanying remediation strategy efforts, through a lens of simplification, costs savings, and growing auditability based on materiality and impact – to drive increased demonstrable audit progress.

Fiscal Year 2023 Audit Opinions

Navy General Fund	U.S. Marine Corps General Fund	DISA General Fund	Defense Contract Audit Agency	Military Retirement Fund
DON Working Capital Fund	DLA Working Capital Fund	DISA Working Capital Fund	NRO	Medicare-Eligible Retiree Health Care Fund
DAF General Fund	DLA General Fund	Defense Health Program	DoD OIG	U.S. Army Corps of Engineers – Civil Works
DAF Working Capital Fund	DLA NDSTF	NGA	Other Components and Accounts ¹	DHA-Contract Resource Management
Army General Fund	USSOCOM	DIA	DTRA	Defense Commissary Agency
Army Working Capital Fund	USTRANSCOM	NSA	DARPA	DFAS Working Capital Fund

¹Other Components and Accounts are part of the DoD consolidated audit and not considered a standalone audit. This graphic serves solely to illustrate that the DoD consolidated audit received a disclaimer of opinion.

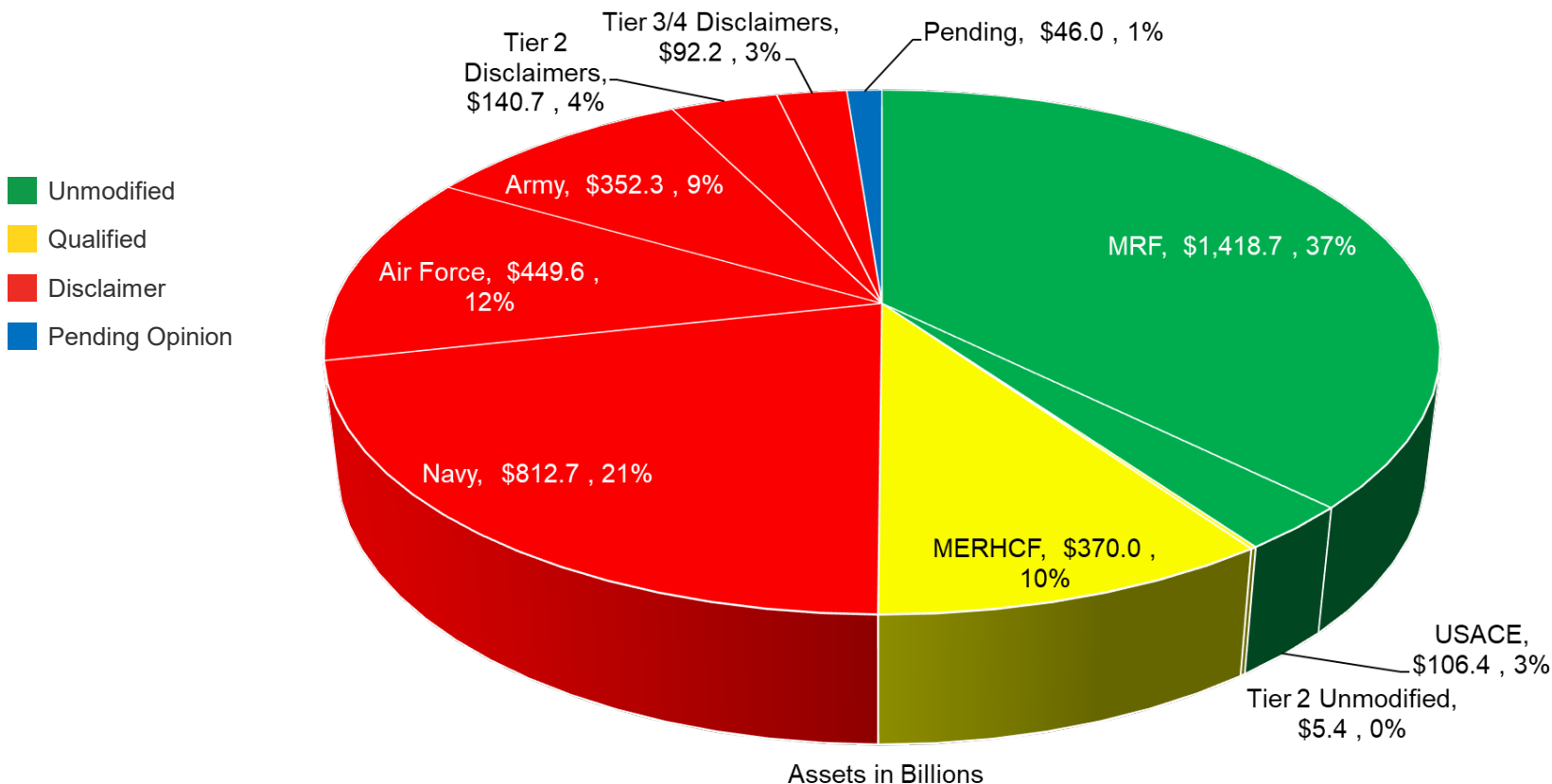
Unmodified	Qualified	Pending Opinion	Disclaimer
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— OMB Required

FY 2023 DoD Audit Opinions By Percentage of Assets



Total Assets in Billions*



Tier 2 Disclaimers	Tier 2 Unmodified Opinions	Pending Opinions
DHP, DISA GF, DLA GF, DLA, WCF, DLA TF, USSOCOM, USTRANSCOM, DTRA, DARPA	DeCA, DCAA, DHA-CRM, MRF, USACE, DFAS WCF, DISA WCF, DoD OIG	USMC

*Does not include intelligence components



Lunch Break



Classified Discussion **State of the Workforce -**

Recruiting, Training, Retention, Obstacles, and Solutions

CMSAF JoAnne Bass
Chief Master Sergeant of the Air Force



Break



Classified Discussion DoD Industry Partnerships

Mr. Jedidiah P. Royal

Principal Deputy Assistant Secretary of Defense
for Indo-Pacific Security Affairs,
Office of the Under Secretary of Defense for Policy



Break



Classified Discussion
**Current Operations, Crisis Action Planning
and Adaptive Decision Making in
Dynamic Environments**

LTG Douglas A. Sims II, U.S. Army
Director of the Joint Staff



***Classified Update from
Defense Advanced Research Projects Agency
(DARPA) in support of the
National Security Strategy***

Dr. Stefanie Tompkins
Director, DARPA



Adjourn Closed Session

Ms. Cara Allison Marshall

Designated Federal Officer



Day 2

Begin Closed Session

PLCC ROOM M2

Ms. Cara Allison Marshall
Designated Federal Officer



Chair's Welcome

Hon. Deborah James
Chair, Defense Business Board



Classified Discussion on the “Replicator” Initiative

Hon. Kathleen Hicks
Deputy Secretary of Defense



Adjourn Closed Session

Ms. Cara Allison Marshall
Designated Federal Officer



Begin Open Session

Ms. Cara Allison Marshall
Designated Federal Officer



Discussion on Supply Chain Risk Management

BG Stephanie Howard, U.S. Army Reserve

Executive Director, Operational Contract Support,
Office of the Under Secretary of Defense (Acquisition & Sustainment)



Adjourn Open Session

Ms. Cara Allison Marshall

Designated Federal Officer



DEFENSE BUSINESS BOARD

