

DEFENSE BUSINESS BOARD



Audit/Performance Data Use in Private Industry

Dr. Christopher Gopal

Chair, Audit/Performance Data Use Task Group

The Team

Task Group members

- Chris Gopal, PhD (TG Chair)
- Steve Blank
- John O'Connor

Staff Support

- Col Chuck Brewer, USMC (Military Assistant)
- Web Bridges, Deputy Director, DBB Staff

Context: DoD 2018 and 2019 Audits

- The Department's first-ever self-audit, completed in November 2018, provided a wealth of insights and data that can contribute to DoD's NDS efforts.
- The audit results are an historic accomplishment and demonstrate DoD's commitment to accountability and reform.
- The audit generated significant financial and operations data that could be analyzed effectively and provide insights for high-impact outcomes
- In an August 2, 2019 memo, the DSD called for a comprehensive, zero-based, program, and budget review for 2021 to 2025. The 2018 audit data provides a unique opportunity to do this more efficiently and effectively.

DoD Objectives and Vision for the Audit

From the Secretary of Defense ¹

... We are devoted to modernizing and reforming our business practices to ensure effective stewardship of taxpayer resources.

...In this era of mounting fiscal challenges and competing demands, we have a responsibility to gain full value from every taxpayer dollar spent on defense.

... We are actively seeking ways to identify and execute any opportunity that improves our support to the warfighter and enhances the efficient use of our resources.

...These efficiency enhancements will free up time, money, and manpower that can be reallocated to our highest priorities in support of the National Defense Strategy.

¹ Quotes from SecDef Pg 7 FY 19 Fiscal Report https://comptroller.defense.gov/Portals/45/Documents/afr/fy2019/DoD_FY19_Agency_Financial_Report.pdf

DoD Objectives and Vision for the Audit

From the Deputy Secretary of Defense ²

This audit should be:

...an integral tool in enabling the identification and correction of problems

...comprehensive, annual and cover more than financial management

...able address accountability and oversight

...capable of finding problems and fix them – analytics

From the President ³

...stretch and maximize every dollar spent

2. <https://www.defense.gov/Explore/News/Article/Article/2022270>

3. <https://www.defense.gov/Explore/Features/Story/Article/1690550/the-largest-audit-in-history-really/>



DBB Task Group Mandate

The DSD has asked the DBB to establish a task group to examine how audit and performance related data is used by private industry to assist Department executives in maximizing decision making to ensure business operations are efficient and effective.

Specifically the task group(s) will focus on the following:

- Examine how audit and performance are currently used in ADVANA and other DoD systems
- Identify the leading private industry and DoD best practices
- Provide a gap analysis
- Develop recommendations
- Share/explain world class private sector examples

Objectives and Mandate of the Project

This, however, is a wide-ranging and large scope

Hence, we will narrow this scope to the degree where we can deliver both a high quality, high impact study and recommendations within the prescribed timeline

We could then complete the Mandate in phases.

Our First activities will, therefore, be:

...validate the objectives and mandate from the DSD

...define the scope of the project

...outline future phases

....Schedule interviews with Key Leaders in DoD and private sector

DoD Audit Scope: Large and Complex

People

3 million service members in 160 countries

Validate the accuracy of personnel records (e.g., promotions & separations)

Equipment

\$2.7 trillion in assets & \$2.6 trillion in liabilities

\$292 billion inventory

Over 4500 defense sites

573,000 bldgs/structures

16,000 aircraft

Count, location and condition of military equipment, property, inventory and supplies

Process

\$716 Billion Budget

Vulnerabilities in financial business systems

Sampling, then checking for data to asset accuracy

Context: 2018 DoD Audit Findings

Overall Risk / Severity of findings



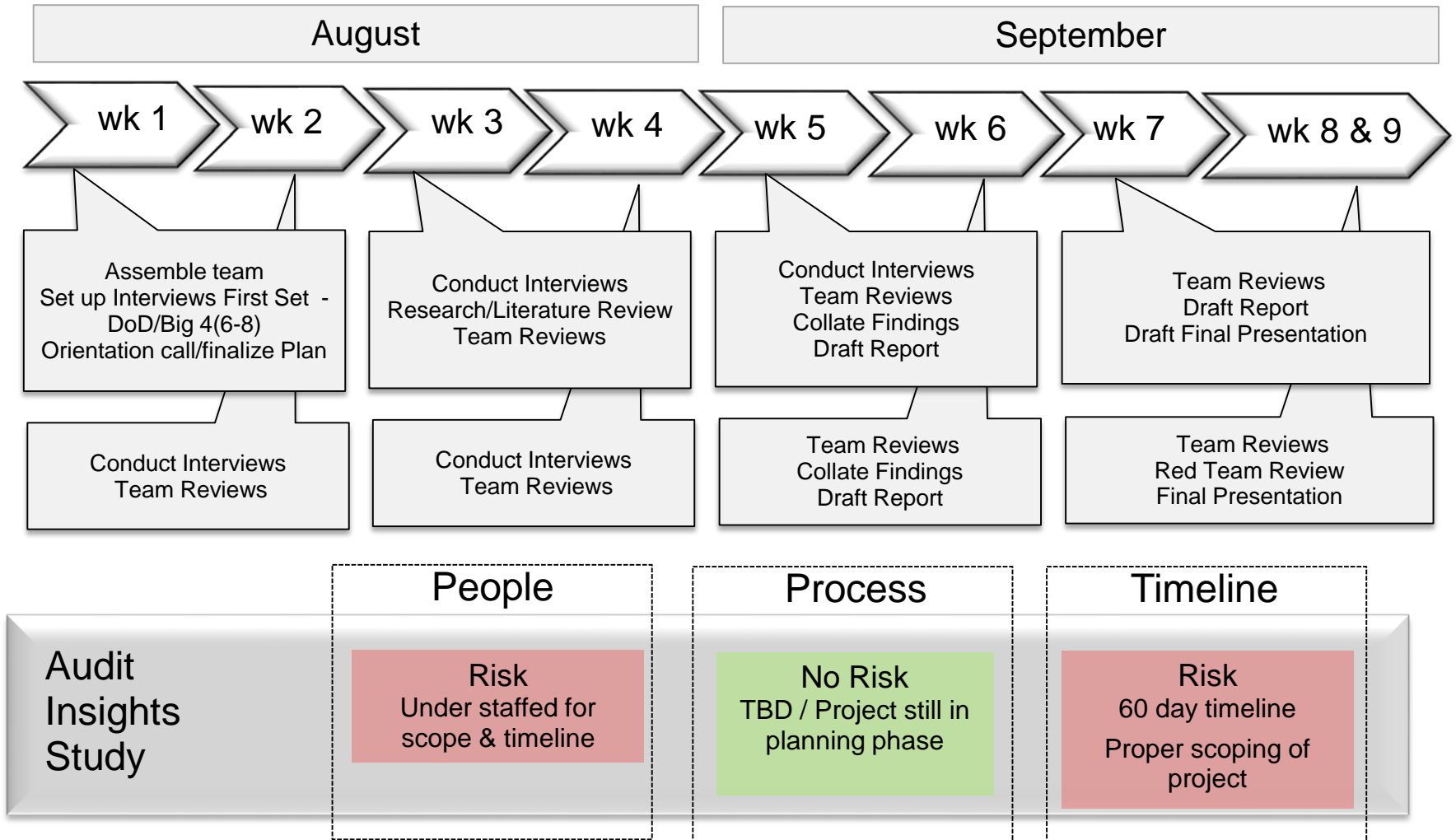
2377 NFRs (notice of findings & recommendations); closed **23% (550)**

- 6 – unmodified audit opinions
- 2 – modified
- Balance (majority) – disclaimer

Takeaways:

- Too many systems
- Lack of standardization
- Poor quality data
- Lack of documentation (eg., audit evidence)
- Inconsistent or ineffective control access

Timeline & Risks



Timeline

Activity\Week ending	7/21-31	8/3	8/10	8/17	8/24	8/31	9/7	9/14	9/21	9/28	10/5
Assemble Team	X										
Orientation call/finalize Plan	X										
Set up Interviews First Set - DoD/Big 4(6-8)	X	X									
Conduct First Set of Interviews		X	X	X	X						
Set up Second Set of Interviews (3 companies x 2) - Cases				X	X						
Set up Third Set of Interviews with TLs (6-8)	X	X	X	X	X	X					
Literature Search			X	X	X	X	X				
Conduct Second Set of Interviews				X	X	X	X	X			
Conduct Third Set of Interviews				X	X	X	X	X			
Collate Findings							X	X	X		
Final Report and Presentation									X	X	X
Findings Reviews						X			X	X	
Team Reviews, Status		X	X	X	X	X	X	X	X	X	X

Our Needs from the DBB

- Recommendations and introductions to:
 - Excellent companies who are known for managing and analyzing audit data to derive insights and drive outcomes:
 - Product-Based Companies
 - Financial Services Companies
 - Services Companies
 - Major Audit firms to interview
 - Thought Leaders in Analytics
- Suggestions for Sources of information and leading practices
- Review and Suggestions for report and recommendations



Questions?