



DEPUTY SECRETARY OF DEFENSE
1010 DEFENSE PENTAGON
WASHINGTON, DC 20301-1010

AUG 03 2020

MEMORANDUM FOR THE DEFENSE BUSINESS BOARD

SUBJECT: Terms of Reference – Audit/Performance Data Use in Private Industry

Enterprise-wide business reform, highlighted as one of the National Defense Strategy's (NDS) three lines of effort, is a key Secretary of Defense priority for modernizing the Department and changing the way we do business. A foundational element of the broader NDS reform effort is the annual financial statement audit. In accordance with the Government Management Reform Act of 1994, the Department is committed to the audit because it is the most efficient way to evaluate an extraordinary large and complex organization. These audits are a proven commercial solution that use independent auditors to provide sample-based assessments of intricate operations. The DoD financial statement audit includes:

- Verifying count, location and condition of our military equipment, property, materials, and supplies;
- Testing security vulnerabilities in our business systems; and
- Validating the accuracy of records and actions, such as promotions and separations.

The Department's first-ever financial statement audit, completed in November 2018 and again in 2019, required us to develop transaction level data and is helping us improve the accuracy and timeliness of our data. Therefore, I direct the Defense Business Board ((DBB) or "the Board") to establish a task group to examine how financial statement and transaction level data is used by private industry to inform decision-making and identify best practices for adoption across the Department. Specifically the task group(s) will focus on the following:

- Review how DoD has used data in the past, describe any major challenges in using it for decision making, and identify any clear opportunities for improvement;
- As we improve the quality of the financial statement and the underlying transaction level data, recommend how DoD can change its business practices to be more efficient;
- As we improve the quality of the financial statement and the underlying transaction level data, recommend how DoD decision-makers can best take advantage of this data;
- Identify the leading private industry best practices of data management, analytics, dashboards, and decision processes;

- Examine how financial statement data and transaction level operational data is used in the private sector and how it could be applied to government (both for senior level decision making and for operational improvement);
- Share/explain analogous, world class private sector examples;
- Explain unique characteristics of the public sector that may limit or hinder application of private sector best practices and provide mitigation strategies, as appropriate;
- Provide specific recommendations and options for the presentation, periodicity, and organizational level of reporting financial statement and transaction level data to inform decisions;
- Provide specific recommendations and options for additional reform, to include tools and/or modifications to existing decision processes; and
- Any other related matters the Board determines relevant.

Unless deemed classified or otherwise not releasable, the task group findings, observations, and recommendations will be presented to the full Board for thorough open discussion and deliberation in a noticed public meeting. The Board will provide its final recommendations to me no later than November 13, 2020. I authorize the Board to establish a subcommittee to perform this study if deemed necessary by the Board's chair.

In conducting its work, the Board has my full support to meet with Department leaders and all requests for data or information shall be honored that may be relevant to its fact-finding and research under this terms of reference. Components should respond to requests for data/information from the Board within five business days. Once material is provided to the Board, it becomes a permanent part of the Board's record.

As such, I direct the Office of the Secretary of Defense Principal Staff Assistants and Component Heads to cooperate and promptly facilitate requests by Board staff regarding access to relevant personnel and information deemed necessary, as directed by paragraphs 5.1.8. and 5.3.4. of DoD Instruction 5105.04, "Department of Defense Federal Advisory Committee Management Program," and in conformance with applicable security classifications.

All data/information provided is subject to public inspection unless the originating Component office properly marks the data/information with the appropriate classification and Freedom of Information Act exemption categories before the data/information is released to the Board. The Board has physical storage capability, and electronic storage and communications capability on both the non-classified and the classified networks to support receipt of material at the Secret level. Each Component should remember that DBB members, as special government employee members of a DoD Federal advisory committee, will not be given any access to the DoD Network, to include DoD email systems.

The Board will operate in conformity with and pursuant to the Federal Advisory Committee Act, the Government in the Sunshine Act, and other applicable federal statutes and regulations. Individual Board members do not have the authority to make decisions or recommendations on behalf of the Board, nor report directly to any federal representative. Members of the Board are subject to title 18, U.S.C., section 208, governing conflicts of interest.

Thank you in advance for your cooperation with this important undertaking that will inform decisions on how the Department addresses national security challenges in the coming decades. My points of contact for this effort are Jennifer Hill, Executive Director of the DBB, and Colonel Chuck Brewer, DBB Military Assistant.

A handwritten signature in blue ink, appearing to read "R. L. M. J.", is centered on the page. The signature is fluid and cursive, with a long horizontal stroke extending to the right.