

# United States Air Force

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Presentation

Before the Committee on Homeland  
Security and Governmental Affairs  
United States Senate

## ***Improving Financial Management at the Department of Defense***

Statement of  
The Honorable Jamie M. Morin  
Assistant Secretary of the Air Force  
Financial Management and Comptroller

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BY THE COMMITTEE ON HOMELAND SECURITY  
AND GOVERNMENTAL AFFAIRS  
UNITED STATES SENATE

The Air Force is committed to financial improvement and audit readiness and is executing a well-designed, albeit risky plan to achieve audit readiness for our Schedule of Budgetary Activity (SBA) by September 30, 2014. Over the last six months, the Air Force Financial Improvement and Audit Readiness (FIAR) team made substantial progress conducting auditability assessments of our SBA and we are confident that we will complete these assessments next month.

Numerous challenges over the last year including a lengthy contract protest that delayed discovery efforts, sequestration and the government shutdown have hindered our progress forcing us to continue developing and implementing corrective actions through September 2014. Results of the recent exams conducted on our civilian pay and funds distribution processes by an Independent Public Accountant have underscored the value of our strategy of getting auditors' eyes on our processes. As a result of these engagements, our resources are increasingly focused on remediating specific deficiencies which entail changes to our business processes, systems and people's roles and responsibilities.

Based on the progress made to date, Air Force leadership believes the most efficient and effective approach for achieving an unmodified audit opinion is to proceed to an audit of the SBA beginning this fall. This audit will be difficult and based on other agencies' experience we expect it will likely reveal some unanticipated weaknesses; however, we believe it will ultimately accelerate us toward our goal of a clean audit.

### *Commitment and Progress*

One of the reasons for our emerging confidence is the strong commitment of the senior-most Air Force leadership to audit readiness. Just this month, Secretary James wrote to key leaders in the field and on the staff directing them to take specific actions in support of audit readiness. Our Chief of Staff and many of our

MAJCOM commanders have integrated audit readiness into their management control structures. Many uniformed leaders have issued letters to their Airmen on the importance of this effort, and I continue to brief financial improvement at our four-star conferences. All of this helps me and my team when we ask Airmen to take burdensome steps needed to make Air Force activities auditable.

This kind of leadership support is necessary but not sufficient by itself. Over the last few years, the Air Force also made major resource commitments to get our financial house in order. Since 2009, we increased funding for audit readiness by a factor of eight. Following the recommendations from the House Armed Services Committee's panel on Defense Financial Management and Auditability Reform, we hired an accounting firm with extensive experience auditing commercial and government clients to support our FIAR team.

The broader Air Force is part of this work as well. For example, in August 2012, we began a 100% inventory of in-use general equipment covering 1.9 million individual assets valued at \$30 billion. Last month, we began a re-certification process in which all Airmen who are paid the higher "with dependent" housing allowance are providing documents to verify their eligibility.

We also continue to leverage lessons learned from across the Department. For example, we followed the Navy's technique of using their Audit Agency to perform targeted visits to bases to assess controls over processes such as vendor and military pay. Over the last two years, we matured the process and now perform monthly systematic testing across all of our Major Commands on a broader range of business processes. Last year, we tested over 10,000 transactions to ensure that they complied with more than 57,000 individual audit requirements. Over the past two years, test results have improved steadily with compliance rates rising from 40% to 90% as our Airmen became more familiar with audit requirements.

## *Challenges*

While progress continues, challenges remain. Foremost among these, we continue to rely on numerous legacy systems to support many business processes. As we have testified before, we are pursuing a multifaceted strategy to address this. We are improving manual process controls and making updates to some legacy systems where sensible, while replacing those systems that cannot be fixed in a sustainable way.

An example of how reliant we are on strong systems controls can be illustrated by our recent examinations on civilian pay and funds distribution. During those exams, 23 of 26 non-IT related process controls were deemed to be operating effectively, a dramatic improvement over where we were just a couple years ago. However, the auditor identified more work to be done when it comes to IT controls. Our audit helped identify what needs to be fixed and we are executing a plan to resolve these items by September 30, 2014. By improving these controls, we will give auditors more confidence in the systems feeding our financial statements. Doing so will reduce required audit sample sizes by a factor of ten, reducing the burden of audit on our Airmen.

Our biggest IT problem is that our current legacy accounting system was deployed in 1968, more than 20 years before passage of many of the laws addressing financial statement audits and systems requirements. Today the Air Force and USTRANSCOM are jointly deploying a new accounting system, called the Defense Enterprise and Accounting Management System (DEAMS), providing many of the key controls necessary for a successful audit.

In 2010, DEAMS was deployed to Scott AFB in Illinois. Based on user experiences we found that we needed to do significant work on the system before it was ready to go further. After an additional test deployment to McConnell AFB

and in close collaboration with the DoD test community to assess the system and make necessary improvements, we have now begun broader release. A recent Operational Assessment of DEAMS by the Air Force Operational Test and Evaluation Center (AFOTEC) found that the program has made significant progress since the summer of 2012 and is on track towards effectiveness, suitability, and mission capability.

Since the beginning of this fiscal year, we have deployed DEAMS at Dover AFB in Delaware, Little Rock AFB in Arkansas, Grand Forks AFB in North Dakota, Pope Army Air Field in North Carolina, as well as Fairchild AFB and Joint Base Lewis McChord in Washington. In less than three weeks, we will complete system deployment to all of the Air Mobility Command.

Fielding DEAMS is our biggest systems replacement effort, but there are several others. Last year, we deployed an automated Time and Attendance system that transitioned 113,000 civilian Airmen from an inefficient and poorly controlled paper-based system to an automated one with edit checks and warnings. We also retired three other time and attendance systems, reducing the number of systems requiring FIAR compliance assessments and testing. During the recent government furloughs, our new system allowed rapid updates to excepted employees' timecards, quick retroactive changes following the shutdown, and easy access to reports of missing data so we could ensure all were paid properly and timely.

### *People are Key*

One consistent lesson from government organizations that have secured a clean audit is that engaging people is key to success. We agree. Our Airmen are involved in audit readiness through the monthly testing described earlier as well as our efforts to instill a cost-conscious culture throughout the enterprise. The Air

Force Vice Chief of Staff recently conducted the “Every Dollar Counts” campaign designed to solicit cost savings ideas from all of our Airmen. Of the more than 11,000 submissions Air Force-wide, more than 500 addressed financial management issues. This is clear evidence that our Airmen are eager to support initiatives that save money and promote financial transparency and audit readiness. I do want to respectfully note that many of the recommendations we received tied directly to the challenges Congress has faced in enacting timely appropriations and providing clarity about overall funding levels – we will need your help so that Airmen are spending less time reacting to fiscal crises and more time working on their core responsibilities.

We also know that we need to invest in building the right skills across the Air Force Financial Management community. Moving to modern accounting systems and practices demands more education and training for our financial workforce. We are beginning to make these investments. In 2013, the Air Force piloted the DoD FM Certification program at Air Force Special Operations Command. We then deployed the program throughout the Air Force and have over 9,000 FM professionals enrolled in the program today. Many of those are working on training as we speak, and over 60 have already completed all their certification requirements. Certification ensures our Airmen have the skills and knowledge to operate in a complex modern financial environment. It also includes a continuous education requirement allowing us to upgrade our team’s skills as we deploy new IT systems and enhance business processes.

### *Looking Forward to Audits Beginning in 2015*

Over the last few years of audit readiness efforts, the Air Force has made significant investments in process and system controls and has demonstrated success in several key areas including our processes to record Budget Authority

and to reconcile our Fund Balance with Treasury. Many more audit readiness assertions remain to be accomplished throughout the rest of FY2014. We will complete testing and begin implementing corrective actions in areas like contracting, reimbursements and financial reporting.

Based upon our successes to date, the insights gained from our examinations, and the real benefits accruing to Air Force from these efforts, Air Force leadership believes the most efficient and effective approach to achieving an unmodified audit opinion is to proceed with an audit of the Schedule of Budgetary Activity beginning this Fall. We have no illusions that the first audits will be easy. In fact, we fully expect the auditors to identify deficiencies similar to those found in other federal agencies' initial audit attempts. Identifying those deficiencies through a real audit and maintaining momentum in the face of setbacks will be critical, so we look forward to this committee's continued support for these efforts in the months and years ahead.