

# GAO Highlights

Highlights of [GAO-15-463](#), a report to the Committee on Armed Services, House of Representatives

## Why GAO Did This Study

A congressional panel examined the capacity of DOD's financial management system for providing timely, reliable, and useful information for decision making and reporting. The panel, in its January 2012 report, included 29 recommendations addressed to DOD in four areas: (1) FIAR strategy and methodology, (2) challenges to achieving financial management reform and auditability, (3) financial management workforce, and (4) enterprise resource planning systems implementation.

GAO was asked to review the status of DOD's actions to implement these recommendations. This report examines the extent to which the recommendations have been implemented. GAO reviewed pertinent legislation, including the National Defense Authorization Acts for Fiscal Years 2010 through 2015 as well as the department's FIAR Guidance and FIAR Plan Status Reports. GAO analyzed relevant information and interviewed officials from the Office of the Secretary of Defense, the military departments, and two service providers. Using the three status categories developed for GAO's high-risk work—met, partially met, and not met—GAO determined the extent to which DOD implemented the panel's recommendations.

## What GAO Recommends

GAO is recommending that DOD reconsider the status of three panel recommendations that it determined to be met but that GAO determined to be only partially met. DOD concurred with the recommendation and described planned actions to address it.

View [GAO-15-463](#). For more information, contact Asif A. Khan (202) 512-9869 or [khana@gao.gov](mailto:khana@gao.gov).

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## DOD FINANCIAL MANAGEMENT

### Continued Actions Needed to Address Congressional Committee Panel Recommendations

## What GAO Found

The Department of Defense (DOD) has made progress toward implementing each of the 29 recommendations made by the House Armed Services Committee Panel on Defense Financial Management and Auditability Reform (the panel). GAO determined that DOD's actions met 6 of the panel's recommendations and partially met the other 23. In its May 2015 Financial Improvement and Audit Readiness (FIAR) Plan Status Report, DOD reported that 9 recommendations were met and 20 were partially met. The 3 recommendations for which GAO disagreed with DOD's reported status of met related to (1) attestations on audit readiness in each of the FIAR Plan Status Reports; (2) inclusion of FIAR-related goals in Senior Executive Service performance plans, and rewarding and evaluating performances over time based on those goals; and (3) the review of audit readiness assertions by component senior executive committees. For example, while each FIAR Plan Status Report is coordinated among FIAR Governance Board (Board) members, including the Comptroller/Chief Financial Officer among others, in these reports Board members do not explicitly attest to whether DOD is on track to achieve audit readiness in 2017 as called for by the panel's recommendation and not all Board members provide signed statements about component audit readiness in the reports.

GAO and DOD agree that the remaining 20 recommendations were partially met and continued actions are needed, but GAO found that additional actions are needed to address some recommendations. These 20 partially met recommendations cover such diverse topics as a strategy for the consolidation of component financial information, valuation of historical asset costs, and assessing the competencies of the civilian financial management workforce. For example, DOD has made progress in assessing the competencies of its civilian financial management workforce in the financial management community, but has not yet assessed the competencies of all civilian, military, and contracted personnel performing financial-related functions, as recommended by the panel. Other recommendations are related to the implementation of enterprise resource planning systems—automated systems that perform a variety of business-related financial management tasks. DOD officials have stated that these systems are critical to DOD's ability to achieve audit readiness, but none of these recommendations have been fully met.

The panel's report and its recommendations touch on some of the most critical challenges DOD faces in achieving lasting financial management improvements and financial statement audit readiness. However, it is important to note that implementation of the panel's recommendations may not include all of the actions needed for DOD to achieve auditable financial statements. As auditors perform examinations and audits, they may identify deficiencies that were not previously known and therefore were not addressed by the panel's recommendations. DOD is monitoring its progress for implementing the FIAR Plan against interim milestones included in its April 2015 FIAR Guidance. However, as the audit readiness date approaches, DOD has emphasized asserting audit readiness by set dates over assuring that processes, systems, and controls are effective, reliable, and sustainable. While time frames are important for measuring progress, DOD should not lose sight of the ultimate goal of implementing lasting financial management reform, among other things, to ensure that it can routinely generate reliable, auditable financial information.