

November Monthly Message to the DoD



Team,

This November we continued to relentlessly implement the National Defense Strategy: enhancing the lethality of our Joint Force, strengthening alliances and attracting new partners, and reforming the Department. In particular, this month we concluded the Department's first full financial statement audit, a critical step in reforming the Department for greater performance, accountability and affordability. Unlike program audits conducted by the Inspector General and others to identify waste, fraud, abuse and other issues, this audit was conducted specifically to ensure that the Department's record of its assets and liabilities--everything the Department owns and owes to others--is accurate. While these audits are standard practice in the private sector, the Department had never had an independent team check to ensure our records were accurate.

To do so given the Department's size--\$2.7 trillion in assets and \$2.6 trillion in liabilities--required a historic effort that amounted in the largest audit ever. It involved reviewing hundreds of thousands of items; over 900 site visits to 600 different locations; and the tireless efforts of many within the Department--including Jeretta Dillon (Navy N4), Mobola Kadiri (OUSDC/DCFO), Tina Pierce (Defense Health Agency) and Shanell Blackshear-Johnson (U.S. SOCOM HQ)--whose exemplary performance helped ensure our audit was a success. The auditors reviewed everything from the Department's buildings, planes, ships, munitions, spare parts, and IT systems to personnel, invoices, purchase orders, and contracts to ensure that we have an accurate count of our assets--where they are located and what condition they are in--as well as our debts.

As anticipated, the auditors discovered issues in some areas, none in others, and no instances of fraud. For example, in some cases, equipment was missing from its designated warehouse--or found in a condition different than indicated by records. In others, IT security protocols had not been followed. For the over 2,000 problems uncovered, we have begun to implement corrective action plans in order to determine their causes and resolve underlying issues. To those agencies who received a clean opinion--U.S Army Corps of Engineers -- Civil Works, Military Retirement Fund, Defense Health Agency -- CRM, Defense Contract Audit Agency, and Defense Financial and Accounting Services (WCF)--well done. To those who have more work to do, remember that we conducted the audit for the express purpose of finding problems. Now it's time to solve them.

Please embrace the audit's findings and work relentlessly to implement the corrective action plans. Fixing these problems--and any systemic issues underlying them--will enhance our lethality and accelerate reform. Knowing what we have, and where, is fundamental to military readiness while precise financial records are fundamental to reform. Most importantly, annual audits will enforce the extraordinary discipline we demonstrate in our military operations throughout the Department, strengthening our ability to protect our Nation.

As we charge forward, leverage our annual audits--the next one starts in January--as a mechanism to identify issues and drive continuous improvement as we work towards a future in which clean audits become routine. As always, thank you for your tireless efforts in defense of our Nation. It is an honor to serve alongside you.

- Pat

Deputy Secretary of Defense Patrick Shanahan
Twitter: @DepSecDef