Supporting DoD on their audit transformation journey

Navigating challenges and maximizing results with KPMG

Securing a clean audit opinion is a significant milestone for any organization. It evidences the accuracy and reliability of financial statements, improves accountability, maximizes the efficient use of resources, enhances operational effectiveness, facilitates informed decision-making, and builds trust with the public. The Department of Defense (DoD) is one of the largest organizations in the world with $3.8 trillion in assets and $4 trillion in liabilities. Progress is being made, but many challenges still lie ahead.

Common audit challenges:

Property accountability issues: Ensuring proper tracking, management, valuation and financial reporting of assets.

Recent system migration: Managing the transition to new systems and ensuring data remains complete, valid, and auditable.

Legacy and siloed information technology (IT) systems: Overcoming the limitations of outdated and isolated information technology systems.

Lack of workforce's understanding of audit: Ensuring that all service members, civilians, and contractors have a clear understanding of audit processes and their roles in maintaining audit readiness.

To overcome these challenges and achieve a clean audit opinion, DoD should focus on the following multidisciplinary capabilities:

- **Strategy, training, and communication:** It is crucial to set the tone at the top by ensuring that leadership prioritizes achieving a clean audit opinion. An effective communication plan should also be established, keeping all stakeholders actively prepared and well-informed. An audit roadmap strategy aligned with organizational goals and key performance indicators clearly identifies and communicates the priorities.

- **Multidisciplinary team with technical competencies:** Assemble a team with diverse technical competencies to address the complex requirements of the audit process including audit, accounting, data, and IT competencies.

- **Deployment of technology to accelerate remediation:** Utilize technology to expedite remediation efforts. This includes establishing data metrics and analytics to improve visibility, reliability, decision-making, and accountability of big data. Automation technologies, such as robotic process automation (RPA), can be leveraged to address the challenge of managing a large volume of transactions. Deploying modern solutions and tools can help monitor data integrity and accuracy.

- **Validate and align data for proper financial reporting:** Rigorously analyze and validate data to help ensure accurate financial reporting and make financial reporting adjustments until invalid data can be corrected. Deploy dedicated teams with embedded audit subject matter professionals to enhance data reliability and facilitate internal control transformation. Define, document, improve, and monitor controls both in the field and through enterprise-level monitoring, including controls to mitigate IT deficiencies.

In conclusion, collaborating with KPMG throughout the audit transformation journey can help enable your organization to navigate common audit challenges, achieve and maintain balances that result in a clean audit opinion, and implement controls and processes that result in gained confidence in their financial transparency, accountability, and operational effectiveness. By leveraging the multidisciplinary capabilities, experience , and advanced technologies of KPMG, your organization can enhance their audit processes and successfully accomplish their audit transformation goals.

After the clean opinion— What's next?

Once a clean audit opinion is achieved, DoD should focus on continuous improvement and building upon their success while sustaining the audit opinion. This includes:

Transforming manual processes to automated ones, utilizing RPA and other automation tools.

Enhancing and integrating financial systems for improved transactional reporting.

Providing workforce training to improve institutional knowledge and maintain the momentum of a clean audit opinion.

Further enhancing data accuracy through lessons learned and improved accountability.

Developing strategies to effectively address risk through improved risk assessment and monitoring.

Contact us

Joseph Nave
Principal
Federal Advisory
E: jnave@kpmg.com

Roger Von Elm
Managing Director
Federal Advisory
E: rvonelm@kpmg.com

Sarah Shuey
Director
Federal Advisory
E: srodgers@kpmg.com

Peichi Sopko
Director
Federal Advisory
E: peichisopko@kpmg.com

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