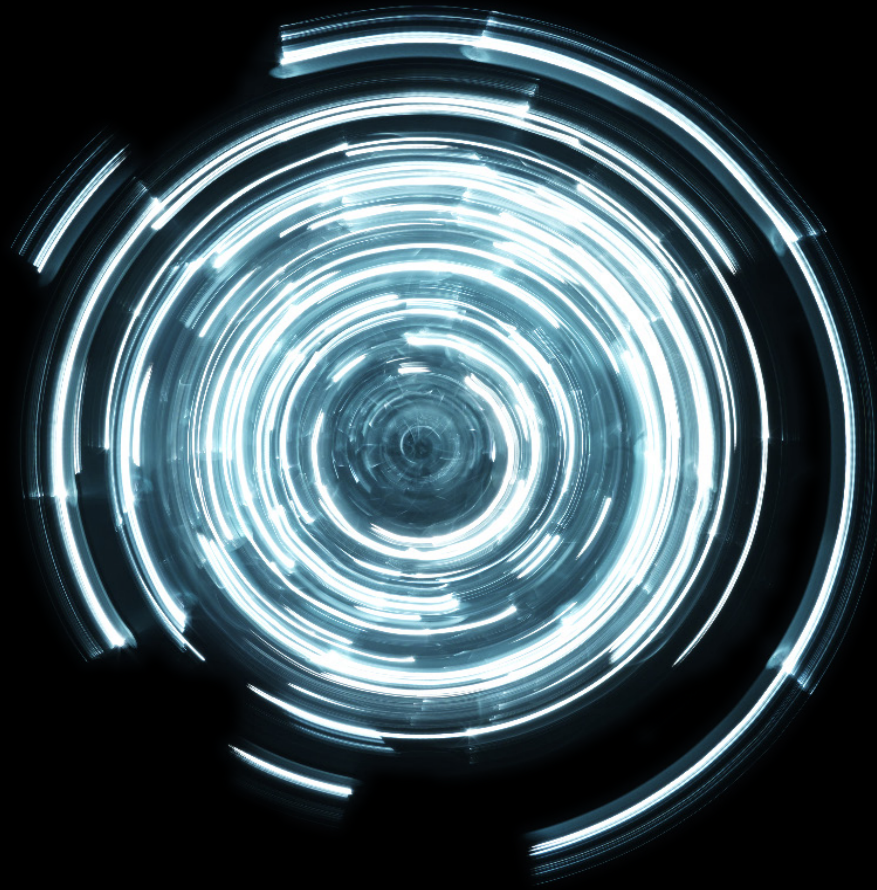


**Deloitte.**



Looking Ahead—The Future of Audit Remediation  
Enhancing Business Operations for Mission Success





## Audit Remediation Challenges

As Department of Defense (DoD) agencies undergo their fourth consecutive year of financial statement audits, agency leaders are faced with more challenges than ever before. COVID-19 has altered audit approaches for the foreseeable future, while resource constraints, shifting regulatory environments, and demands for fiscal accountability continue to test even the most adept financial managers.

Despite these challenges, some audit success has been achieved as evidenced by the Military Retirement Fund, United States (US) Army Corp of Engineers, Defense Commissary Agency, Defense Health Agency (DHA)-Contract Resource Management (CRM), DFAS Working Capital Fund, Defense Contract Audit Agency and Defense Information System Agency (DISA) Working Capital Fund all receiving unmodified audit opinions in Fiscal Year (FY) 2020. Many DoD agencies, however, must continue to show progress and look for opportunities to accelerate toward their audibility goals, all while staying laser-focused on the mission.

## A Fresh Perspective with Demonstrated Results

Deloitte has assisted multiple agencies in their efforts to achieve unmodified audit opinions and understands the complex challenges leaders typically face when remediating material weaknesses. Financial managers are often left in a reactive state, responding to findings, rather than proactively driving improvements to business operations. Deloitte's audit remediation approach puts leadership back in the driver's seat by leveraging innovative and digital technologies to transform business operations.

As outlined in **Figure 1**, our approach differs from legacy DoD audit remediation approaches by focusing on proactive process improvement, holistic transformations, and direct alignment with the FY 2021 National Defense Authorization Act (NDAA) reporting requirements. Deloitte leverages three phases to implement this approach: **Assess, Advise, and Innovate**, resulting in a sustainable and organic roadmap for agencies to further accelerate their paths to audibility.



**KEY BENEFITS**

- ✓ **Proactive Process Improvement:** Agency leaders focus on proactively planning business process transformations, with considerations for financial reporting requirements, technology enhancements, and mission success.
- ✓ **Holistic Transformations:** Deloitte’s approach focuses on transforming end-to-end business processes, rather than limiting remediation activities to financial reporting requirements. As a result, agencies may not only improve compliance and control effectiveness, but may also increase efficiency in their operations.
- ✓ **Alignment with NDAA:** Deloitte’s approach is directly aligned with audit remediation reporting requirements in the NDAA. As a result, agencies can be confident in their abilities to demonstrate audit remediation progress.

Figure 1. Deloitte’s Audit Remediation Approach and Key Benefits

**Assess**

The first phase of Deloitte’s approach includes identifying risks, weaknesses, strengths, and successes across the agency through inquiry, observation, assessment, and reperformance procedures. The Assess phase focuses on key elements across material assessable units, including policies, processes, systems, data, internal controls, and human resources, as highlighted in **Figure 2**.

Unlike many legacy audit remediation approaches, Deloitte’s Assess phase considers impacts across human capital and data, in addition to processes, controls, systems, and policies. This broader scope enhances our understanding of critical issues and assists with identifying those more impactful risks and the associated mitigation measures. After completing our Assessment phase, we advise our clients on building and implementing a strategic roadmap to audit success.

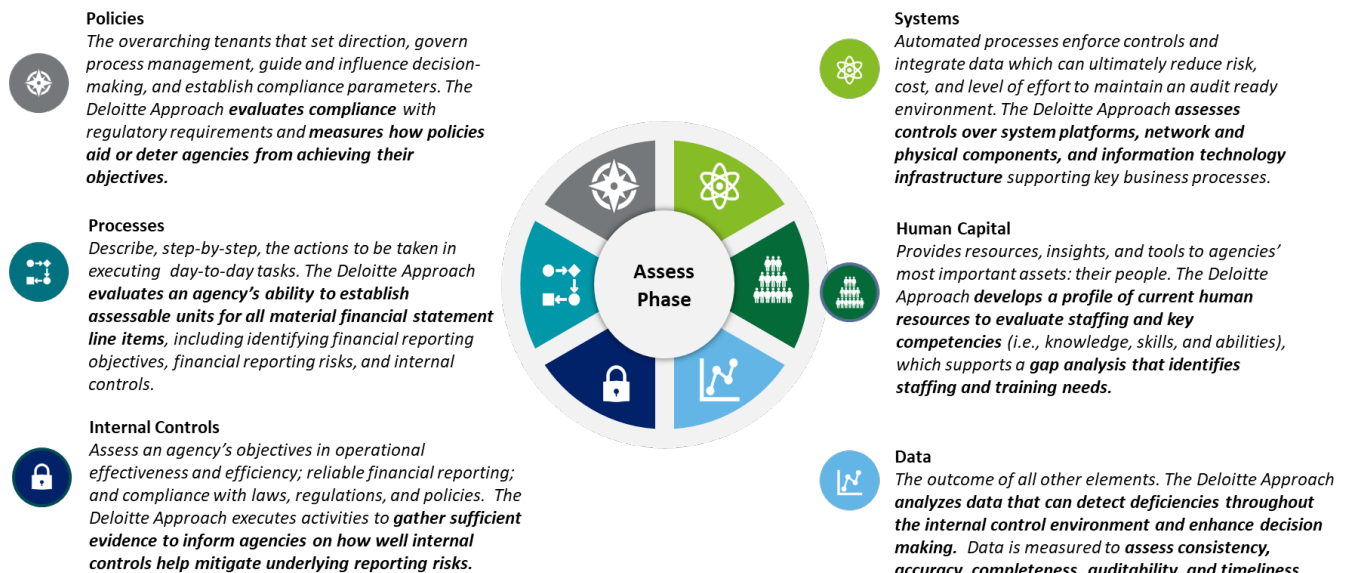


Figure 2. Assess Phase Key Elements

## Advise

The Advise phase prioritizes the mitigation of vulnerabilities throughout the agency and the remediation of deficiencies across the key elements. **Figure 3** highlights examples of key benefits that can be realized during the Advise phase. Deloitte’s approach brings innovative solutions with considerations for people, processes, and technology:

### 1. Revamp the Control Environment to Accelerate Remediation and Improve Confidence

Evaluating the control environment is a continual effort that should focus on identifying high-risk areas, strengthening internal controls and remediating deficiencies. Our approach helps position agencies to migrate from legacy approaches and empowers stakeholders to reimagine their processes and day-to-day operations to support improved fiscal stewardship. This better positions agencies to achieve and sustain audit success as part of their ongoing operations and not as a separate effort that is often considered an unfunded requirement.

### 2. Build on Sustainment Activities and Design Processes and Controls to Achieve Agency Objectives

Utilizing an integrated, risk-based approach to prioritize operational, financial, compliance, and business process improvements; we build on current

sustainment activities that align to mission objectives and implement enhanced, high-impact solutions to achieve sustained audit success. Because these solutions often focus on upfront business process improvement and reporting risk mitigation, we not only help clients address audit challenges, but also better position them to strengthen financial operations.

### 3. Equip Workforces with Resources and Tools that Help Drive Operational Effectiveness and Efficiency

As process improvement focuses on developing and implementing innovative solutions to enhance financial operations, change management often plays a critical role in adopting process change and catalyzing desired audit outcomes. Our practitioners consider broad organizational and human capital solutions, powered by analytics and insight, to help drive sustainable change and to further enable audit success and finance transformation. Our approach helps agencies achieve new levels of operational quality and efficiency by better equipping the workforce with tools and capabilities that can achieve and sustain audit success.

**Deloitte Audit Remediation Value Added**

Deloitte’s approach has helped multiple agencies obtain unmodified audit opinions, remediate NFRs, and improve mission outcomes

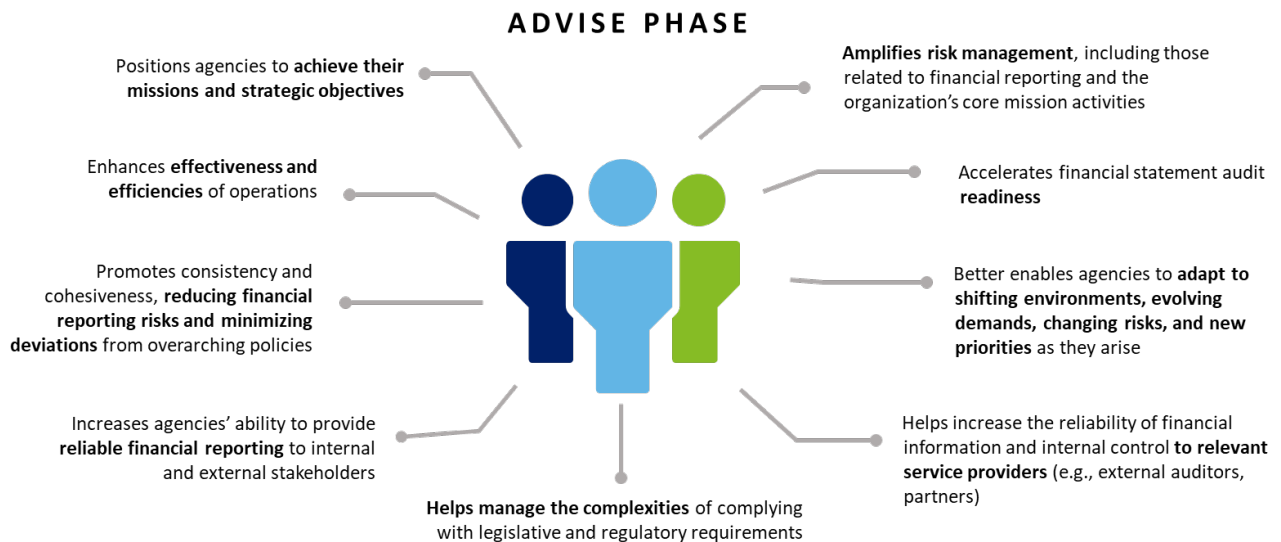



Figure 3. Advise Phase Key Benefits

## Innovate

Our Innovate phase looks to integrate digital solutions into our clients’ environments to help facilitate business process change and potentially lower an agency’s cost of compliance. We consider the cost-benefit of enabling technologies like Data Analytics, Robotic Process Automation (RPA), Artificial Intelligence (AI), Cloud, and Machine Learning. **Figure 4** provides an overview of these technologies and the potential benefits offered.

### Data Analytics

Deloitte remains at the forefront of technology through its 7,300+ data analytics specialists and 30,000+ cloud professionals in the United States (US). Our team of professionals utilize advanced techniques to develop solutions to complex financial reporting and internal control challenges. For example, we leverage our vast understanding of financial reporting requirements and analytics to perform historical analysis that better support accruals. We also develop visualizations to identify high-risk obligations that are typically prone to audit scrutiny. This advanced insight into business operations directly enhances decision-making, helps leaders make better funding decisions, and supports more accurate financial reporting. It also helps build a more data-driven environment that better positions agency leaders to shape the future of their organization’s strategy.

### Cloud-based Solutions

Deloitte’s cloud solutions for consolidating systems and modernizing technologies are designed to help bring organizations to the 21st century and provides a secure medium to store and transfer data. Cloud is much more than a platform for data storage though—it is an opportunity to reimagine business operations. The COVID-19 pandemic has driven agencies to a virtual work environment, placing additional focus and reliance on Cloud technologies. This rapid transformation has created opportunities for systematic improvement and additional use cases that drive the future of federal finance.

### Machine Learning

Deloitte harnesses Machine Learning (ML) solutions to deliver further value to our clients. ML and broader AI technology can feed on data to quickly discover patterns, identify anomalies, and make predictions. As a result, agencies can deploy AI to help address ongoing audit challenges. For example, AI can scan transaction populations to identify potential control failures that raise audit risk almost as soon as they occur, rather than waiting on management’s internal control programs or independent auditors to identify them. This proactive, forward-looking approach empowers agencies to address potential audit issues in near real-time.

### Data Analytics

Analyzing raw data in order to make conclusions about that information, though automated and mechanical processes and algorithms to improve performance.

### Robotic Process Automation

RPA uses software to capture and automate certain repetitive, manual processes to help shift resources from more time-consuming tactical activities to more strategic, value-add activities.

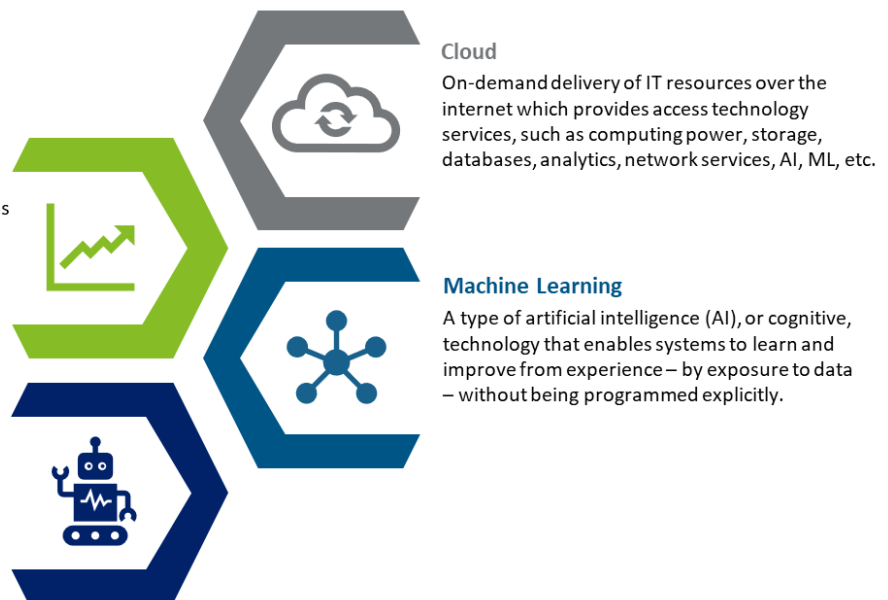


Figure 4. Innovative Technologies

### Robotic Process Automation

Deloitte designs tools and technologies to drive automation and harmonization of manual processes, which can result in improved reporting efficiency and accuracy, better-integrated data across separate source systems, and increased anticipation for potential reporting and audit risks. Deloitte continues to assist clients across the DoD with deploying RPA solutions that help enhance accounting and finance operations. **Figure 5**, highlights examples of RPA use cases.

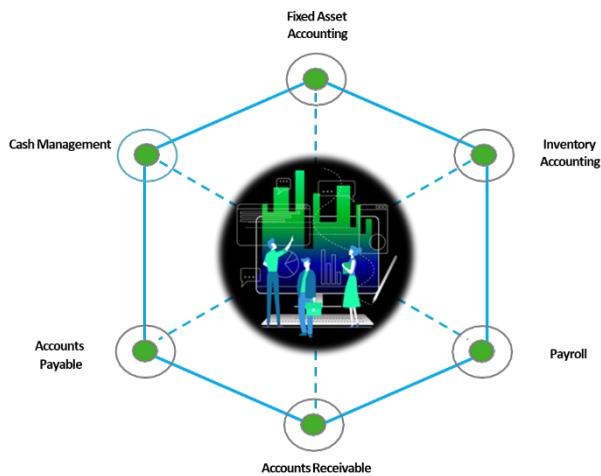


Figure 5. Typical RPA use cases across financial management functions

### Sustaining Auditability

Once reporting entities have achieved audit readiness, they are required to maintain an audit-ready state. This requirement facilitates the need for long-term solutions that can not only improve financial analysis and reporting capabilities, but also align mission objectives to strategic plans. Deloitte’s alliance portfolio contains companies that develop Corporate Performance Management (CPM) tools to help agencies better automate manual processes—like the year-end close process—and to reduce the manual intervention necessary to perform financial operations. As a result, agency leaders can shift more focus toward executing the mission, rather than manually performing finance operations.

Our sustainment approach also includes providing long-term value to the DoD and its stakeholders by assisting leadership with continual process improvement. Deloitte professionals guide stakeholders in performing annual Internal Controls Over Reporting (ICOR) activities, utilizing the processes and procedures described in OMB Circular A-123 (Appendix A) and adhering to the requirements of the department’s Risk Management and Internal Control program.

### Deloitte Audit Remediation Value Added

Agencies can operate more efficiently, while increasing their ability to meet FY 2021 NDAA reporting requirements around AI, Process Robotics, and Digital Technologies.



### Conclusion

Deloitte’s innovative approach to audit remediation efficiently combines cutting-edge technologies, such as AI, RPA, and CPM tools, with a deep understanding of business processes, financial reporting requirements and risk management, to deliver sustainable audit outcomes. Beyond audit success, the industry-leading practices we deploy help position our clients to further enhance business operations, drive better data-driven decision-making, and further strengthen mission outcomes.

## Contact us

If you have any questions about the information in this publication, please contact us:

---

<b>Ezekiel McMillan</b> Partner Deloitte & Touche LLP +1 571 882 7344 <a href="mailto:emcmillan@deloitte.com">emcmillan@deloitte.com</a>	<b>Kristin Wulff</b> Managing Director Deloitte & Touche LLP +1 571 882 5149 <a href="mailto:kwulff@deloitte.com">kwulff@deloitte.com</a>	<b>Rob Porter</b> Manager Deloitte & Touche LLP +1 571 858 0517 <a href="mailto:roporter@deloitte.com">roporter@deloitte.com</a>
--	---	--

---

<b>Fran Legall</b> Senior Manager Deloitte & Touche LLP +1 571 882 8427 <a href="mailto:flegall@deloitte.com">flegall@deloitte.com</a>	<b>Kirk Marzock</b> Senior Manager Deloitte & Touche LLP +1 571 858 1377 <a href="mailto:kmarzock@deloitte.com">kmarzock@deloitte.com</a>
--	---

---



This publication contains general information only and Deloitte is not, by means of this publication, rendering accounting, business, financial, investment, legal, tax, or other professional advice or services. This publication is not a substitute for such professional advice or services, nor should it be used as a basis for any decision or action that may affect your business. Before making any decision or taking any action that may affect your business, you should consult a qualified professional adviser. Deloitte shall not be responsible for any loss sustained by any person who relies on this publication.

As used in this document, "Deloitte" means Deloitte & Touche LLP, a subsidiary of Deloitte LLP. Please see [www.deloitte.com/us/about](http://www.deloitte.com/us/about) for a detailed description of our legal structure. Certain services may not be available to attest clients under the rules and regulations of public accounting.

Copyright © 2021 Deloitte Development LLC. All rights reserved.