SECRETARY OF DEFENSE
1000 DEFENSE PENTAGON
WASHINGTON, DC 20301-1000

OCT 13 2011

MEMORANDUM FOR: SEE DISTRIBUTION

SUBJECT: Improving Financial Information and Achieving Audit Readiness

One key to making a budget work in any fiscal environment, but especially now, will be streamlining overhead, eliminating waste, and improving our business practices – ensuring that we are operating in a common sense, accountable, and modern business environment. This is a priority for me and will be an "all hands" effort across the Department. As a key step, we must improve financial information and move toward auditable financial statements. Auditable statements are needed to facilitate decision-making, to comply with the law, and to reassure the public that we are good stewards of their funds.

In August 2009, the Department presented a plan to meet the Congressional deadline for audit ready financial statements by 2017. The plan is sensible and we have made significant progress toward its goals. However, we need to accelerate key elements of the plan and place greater emphasis on the overall effort. To that end, I direct the Under Secretary of Defense (Comptroller) to provide me within 60 days a revised plan to:

- Achieve audit readiness for Statements of Budgetary Resources by the end of 2014.
- Increase emphasis on accountability for assets.
- Execute a full review of the Department's financial controls over the next two years and establish interim goals against which we can assess progress.
- Ensure mandatory training for audit and other key financial efforts, and establish by end of CY 2012 a pilot certification program for financial managers – similar to the one now in place for acquisition managers.
- Appropriately resource efforts to meet these goals.
- Meet the legal requirement to achieve full audit readiness for all DoD financial statements by 2017.

This focused approach concentrates on the information that we most use in managing the Department and will give our managers auditable general-fund information to track spending, identify waste, and improve the way the Pentagon does business as soon as possible while meeting our legislated goal of full audit readiness for all DoD financial statements by 2017.

I direct the Deputy Secretary, in his role as the Department's Chief Management Officer, to conduct periodic reviews. Day-to-day oversight of the effort will continue to be the

responsibility of the Under Secretary of Defense (Comptroller), working closely with the Deputy Chief Management Officer, appropriate officials in the Military Services, and the Defense Agencies and Field Activities. I will engage in this effort personally – auditability is a goal that every commander, every manager, and every functional specialist must understand and embrace to improve efficiency and accountability at the DoD.

DISTRIBUTION:
SECRETARIES OF THE MILITARY DEPARTMENTS
CHAIRMAN OF THE JOINT CHIEFS OF STAFF
UNDER SECRETARIES OF DEFENSE
DEPUTY CHIEF MANAGEMENT OFFICER
COMMANDERS OF THE COMBATANT COMMANDS
DIRECTOR, COST ASSESSMENT AND PROGRAM EVALUATION
DIRECTOR, OPERATIONAL TEST AND EVALUATION
GENERAL COUNSEL OF THE DEPARTMENT OF DEFENSE
INSPECTOR GENERAL OF THE DEPARTMENT OF DEFENSE
ASSISTANT SECRETARIES OF DEFENSE
DEPARTMENT OF DEFENSE CHIEF INFORMATION OFFICER
ASSISTANTS TO THE SECRETARY OF DEFENSE
DIRECTOR, ADMINISTRATION AND MANAGEMENT
DIRECTOR, NET ASSESSMENT
DIRECTORS OF THE DEFENSE AGENCIES
DIRECTORS OF THE DOD FIELD ACTIVITIES