



**ACQUISITION AND
SUSTAINMENT**

Audit Readiness Progress

*Driving Accountability, Aligning Processes, and
Resolving Material Weaknesses*

Presenter | March 16, 2026

Agenda

A&S



01 | Defense Logistics Manual (DLM) Rewrite & Audit Impact

02 | Accountability vs. Accounting: Understanding the Distinction

03 | Department-Wide Material Weaknesses: Intragovernmental Transactions

04 | Way Ahead & Call to Action

Section 1

A&S



Defense Logistics Manual (DLM) Rewrite

Synchronizing Policy with Practice to Support Audit Readiness



- The DLM is the foundational policy document governing logistics operations
- Audit readiness requires that written policy reflects actual practice
- Misalignment between manuals and operations creates audit vulnerabilities

"We must synchronize our manuals with how we do day-to-day business"

The DLM Must Support Process Execution

A&S



Policy documents should be enablers, not obstacles.

- The DLM must reflect current systems and workflows
- Provide clear, actionable guidance to operators at the execution level
- Be written at the level of the person executing the process
- **A manual that does not support execution will not support audit**

If operators cannot follow the manual, auditors cannot rely on it.

DLM with E2E Documentation

A&S



DLM

Foundational policy governing logistics operations and procedures

E2E Documentation

Maps the full lifecycle of a transaction from initiation to completion

PCNs

Describes how controls operate within each process step

All three must align to ensure:

- Consistency between policy, narrative, and execution
- Auditors can trace transactions from initiation to completion
- Control gaps are identified and remediated proactively
- **Misalignment = Audit Findings**

DLM Rewrite - The Path Forward

A&S



1

Current Status:

Assess current DLM rewrite progress and identify gaps

2

Governance:

Establish clear ownership and accountability for the rewrite

3

Synchronization:

Align checkpoints with E2E and PCN owners

4

Timeline & Milestones:

Define and track key deliverable dates

5

Stakeholder Engagement:

Ensure operators, policy owners, and auditors are aligned

Section 2

A&S



Accountability vs. Accounting

Understanding the Distinction - and Why It Matters for Audit

Accounting and Accountability: Similar Goals, Different Authorities



	Accountability	Accounting / Financial Reporting
Focus	Stewardship and asset-level oversight	Complete, accurate, and supported Financial Statements
Standards	DoW Acquisition and Sustainment Guidance	Statements of Federal Financial Accounting Standards
Driver	DoW Operations	Congressional/Public Oversight
Timing Considerations	Operational Peaks	Financial Period Ends and Auditor Testing Schedules

Key Insight: Accountability requirements are MORE STRICT than accounting requirements.

Strong Accountability Supports Strong Accounting

A&S



The logical flow from accountability to audit-ready financial statements:

Property and Inventory Oversight and Reporting



Existence and Completeness Testing

Strong Accountability Processes



Auditable Records and Supportable Valuations

Physical Inventory Discrepancy - Root Cause Solutions



Strong Internal Controls

Investing in accountability is investing in audit readiness.

Operators are the first line of audit defense.

Accountability records must be:

Complete

Accurate

Timely

Traceable

- Accountability failures upstream create financial reporting failures downstream
- Leadership must reinforce accountability as a command responsibility
- Every transaction recorded correctly is one less audit finding

Audit readiness is not a finance function - it is an organizational responsibility.

Section 3

A&S



Department-Wide Material Weaknesses

Focus: Intragovernmental Transactions (IGT)

G-Invoicing as the Enabling System

Overview of Material Weaknesses

A&S



Definition: A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility of a material misstatement of the entity's financial statements.

- Material weaknesses represent the most significant audit risks facing the Department
- They indicate systemic control failures - not isolated incidents
- Remediation requires sustained leadership attention and cross-functional coordination

Today's Focus: Intragovernmental Transactions (IGT)

Why Intragovernmental Transactions Are a Challenge



IGTs occur when two federal entities transact with each other.

The core challenge: Both the buyer and seller must record the SAME transaction consistently.

Common Failure Points:

⚠ Timing differences in recording transactions

⚠ Mismatched transaction amounts between buyer and seller

⚠ Inability to identify the trading partner

⚠ Lack of supporting documentation

G-Invoicing - The Enabling System

A&S



G-Invoicing is the federal government's platform for managing intragovernmental transactions, developed by the Bureau of the Fiscal Service.

Key Capabilities:

GT&C Agreements

General Terms & Conditions established between buyer and seller

Order Management

Structured ordering process between trading partners

Automated Matching

System-enabled reconciliation of buyer and seller records

*G-Invoicing should enable transactions - but the system alone is not the solution.
We must articulate and control the process points where breakdowns occur.*

Articulating the Critical IGT Process Points

A&S



1

Agreement Establishment

GT&C and orders properly established in G-Invoicing

2

Order Execution

Services/goods delivered and recorded timely

3

Acceptance

Buyer confirms receipt; triggers seller's revenue recognition

4

Billing & Payment

Invoice matched to order; payment processed accurately

5

Reconciliation

Buyer and seller balances agree at period end

6

Dispute Resolution

Process for resolving mismatches before financial close

Connecting IGT to the Broader Audit Strategy

A&S



IGT remediation is a cross-organizational effort - not a single office's responsibility.

- Trading partner agreements must be formally established and enforced
- System configuration must support proper accounting treatment in G-Invoicing
- G-Invoicing adoption must be monitored and enforced across all components
- Each critical process point must be documented in PCNs with supporting controls
- Progress metrics must be tracked and reported to senior leadership regularly

The goal: Every IGT is agreed upon, executed, accepted, billed, and reconciled - on time, every time.

Section 4

A&S



Way Ahead & Call to Action

Connecting the Dots - From Policy to Practice to Audit Success

Integrated View - How It All Connects

A&S



These are not separate efforts - they are interconnected lines of effort:

DLM Rewrite

Governs the processes → Processes generate transactions → Transactions must be auditable

Accountability Framework

Supports financial reporting → Financial reporting must be clean and supportable

G-Invoicing / IGT

Enables intragovernmental transactions → IGT must be properly controlled and documented

Together, these efforts build a foundation for a clean audit opinion.

Call to Action

A&S



Policy Owners:

Accelerate DLM rewrite; align with E2E documentation and PCNs

Process Owners:

Ensure accountability records are complete, accurate, timely, and traceable

Financial Managers:

Drive G-Invoicing adoption and enforce IGT reconciliation discipline

Leadership:

Reinforce audit readiness as a mission imperative - not a compliance exercise

Summary & Questions

A&S



The DLM must reflect how we actually operate - policy must match practice

Accountability is the foundation of financial reporting - invest in it at every level

IGT is a solvable problem - but requires process discipline and G-Invoicing adoption

All three lines of effort are connected - progress in one supports the others

We are making progress - but the work is not done

Questions?