



All Things Financial Management Podcast



Downgrading Material Weaknesses with Ms. Tina Pierce, Deputy Assistant Secretary for Financial Operations at the Department of the Air Force

INTRO:

Welcome to All Things Financial Management, an ASMC podcast sponsored by Guidehouse, where we discuss all things under the auspices of the comptroller's office and address top of mind issues in the financial management community.

TOM RHOADS:

Good morning. My name is Tom Rhoads. I'm a partner with Guidehouse, where I work with clients across the DoD and other government agencies to transform and optimize their financial management functions. I'll be your host for today's podcast. For those of you who may be new to this podcast series, let me take just a moment to provide some background on the American Society of Military Comptrollers. The American Society of Military Comptrollers, or ASMC, is a nonprofit educational and professional organization for individuals, military, civilian, corporate, or retired, involved in or interested in the field of defense financial management. ASMC promotes the education and training of its members and supports the development and advancement of the profession of defense financial management. The society provides membership education, professional development, and certification programs to keep members and the overall financial management community abreast of current issues and encourages the exchange of information, techniques, and approaches.

And with that, I'd like to introduce our government guest for today. Today we have with us Ms. Tina Pierce. Ms. Pierce is the Deputy Assistant Secretary for Financial Operations, Office of the Assistant Secretary of the Air Force for Financial Management and Comptroller. Ms. Pierce assists the Deputy Assistant Secretary in implementing provisions of the amended Chief Financial Officers Act of 1990 and related financial management reforms. She is responsible for ensuring the timely and accurate submission of Air Force financial statements and managing the Air Force's Financial Improvement and Audit Remediation program to progress the department to an unqualified audit opinion. Ms. Pierce, thanks for being our government guest today on our podcast.

TINA PIERCE:

Oh, you're very welcome. Thank you for giving me the opportunity to join.

TOM RHOADS:

Would you mind taking a few minutes for our listeners and tell us about your background and what brought you to your current position? In other words, maybe just tell us your story.

TINA PIERCE:

Sure, I'm happy to do that. So I have a little different story than some, but probably not all. I started out as a US Marine Officer in financial management. So in that role, I did all kinds of stuff. I'm proud to say that I was the 1st Marine Expeditionary Force's Budget Officer. At the time, they had these things called managerial accounting officers. You don't hear that term too often anymore, but really think about your

DFAS accountants. But I also had the opportunity to run a finance office. So what that brought me was the ability at the lower levels to touch pretty much a lot—probably not all of the financial management areas that we have in DoD today. So paying people, to budget, to actually paying attention to the accounting records.

But at the time I decided to get off active duty, I had the opportunity to move overseas, where I got to work in a financial reporting and compliance area for an international company, basically in their European distribution center. And the nice part about that was that it really gave me a different aspect of financial management. One that looked not just at, "Okay, here's your money and let's spend it; make sure we can track how we spend it," but really worrying about that bottom line and trying to use every dollar as efficiently as we could and as few of those dollars as possible. So a total different philosophy than sometimes we get on the government side today. So various different jobs. Right before I moved back to the National Capital Region, I worked for a small company called Edison International, which is not small, I'm making a joke there. It's actually a large company. And I was at their nuclear plant in San Clemente, California, the San Onofre Nuclear Generating Station.

I was their Senior analyst, where I like to say we would put puzzles together. So you would build your budget and put that together, but you had the ability—I like to say we were flying our plane; we built the runway, flew the plane, went to landing. We would say let's see how close we could hit it. It's one of these hybrids, if you will. So it's a regulated entity. So we got different funding, but for certain funding, you wanted to spend 100 percent of it. And on the other side, you wanted to spend what you targeted because if you went under, then you didn't maximize the value for the stockholders. If you went over, you basically went into their cut. So it was a total different approach than what most people are used to in that it really mattered. And so I started in our Capital Division there, and then I moved over to the O&M side. On the O&M side, they'd gone over budget the year before when they asked me to come over there.

And I didn't understand how they couldn't know that they were going to go over budget until they did it. And so the nice value that brought was really being able to put, I call them controls, but processes in place so that we could predict where we were going to finish the year off. We could go over. There was no consequence for doing that. We're not going to jail for that. But at the same time, we needed to maximize for our shareholders. So that was really where I learned a lot about controls and techniques to do that type of hybrid environment. So I started out as a contractor with the Army, where I was the lead for the active component military pay, and we were trying to get them audit-ready in that area. It was a good experience with a lot of hard work and great people over there, but I had the opportunity to go over to Air Force Medical as a contractor.

At the time, it was really hard because I loved the people I was working with, but I thought, well, this is a good chance for me to learn different areas. And honestly, that is the location where I really learned about DoD audit and a lot of the complications we have. You just don't see some of these nuances in private companies. They're used to throwing together financial statements and footnotes and supporting them all the way down. So a different dynamic. I've had to deal with auditors in the private sector a lot, but I've really never had to work with them on the government side. Huge learning curve for me. Great experience. And from there, I was asked if I would become a civilian over with the Defense Health Agency. I took that opportunity to go over there because if you want to talk about a great mission, providing great healthcare to our service members and their families, that's really key, I think, and something we all should be able to support.

I learned some things there. But when the opportunity arose for me to come back to the Air Force, I had to jump because I really liked the Air Force, their culture, and how we work together. And so I took that opportunity. That's where I am today. And I think one of the uniquenesses for me is that I've been active duty in the military. I've been a contractor in not just one area, but two. I've worked in the private sector, and now I'm a civilian, a civil servant. I was GS, and now I'm an SES. So I think it gives me unique experiences that have helped guide me, and sometimes when I'm making decisions, I can use these different experiences to say, "Well, how can I think outside of the normal box to get where we need to go?" And so I value that, but that's just a little bit about me. But I think that's really what kind of helped me be successful and get me where I am today.

TOM RHOADS:

Well, first of all, thank you so much for sharing your background. And I was thinking, Wow, what a broad set of skills and diversity of experiences! and I suspect that those allow you to draw on those experiences in the position you have now, which I'm sure is very challenging as well. Did you ever think when you were in the Marine Corps on active duty that someday you would be the Deputy Assistant Secretary for Financial Operations? What if someone said that to you back then? What would your thoughts have been?

TINA PIERCE:

I would've laughed and said, "I won't live to be that old," but that's probably what I would've said. No, I love the Marine Corps. The Marine Corps, I will tell them that they probably made me who I am today. The approach of just grinding through when things are really tough. But when you look at the time, it was a long time ago. One, there were not a lot of females in the Marine Corps. There were some, but I think Captains in the Marine Corps, it was like 1% or less. And so it was a unique opportunity to work in that environment.

But even as a Financial Management Officer, the Senior Financial Management Officer in the Marine Corps at the time was really a Colonel. So you can go do P&R, but normally those aren't just comptroller types. They are anyone. If I were looking and I had stayed in the Marine Corps until retirement, I would've said, "Oh, well, I would be a Colonel." Maybe a general in that you could go do something else. But I didn't expect to be doing what I'm doing today. I love the private sector as well. It's very challenging, with different types of challenges. But no, I would never have thought, one, that it would be with the Air Force, and two, that it would be at the level that I've been so fortunate to get to.

TOM RHOADS:

Thank you for sharing that. And speaking of challenges and diversity of experiences, the Air Force has set some impressive goals for downgrading material weaknesses in '23. One of those is the fund balance with the Treasury. Can you share a little bit about where you are on this journey, the material weakness, and maybe some of the challenges that you've faced in downgrading or trying to work towards downgrading it?

TINA PIERCE:

Sure. A lot of times, with the audit, I put things in the sprints to the marathon. Fund Balance with Treasury, near and dear to my heart. And I will tell you, we thought we were there last year. Well, one lesson we learned is that you have to make sure that no processes get changed without you really knowing early on so that you can make sure those controls are tight and that you know exactly what the service providers are doing for you, etc. It took a long time. It was late November, well, mid-November, like the day I think our Agency Financial Report had to be signed and delivered, and we found out that we did not get the downgrade of Fund Balance because there was just one critical control that failed. It was a new process that began in April.

So we didn't have enough time once we found this out and the different systems that it started to pull from to remediate it. And I don't know, maybe I shouldn't be proud of this, but I will tell you that the person who led this effort for me, we cried because so much work had gone into this. It's kind of like failure, but you knew you didn't fail; you were just not there, and the amount of time and energy and back and forth—you just can't make that up. Really truly that one team, one fight grind. And so we didn't get there.

TOM RHOADS:

Well, you can tell and you can feel the passion and the heart and soul that is going into this effort. And to me when I think about it, I was like, "What an awesome job where you can put your whole heart and soul into solving a really complex challenge." And there's emotion around it when you do, and it's also going to be exhilarating when you cross that finish line. So well done for that.

TINA PIERCE:

Oh, thank you. So this year we had that control, as most of us in this area realize whenever you're that close and you don't get there, you give the auditor more time. Sometimes that's good. So by giving them more time, they had time to deep dive a little bit harder on some other systems, not really material systems, but just to make sure they could do a little bit more testing around them, which were some minor things. SOC reports come out in August, and sometimes those controls change in the SOC report or, in this particular case, in MOCAS daily reporting. It changed the systems it was going through. And so a system that was not as critical for us last year became critical for us this year. And so we've worked super hard this year to put in those controls. We've had to really build.

We use a system called CCAS, which is fairly old. There was no business logic documented for it because it's that old. So we really had to reperform it and prove that the Air Force really understood at the end of the day when our undistributed came out in our numbers, that we understood the whys and we were comfortable knowing all the information that came out or went into the system, came out of the system, and that when that information was pushed, all of it was pushed accurately, etc. And so, since the system's so old, there were some IT failures around it. We put in a lot of manual mitigating controls. And so we're in this year. Well, June 30th is usually a big date for audit. We believe we've remediated everything. Some of the things on the IT side make the auditor comfortable. They probably passed this year, but we're going to continue to do our manual mitigating controls just to make sure.

So, it's looking very positive for the Air Force this year in terms of Fund Balance with Treasury. Obviously, the auditor will wait till we finish the year if they can, but we're hoping that somewhere between now and then they tell us, "Just execute what you say you've done and what you've been demonstrating, and we think you're there." We're hoping to get that word. Why is Fund Balance important to the Air Force? It's 40% of the assets on our Balance Sheet, which is huge. A lot of us in DoD have been working towards Fund Balance as a material weakness for quite some time. So, we're hoping that we get there this year.

TOM RHOADS:

What an awesome journey and an enormous challenge to take on. Maybe we'll have to do a follow-up in November or something and see how this went, but we're so excited for what you've accomplished. There's other downgrades that you're working on this year as well. One of those is Military Equipment. What kind of challenges are you facing there and how are those challenges different from Fund Balance with Treasury?

TINA PIERCE:

So Military equipment—yes, this one is huge. It's 30% of the Balance Sheet for the Air Force assets, but here's where it's really different. If you look at Fund Balance, you're really talking about the financial management community; whether that's DFAS or the Air Force, we have a little bit more control. When you look at Military Equipment, you're talking about a true enterprise-wide material weakness. I can tell you that the Air Force knows where all our planes are. Our Space Force knows where all our satellites are, our pods, and all those big things. We have E&C; we've had E&C for a long time but taking those assets and valuing them has proven difficult, and not necessarily the deemed cost part of that. So, the finished product is pretty good. We don't have any problems with that. We might have a little bit with the joint strike. JPO and their office really do a lot of that accounting and pulling together stuff for the Air Force. So really, from the finished product valuation piece, we are good.

Where we've had a little bit more struggles, or where our long pole has been, is really in our Construction in Progress. When our big contractors are building our platforms for us, can we put a value on those efforts in our financial statements? And you can say, "Well, that's easy; just take the contract and divide by whatever, and you'll get there." But it's really indirect costs and really knowing where your percentage of completion is—that type of stuff. So, a few years ago, we built these valuation models. Unfortunately, they are built in Excel, where we bring in a lot of this data to come up with what our Construction in Progress numbers should be. The auditors are pretty comfortable with our models.

We've had to tweak a few things here and there, but overall, the models themselves are pretty good. But where we struggled is making sure that we had oversight controls over those models. So, an example of that would be if I'm told this particular plane is 20% complete in its production, does the Air Force say, "Yep, we agree it should be about 20%? And do the numbers kind of align to that?" And so, it's really that critical thinking, looking at it to say, "Does that make sense?" The data in this area as most of us know, has always been a problem. A lot of this stuff is fairly old. Some of these contracts are huge without the proper CLIN designation, or you might put one for 50. So, if I'm building 50 planes, it might be one line item. So, some of that stuff gets very complicated.

So that's been kind of the struggle. And one of the absolutes—I call them showstoppers—we have to do, is make sure that oversight control gets designed properly right now. We need to execute it this third quarter for that, but there are some other nuances with the stand up of Space Force. And when other units started coming over to be included in the Space Force, do we really know what those assets are valued at—the things that they've been doing, whether it is RDT&E or not? Another thing is that when you get to the satellites and space, we have international partners in that. Did the Air Force scrub those agreements to make sure that they appropriately had the accounting treatment that they are supposed to have? So, a lot of this information has been coming together.

The biggest key here, if you couldn't hear it in some of these rocks, is FM. It's our acquisition community. It's my A4 logistics side who really keeps track of all of this stuff. We have IT on our systems side that comes into this. Our payments for a lot of this run through DFAS, even a lot of the data in the system comes through DFAS. So, it is really a joint effort when it comes to this. The JPO—I say joint—well, they impact me as well because we do build F-35s today and they are in construction, so I have to account for those costs as well. If we can get this one over the line, not just because of the dollars, but because it really shows that the Air Force has this one-team, one-fight approach and that we have come together to make this one solid and to go forward.

So, I take pride in this only because it's harder from the approach standpoint because there's so many people and you got to make sure we're all moving in sync. And part of what we did to do that, we created this Teams channel to where the Vice Chiefs of Space Force and Air Force and the Under Secretary of the Air Force, and then all of my action officers and everyone in between them were built out there with actions. And at any point, General Thompson from Space has actually went out and asked, "Where are we on this critical action for the Space Force?" And so that has really been the tone from the top there. And I think we've been doing everything we can to get this one over the line, but it's just a little bit more complicated than Fund Balance.

TOM RHOADS:

It's so interesting to me how teamwork and collaboration play such an important role in everything. And even with respect to audit remediation and audit readiness, I think you really captured the essence of how important a team is to tackling these really complicated, multifaceted, multidimensional challenges. It's exciting to hear about the things that you're doing.

TINA PIERCE:

It does. I mean, there's no way without collaboration in both of these areas and then all the other areas that we still have to remediate. It's amazing how many different touch points there are in certain things, and you just don't know it until you think you're good and you're not good.

TOM RHOADS:

Ms. Pierce, this has been a wonderful talk, and I so appreciate you sharing with us your background, the journey that you've been on with respect to audit remediation and audit readiness, and the big rocks that you're picking up and solving. And what we like to do is wrap up an episode with advice that could help new careerists. So, drawing on your cumulative experience, do you have any advice you would share with someone who's just starting out their career in federal service?

TINA PIERCE:

I do, and I think it drives some people crazy, but even today, I ask a lot of questions, and sometimes I think I have to be kind of a little bit careful because sometimes I think I'm asking the questions for a gotcha. In fact, I just don't know. And sometimes I think I ask questions because I have to, in my own way, to process that information. And I know that when you're first starting out, that's a hard thing to do. And I think that's a hard thing to do no matter what level you're at, because if you're the senior leader sitting in there, most people think you should know. And so you're a little vulnerable if you're asking the questions. If you're the early careerist who's starting out, you don't want everyone to say, "Oh, you don't know anything; you're just young." So, I think, for me, ask those questions and don't stop asking because sometimes the best solutions come out of a question that nobody thought of.

And I think being able to tie that part together helps. And I think we in DoD, and I do it sometimes too, say it's always been that way. This is kind of how you have to work it out, but we really have to have that questioning attitude. Is it something we have to do? And if we have to do it, why? Obviously, we have our regulatory requirements, but is there sometimes an easier way for us to do things to get the same results? So, I think the people that I've seen that have been the most successful in this journey are those that question; they like to think outside of the box, but they're also collaborators. They don't just go and make the changes themselves. They kind of run it by a few people, and then they come together to come up with a really good solution.

I think it's frustrating, believe me, to be one of those types of people. But I think in the end, they tend to be very successful because eventually they're the people that everybody will be looking for to be on their team because they ask the right questions. They can think of different approaches, but they also work well with others. So that's kind of what I've always found.

The other thing I like to always tell people about my journey is that because I was married to an active-duty Marine, I've had to move quite a bit. And whenever I was going to a new position or a new place, I always felt like I was taking a step back. And that's hard to do sometimes, but when I look back over my career, I tell myself that, as painful as that seemed, sometimes taking that one step that may feel like a step backward might actually catapult you farther.

And an example of that is when I left the Army contract team to go to Air Force Medical. That was really a hard decision for me because I wasn't leaving because I didn't like my job or that I wasn't quite sure, and they were equal pay, all that kind of stuff. So, I really wasn't sure. But I look back and say that if I had not made that leap, I would never have been where I am today. So sometimes things aren't necessarily as clear to you. So, just really self-assess, but be willing to take that risk or, as others may say, "Well, yeah, but it's a lateral, or I'm not quite sure." Sometimes those are the best decisions you make to get there.

TOM RHOADS:

Such great advice. I was actually thinking of an actor on stage. The stage might be dark all around him, and the spotlight's on them, but when you step out of that light into the dark, the light expands right, and you stay in the light. And it seems like when you have the courage to step out into something that's uncomfortable, that light expands, doors open, opportunities open, and neat things happen. I think it's just great advice for our new careerists.

Thank you for your time today. I know you're super busy, and taking this time out of your schedule to share some of your thoughts with our listeners was just wonderful. And again, thank you for your time. Appreciate it.

TINA PIERCE:

Oh, you're very welcome. Thank you once again for having me.

INTRO:

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