

ALL THINGS FINANCIAL MANAGEMENT PODCAST

Army Audit Readiness: Unveiling the Secrets of Internal Controls

With Ms. Eulica Kimber, Director of Audit Readiness for Office of the Assistant Secretary of the Army (Acquisition, Logistics, and Technology) (ASA(ALT))



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 the nonprofit, educational and professional organization for individuals, military, civilian, corporate, or retired involved 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 and professional development and certification programs to keep members in 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. Eulica Kimber. Ms. Kimber is the director of Audit Readiness for ASA(ALT). She received her bachelor's degree in accounting and finance from Virginia State University, and in 2019, she earned a Master of Business Administration from the College of William & Mary. So, Ms. Kimber, can you tell us about your background and what brought you to your current position as the Audit Readiness director at ASA(ALT)? Or in other words, can you just share with us your story?

Eulica Kimber: Okay. So, I'll start with my education. So, I attended Virginia State University a long, long time ago. I hold a bachelor's degree in accounting and finance from Virginia State. And I also have an MBA from the College of William & Mary School of Business. But as far as my career is I started while I was in college in 1991 as a summer hire at what is now Defense Commissary Agency. So, I was a GS-4 voucher examiner. So, for old-school people will know what a voucher is, but a voucher is really an invoice. So, I did accounts payable for the commissary system. So, the commissaries buy inventory to be resold in their stores, the grocery stores. And so, I was an accounts payable processing person there. And that was the beginning of my federal career. Worked there for a couple of years. I ended up in a little internal audit division that reviewed exception reports and that bills are being paid on time, that kind of thing.

And over the years I progressed from there and I've really worked in all rounds from federal government to corporate. I've done tax and licenses and all kinds of accounts payable, accounts receivable over my career. But how I got back into the space where I am is I was working in corporate tax. I was a corporate tax accountant for a company in Richmond, Virginia, and we were going through an IRS audit and the people who were auditing, the manager asked had I ever considered working for federal government. I said, "Well, I used to work for federal government." He told me a job would be coming open. And I ended up coming back to the federal government after spending some years away as a GS-13 with the Internal Revenue Service as a corporate tax preparer. I was then an auditor. That's how I ended up back in federal government. But I've always been around the space of audit, internal controls and how to fix things.

While at the IRS, I worked in the LMSB, which is the large and mid-size [business] division, meaning taxpayers with assets over \$50,000. So those are your major corporations. And so, I used to help them because they would have an audit exception, but their exceptions mean they have to pay more tax. And I would give them suggestions. I'm like, "Hey. Can you fix your chart of accounts? Can you rename it because your clerk is putting it in the wrong category, which is causing you not to capitalize it, but it shouldn't be expense?" And so, I got really interested and really good at solving problems because I don't want to solve routine problems. I want to solve complicated problems. So, if it's something as simple with a simple fix, I would give them the suggestion, they would fix it, and then it wouldn't repeat again.

And so, I spent some years with the IRS and some other agencies. And I saw a job one day at Immigration and Customs Enforcement, which is DHS, and it said Audit Readiness. I'm like, "What is that?" And so, I realized that "Oh, these are the people who fix things. It's really a job." And so, I applied for that and ended up as a GS-14, staff accountant with the position, but it was the audit readiness. So, my job was to design caps, to assist with the auditors, to help people, train people for walkthroughs. And I felt like I had really hit my niche and what I was really, really good at. So, I didn't have to worry about audits anymore. I didn't have to worry about booking entries, but I could really be the translator between the process owner and the auditors, and I could tell people. I could look at somebody's SOP and say, "Hey. You're missing a key step. You need a review step," and they would fix their SOP and then the next cycle, you would see those transactions get better.

And so that's kind how I ended up in the world of audit readiness, ended up coming back to DoD to defense contract management agency as their FIAR director, audit readiness for the agency reporting entity. And now I accepted a position in 2020 with ASA(ALT), Department of Army, as the director of Audit Readiness for ASA(ALT). So, I really enjoy the work of problem solving. I don't see the audit as a really hard task, but most of our issues are systematic in nature. Something's happening or failing to happen to cause exceptions in our financial data. So that's how I ended up here a lot of years later.

Tom Rhoads: It sounds like if you love solving complex problems, you're in the perfect job, sounds like.

Eulica Kimber: I am. I am.

Tom Rhoads: There's lots of challenges.

Eulica Kimber: There is. There is.

Tom Rhoads: So, someone would ask you your sophomore year in college when you were looking at starting with the federal government, said, "Someday you're going to be the Audit Readiness Director of the Department of Army's ASA(ALT) organization," what would you have thought back then?

Eulica Kimber: I wouldn't have believed them. Actually, I felt like I was probably too irresponsible at that age because I didn't have to worry about anything but paying the invoices that were in my queue. And back then the voucher exam, we were broken up by alphabet, so I only had a certain number of vendors. And this is pre-computer, so it was actually paper invoices that had to be keyed in the system, matched for the receipt. So, it was very manual. So that was my world, and I really could not comprehend a higher-level view in the organization. So, I would probably be like, "You're kidding me. Whatever. Just give me a GS-5. I will be happy."

Tom Rhoads: What a neat story and what a varied background and those experiences are all coming into play now in your current role. And with respect to your current role, Ms. Kimber, can you share with us a little bit about risk management and internal controls and how that effort supports the Army's audit readiness efforts?

Eulica Kimber: I would love to. It's my favorite subject actually. So, a clean audit opinion, which is our goal, is really the byproduct of a healthy internal control system. So, when the auditors say, "We cannot test and pass you in certain areas," what they're saying is that, "Your financial statement environment is not clean enough for us to express a good opinion on it." And back where I mentioned a couple of statements ago that it's really systematic issues that cause problems. So, the system of internal controls, or we call it in DoD ARMICS, is about process health. So not only do you have policies or procedures and you have people doing those positions, you actually have a system that self-checks itself to make sure that things are happening. And when things go off the rails, is there a way that you would be notified? And is there a process to get you back on track?

I would give an example of it. If invoices are supposed to be paid by the 20th of the month, is it somebody's job to do that? Does it belong to a specific division to do that? Is the person educated and trained to do that? Do they have a system that will print out a report to tell them the due dates of it? It's really the system that supports it. And so, if you want to solve the problem, and in this example of invoices are being paid late, not being paid on time, you have to find out what issue in that. Is it the person? Is it the system? Is it the process? Is it communication? Do they not have a checklist? Is there not a report to tell them, "Hey. These are the bills you need to pull up to get those paid on time." It's really a system of internal controls that bring you to the clean audit opinion. And why it is troubling for us, or challenging for us as DoD, is that we aren't built that way.

So, Walmart or other commercial organizations, they're built with clean data in mind. So, they would not produce a system that did not give them those checks and bells and whistles to let them know when something is off. Even when we see those entities, especially commercial entities like retailers or whatever, you see they're very systematic. And they're systematic, meaning you can go to any Walmart and you can figure out how to do business with them because they're set up the same way. That is because their information is also being collected in a systematic way. That means they have reports in a systematic way. It might be different in the state they're in or the type of product or what's taxable or not, but the way that they're structured and doing business is organized. So that means their information is organized. And if something falls outside of the norm, they can probably catch it pretty quickly.

So, if they charge you \$10,000 for a stick of gum, it's probably going to be caught pretty quickly that a pricing or a table or something is wrong, something is off, and there's a way to correct it and review it. It's just that we as DoD don't have that data quality and internal checks built into our system. We're very mission driven, which we do a great job at that, but the part of the mission is also leaving a clean audit report that tells you how you spent the money that got you to that mission accomplished.

Tom Rhoads: And so, to have clean data or to have data that could be standardized for standard processing, that standard internal control processes, it's not a one person job, it's an organizational effort. How do you engage the personnel within your organization to support this and to engage and to be passionate about making changes if necessary to standardize their processes and to cleanse the data so that it's relevant for decision making?

Eulica Kimber: So, one, it's the responsibility of management to build an organization that is set up that way. So, they have to build an organization with data in mind, meaning senior leadership is the ones who [are] creating policies and DoDIs and instructing the lower levels of the organization on how to do things. So, they have to have a vision that is data-driven and sets up the structure. So, then that turns into what kind of systems do we buy. And when we get a system, which normally we don't have a problem at DoD with having enough money to buy or build a system, but do we know to tell the people, "Hey, create a report that tells us when these two fields don't match." So, you have to do that. But how you get people to care is their paychecks. That means, "I have not been successful at my job unless I meet these things that support clean data being created." So back to the invoice paying person, it's important to my organization that we pay these invoices on time. Then how am I getting raises, promoted and eventually retiring and I never paid bills on time? That's a problem. So I have to have a metric of that person who's responsible for that that says that 80% or whatever it may be that, I have to be successful at my job to be able to be successful in promotion and continuing to move on. So, I think there's a disconnect. And that kind of starts into the whole realm of ARMICs or internal controls that we have end-to-end narratives. I'm probably going into some other... I don't know if you want to go that deep now to talk about the elements of an internal control system, but it kind of gets into that, that you have to know your end-to-end processes. The FIAR guidance gives us accessible units (AUs), but you have to know your end-to-end process. As management, you have to know your end-to-end story on how you get from A to Z. We have acquired to retired and other ones in the FIAR guidance that identify, but it covers the entire financial statement. So that means it includes everybody's step by step process.

Tom Rhoads: It's interesting to hear you talk about what's needed to be successful. And just building on that, can you share with us from your point of view, what are the elements that create a successful control environment? Or what does a strong control environment look like?

Eulica Kimber: So, number one, you have to have the narratives, the end-to-end processes for your entire business. And you can't say, "Oh, no. That's in a DoDI. That's in..." Those things

are kind of segmented, but we need to know the end-to-end process. So, let's say hiring an employee. From hire to retire, everything, that's going to be different DoDIs, different guidance, different laws, different things. So, it's not going to all be in one place. So, you need to create an end-to-end narrative that captures the end-to-end story, and that includes those SOPs, the instructions and the laws or whatever. But it's cross-functional. It's cross-organizational. And it's end-to-end for that process. So, you have to have the narratives. And then from the narratives, you can identify all controls. These narratives are as-is, your current process, even if it's broken. You have to know where you are before you can correct it.

And then after you get that, you get the list or a population of controls that it takes to run your organization. And from there you can do, we call it risk control matrix. You can rank those risks. Some things are low risk. Some things are higher risk because some things are done systematically. Some things require a person. But you have to have an inventory of what your controls are. And I see that we're getting better at DoD and here at Army as well, but we will not be successful until we have documented our story end-to-end across all accessible units and identified all controls, that means all actions that it takes to do each task on each outcome. And then you assign that to the proper organization, to the proper jobs. And then you figure out what things are important and how success is measured.

So back to the invoice thing. So, if we figure out in there, it's important that we pay the bills on time. So, if we have the Prompt Pay Act, we pay things on time, then we have to backtrack in the process and see how we are setting up ourselves for success, be it from reports or having the right people, make sure it's in the right organization so you can accomplish that goal. And then ARMICs is about testing to make sure that the outcome is what we want it to be.

Tom Rhoads: Thanks for sharing that. That's great. And I was just reflecting back on your earlier responses about your background and how varied your background is and how you've been really in depth in auditing, and it's really prepared you for what you're doing now. Can you share with us a little bit about some of the lessons that you're bringing from your prior roles at DCMA and DHS to support the Army's audit readiness efforts?

Eulica Kimber: The tone has to come from the top and all levels of the organization have to understand that it is important. One, it's important and it's possible. I think we got the important part here, Department of Defense and Department of Army, but what I noticed that's different here than at DHS or even DCMA is that our leadership knew it's possible, a clean audit opinion. Of course, DHS has a clean audit opinion. So, they understood it's possible. No, it's impossible to run a report and know where people's access is. And I think sometimes the culture has people speaking like, "Oh, no. It's just paperwork. Oh, no. We'll never do it. It's just too big. We're too complex. We're too special." And so, the culture, we're kind of defeating ourselves in that. And the organizations I've worked to before that language wasn't there. They knew that it was to their benefit to be able to have tight records and really know how much in certain assets were or where the location was. They saw the business need for clean information and knew that it was possible.

And I would say that the organization I am now, Department of the Army, Department of Defense, has enough money and enough people to produce those clean records whereas some of those agencies I worked for before ICE, very small agency compared to DoD. DCMA, a very small agency. So, it's not about the size. It's about do you believe it's important and do you believe it's possible? And so yes, it is. It is.

Tom Rhoads: Reminds me of a quote that I really like. It's that, "if you believe you can accomplish it, you're halfway there." And it sounds like that's a big part of it here.

Eulica Kimber: And it's really weird, Tom, because if you think about it, if we ordered something from Amazon today, we know that we should be able to track it all the way to our front door. We know it's possible there. The equipment we have is large. It can't get lost. Really you know where it is. It costs a lot of money. But somehow when we come to work, we lose the possibility for us. That no, if there is tracking mechanisms that can track, I don't know, stick a gum, Q-tip swabs that are coming to your home, that if that same technology or technology like it is available for us to build systems and processes to have clean data.

I think we experience it every day. Exactly. In fact, we wouldn't even tolerate it if we went and spent our money somewhere who lost our file, even with the IRS. We'll be upset. All this money comes out of our checks and all these people, and it always goes to the right account for the most part. So, we don't tolerate that elsewhere, but we'll come to work, Department of Army or Department of Defense say, "Oh, no. Its kind in a black hole." No. Or, "That's not my job. It's somebody else's." I think it has to be not just possible, but we have to believe it's possible for us that we can do this and use those examples from industry and elsewhere that no, we can ask the... And the funny part is some of these people who have built systems for us have also built systems for these other industry people. So, it is possible we just have to know to ask for it.

Tom Rhoads: Wouldn't it be neat if similar to tracking a purchase we made on Amazon, a battalion commander could track the next delivery of tanks that are going to come to them? That would be very impressive, wouldn't it?

Eulica Kimber: Exactly. We should be able to do that, one, because it's not that hard. Even though we're dealing in bigger dollars, it's not the number of transactions, say, going to all these individual homes. That's something that's possible. And if anybody gathers anything, the people who are listening, is that technology is there. And we have to start asking ourselves, "How do we produce that kind of environment here?" Our front-line workers are usually younger people, young soldiers who may or may not spend their career. They might start here but do other things. Imagine them getting that kind of exposure to technology and processes that can prepare them for industry if they choose to leave service after a while, even young workers.

So, I think it has a ripple effect, a cascading effect, that our workforce doesn't have the expectation of their employer or their experience is not built to think that way. We in accounting, we call that the assertions, completeness, accuracy. "How do I know I have all of them? Is there a report? Is there a screen? How do we support this transaction?" Those things are something that we should be teaching and modeling to our workers as much as possible. And I think we're getting there, we're figuring out, but I think that should be the goal.

Tom Rhoads: That was really insightful. And speaking of new workers or young workers, Ms. Kimber, we usually like to wrap up each episode with what is some advice that you would give in our early careers that are listening now knowing what you know now? What advice would you share with them?

Eulica Kimber: If it's specifically in the financial management community, I would say once you learn the financial management processes, it applies to all agencies. So, once you get these under your belt. Usually we're 500 series people, all the money people are 500. Once you get that foundational information, you can apply it anywhere. I would challenge you to be very inquisitive about what you're learning and what you're doing to learn about your organization, not just focus on what your task is, but care about what happens before and after, that you are part of the process so you understand where you fit, so you can understand how the organization works and what part you play. I think that is very important.

I also challenge DoD folks that you don't have to spend your whole career here. I got my 13 at Internal Revenue Service and I got my 14 at DHS, but it was very easy because financial management works the same. Their missions are different. No, everybody's not fighting wars, but Department of Education has a mission. Transportation, DHS, they're all doing the same transactions. They have civ pay. Some even have mil pay because Coast Guard is under DHS. But the process is they have contracting.

So, it's really not hard to get it under your feet after you learn it and to be able to apply it elsewhere, to learn your craft and not just look at just your organization, but the principles of what the process is, be it accounts payable or contracting or what have you. That knowledge will take you somewhere, and even into industry. Some people make the jump and go work for a contractor. But that knowledge... And some come back. But the knowledge that you have is valuable. And if you become a problem solver. I was taught that the GS-13, 14, 15 levels are the problem solvers. We're not just the doers. We're the problem solvers, and we provide the way for the senior management and kind of like middlemen to the lower grades. But those are problem solving grades. And that if you become a master at your craft, you can become a problem solver and a well sought out one.


Tom Rhoads: Such good advice. And Ms. Kimber, I know how busy you are, and I just want to thank you on behalf of ASMC for taking time out of your schedule to share some of your thoughts and your insights for our listeners. And thank you so much for your time today.

Eulica Kimber: Thank you so much..

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