

**ALL THINGS FINANCIAL MANAGEMENT PODCAST**

# Driving Progress in Audit at the U.S. Navy

with Victoria Crouse, Former Deputy Director, Office of Financial Operations, DON Financial Management & Comptroller



Welcome to the All Things Financial Management Podcast presented by Guidehouse and the Society of Defense Financial Management. I'm your host, Tom Rhoads. Join us as we discuss top of mind issues facing defense financial managers.

**TOM RHOADS:** Ms. Crouse, thanks for being with us here today.

**VICTORIA CROUSE:** Thanks, I'm very pleased to be here.

**TOM RHOADS:** Well, we're excited. We've been looking forward to this for a while, and we're grateful that you were able to find time to join us. And to start our podcast today, would you mind telling us about your background and what brought you to your position as the Deputy Director of the Navy's Office of Financial Operations? Or in other words, can you just tell us your story?

**VICTORIA CROUSE:** Sure, Tom, I'd be happy to. So, I started my DoD career actually the same year as the CFO Act was passed, although I will admit I did not know what the CFO Act was until many years later. But I started my DoD career straight out of college, working for Defense Contract Audit Agency. I started as a GS-7 auditor at DCAA Sikorsky Resident Office.

And just a fun fact and something that some of our younger folks may be able to relate to these days is on day three of my job there, they had a staff meeting with their regional audit manager, who started out by talking about how the defense industry in Connecticut, where we were located, was on the downturn and therefore, he thought there might be reductions in force in the future. And yet, I lasted 34, almost 35 years before my retirement now.

So, I stayed with the DCAA Sikorsky office for about a year and a half and again, the defense industry was on the down slope at the time. And so there were some openings in the D.C. area and my supervisor at the time saw some promise in me and had a friend who was a regional audit manager in the D.C. area and he called them up and said, "Hey, I think this auditor would be good down in the D.C. area." And so I packed up and moved down to the D.C. area where I've been ever since. So, I spent another about 15 years with DCAA.

So, a total of 17 years I spent or about half of my career with DCAA, moving up the ranks from a GS-7 up to a GS-14. I had a number of jobs or positions within DCAA, both at field level offices. I grew up as a field level auditor and then moved into the DCAA headquarters for a number of years working audit policy. And then ultimately I moved back out into a field office to run one of the DCAA field offices in the D.C. area.

So, really got an opportunity to work at different levels within the DCAA audit operations, got experience auditing major contractors like Sikorsky Aircraft, Raytheon, Boeing, as well as little mom-and-pop shops where you go meet with someone at their kitchen table. So, quite a breadth of exposure to different organizations that are supporting DoD, on contract to DoD.

While I was running the field office at DCAA, I got a call from someone I had worked for at the DCAA headquarters and in the policy group who had moved on to OSD Comptroller on the DCFO side, working in their policy shop. And he said, "Hey, we're looking for somebody that understands contracts that could help us with some of the financial management policy around contracts." And so I moved to OSD Comptroller.

There, I started in accounting and finance policy, again starting focused on FMR Volume 10 related to contracts. And while I was there, broadened my knowledge and experience, my understanding of the standards around property plant and equipment and so forth. And so I had an opportunity to learn more about the DoD financial management and accounting operations through that position, because when you're auditing contractors, you're really not working in the, "How do we?" No kidding, within the DoD account for those contractual transactions. So, that was a great opportunity to learn that side of the financial equation, if you will.

So, again, I spent a little bit of time in the accounting policy shop. Then I worked in the financial reporting and analysis division within OSD Comptroller, again under DCFO where we had oversight of all of the DoD financial statements. So, I was assigned particular Defense Agencies or Military Services. Interestingly, Department of Navy General Fund was one of the financial statements that I was assigned to perform analysis on. And so really, again, got an opportunity to understand how we put the financial statements together, what note disclosures we need to do, what are the requirements in terms of the agency's financial report and really, again, an opportunity to broaden my knowledge and experience there.

Then I spent some time in the OSD FIAR Directorate. That was an interesting time. It was during that timeframe that Bob Hale was the OSD Comptroller, and he really, I think started the, I'll call it a little bit of a turnaround in the way we approached this CFO Act requirement, because he stepped back and said, "Hey, we've got to stop spinning

our wheels and trying to force everyone to care about accounting. We need to focus first on the things that really resonate with people, both the taxpayer and folks in the other functional community.” And so he put some priorities out where we focused first on budgetary data. So, appropriations received was the first thing we did and count ten amounts of our mission-critical assets. So, he put those priorities out in about 2008, 2009 timeframe and I think that was really the first shift in the department’s approach to audit.

Obviously it’s taken us many years since then to make the progress we’ve made today, but that really was a bit of a turning point. Back in, so that was again about the 2008, 2009 timeframe, I stayed with OSD Comptroller as the assistant director, one of the assistant directors for the FIAR directorate until about 2013, and then I had an opportunity to go out and lead the accounting and finance division within Defense Threat Reduction Agency.

So, it was a little bit outside of my comfort zone, right? Going from a true headquarters position at OSD Comptroller and stepping out to more of a field accounting position, but I really felt it was important to make that move because I felt like I had a gap. I had done the auditing, I had done the top level accounting policy, financial reporting and driving how we were approaching audit, but I didn’t have any of the day-to-day accounting knowledge. And so I took that opportunity and spent I think about three years with DTRA. And really I think that really gave me a good grounding in the debits and credits of what we do, understanding the budget process, working with the folks on the budget side, and again, really taking what I understood from the policies that we put out and putting that into execution at a Defense Agency.

And then back in 2016, I had an opportunity to move to the Department of Navy as a Senior Leader with a focus initially on internal control. I took that position for a couple of reasons. One, it was a senior executive position, which I aspired to, so that was a great check mark for that job, but also I really felt like I had an opportunity. I hoped I would have an opportunity to really have an impact on Department of Navy’s financial management and audit, with the background that I had in not only understanding the acquisition processes and audit, but internal controls and that day-to-day accounting operations. And so I took that opportunity and was in that position until just a couple of years ago when I moved into the Deputy Director position where I really had direct oversight of our audit remediation efforts.

**TOM RHOADS:** Congratulations. That’s fantastic.

**VICTORIA CROUSE:** Thank you.

**TOM RHOADS:** Ms. Crouse, you have an incredible depth and breadth of experience within the Department of Defense. Can you share how some of these examples have helped you drive progress at the Navy?

**VICTORIA CROUSE:** Sure, Tom, I’d be happy to share that. So, I’ll start with my time at DCAA. I think I can confidently say that my experience at DCAA, particularly that first year and a half at the Sikorsky Resident Office, really gave me an appreciation for the importance of understanding the connection of the work that we do in the financial

management community to the mission, right? So, one of the first audits that I did when I was at the Sikorsky office was a price proposal audit. So, that's where the contractor is proposing to, in this case, sell a helicopter. In this particular case, we were selling a helicopter to Bahrain, so this was early '90s, so around the time of the first Gulf War. Full disclosure, before I did that, price proposal audit, I had never even heard of Bahrain. Right before the Gulf War started, and I remember the senior auditor that they had paired me up with, he was teaching me the ropes, if you will, a little bit of a mentor.

He actually took me out on the assembly line and we found the helicopter that we were auditing, because it was a helicopter that was already in production that was being retrofitted for Bahrain and so I could physically see what it was that I was auditing, right? So, I was looking at the cost and pricing data that supported the cost of the materials and labor and so forth that were going into that. And then shortly thereafter, the Gulf War breaks out and all of a sudden we're hearing on the news about this tiny little island nation in the Gulf region called Bahrain. So, that really stuck with me over the years.

I think the other real tremendous benefit I got from my years with DCAA that translates into what we're doing today is that deep understanding that I have of defense contracts and the different ways that we contract, the intricacies, the nuances, how we pay them, what the acquisition regulations require. I had an opportunity, not while I was at DCAA, but later at comptroller to work on some working groups that were looking at acquisition regulations. And I really developed that great understanding of the language of the acquisition community, right?

Every functional community has their own lingo, their own language, and frequently we talk past each other. And so that is something that I truly believe has been integral to the success that I've had, is understanding the language of the acquisition community, understanding what's important to the acquisition community. So, it's helped me as we work with, for example, ASN RDA or at the OSD level if you're working with OSD A&S to be able to speak in a language that they understand. And that's also helped me as we have looked within the Navy at our procure to pay processes and how we account for the different financial transactions that occur through the life cycle of a contract.

And that could be how we're accumulating construction and progress as we're working on aircraft and vessels valuation or how we should be accruing accounts payable on these contracts. So, understanding what's a normal cycle, if you will, for invoices to come in? What are the different types of invoices and how does the type of invoice impact how we account for it? So, that's really been very important to our efforts on the Navy financial audit. I was at the OSD Comptroller. I would have to say probably the most important thing that I learned there that's benefited me with the Department of Navy is I really got a keen understanding of the politics of the financial management and the financial audit. We're under such scrutiny today from Congress, from leadership within the department, different administrations, and it's really important to understand those external forces, if you will. What's important to Congress? What do we need to report to Congress? How does what we do day to day and executing our audit strategy feed into those very important communications to OSD, to the administration and to Congress?

Obviously in my time with the OSD Comptroller Accounting and Finance Policy Directorate, I really got a pretty deep understanding of accounting standards, which obviously has helped me as we've looked at how to apply those at the Department of Navy and what policies do we need to put out, where are things black and white and thou shalt do this or thou shalt not do this, and where other gray areas were, we can work in the gray and do what makes sense? The Defense Threat Reduction Agency, as I mentioned earlier, really understanding and experience and field level accounting and learning the actual debits and credits of the transaction really is invaluable. Even today as I'm reviewing journal vouchers, maybe some of our prior period adjustments as we're revaluing equipment, as we're getting our construction in progress processes and property valuation compliant with SFFAS 6, I still will stop and say, "Okay, let's T accounts out. Let's understand what the debits and credits are and make sure that the debits and credits we have in this journal voucher and it makes sense and that at the end of the day we get to the answer that we expect." So, that was knowledge that I did not have prior to getting to DTRA. Obviously I've taken some of the classes that go over that, but until you're actually hands-on doing that, I don't think you really get that deep understanding of it. And I also had an opportunity at DTRA to work across different disciplines within the FM community. I talked earlier about how the acquisition community has different language than the FM community. Well, within the FM community, we have different dialects as well, right? We talk to our budget colleagues and they've got language that they use and terms that we have that may be similar, have different meanings between the budget and accounting communities.

And the same thing with the systems community. I actually at DTRA had responsibility for our accounting systems. So, I thought I understood some of the systems lingo until I came to Navy and when I arrived at Navy, we had such a complex financial accounting structure, 13 general ledgers. Even as you talked with different systems, people working with the different GLs, even sometimes they had different languages. So, having exposure to those different disciplines not only helped me to understand again, what their concerns were. What are the equities that they have, what are those connections between what they do on the budget side, whether it's formulation or execution, and how that connects to what we do on the accounting side? And then pulling that thread even further, how do we then present that to the auditor so that the auditor can understand and audit it?

**TOM RHOADS:** These are such neat experiences, Ms. Crouse. I love everything from actually being able to see and touch and feel the asset that they are auditing the records for, to being able to bridge the communication barriers between different types of organizations, understanding the systems, understanding the connection points and the tie points. And these experiences clearly have made you uniquely qualified for your role and the success that you're driving at the Navy. If we flipped our lens the opposite direction, if you were to go back to one of these other DoD organizations that you've worked for in the past, is there something that you've learned from the Navy that you would want to share with them?



**VICTORIA CROUSE:** Sure. That's a fabulous question. I think I'd probably pick OSD Comptroller, right? Since we have a great connection with them. And I think what I'll say here, many of the folks that are in the DCFO shop at OSD Comptroller, I've said these things to them previously. I think I'd start with the fact that the textbook answer is usually not what we can actually do, right? You've got to take the realities of the field level environment into consideration when putting out policy. So, as I think back to my experience both at DTRA and at Navy implementing policy, which I have to admit in some cases policy that I wrote when I was at OSD Comptroller, things are not as black and white as you think they are when you're sitting in that five-sided building. There are frequently gray areas and often the most practical solution and the one that we can actually implement are the ones that fall in that gray area.

Taking that a step further, I think I would share with them that we have to respect the fact that the end of the day, the operational mission is more important than accounting and audit. I know that's blasphemy for some in the financial management community, but it really is. I think that's very true. So, instead of us driving the operational and other functional communities to completely change the way they're doing something to meet the quote unquote "audit requirements" we have to first understand what they're already doing that we may be able to leverage maybe with some tweaks on documentation or some tweaks in what they're doing to satisfy the accounting or audit needs. And in some cases, frankly, we may be able to, looking at the data that comes out of their current processes, even if that current process isn't up to audit standards, we may be able to take the data and make some topside adjustments to correct for lack of precision in the data.

The folks who work for me now I think are familiar with the soapbox that I get on, which is we never should do anything simply for the audit, right? That's never the right messaging to have when we're talking to anyone about what we need to do to meet the audit requirements. There has to be a business reason for doing something and if we anchor ourselves on that business reason, then success in the audit is going to come, right?

So, if we keep that focus on operational mission, business reason for doing things and have the audit just be the outcome or the side benefit of it, that's when we make progress. The other party in the transaction, if you will, the other functional community, the operating forces down at the deck plate level, they need to understand the what's in it for them. One example I can give you that is when we talk about working capital fund inventory, for example. For many years I think we kept trying to drive the folks in the warehouse to, "Okay, here's the perfect audit documentation you need to have, and we're going to tell you what it is in audit terms." Right?

And when we stepped back and the admiral at the time, Admiral Stamatopoulos said, we worked him and said, "Let's step back. Let's forget about talking about audit. Let's talk about good order and discipline in a warehouse." And what does that look like, right? Because when we have that good order and discipline in the warehouse and we speak to the folks, boots on the ground in the warehouse about what they need to do in their job, then we're going to be successful in audit. We have in fact, seen inventory accuracy rates improve pretty significantly in that area. And so again, if we can speak to folks in terms that they understand, not talk about audit, talk about what's important to them, right?

Knowing what we have, what condition it's in, where it is, then we get the success in the audit. And the last piece of advice I think I'd give to the folks, to the folks at OSD is we've got to work with speed and agility to meet the needs of the customer or the component FMs.

One great example I have of that is a couple of years ago there was... The details aren't important, but the situation that required us to get an exception to policy from OSD personnel and readiness that would allow us to best take care of our sailors' families in this particular situation where they were displaced from homes. To get this exception to policy from OSD P&R, normal course of business is you've got to go up through OSD comptroller, it's got to go through a lengthy process of getting reviewed there before it goes to OSD, P&R and this can take months.

Well, there was a sense of urgency in getting this resolved, and we were able to successfully work with some folks within OSD, P&R. Frankly, I reached out, picked up the phone on a Friday night and called someone I had worked with there on a Friday night. He was out to dinner with his wife, but he took my call and I explained the situation to him and working together, we were able to get this exception to policy turned around and approved in, I think it was one or two weeks at OSD, which was unheard of. So, we need to make that more the rule than the exception.

**TOM RHOADS:** That's really good feedback, and I really like both your points. And the first one probably will resonate with you from your time at OSD, where the FIAR guidance, I would always reflect on this, that the FIAR guidance stands for financial improvement and then audit readiness by improving our finances and our operational tempo, the audit's going to happen, the success of the audit will happen. So, I think that tied that really well together. And Ms. Crouse, we like to wrap up each episode with some advice for the early careerists who are listening. So, knowing what you know now, what advice would you share with those who are just starting out their careers?

**VICTORIA CROUSE:** Another great question, and these early careerists are the future of our FM workforce, so this is very important. I would start by saying network, network, network. Within your organization, outside of your organization. If you're in one military service, reach out to your counterparts in another military service. The FM community is surprisingly small and interconnected, and it's really important to have those connections to reach out to when you need to tackle the hardest problems, leverage a solution that someone else has already found, ask for help, collaborate to come up with a solution. That example I gave around the exception policy, if I didn't have a personal connection with that executive that I needed to reach out to within the P&R chain, I don't know that we would have been able to successfully get that exception to policy through with such speed. It's really, really, really important.

Next, I'd say look for opportunities to get experience at all levels of the organization, from the deck plate or field level through the headquarters level. I like to think I did it a little bit backwards. So, I had my audit experience for the first half of my career and then came in right at the top of the organization at OSD Comptroller and then worked my way, worked my way down, which is probably not the traditional way that folks did it, but it worked for me. But the importance is getting to understand what's involved in working at all of those levels of the organization and how they work together and how they support each other. Next, I'd say don't let yourself get stove piped into one discipline and take every opportunity you can to broaden your experience in different disciplines within the FM community as well as in different functional communities.

Now, that could be taking opportunities for rotational assignments, even shadowing assignments. Shadow someone in the acquisition community for a week to understand what's the conversation that they have in that community, what's important to them. I talked many times I think, about learning the different languages. The way I look at it is languages of the different functional community.

The way I look at it is become multilingual. Throughout my career, I learned to speak accounting, audit, acquisition, and I think enough logistics, system, and budgets that I could order a cup of coffee in any of those communities. It's really important to be able to be on the same page while you're communicating with them to get them to understand what you need from them, understand what they need to get from you and what you need to get from them. Frankly, being able to be that translator between the auditors and those other functional communities, I have found to be invaluable, because if I'm in a meeting with someone in the acquisition community or frankly sometimes in the FM community and the auditors, I'll find myself taking what the auditor is asking for and turning to the acquisition manager saying, "Okay, this is what they mean. This that you do is what they want to understand."

And same thing, if someone in the acquisition community says, "Here's what I do." I can turn to the auditors and say, "Okay, this is what they mean and how it translates into our accounting." And I think that has been hugely beneficial.

I think another really important thing is just being true to your authentic self, right? So, this is less on the technical side, but on the personal side. Don't pretend you know the answer to every question. It's more important to know where to go to find the answer than to know everything and the last thing I want to do is be in a meeting where someone tells me an answer to something when they really don't know. That takes us down the wrong path. So, have the courage to say, "Hey, I don't know the answer to that, but I will get it and I will come back to you." And then get the answer and come back with it. I think knowing your values and living by them and staying true to your personal and professional integrity.

I've had a couple of situations in my career where I, at DCAA, for example, when I was the Field Office Manager, I was responsible for signing those audit reports out. So I personally reviewed the work papers. I had to be comfortable that there was sufficient audit evidence to support the conclusions in the report. And I recall there was one pretty



sizable audit that came to my desk for me to sign the report and it was one that there was a lot of external pressure to get this report issued. And as I reviewed the audit working papers, there was more work that needed to be done. There was not sufficient evidence to sign it. And I had to have the courage to raise my hand and say, “I am not comfortable putting my signature, my professional integrity on the line by signing this out when I am not comfortable that the conclusions can be supported without additional work.”

I won't say surprisingly, but I was very, very happy that the director of the agency at the time supported me and said, Nope, if your professional judgment is that more work is needed, then let's go do that additional work and we'll deal with the ramifications. So, I was true to my values, my professional integrity, and I was supported in that and that is incredibly important.

And finally, I think my last piece of advice for them would be always stay connected to the mission that you're supporting. Again, back to what I said earlier, the operational mission is what is most important, and we have to understand what our role is and always keep in mind that we are in support of the soldiers, sailors, airmen, marines, guardians I think in Space Force, right?

**TOM RHOADS:** Yeah. Ms. Crouse, this is awesome feedback for all of us, and I want to thank you for sharing it, but I also want to thank you for taking the time out of your schedule to be a guest on our podcast today. Thank you so much, Ms. Crouse.

**VICTORIA CROUSE:** Thanks, Tom. I appreciate the opportunity to share my experience.


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