



US Defense Logistics Agency

Developing stewardship excellence

The challenge

With the responsibility for providing supplies and services to US forces worldwide, the Defense Logistics Agency (DLA) is one of the largest and most geographically diverse functions within the US Department of Defense (DoD). The Agency is made up of more than 26,000 employees — both civilian and military — who are located in 48 US States and 28 countries around the world. Through its eight supply chain operations (Aviation, Maritime, Land, Subsistence, Medical, Clothing/Textile, Construction, and Energy), the Agency manages approximately US\$45 billion in annual spend.

While the Agency is not strictly 'auditable' (as is the case for most of the DoD), there was a growing recognition within senior leadership that the organization needed to achieve a higher level of stewardship excellence and establish and demonstrate the capabilities to achieve — and sustain — a state of audit readiness.

However, the Agency recognized that a number of significant barriers were impacting its ability to achieve this goal. For example, the DLA needed the embedded internal controls and accounting capabilities necessary to manage and maintain an audit-ready state. Given the complexity and scope of operations, the organization also had to generate a clear picture of the linkage between their finance decisions and compliance.

The challenge was further compounded by a lack of process standardization and a high reliance on a vast number of unique processes, which meant there was little capability for data analysis and — therefore — reduced visibility into the type of detailed information required to conduct a successful audit. With a highly decentralized workforce, many parts of the organization also suffered from a 'siloed' culture that was somewhat resistant to change from the center.

The approach

Facing a massive undertaking involving dozens of individual projects, the Agency first set about creating a Program Management Office (PMO) that would take responsibility for integrating the project teams' various actions and strategies. Staffed through a combination of Agency

employees and advisors from KPMG, the PMO enabled the Agency to identify and reduce redundancy within the broader initiative, and take an active role in bridging the activities of the various teams to eliminate silos and drive horizontal integration.

In order to gain a clearer understanding of the scope of work required, the Agency — supported by the PMO — performed a robust diagnostic program to review all areas of the organization and identify known deficiencies that could be resolved through formal resourcing and remediation.

The program also placed a high value on ensuring that operational and process changes could be sustained long after the project closed. To achieve this, the program team placed a large focus on identifying and transferring institutional capabilities, knowledge and training within the organization and facilitating greater integration and collaboration wherever possible.

The results

While the program is still ongoing, the DLA has achieved a number of significant results within the first phase of operation. The Agency has developed, implemented and formalized a stewardship governance structure that not only delivers long-term sustainability, but also provides a clear scope and defined accountabilities for each of its departments. Sustainability of the program was also achieved by the establishment of a framework aimed at enhancing consistency, delivering greater insight into the maturity of their in-house capabilities and creating robust mechanisms to drive stable and repeatable processes.

Through training, education and knowledge transfer, the Agency has also achieved significant results in increasing the stewardship and audit capabilities of DLA employees, and has identified important financial accounting competency gaps within both the DLA and their service providers. Process management was also assessed within the Agency to encourage more robust system assessments, the management of process inefficiencies and the mitigation of challenges from both an enterprise and a systems level.



The program also provided the DLA with a comprehensive view into the linkages and dependencies not only within the DLA itself, but also extending ‘upstream’ to include commercial suppliers and ‘downstream’ to span all DoD components as

customers. Based on this analysis, the Agency introduced a robust Enterprise Risk Management program — the first of its kind for the DLA — that has now been fully adopted across the organization.

Lessons Learned

The experiences of the DLA provide a number of valuable lessons for Defense agencies around the world. For example:

1. **Embed accountability at every level:** Large and complex transformation programs demand accountabilities to be set and formalized so that each participant and project team understands where their scope starts and stops. This allows gaps to be quickly identified and remediated while ensuring that organizational change is sustainable in the long-term.
2. **Ensure senior-level sponsorship:** Particularly in military organizations, transformation projects require the support and active participation of senior commanders; in other words, those objectives that are a priority for the commanding officer tend to be a priority for their team.
3. **Leverage external capabilities, but lead internally:** Change programs must be led and managed by internal employees who not only understand the interdependencies of their actions, but can also ensure that change can be embedded into the organization in a sustainable way. External consultants are important in delivering extra resources and skills, but — as they will eventually leave — these capabilities must be transferred within the organization.

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