



DEPARTMENT OF THE NAVY
FINANCIAL MANAGEMENT
TRANSFORMATION
WORKFORCE | AUDIT | BUDGET | SYSTEMS | DATA

**DON'S CURRENT INITIATIVES:
DISCUSSION OF THE AUDIT, ERP+, AND AI**



DEPARTMENT OF THE NAVY AUDIT UPDATE



U.S. Marine Corps (USMC):

- Achieved an unmodified (clean) opinion on its Fiscal Year (FY) 2025 Financial Statements, sustaining the opinion for the third consecutive year.
- Continuing efforts to expand the use of automation, artificial intelligence, and analytics to improve operations and auditability

DON Working Capital Fund (WCF):

- Two-year audit underway with an expected unmodified opinion in February of 2027 (FY 2026 Financial Statements).
 - Demonstrated accountability over Inventory with 99% accuracy for Navy Managed, 98% accuracy for third party-held, and reconciled 99% of commercial vendor confirmations.
 - Opening balances audited for Inventory and General Property Plant and Equipment. When combined with Funds Balance with Treasury (Cash) sustainment, nearly 97% of balance sheet assets are auditable – demonstrating progress toward an unmodified opinion.
- Data Driven Audit Remediation drove progress and results. This approach includes employing platforms that support advanced data analytics, artificial intelligence, and machine learning.

Navy General Fund (GF):

- On track to achieve an audit opinion for FY 2028, while identifying opportunities to accelerate the audit timeline.
- To date, 92% of total GF assets are audit ready.

Navy Completed System Migration to Navy ERP

FY 2026 DON AUDIT PRIORITIES

- **DON Working Capital Fund:** Achieve an audit opinion in FY 2026.
- **U.S. Marine Corps General Fund:** Sustain the audit opinion.
- **Navy General Fund Priority Areas:**
 - Statement of Budgetary Resources
 - Real Property CIP
 - Ordnance
 - Operating Materials & Supplies – Remainder
 - General Equipment – Remainder
 - Internal Use Software
 - Leases

WORKING CAPITAL FUND

WHAT IS “DATA DRIVEN AUDIT REMEDIATION”?

- Start with “end in mind”. Three Goals:
 - Clean Opinion for DON WCF in FY26
 - Clean Opinion for the DON GF in FY28
 - Auditable Data for Migration to ERP+... That won’t take 20 years!
- The process was executed by USMC to achieve the General Fund Opinion
 - Data first approach focuses on data analytics and automation to not just correct transactions but entire populations
 - Work offline when the financial environment is not “helpful”
 - Accept findings and material weaknesses; work down material weaknesses in the future
 - Leverage advanced analytics, AI, and ML platforms to target remediation
 - Utilize live dashboards to track progress, not plans

Data driven audit remediation accelerates progress by leveraging analytics to prioritize and target problems. Dynamic dashboards drive progress more than traditional plans

PLAN TO ACHIEVE DON WORKING CAPITAL FUND FY 2026 AUDIT OPINION



Balance Sheet
9/30/2025

	FY 2026			
	Q1	Q2	Q3	Q4
Fund Balance with Treasury \$3.57B 4.6% of Total Assets	Execute Monthly + Quarterly Reconciliation			
Inventory \$69.56B 90.5% of Total Assets	Deemed Cost Testing			
	Carcass Tracking Controls			
	PBL Controls			
	WAC Testing			
	DLA WMS Module Reconciliation			
	CBEDS KSD Repository			
	Controls over Unmatched SIT			
	Quarterly Confirms over 3rd Party Vendors			
	Execute Cycle Counts			
	E&C Testing			
PP&E – GE \$1.3B 1.7% of Total Assets	Revise Cap Threshold			
	Monitor/Test CY Activity			
	Execute Go-Forward Processes			
	IPA Baseline Testing			
UFCO/Revenue/AR/Advs To UDO/Expense/AP/Advs From Rev: \$46.88B Exp: \$48.88B UFCO: \$17.57B UDO: \$4.42B AP: \$1.76B (37% of Total Liabilities) AR: \$1.94B (2.5% of Total Assets) Advs To: \$392.5M (1% Total Assets) Advs From: \$358M (7.8% of Total Liabilities)	Refine AP and AR Accrual			
	Refine Sales Order and Obligation Write-Off			
	Finalize Accrual Guidance			
	FERMC Compliance Monitoring			
	Quarterly Testing			

IPA Action Navy Action Action Complete/In Sustainment

Road to an Opinion Open Activity

- Completion of FY 2026 current activity site visits to include beginning balance roll forward testing.
- Testing of Inventory valuation (weighted average cost) in FY 2026.
- Testing of additions/disposals throughout FY 2026.
- Confirm intragovernmental accounts receivable as of September 30, 2025 and 2026.
- Finalization of accounts payable/accrual estimates and trading partner adjustments as of September 30, 2025 and 2026.
- Testing of FY 2026 revenue and expenses.
- Testing of payroll liabilities and expenses as of September 30, 2025 and 2026.

Completed/Sustainment Activity

- Completion of opening balance (deemed cost) testing for Inventory and GPP&E.
- Implemented WAC tool solution for Go-Forward Inventory valuation.
- FBwT Sustainment activities ongoing.

GENERAL FUND

GF SBR FY 2026 AUDIT PRIORITY

Unobligated Balance from PY
\$75.6B

Spending Authority
\$10.2B

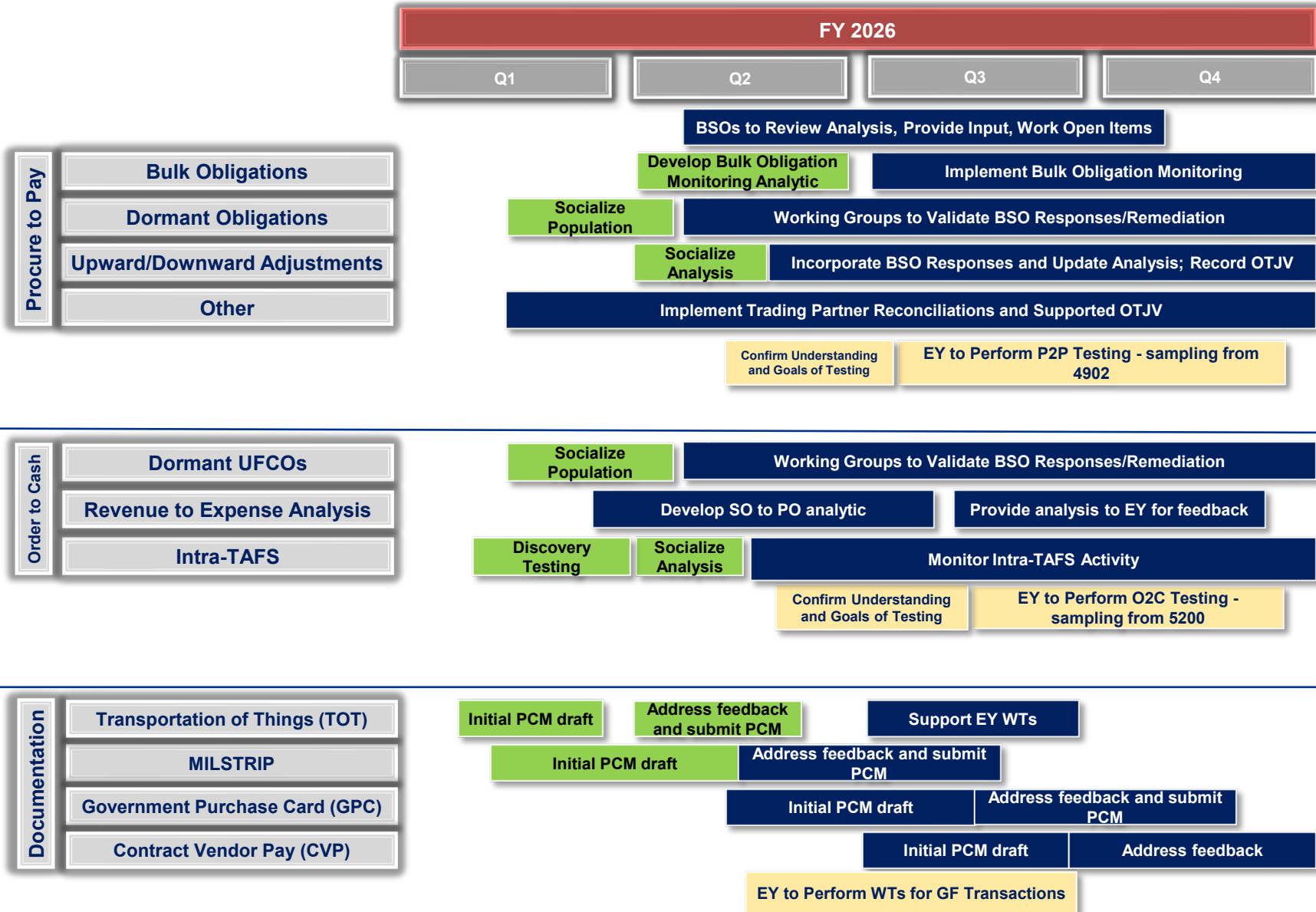
New Obligations and Upward Adjustments
\$263.5B

SBR
9/30/2025

IPA Action

Navy Action

- Navy Priorities for IPA**
1. Walkthroughs performed prior to testing
 2. Clear testing objectives provided
 3. Testing that mimics opinion year effort
(Consider smaller sample sizes as needed)
 4. Real-time feedback on sample packages



NAVY GF BUDGETARY KEY RESULTS

Undelivered Orders (UDO) Priority 1	UDO Balance: >2M Dormant: >1 year since last activity and >1 year since delivery/PoP end	\$1.8B <i>Total Balance Identified</i>	289 <i>Count of Purchase Order Line Items (POLI)</i>	Top 3 BSOs NAVSEA, NAVAIR, CNIC/NAVFAC	\$114M <i>UDO Balance Cleared to \$0</i>
UDO Priority 2	UDO Balance / Dormant: Determined by Business Process type (CVP, RWO, MILSTRIP/Outfitting)	\$3.9B <i>Total Balance Identified</i>	1,315 <i>Count of POLI</i>	Top 3 BSOs NAVSEA, NAVAIR, CNIC/NAVFAC	\$165M <i>UDO Balance Cleared to \$0</i>
UDO Priority 3	Dormant: >90 days since last activity and >90 days since delivery/PoP end	\$6.3B <i>Total Balance Identified</i>	273,000 <i>Count of POLI</i>	Top 3 BSOs NAVSEA, NAVAIR, CNIC/NAVFAC	<i>Initial Validation Results due 4/30</i>
Unfilled Customer Orders (UFCO)	Dormant: >90 days since last activity and >90 days since PoP end	\$145M <i>Total Balance Identified</i>	3,650 <i>Count of Sales Orders (SO)</i>	Top 2 BSOs CNIC/NAVFAC, NAVSEA	<i>Initial Validation Results due 4/30</i>

Key Takeaway

As of 04/08/2026

Initial UDO cleanup efforts resulted in over \$300 million in de-obligations in Priority 1 and Priority 2 areas, with reviews completed for 685 POLIs.

ERP+ & AI

FROM WAREHOUSE TO WARSHIP, ERP+ WILL CAPTURE THE LIFECYCLE OF DOLLARS AND SUPPLY

ERP+ need:

End of Life: Navy ERP (ECC) end of life in 2030

Too Complex to Fix for Audit: ERP (ECC) forces near-term reliance on Advana/Jupiter for audit

Too Costly to Sustain: ERP (ECC) is overly customized; DON processes are highly variable

ERP+ scope:



Navy ERP ECC's 2030 end of life is a once-in-a-generation opportunity to transform the Navy and integrate our financial system, business processes, and operational logistics ashore and afloat to ensure every dollar spent contributes directly to warfighter readiness and combat effectiveness

ERP+ APPROACH: WHAT'S DIFFERENT THIS TIME



Fit-to-standard requirements development approach to adopt the software standard



Data-driven approach to decision making, custom object analysis, and requirements definition



AI-first approach with >15% of design requirements complemented or subsumed by AI/automation



SAP S/4HANA **sandbox** established to prove out decisions and iterate on design requirements, allowing us to **“try before we buy”**



Change Agent Network established with **50+ Change Agents** at all Commands organized by 7 end-to-end (E2E) process Integrated Product Teams (IPTs)



Modern **acquisition approach**, embracing **“show vs. tell”** using software demonstrations instead of only whitepapers

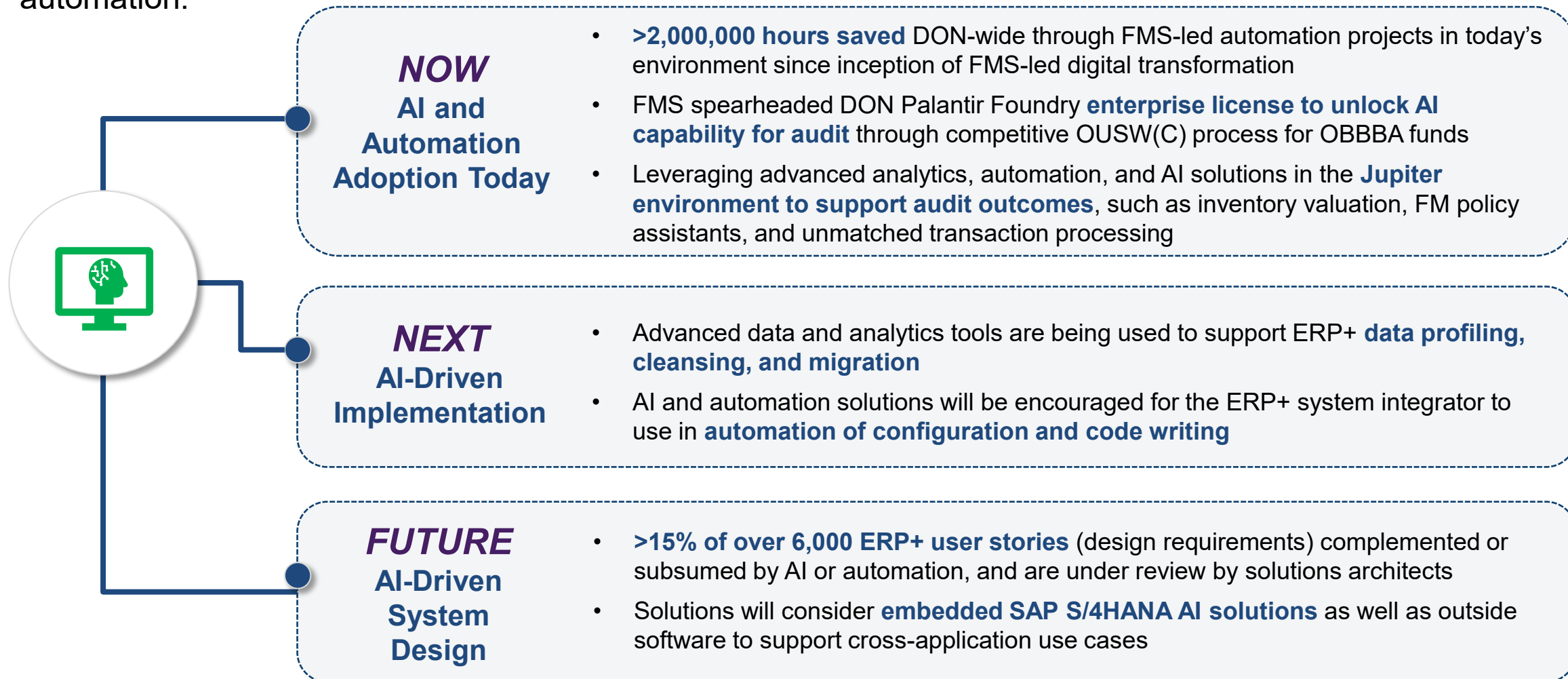


Clear **governance process with guardrail-driven triage** process for all Key Design Decisions (KDDs) with escalation to the Under Secretary, VCNO, and ACMC when needed

ERP+ is supported by an innovative approach that maximizes simplicity, standardization, and agility

ERP+ AI-FIRST APPROACH

ERP+ is taking an **AI-first approach**, with **>15%** of design requirements complemented or subsumed by AI or automation.



FINANCIAL MANAGEMENT DATA AND DIGITAL TRANSFORMATION (FMDDT) TEAM DRIVES IMMEDIATE OUTCOMES



Our Mission

Empowers the DON FM workforce to harness the power of data by making it accessible, understandable, useable, scalable, and secure.

Our Vision

Transform the DON FM community through standardized data, analytics, automation, and artificial intelligence to advance wartime readiness.

LEVERAGING AUTOMATION, DATA, ANALYTICS, AND AI/ML IN FY25 TO ACHIEVE AUDITABILITY

AS OF MARCH 31, 2026

Automation	Analytics	AI / ML	WCF Audit 2026
<ul style="list-style-type: none"> Increased deployed bot by 9.2% to 393 in Q2 FY 2026, while total automation-driven hours saved grew by 7.9% to 2,245,889 hours (inception to date) Implemented RPA saving 237,000 hours in total, clearing \$156M in unmatched transactions, and automating goods receipt and audit documentation Piloted the DON's first unattended bot at NAVAIR to prototype autonomous processing, expected to scale by 200%+ in FY26 	<ul style="list-style-type: none"> To compensate for an over-configured Navy ERP incapable of valuing assets, FMDDT revalued 550,000 materials worth \$48B in Jupiter Produced analytics resulting in validation of \$236B of unliquidated obligations Processed \$451 million in UMTs and 22,150 UMT transactions to date. 	<ul style="list-style-type: none"> Developed an AI risk-based sampling model, cutting manual work 80%, saving \$6.7M in labor, and repurposing \$260M of active funds Developed 12 AI/ML models to enhance decision making, improve efficiency, and save time and cost 	<ul style="list-style-type: none"> Stepped up to lead the WCF Audit mid-year; established a data-driven strategy and used advanced analytical techniques to uncover significant adjustments within six months necessary to correct the financials

One Big Beautiful Bill Act funds received will continue to drive innovation, auditability, and efficiency DON Wide

DON TRANSFORMATION IN ACTION

FY2025

FY2025 By the Numbers

\$236B

of unliquidated obligations validated by the BEV Tool

\$11.1B

reduction in FERMC abnormal balances

87

total applications in production*

\$704M

uncovered for deobligation

including \$235M of active funds that could be repurposed



59

data sources brought into Jupiter DON wide

57

hours of guided training

provided by FMDDT

460

bots developed DON wide*

including 55 bots developed by FMDDT

6.9K

cumulative attendees of FMDDT-led training events

\$42B

of absolute adjustments made to account for changes in accounting principle and correction of errors

1.8M

hours saved through bots DON wide*

including 857.8K hours by FMDDT bots

\$12.7B

of absolute adjustments made for error corrections for WCF audit

94%

increase in processing speed for creation of KSD packages

at NAVAIR

8.3B

Navy ERP transactions reconciled from inception to date

368

audit artifacts delivered**

resulting in 32 closed PBCs

\$259M+

16.7K+

of unmatched transactions cleared by bots

1.6B | \$12.4T

of general ledger transactions processed

in four accounting systems

Workforce Development

Business Process

Stewardship & Trust

Technology

Data Analytics