

**BEYOND THE BUDGET:
ADDRESSING FINANCIAL ACCOUNTABILITY
IN THE DEPARTMENT OF DEFENSE**

JOINT HEARING
BEFORE THE
SUBCOMMITTEE ON NATIONAL SECURITY,
THE BORDER, AND FOREIGN AFFAIRS
AND THE
SUBCOMMITTEE ON GOVERNMENT OPERATIONS
AND THE FEDERAL WORKFORCE
OF THE
COMMITTEE ON OVERSIGHT AND
ACCOUNTABILITY
HOUSE OF REPRESENTATIVES
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C O N T E N T S

Hearing held on July 13, 2023	Page 1
-------------------------------------	-----------

WITNESSES

Mr. John Tenaglia, Principal Director, Defense Pricing and Contracting, U.S. Department of Defense	
Oral Statement	8
Mr. Brett Mansfield, Deputy Inspector General for Audits, Department of Defense Office of Inspector General, U.S. Department of Defense	
Oral Statement	9
Mr. Asif Khan, Director, Financial Management and Assurance, U.S. Government Accountability Office	
Oral Statement	11

Opening statements and the prepared statements for the witnesses are available in the U.S. House of Representatives Repository at: docs.house.gov.

INDEX OF DOCUMENTS

- * Statement for the Record; submitted by Rep. Connolly.
- * List, government auditing agencies, part of the Ukraine Oversight Interagency Working Group; submitted by Rep. Garcia.
- * DoD fact sheet, re: accounting of equipment to Ukraine; submitted by Rep. Garcia.
- * Questions for the Record: to Mr. Mansfield; submitted by Rep. Sessions.
- * Questions for the Record: to Mr. Khan; submitted by Rep. Sessions.
- * Questions for the Record: to Mr. Khan; submitted by Rep. Garcia.
- * Questions for the Record: to Mr. Tanaglia; submitted by Rep. Donalds.
- * Questions for the Record: to Mr. Tanaglia; submitted by Rep. Garcia.

The documents listed above are available at: docs.house.gov.

**BEYOND THE BUDGET:
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Thursday, July 13, 2023

HOUSE OF REPRESENTATIVES
COMMITTEE ON OVERSIGHT AND ACCOUNTABILITY
SUBCOMMITTEE ON NATIONAL SECURITY, THE BORDER, AND FOREIGN
AFFAIRS
AND SUBCOMMITTEE ON GOVERNMENT OPERATIONS AND THE
FEDERAL WORKFORCE

Washington, D.C.

The Subcommittees met, pursuant to notice, at 10:03 a.m., in room 2154, Rayburn House Office Building, Hon. Glenn Grothman [Chairman of the Subcommittee on National Security, the Border, and Foreign Affairs] presiding.

Present: Representatives Grothman, Sessions, Palmer, Foxx, Higgins, Biggs, Mace, Donalds, LaTurner, Timmons, Fallon, Burchett, Greene, Boebert, Edwards, Burlison, Robert Garcia of California, Mfume, Lynch, Norton, Goldman, Frost, Moskowitz, Connolly, Porter, Lee, and Crockett.

Mr. GROTHMAN. The Joint Subcommittee hearing on the Department of Defense's financial management will come to order. Welcome, everyone.

Without objection, the Chair may declare a recess at any time. I recognize myself for the purpose of making an opening statement.

Good morning, and welcome to our Joint Subcommittee hearing on addressing the financial management challenges at the Department of Defense. We are grateful to be joined by our colleagues on the Government Operations Subcommittee and would like to thank their Chairman, Mr. Sessions, for joining me in tackling this important and timely topic since Congress is currently debating next year's National Defense Authorization Act.

Since the early 1990's, all Federal departments have been required to undergo an independent financial audit. Every Federal department has achieved a clean audit since 2013, when the Department of Homeland Security had its first clean audit, except for the Department of Defense.

The Pentagon failed its fifth consecutive audit last year. DoD was unable to right auditors to an accurate accounting of more than 61 percent of its \$3.5 trillion in assets.

The goal for today's hearing is to understand what prevents the Pentagon from being able to produce a clean audit like every other

agency. Testifying before us today is DoD's Deputy Inspector General for Audits, Brett Mansfield, to discuss the Inspector General's role in overseeing the audit process.

We would have liked to have someone from the Department of Defense Comptroller's Office on this panel, but they chose not to participate in today's hearing because their entire senior leadership team was either out of the office or on vacation.

Today, we are also going to address the serious financial mismanagement at the Pentagon. President Biden's budget request included \$910.8 billion for defense-related activities, almost a trillion dollars. The U.S. spends more on defense than China, Russia, India, Saudi Arabia, the U.K., Germany, France, South Korea, Japan, and Ukraine combined.

The American people work diligently to earn every dollar, but it seems the DOT [sic] has become a master of squandering those funds without batting an eye.

I would like to share with you some examples of the mismanagement—the extreme mismanagement at the Department of Defense. Last week, Chairman Comer and I sent a letter to the Pentagon asking for a briefing on the recent accounting error by overestimating the value of weapons from Ukraine by \$6.2 billion. That is about the price of an aircraft carrier. The Special Inspector General for Afghanistan Reconstruction investigated the Pentagon's G222 aircraft program for the Afghan Security Forces. They found that after the Pentagon spent \$549 million on 20 cargo planes, DoD sold them for scrap due to unreliability, maintenance issues, and safety complaints for about \$40,000. In 2018, the U.S. Air Force claimed it spent \$10,000 on a toilet seat and toilet seat covers for the C-17 cargo planes.

I could sit on this chair all day and go over instance after instance of the financial mismanagement at the Pentagon. And, you know, the Pentagon is the most important organization. So, it is especially frustrating that they seem to be the most arrogant leaders at mismanaging things.

While average citizens and small businesses are expected to maintain meticulous financial records, the DoD operates under a different set of rules, an extravagant game of hide and seek where the U.S. taxpayer is the one seeking.

Today, it is vital we assess the efficiency, transparency, and accountability of Department of Defense's financial practices. The auditors and evaluators that work to bring transparency and accountability to light are working with the numbers that will make your head spin faster than a fighter jet. I do not know. A fighter jet? Oh.

But by ensuring the good stewardship of U.S. taxpayer dollars to the Department of Defense, we can ultimately enhance our Nation's national security and safeguard the interests of the American people.

I hope to hear from our panelists today how their agencies work together to identify waste, fraud, and abuse at the Pentagon. I would also like to understand their offices' recommendations they have to fix Department of Defense's financial management issues.

As we continue to be the world's defenders of freedom, assist the Ukrainian people encountering Russian aggression, deter China

and defend our homeland, we must make sure that our own financial accounting is done properly.

Thank you to our witnesses today for being here and for helping us understand financial practices at DoD. I look forward to all of your testimony.

I now recognize National Security Subcommittee Ranking Member Garcia for the purposes of his opening statement.

Mr. GARCIA. Thank you, Mr. Chair and also Chairman Sessions.

Auditing the Department of Defense is an incredibly important bipartisan priority. The Department's financial management has been on the Government Accountability Office High Risk List since 1995. And it goes without saying that our problems are bigger than any single administration, President, or party when it comes to auditing.

Now, auditing an agency as large as DoD is a complex and significant challenge, and it is critical that we work together to make this goal possible. The Department spending makes up about half of the Federal Government's discretionary spending. Its physical assets comprise almost 68 percent of the Federal Government's physical assets.

Now, DoD's financial management faces long-standing issues, including ineffective processes, systems, and controls; incomplete corrective action plans; and the need for more effective monitoring and reporting. These long-standing issues limit the ability to identify vulnerabilities and miss out on ways to improve operations and, ultimately, save taxpayer money.

Now, as the recent 60 Minute segment on DoD price gouging pointed out, without greater visibility and accuracy, DoD contractors can use their status as uniquely positioned sole-source suppliers to overcharge the American public or to profit inappropriately from our military. Now, actions like these divert fundings from other critical priorities, and we should not allow for it. And, DoD should not get a free pass from the law, especially when other agencies that invest in priorities like healthcare, education, climate change, or economic growth are under high scrutiny and take important and difficult steps to comply with statutory auditing requirements.

Now, we should welcome a bipartisan conversation as we make sure that our military, which is the most powerful in history and in the world, becomes a more effective and transparent institution. However, I also need to address a deeply concerning issue.

Now, some of my colleagues in the Majority, including Members of this Committee, have continued to push a narrative that our aid to Ukraine in particular is not properly overseen or is not properly used. Now, Republican leadership is allowing amendments to end and to prohibit aid to Ukraine. This should not be supported by the American public.

Now, some have even said on this Committee that there is no real oversight of Ukraine aid. I believe this is a false narrative, and you do not have to just take my word for it.

Here is what Republican Foreign Affairs Committee Ranking Member Senator John Risch said this week. He said that he has seen firsthand that idea that equipment is ending up in the wrong hands is, and I will quote him, all baloney. And that, quote, "stuff

is going where it is supposed to go and it is going quickly,” end quote. He pointed out that the last Ukrainian supplemental had 52 separate oversight provisions, saying, and again I quote him, “that we have got really, really strong oversight,” and I will end quote.

To further dispel this anti-Ukrainian myth, I am sure that the Inspectors General for the Department of Defense, Department of State, and USAID will be happy to brief this Committee on the whole-of-government oversight efforts for Ukraine aid, including the 20 government agencies and hundreds of staff working on current and planning for future oversight projects. I hope to hear more about that important work and look for areas where we can hold agencies appropriately accountable.

Now, thanks to President Biden, we have provided Ukraine with the tools to track defensive equipment, which they are using even as their country fights for its survival. I am disappointed, however, that the Majority decided to move forward with this hearing without the Department of Defense Comptroller who is best equipped to provide full answers to Congress on today’s topic, including the oversight of Ukraine aid.

Our fight in Ukraine is a fight for democracy and for the global system of trade, peace, and the rule of law that we all rely on. America is stronger with our allies and partners, not when we are isolated and weak. We need to stand up to global authoritarians like Putin who has attacked our democracy, who has threatened our allies, and has started a criminal and unprovoked war of aggression. And we should not accept any effort to distort the truth about our aid to Ukraine.

Now, I look forward to a productive conversation about building a better and stronger DoD, to cracking down on corruption in contracting, and to developing a more accountable government.

I want to thank our witnesses for being here today. And, Mr. Chairman, I yield back.

Mr. GROTHMAN. Yes, I would like to clarify. We did try to get the Comptroller here. They just are not here because they were on vacation or whatever. It is entirely possible we will have another Subcommittee hearing and bring them back at a future time. But it was a little frustrating that they all seemed to be out.

Now, I would like to ask the Government Operations Subcommittee Chairman, Mr. Sessions, for his opening statement.

Mr. SESSIONS. Chairman Grothman, thank you very much.

I want to align myself with the comments that I believe all four of us will make this morning, and that is, thank you to each of the witnesses. Thank you for your service. We well understand that you do want to be the watchdog, so to speak, of the organization that is there to ensure that the effectiveness of the money that is given by the American people appropriated by Congress and used in a way that would be in the best interest of not only this Nation, but the long-term investment that we make in the United States military.

It is important that the dollars that we give you, however, equally are tracked, known, and understood. Please know that I would like to have us focus today on your insight, not necessarily the problems of whether we are talking about whether you were given access to the Afghanistan debacle or otherwise. But I would like for

you to be able to provide Congress both on—all of us on a bipartisan basis, the things that you believe that we might do to strengthen your ability to effectively do your job.

I think financial transparency is critical. It is critical, it is much like rule of law. If we do not have insight to how things happen, then we will not be able to inflect in that debate, in that ability to track, trend, and see things, and becomes an investment that over time is diminished.

What do we want today? We want you to know that we appreciate you and the United States military. The Department of Defense, we want them to know that we support them. We will continue to rely on them to do not only the heavy lifting, but also the delivery to support our homeland and our friends around the world.

Our allies around the world are also equally important to the United States because they represent our ability to go places in this world with a commonality of not just policies and directives, but rather what free people and how they will move.

It is important for you to know that we believe in this effort, that we are not trying to get at a completely—nor beat you up, where is your clean audit, where is your clean audit, where is your clean audit? That is not what we are after. We recognize that you are working diligently. But in order to achieve a clean audit, I am looking for you today to give us those facts factors that would help us as we not only ask questions, but that we may strengthen within the law.

We are in the middle of debating the National Defense Authorization Act. Now is not the time to be trying to overlay in that something that we think is a demand without the proper steps to become more accountable. We believe you will help us in those steps. We believe you will help us to see your mission more clearly and the impediments that might lie in that endeavor.

So, please know that we appreciate what you are doing. I appreciate the gentleman, Chairman Grothman, for not only having this hearing, but making sure that we receive from it very specific and direct information from you on the front line.

So, Mr. Chairman, I want to thank you. I want to thank my colleagues on the Democratic side for seeing this issue, I think, the same way that we want to, and that is to strengthen our military. Every dollar that they need, we need to understand that. But every penny that they need, we need to also understand they add up to dollars that could be inefficient, and that is where we want to empower you.

Mr. Chairman, thank you very much. I yield back my time.

Mr. GROTHMAN. I now recognize Government Operations Subcommittee Ranking Member, Mr. Mfume, for the purpose of making his opening statement.

Mr. MFUME. Thank you, Chairman Sessions and Chairman Grothman. And I want to also thank the witnesses who have appeared here today and are prepared to present testimony.

In my opinion, this hearing could not have come at a better time. It will allow us to consider the bloated, and what I consider to be outrageous, defense spending package without the sort of accountability that we should have with it.

The Department of Defense, unfortunately, has had a critical history of challenges with its financial management systems, with its business processes, with its internal controls, and with its financial reporting. Those are not my findings. Those are the findings of the Government Accounting Office.

And like all of you on this Committee, I, too, support our troops and believe we have a special and solemn duty to ensure that our Nation is protected from increasing threats at home and abroad, but there has to be accountability to the American people. And as it stands, correct me if I am wrong, no one really knows how much waste, fraud, and abuse is at issue here and whether that money could be spent on other critical programs, critical outreach efforts, and critical communities all across our country.

As lawmakers, I think we also have a solemn duty to maintain accountability of the billions of dollars that taxpayers give every year that make up the defense spending that we talked about previously in this committee room. It comprises half of the Federal Government's discretionary spending and 15 percent of the government's total spending.

Now, in the past, I have supported amendments to the National Defense Authorization Act to cut back on excessive billions of dollars funneled to the Pentagon because I know of the long-standing issues that the Department of Defense and the Government Accountability Office has outlined for us on their High-Risk List.

The GAO report specifically details the Department of Defense's history of pervasive deficiencies. Those deficiencies are in financial management systems; business processes; as I indicated before, internal controls; and financial reporting. Excuse the redundancy, but I am overwhelmed by the fact that we are still here dealing with this same issue again this year.

Until the Department can restore full faith in accountability for these critical dollars, like many of my colleagues, I cannot justify inflating their budget again and sending tax dollars to an unknown and often untraceable realm.

Since 2018, auditors have identified increasing material weaknesses in a total of 28 separate and distinct areas. These material weaknesses are serious deficiencies that impact financial reporting and, ultimately, impede the Department's ability to achieve a clean audit opinion. In fact, the Department is the only major Federal agency unable to receive a clean audit opinion because of those deficiencies. I am going to repeat that because I find that absolutely amazing. The Department is the only major Federal agency unable to receive a clean audit opinion because of these deficiencies.

As we all know, the Department of Defense is the largest Federal agency. It employs over 1.4 million Active Duty servicemembers, 770,000 civil employees, and an additional 1.1 million citizens who serve in the National Guard and Reserve forces. And I am grateful for their service. I honor their sacrifices. I understand that these are hardworking Americans that make a sacrifice every day for our defense and for our security.

In an effort to keep our Nation safe, we must ensure that our patriots have the most sophisticated, modernized technology and systems to eliminate financial errors, to streamline data entry, and to

ensure that we are getting the most effective national security results that we can for the dollars that we are putting in.

Mr. Chairman, I think it is important for Democrats and Republicans to continue to investigate this area of technology, modernization, the TMF, which helps agencies to update outdated legacy IT systems, secure sensitive data, and utilize taxpayer dollars in an effort and in a manner in keeping with what we ultimately would like to see.

I just cannot allow another year, another NDAA, another failed audit to go by without speaking on the record about what I consider to be the severity of this issue. And I implore the Department of Defense leadership to end this sort of madness and to remedy the underlying material weaknesses within that department as soon as possible. It makes no sense for us to come back 12 months from now and to have this same discussion.

I want to thank, again, the witnesses for testifying today before us. The security of our Nation remains absolute paramount, a concern for all of us, and accountability across the Department of Defense must be utmost in terms of efficiency and effectiveness. So, I look forward to hearing the testimonies.

I thank both Chairs and my Ranking Member Garcia and those who have participated in getting us to this point. I look forward to the testimonies, Mr. Chairman.

Mr. GROTHMAN. Thank you.

I am pleased to introduce our witnesses here today. First, Mr. John Tenaglia, the Principal Director for Defense Pricing and Contracting within the Secretary of Defense, and serves as Principal Advisor to the Under Secretary of Defense for Acquisition and Sustainment.

Second witness is Dr. Brett Mansfield. He is the Deputy Inspector General for audits within DoD's Office of Inspector General and has over 24 years working for the IG's office.

And our final witness is Mr. Asif Khan, the Director of Financial Management and Assurance at the U.S. Government Accountability Office, where he focuses on improving financial management at the Department of Defense.

Pursuant to Committee Rule 9(g), the witnesses will please stand and raise their right hands.

Do you solemnly swear or affirm that the testimony that you are about to give is the truth, the whole truth, and nothing but the truth, so help you God?

Let the record show the witnesses answered in the affirmative.

One more time, appreciate—say one more time that I appreciate all of you being here today, and look forward to your testimony.

Let me remind the witnesses that we have read your written statements and they will appear in full in the hearing record. We are going to try to limit your oral statements to 5 minutes. As a reminder, please press the button on the microphone in front of you so that it is on, and Members can hear you. When you begin to speak, the light in front of you will turn green. After 4 minutes, the light will turn yellow. When the red light comes on, your 5 minutes has expired, and we would like to ask you to wrap up at that time.

I recognize Mr. Tenaglia to please begin his opening statement. Thank you very much.

**STATEMENT OF JOHN TENAGLIA
PRINCIPAL DIRECTOR
DEFENSE PRICING AND CONTRACTING
U.S. DEPARTMENT OF DEFENSE**

Mr. TENAGLIA. Chairman Grothman, Chairman Sessions, Ranking Member Garcia, Ranking Member Mfume, and distinguished Members of your respective Subcommittees, thank you for the opportunity to testify today at this joint hearing to address financial accountability in the Department of Defense.

I am John Tenaglia, the Principal Director, Defense Pricing and Contracting, in the Office of the Under Secretary of Defense for Acquisition and Sustainment. I am privileged to serve as the functional leader of DoD's contracting and pricing community. My staff and I provide the policies, guidance, regulatory framework, and e-business capabilities that enable DoD components to execute the mission. DoD's contracting officers are charged with the fiduciary responsibility of balancing taxpayer interests, that we pay a fair and reasonable price, with the mission imperative to timely deliver combat capability for our Nation's warfighters.

Last year, I testified before the House Oversight and Reform Committee to address pricing of contracts for military spare parts. Since then, and with the strong support of the Congress, the Department has advanced legislation and additional policies that reinforced our contracting officers' ability to negotiate and administer contracts with the defense industry.

As a team, defense acquisition work force has persevered through the pandemic to rapidly respond and fulfill public health-related requirements on behalf of our interagency partners. The Department executed over \$87 billion in support of COVID-19 pandemic response. The DoD acquisition work force demonstrated the ability to effectively use a variety of procurement authorities to rapidly deliver medical countermeasures to the American people and strengthen the medical industrial base.

Currently, our acquisition work force is engaging with the defense industry to provide security assistance to Ukraine, while at the same time modernizing and sustaining our own systems.

Recently, our contracting officers have been challenged to navigate with industry through economic conditions that have required us to manage the risk of cost and price uncertainty. In my written statement, I cited guidance we have issued this past year to address inflation mitigation strategies.

As I asserted in my testimony last year, the price we pay matters, because the more we pay, the less combat capability we can acquire for our ready force. Ideally, our contract pricing is based on competitive market pressures that dictate the boundaries of what is fair and reasonable.

Three months ago, my staff and I published the DoD Contract Finance Study. One finding from that study noted that small business subcontractors are particularly vulnerable when it comes to having cash on hand to cover operating expenses. As we seek public feedback in the weeks ahead about prioritization of our study

recommendations, we look forward to working with the Congress in assessing whether statutory changes are necessary to support these objectives.

DoD's acquisition and contracting professionals work closely with our colleagues in the DoD financial management community. For example, my staff and I have collaborated with the OSD Comptroller to jointly develop data standards and government property accountability policy and guidance. Sound financial management of the precious resources allocated to the Department requires our employment of policies, practices, and tools that I have described in my written statement.

The Department of Defense is absolutely committed to delivering and sustaining preeminent capabilities for our warfighters and our international partners.

Thank you for the opportunity to testify, and I look forward to your questions.

Mr. GROTHMAN. Thank you.

Mr. Mansfield?

**STATEMENT OF BRETT MANSFIELD
DEPUTY INSPECTOR GENERAL FOR AUDITS
DEPARTMENT OF DEFENSE
OFFICE OF THE INSPECTOR GENERAL**

Mr. MANSFIELD. Chairmen Grothman and Sessions, Ranking Member Garcia and Mfume, and Members of the Subcommittee, thank you for the opportunity to represent the more than 1,750 oversight professionals that make up the DoD OIG and to discuss financial management within the Department of Defense.

I am Brett Mansfield, and I am the Deputy Inspector General for Audit at the Department of Defense Office of Inspector General. Today, I will focus on the DoD's efforts to obtain a clean audit opinion and some of its long-standing challenges, the importance of internal controls and their impact on financial reporting and operational readiness, and the need to have persistent all-hands approaches to addressing financial management in internal control challenges within the Department of Defense.

The DoD OIG performs the annual audit of the DoD agency-wide financial statements and oversees into public accounting firms as they perform audits of the DoD's component financial statements.

The OIG issued a disclaimer of opinion on the DoD agency-wide financial statement for Fiscal Year 2022, meaning that the OIG could not opine on whether the financial statements were presented fairly and in accordance with generally accepted accounting principles. This, however, is not a new development. In fact, the DoD OIG has issued a disclaimer of opinion on the DoD agency-wide financial statements each year since 1996.

While the DoD has not received a clean opinion on its overall financial statements, it has made progress in that multiple components have consistently obtained an unmodified opinion. While these are positive results, they do not extend across the DoD, as there were another 16 entities that received disclaimers of opinion for each of the last 5 years, including eight CFO Act-required reporting entities.

The DoD's budget authority for Fiscal Year 2022 was more than \$775 billion, representing nearly one-half of the Federal Government's discretionary budget. In the DoD's \$3.2 trillion in reported assets, we got nearly 70 percent of the Federal Government's assets, making the DoD key to the Federal Government's ability to produce clean financial statements.

During the most recent audit, the DoD OIG identified 28 material weaknesses at the DoD agency-wide level. Of those 28 material weaknesses, we consider 16 to be scope limiting, meaning that they prevent auditors from performing the necessary procedures and steps to draw a conclusion on the financial statements and the supporting information.

And while some material weaknesses are financial in nature, such as unsupported accounting adjustments, many others also affect DoD operations. For example, government property in the possession of contractors is a financial issue, but also tied to readiness and supply chain management. In fact, many DoD operational systems are the primary source of information used to support DoD financial statements. As a result, it is important to note that good financial management is not just a financial management community responsibility. Rather, it is a whole-of-DoD effort that requires consistent attention from operators, CIOs, and the financial management community.

Financial accountability also goes well beyond financial statements. It is also the day-to-day management of taxpayer resources and the consistency with which the DoD demonstrates its commitment to being a good steward.

In the last year alone, we have reported on issues related to the tracking and reporting of supplemental funds, the difficulties obtaining fair and reasonable pricing, and the accountability of equipment provided to Ukraine through the Presidential drawdown authority. In addition, over the last 5 years, the Defense Criminal Investigative Service, the criminal investigative arm of the Department of Defense Office of Inspector General, has completed 46 investigations related to defective pricing.

These examples individually and collectively erode the confidence of the American public regarding the DoD's ability to manage taxpayers' dollars.

As I close today, I think it is important to remember that achieving a clean financial statement opinion on the DoD agency-wide financial statements is a long-term and continuous effort for the DoD. The DoD has made progress in many areas, especially those directly under the charge of the financial management community. However, overcoming the DoD's financial management challenges will require a commitment from personnel across all functional areas within the DoD. The DoD must work together to integrate the policies, business practices, and systems of its vastly divergent components.

We believe it is imperative that the DoD focus on developing and implementing consistent and sustainable DoD-wide processes and internal controls, which will improve operational effectiveness and efficiencies and ultimately result in a clean financial statement.

As for the DoD Office of Inspector General, we are committed to doing our part as well by providing meaningful, independent over-

sight of the DoD and being transparent with our findings and recommendations.

Thank you, and I look forward to your questions.

Mr. GROTHMAN. Thank you.

Mr. Khan?

**STATEMENT OF ASIF KHAN
DIRECTOR
FINANCIAL MANAGEMENT AND ASSURANCE
U.S. GOVERNMENT ACCOUNTABILITY OFFICE**

Mr. KAHN. Chairmen Grothman and Sessions, Ranking Members Mfume and Garcia, and Members of the Subcommittee, thank you for the opportunity for inviting me here to discuss the Department of Defense's auditability and systems oversight.

The Department of Defense is responsible for about half the Federal Government's discretionary spending and about 15 percent of its total spending. However, DoD remains the only major Federal agency that has never been able to achieve a clean audit opinion.

A clean opinion is when an auditor finds the statements are presented fairly and consistent with accounting principles. Why does that matter? Imagine you are preparing to launch a spacecraft on a crucial mission. Just as the success of a spacecraft mission is of the utmost importance, the Department of Defense's role in national security is paramount. The spacecraft represents the DoD and the spacecraft's fuel signifies the Department's resources, such as personnel, taxpayers' money, and equipment. Every bit of fuel is vital for the mission's success and every drop should be used optimally.

The clean audit is not the launch of the flight. It is like the preflight checklist. Without it, we might know that the spacecraft is using fuel, but we would not know how efficiently or effectively. We would not know if some of it is leaking unnoticed, if there are parts of the engine that are drawing more than necessary, if redundant systems are consuming resources that add no value to the mission.

Achieving a clean audit is like completing this preflight checklist. It is not the mission's goal, but it is an essential step to ensuring the flight is best positioned for success. It shows that the spacecraft is not wasting fuel, that it is being directed as efficiently as possible toward the goal. In the case of DoD, the goal is the defense and security of our Nation.

Just as the launch of a critical spacecraft mission needs a thorough preflight check, the DoD needs to earn a clean audit opinion. Fuel efficiency in a spacecraft is crucial to its success. Just as the effective use of resources is critical to DoD's operations, any waste or any misuse could hinder the mission. Just as the checklist helps identify potential issues that could jeopardize the mission, a clean audit opinion ensures transparency and accountability and DoD's financial operations, helping to identify and address any fraud, any waste, and any abuse.

The goal of the Department of Defense is not to achieve a clean audit opinion, but to ensure our Nation's security. A clean audit opinion, however, would help ensure that the DoD is making use of its resources optimally toward this goal.

The preflight checklist is also representative of transparency. Every system and every subsystem of a spacecraft is inspected and validated. Nothing is left hidden or unaccounted for.

Similarly, achieving a clean audit opinion would mean that the Department's financial transactions and resource allocation and expenditures have been examined and are clear for all stakeholders to see and to understand. And the preflight checklist provides accountability. Each inspected and approved element traces back to a specific team or individual responsible for readiness.

Just as a checklist, a clean audit opinion holds various components of the Department accountable for their financial activities, therefore ensuring each dollar can be accounted for and any mismanagement addressed.

The roadmap toward a clean audit opinion for DoD is not a bureaucratic exercise. It is a commitment to a comprehensive preflight checklist. This is not just about financial management, but fortifying a national defense by ensuring the Department directs every drop of fuel and every taxpayer dollars as efficiently and effectively toward the mission of securing our Nation's security.

I would be happy to answer any questions that you may have. Thank you.

Mr. GROTHMAN. Thank you very much.

I will recognize myself first for the purpose of asking you guys some questions.

Both the Department of Defense Inspector General—and this is for Mr. Tenaglia and Mr. Khan, either one. Both the Department of Defense Inspector General and GAO have identified the Joint Strike Fighter F-35 program as one of DoD's most costly programs. F-35s cost the taxpayer about \$400 billion to acquire, and it has been projected it will cost another 1.27 trillion to operate and sustain them. However, as of February, only 53 percent of the 500 F-35s delivered can perform at least one of their assigned missions at any given time. Fewer than one in three can do them all.

Why has the F-35 program not been able to produce a clean audit, and what problems have your agencies identified that prevent an accurate accounting of the F-35 program?

Mr. TENAGLIA. Mr. Chairman, I will start with that.

The GAO has done some recent work on the F-35. You are referring to the audit of property. And our office and the Office of the Under Secretary for Acquisition and Sustainment recently agreed with, I believe there was four recommendations the GAO had, to strengthen the property accountability measures on that particular program.

In my office, we have responsibility for issuing the Defense Federal Acquisition Regulation Supplement language that goes into the contracts, in this case the F-35 contract, to enforce the property provisions and require the contractor to account for the property that is in their possession. That is a significant aspect of it.

Our office also, as I indicated in my written statement, provides the tools and what we call a GFP Module that enables a contractor to report that information. The F-35 program has a significant amount of property, and it is complicated by the fact that we have a number of international partners as well. But we have accepted those recommendations and are prepared to improve.

Mr. GROTHMAN. OK. Does DoD issue clear guidance to contractor managers when it comes to keeping track of government-furnished property within the F-35 program?

Mr. TENAGLIA. The GAO's criticism of the clarity of that guidance was one of the recommendations. And I will say we have worked with that program office to make sure that the terms and conditions that go in that contract are clear and unambiguous. Also, we are working to take those lessons and understand what improvements we might make to that clause that is put in every contract. We need to be absolutely clear about the responsibility of contractors that have property in their possession.

Mr. GROTHMAN. OK.

Mr. Khan?

Mr. KAHN. The Joint Strike Fighter of the joint program and the government property held by the contractors are two scope limiting material weaknesses that Mr. Mansfield mentioned. The primary reason for that is that there is not adequate policy and procedure and guidance given by the DoD to the contractors to be able to account for that information.

The joint program was designed for the contractors to manage that supply chain. However, the financial statement auditors were not able to get information from the contractors, or if they were able to get the information, it did not match up to what the records was. So, it really comes down to flawed guidance given by the DoD to its own personnel and then consequently what flowed down to the contractors.

Mr. GROTHMAN. OK. I will give you a general question here. On the F-35s, what is the—what do you expect the total cost of the program to be, and what was the expected cost when we originally started down this path?

Mr. TENAGLIA. Mr. Chairman, I am going to have to take that one for the record and have the program office provide you that detailed information.

Mr. GROTHMAN. I am sorry, I did not hear you. Say that again.

Mr. TENAGLIA. I am going to have to ask the program office, the Joint Program Office to provide that information for you.

Mr. GROTHMAN. OK. Congress has allocated 113 billion over the past 2 years to provide Ukraine with assistance. In November of last year, DoD Comptroller and Chief Financial Officer, Michael McCord, stated that the war in Ukraine is a really great example of why it matters to get this sort of thing right of counting inventory, knowing where it is. Through the work of the Department of Defense Inspector General and GAO, it is clear DoD does not know how much money it has in the Treasury or how much equipment it has or even where it is.

Given that, do you believe the Department of Defense has the capability to accurately track the money and equipment we have provided Ukraine and ensure it does not fall into the hands of our enemies?

Mr. MANSFIELD. So, at the Department of Defense Office of Inspector General, we have a robust series of projects ongoing currently and some recently completed that get to the very heart of your question, looking at the controls over end-use monitoring, equipment provided to Ukraine, and looking at the tracking of

equipment that is in process or being shipped to Germany to be provided to Ukraine. And then also, looking at the training provided Ukraine, how effective and efficient that is. And then a number of other projects where we are also focused on the impact of that on the DoD itself in terms of its operations as it draws down from prepositioned stock to provide that to Ukraine.

So, I do believe that we have a mechanism to provide some oversight and provide some assurance or lack of assurance, depending on how our audits and evaluations come out on that. But I would say, right now, we are still in the process of providing and performing a lot of that work.

Mr. GROTHMAN. Thank you.

Mr. Garcia?

Mr. GARCIA. Thank you, Mr. Chairman.

I just want to just start off by just clarifying also for the record that the DoD Comptroller Under Secretary wanted to be here. I think there was an issue about ensuring that he could be here on today's hearing date, so he actually did want to be here. So, I just wanted to clarify that as well.

But thank you again for being here. Today's topic on the DoD's challenges to passing an audit is important to all of us. The Department's efforts to reach a clean audit will help provide greater transparency and visibility so that the funds are used as intended.

I want to also just discuss some of the ongoing audit efforts with respect to Ukraine aid. Obviously, this is a very important topic for all of us right now.

Just to start, Mr. Mansfield, how many inspectors general offices are part of Ukraine Oversight Interagency Working Group?

Mr. MANSFIELD. I believe, if memory serves correctly, it is around 20 currently. It is led currently by the coalition of the DoD, State, and Agency for International Development Inspectors General.

Mr. GARCIA. So, a large and robust group?

Mr. MANSFIELD. Yes, sir.

Mr. GARCIA. Thank you.

Mr. Tenaglia, can you tell us how many defense-related departments are part of the working group?

Mr. TENAGLIA. Ranking Member Garcia, I believe you are referring to the effort in support of Ukraine. I do not refer to it as a working group, per se—

Mr. GARCIA. OK.

Mr. TENAGLIA [continuing]. But we have—on the procurement end of it, the Army is executing the significant volume of the business. It is providing security assistance in the form of contracts. Other military departments are contributing as well.

Mr. GARCIA. Thank you. So, there is multiple departments within the Department of Defense that are all part of the working—or the group as far as it relates to Ukraine aid and Ukraine, correct, sir?

Mr. TENAGLIA. Yes, sir.

Mr. GARCIA. Thank you.

Mr. Khan, is the Government Accountability Office part of the working group as well?

Mr. KAHN. The GAO was requested by Congress to provide oversight. We have 24 separate engagement, 10 of them have already

been initiated, and other dozens will be initiated. We coordinate with this interagency working group that you are referring to. In addition to that, we coordinate with the Inspector General of the DoD, as well as the Inspector Generals of the State Department and USAID.

Mr. GARCIA. Thank you very much.

So, I mean, there are at least 20 organizations, minimum, working on Ukraine oversight as part of the interagency working group, including at least 15 offices of inspectors general for Defense Department components and the GAO. And this number, of course, does not reflect of more than 20 organizations, half dozen additional OIGs in organizations who have participated in meetings within these oversight groups.

Mr. Chairman, I also would like to ask for unanimous consent to enter into the record this list of the 20 government auditing agencies that are part of the Ukraine Oversight Interagency Working Group.

Mr. SESSIONS. [Presiding.] Without objection, it will be entered into the record.

Mr. GARCIA. Thank you.

So, I think it is pretty clear that there is a significant amount of professionals, of groups, of departments that are all working on the, you know, important work that is happening in Ukraine, ensuring the auditing, ensuring that agencies are working together to ensure the money and the American public is actually understanding what is happening as we are providing this important aid.

I want to note that DoD's Inspector General, Robert Storch, noted in the March 2023 joint oversight of the Ukraine response that DoD agencies have been, quote, "positive and productive in their response to the Inspector General."

So, I just want to be clear, and even though I know that some of the Majority has claimed that there is no real oversight and no good accounting of the military aid going to Ukraine, that is just not the case and not true.

We should stop advancing a narrative which undermines a resistance to Vladimir Putin, who has killed thousands of people, caused the gas price increases of 2022, and threatened the security of the whole world. We should stop a narrative that empowers people who are working to end all of our aid to Ukraine and to abandon all of our allies and destabilize the whole world. And we should certainly not empower people who call Ukrainians Nazis.

Today on the House Floor, these extremists are pushing pro-Putin amendments to the National Defense Authorization Act. This would sell out the Ukrainian people. And I hope all Members will join me in opposing them.

I yield back.

Mr. SESSIONS. Thank you very much. The gentleman makes very good points, and I appreciate him being a part of this hearing today.

I will now yield myself such time as I consume—choose to consume, which will be about 5 minutes.

I would like to ask the panel. Perhaps, Mr. Khan, you are best at answering this, at least a whack at it first. I am interested in,

are we giving you the proper tools, the proper ability to be able to effectively do your work?

We see in the GAO has recently estimated that the DoD utilizes over 350 different systems for financial management, with some of them being not just old but incapable of effectively providing data and information inputting and get out what you would need.

First of all, are we providing you with what you need? Second of all, have you a list of these things to where you have identified weaknesses in your own abilities? Question to Mr. Khan, and then the rest of the panel.

Mr. KAHN. Thank you, Chairman Sessions for that question.

Yes. Answer to that—your first question is affirmative yes. We have the resources and the ability to oversee the Department of Defense. And we work through a coalition of other overseers of the Department of Defense, including the DoD OIG, as well as the public accounting firms who are carrying out the financial statement audits. So, it is not just the GAO by itself, but we are working with a network of other auditors.

Mr. SESSIONS. So, perhaps what you are suggesting is these outside auditors may not be able to speak transparently to the systems that you would expect them to be able to help you. Is that what you are saying?

Mr. KAHN. We can leverage their work. If there is any ambiguity in the information they are providing, we follow up with the DoD officials, and we are able to get the information to satisfy our questions.

Mr. SESSIONS. OK. Well, I am really interested in your operation. I do recognize you have outside auditors. I do recognize those outside auditors speak to you. I am talking about your ability that you control and the things whether we are giving you the money, the effort, and the attention to fix your own shop in these what might be antiquated systems.

Mr. KAHN. Right. Congressman Sessions, our—the GAO's own operations are working efficiently and effectively. We have the resources to be able to carry out our audits at the DoD.

Mr. SESSIONS. OK. So, your testimony is that you would disagree with what GAO reported that it estimates that DoD utilizes over 350 different systems for financial management.

Mr. KAHN. That is the DoD. That is a correct number. DoD uses several hundred systems.

Mr. SESSIONS. So, their own financial systems are outdated, but you and your oversight, you are up to date. They are the ones that do not then—have not chosen to update it to where they can then correspond with you or to produce reports. Is that your testimony?

Mr. KAHN. DoD has antiquated systems. GAO has current systems. We can go out and audit the DoD—

Mr. SESSIONS. OK. Mr. Khan, this Subcommittee of Government Operations, as well as National Security, the gentleman, Mr. Grothman, and I, I think you could expect a letter from the four of us—we will have to see—that would ask for that specific list of, let us say, the most critical systems that we need to write the DoD and we need to ensure that they are going to perform them. Because if that hinders your ability based upon a decision that they have made, we need to know about that.

Thank you very much for that answer. That gets us closer.

Mr. Mansfield?

Mr. MANSFIELD. Yes. I would say that we—at the DoD OIG we definitely support—appreciate the support we receive from Congress in terms of our funding. I think we do have the resources currently that we need to do the oversight that we perform, both in partnership with GAO and overseeing IPA is doing independent work as well.

That said, I think to your point, are there things within the DoD that limit our ability? Absolutely. That is why I have identified in our—my written statement as well as in our earlier issued report, Understanding the Results of the DoD's Financial Statements, what we consider to be scope-limiting material weaknesses. And what that means is the DoD does not have appropriate systems or controls in place or they do not know to how to describe their processes and procedures for collecting up information and reporting it out to a great enough detail for us to actually be able to test it. So, we cannot do our job until the DoD effectively does its own job of producing financial statements and tracking transactions, you know, assets and all of those things.

Mr. SESSIONS. My time has expired, but I am going to extend myself an additional minute.

Would you expect that when they do buy these corresponding systems that you need, that there would be an interaction or a coordination of communication at the same time? I know they are old. I know they are not working. I know. Would you expect us to be able to say to them and you need to be able to talk together, or are they such large systems you just need to be able to access the data?

Mr. MANSFIELD. I think it is a combination of both. You know, you have a plethora of feeder systems, which are traditionally operational systems, so your accounting—your, like, inventory systems and whatnot. That contains condition information, accountability information, and cost information. And those are used by operators. But that also then feeds the financial statements. So, do they need to talk? Absolutely.

I think the other question that I have is whether or not they need to have multiple accounting—or, you know, inventory systems where is one good enough that they can use in multiple places.

Mr. SESSIONS. Redundancy.

Mr. MANSFIELD. We have an ongoing audit right now looking at the DoD's information systems that are relevant to financial reporting. We would be happy to come and brief the Committee once that report is issued.

Mr. SESSIONS. Thank you very much. I think this would be of common interest, and I will find out among my colleagues. Thank you very much.

Mr. Mfume, you are recognized.

Mr. MFUME. Thank you, Mr. Chairman.

Let me begin by associating my remarks with those of Mr. Garcia, the Ranking Member. I could not agree with him more that those who would seek to use efforts in the form of amendments that ultimately are pro-Putin should be defeated on the Floor. Otherwise, they risk this bill being defeated. And I do not want that

to go by without a comment. So, I associate myself totally with his remarks in that regard, and would just say again that that sort of effort will—could very well imperil the passage of this authorization.

I would like to go to you, Mr. Tenaglia, for just a moment, if I might. You spoke about contractors and the fact that so many are holding, for lack of a better term, property. And that they are not just here in the United States but all over the globe.

In looking at this practice, for lack of a better term, are we able to assign a dollar value or an approximation of the value of that property worldwide?

Mr. TENAGLIA. Yes, we are able. I do not have that specific number with me today. We can provide that to you, but that is part of the process, making sure we have an understanding of the exact amount of property, where it is located. The efforts that we have underway are all about getting after exactly how can we inventory that.

The nature of government contracts, particularly in DoD, is such that it is to our benefit to provide contractors with government-furnished property, as we call it. It helps from an efficiency standpoint. It helps them reuse the existing property that we have available to us. And that is less that we would have to pay for a given contract if we are able to give them property to use. And so, it is very important for us to embed that requirement for accountability into our contractors and then to actually enforce those terms.

Mr. MFUME. So, you will return that information or get that information to this Committee?

Mr. TENAGLIA. The total amount, yes, sir.

Mr. MFUME. Yes. And I am assuming you have had a chance to look at the total amount at some point in time. Would you consider it to be a staggering amount of money?

Mr. TENAGLIA. Sir, reading what the GAO has observed, it is staggering. I believe on the order of \$3 trillion, something to that effect.

Mr. MFUME. OK.

Mr. TENAGLIA. But we will get you the specific amount.

Mr. MFUME. Yes, it is alarming to me. I do not know how other people feel about it. That is a lot of money.

What is the reclamation process for much of this equipment after a contract ends?

Mr. TENAGLIA. So, the disposition of property—and I should come back to what I was just referring to would be probably the total property, not necessarily the property that is in the possession of contractors. But the reclamation process goes to how we disposition property. For example, in the GAO report, they talked about dispositioning spare tires for aircraft that is no longer functional. So, there is an adjudication process that the government undertakes with the contractor to understand whether that property could be destroyed or otherwise reused.

Mr. MFUME. Let me go to you, Mr. Khan, if I might, for just a moment. I appreciated the scenario that you drew for us of the launching of a spacecraft and how in that process, which is rather benign, of course, you have a preflight checklist, if I understood you correctly. In that preflight checklist are all the things that ought

to be in place before there is an attempt to try to launch in order to be able to find out where the deficiencies are, how to correct them, and how to prevent them from happening again. And so, this preflight checklist obviously deals with accountability, accountability, and more accountability. But at the end of the day, it fortifies our national defense.

I want you to walk me back through that again and talk to some extent or even give examples of how inaccurate inventories in DoD's financial system can hinder mission-critical needs.

Mr. KAHN. Thank you for that question, Congressman Mfume.

The—just speaking about the audit process, the checklist, it checks the inventory, it checks where the assets are, what the count is, what the condition is, what the location is. That has a direct impact on readiness.

There have been instances as part of the audit process where DoD themselves have found assets in warehouses, like Black Hawk helicopters which were not on the property records. They have found missile motors that were not on the records. They have found other assets. As a result, they were able to reprioritize those assets, put them where they could be put to great use. So, in that respect, getting audit readiness really does impact the military's readiness.

Mr. MFUME. Well, I am glad you brought up these Black Hawk helicopters, which I also find amazing. Can you kind of give us some background on how that problem even became a problem?

Mr. KAHN. It goes back to the property records where the assets are recorded. It goes back to the older and antiquated system. They are meant to really support very localized operations, and in many cases, they do not communicate with each other.

So, in this case, the Black Hawk helicopters were in one particular system, but they were not communicating with the system which was reporting that information higher up. And when the team of auditors went to the warehouse, they discovered the helicopters in the warehouse, but they were not on the inventory records. That is how they were discovered in this particular instance.

Mr. MFUME. So, is it fair to assume that DoD has no preflight checklist?

Mr. KAHN. Yes, analogous with the—

Mr. MFUME. With the example you gave.

Mr. KAHN. Yes.

Mr. MFUME. Thank you, sir.

Mr. GROTHMAN. [Presiding.] Congresswoman Foxx.

Ms. FOXX. Thank you, Mr. Chairman.

Mr. Chairman, I want to tell you, my blood just boils when I read about what is happening in DoD and to hear the answers that we are hearing today, not because I am angry at the people here, but this is ridiculous.

We claim to be the greatest country in the world, and yet we cannot—the Department of Defense cannot produce a clean audit. What in the heck is this? It makes no sense. It makes no sense. It does not—I love your analogy of a rocket launch. But you know it does not take a rocket scientist to figure out how to do an audit or how to find things that belong to your office.

I looked up “systems” because my staff said, you know, we have got lots and lots of systems. What are you all, over 300 systems in the Pentagon? So, what is the definition of a system. A set of principles or procedures according to which something is done. A set of things working together as part of a mechanism or interconnecting network.

What is clear is these are not systems, because they are not working and nothing gets done from them. Something is wrong, deeply wrong in the Department of Defense. And we are wasting—they are wasting taxpayer dollars. And that is absolutely unacceptable, as far as I am concerned.

I want to ask a question. I just need a very quick answer. Can any one of you name one system in the DoD that is working? Each one of you, is there one system? If there are two, just tell me. Is there one system that works?

Mr. TENAGLIA. We do have a number of systems that work in the procurement field. The standard procurement system needs to be retired. It is a legacy system. It works. We are working with the Comptroller on the standards to make sure that it communicates with the financial system, so it is really all about the data standards behind that.

Ms. FOXX. OK. Well, Mr. Mansfield, I want you to answer that question too. But one of the questions I had had to do with the fact—you said that that system works. But in 2021, the Office of the Special Inspector General for Afghanistan reported that the Air Force spent \$549 million to purchase 20 cargo aircraft for the Afghan Air Force, but due to unreliability and numerous complaints about safety, the program was suspended, the planes were destroyed and turned into scrap metal.

And you just told me that the office of procurement system works? You explain that to me. I cannot understand this fact and your answer.

Mr. TENAGLIA. I am not familiar with that particular fact, but I do not believe that would be part of the standard procurement system. I will take that back and understand which system presented that fact.

Ms. FOXX. So, you have a standard procurement system, but then you have an organization that works outside the standard procurement system. Is that what you are telling me?

Mr. TENAGLIA. There are a number of other systems, logistic systems, financial systems. I was just speaking to the system that we use to write contracts.

Ms. FOXX. OK. But I am going to follow up on this with you, and I want a response on how you are telling me that the procurement system works, but we have a debacle where \$500 million of taxpayer dollars were wasted when you are telling me that system works.

Mr. Mansfield, very quickly, do you know the system that works? It better be better than the one he just explained.

Mr. MANSFIELD. Unfortunately, what I would say is that there are systems that are capable of working. The difficulty is whether or not the individuals who are using those systems are—

Ms. FOXX. So, then fire them. Get rid of them if they cannot do the job. It sounds to me you have a culture problem.

Mr. Khan?

Mr. KHAN. I do not know of any system in DoD that works as intended.

Ms. FOXX. That is an indictment that is unbelievable. We have 345 systems and not a single one is working as designed.

I yield back, Mr. Chairman.

Mr. GROTHMAN. Ms. Lee.

Ms. LEE. Thank you, Mr. Chairman.

I want to thank the Joint Subcommittees for holding this hearing on the financial mismanagement of the Department of Defense. I think this is one of the few areas where I can agree with my Republican colleagues on the need and nature of this oversight.

When we dedicate so many of our resources to our military while we nickel and dime our other programs, the least we are owed is transparency and accountability. When our country spends more on defense than the next ten countries combined, we rightfully have high expectations for how that department functions. Yet year after year, we shovel billions their way, 15 percent of our total budget. We continue to be disappointed, and the American people are let down.

Mr. Tenaglia, how much did the 2023 National Defense Authorization Act authorize for shipbuilding?

Mr. TENAGLIA. I do not have that particular figure. The total amount of contract obligations in 2022 was over \$400 billion.

Ms. LEE. For shipbuilding it authorized \$32.6 billion.

Do you know how many school lunches that amount could provide to hungry children in America, where for the one in eight children who go to school hungry, that may be the only meal they get? All of them, and then some. The school lunch program cost \$28.7 billion in 2022.

Mr. Tenaglia, on average how much does the military spend on Viagra each year?

Mr. TENAGLIA. I do not have that figure.

Ms. LEE. About \$41.6 million.

Do you know how many bridges in my district of Pittsburgh could be repaired with that amount? About two. The rebuilding of the Fern Hollow Bridge which, of course, collapsed the day that President Biden happened to be coming to Pittsburgh cost about \$25.3 million to rebuild.

Mr. Tenaglia, how much did the Department of Defense spend on snow crab and Alaskan king crab in 2018?

Mr. TENAGLIA. I do not have that amount.

Ms. LEE. According to OpenTheBooks, it was \$2.3 million.

Do you know how much the Pittsburgh City Council spends each year serving the county's unhoused population?

Mr. TENAGLIA. No.

Ms. LEE. Only \$1.2 million, but they are certainly not being served Alaskan king crabs.

According to an investigation by this Committee in 2016, the F-35 program specifically raked up hundreds of millions of dollars in added cost due to mismanagement and negatively affected military readiness.

Mr. Tenaglia, how much is the F-35 joint program estimated to cost the Federal Government to produce, operate, and sustain over its lifetime?

Mr. TENAGLIA. I believe that the GAO cited that figure. I do not have it in front of me, but we can get that for you.

Ms. LEE. It is about \$1.7 trillion, enough to completely eradicate student loan debt.

According to the Government Accountability Office, between May 2018 and October 2022, about 1 million F-35 spare parts worth \$85 million were, quote, "lost", just vanished. Losing millions of dollars in assets is unacceptable. DoD themselves do not oversee or account for certain F-35 spare parts. Only the prime contractors maintain this information.

Mr. Khan, how does this lack of access to contractor information hinder accountability in DoD's ability to provide accurate reporting in its audit?

Mr. KHAN. It severely impacts DoD's ability to be able to provide accountability over those assets.

Ms. LEE. Mr. Tenaglia, going forward, what steps can your office take to improve contract requirements on the front end to enable better oversight during the life of the contract?

Mr. TENAGLIA. So, we are taking those actions now, improving the clauses, the terms and conditions that go into contracts that communicate to contractors what the requirements are for property management. And the government-furnished property module that I described, it is the means by which contractors can communicate how they are dispositioning property, how they are receiving property, and we know where that property is throughout its life.

Ms. LEE. OK. Thank you.

In 2019, this Committee led a bipartisan hearing to hold military contractor, TransDigm, accountable for its exorbitant profits on DoD contracts for spare parts. This pressure led to TransDigm repaying DoD \$16.1 million. Last Congress, this Committee held a second hearing again on the excess profits that TransDigm received.

I will note that my Republican colleagues did not join our call for TransDigm to repay its excess profits, even though TransDigm has a track record of fleecing American taxpayers. TransDigm likes to acquire companies with sole source DoD contracts and then exploit its monopoly position by hiking up prices on crucial spare parts.

Mr. Tenaglia, what policy changes are DoD considering to prevent price gouging on sole source contracts? And are there specific legislative reforms that would assist this effort?

Mr. TENAGLIA. So, as I indicated in my written statement, section 803 of the Fiscal Year 2023 NDAA helps us in that regard. It will require contractors to provide the transparent cost and pricing data that we need. In the case of commercial items, likely that will be uncertified information. But, by the same token, our contracting officers need access to that information in order to establish a fair and reasonable price.

Ms. LEE. Thank you.

It is my time, but I want to say I urge the department to do better. Your department accounts for 15 percent of the total budget. You need to be more mindful of not only how you spend America's

tax dollars, but also how you account for it. Millions of dollars should not just be lost and failing audits should not be the norm. That is unacceptable.

I yield back.

Mr. GROTHMAN. Mr. Higgins.

Mr. HIGGINS. Thank you, Mr. Chairman.

Gentlemen, what an uncomfortable hearing. Is it not? Let me say it is uncomfortable for the entire American citizenry to gaze upon this bizarre realm of D.C. and wonder how it operates when we are facing now \$32 trillion in debt. We have added \$1 trillion in 1 month, by the way. And the most ravenous leviathan of our government that devours the people's wealth is the Department of Defense, the Pentagon.

What a culture we have allowed to become manifest in those halls of ultimate power, the military might and expenditure of the people's treasure. Yet we were warned on the year of my birth, 1961, in his farewell speech, President Eisenhower said the following: "This conjunction of an immense military establishment and a large arms industry is the new American experience, yet we must not fail to comprehend its grave implications. In the councils of government, we must guard against the acquisition of unwarranted influence, whether sought or unsought, by the military-industrial complex. The potential for the disastrous rise of misplaced power exists and will persist."

I have a copy of the NDAA of that year, the 1962 NDAA as drafted in 1961. I have a copy of it on my desk. It is one page long. \$7.5 billion covers the entire expenditure. My, my, my, how we have descended into the belly of this beast.

In the private sector, a corporate entity or business goes to a bank for financial establishment and is, therefore, subject to audit. On a regular basis the bank audits that business. If the business passes the audit, then the business can return to the bank for more money. If the business fails the audit, what do you think happens, Mr. Mansfield? Can that business go to the bank and get more money?

Mr. MANSFIELD. It cannot.

Mr. HIGGINS. It cannot. Or maybe it is a minor error. Maybe it is a minor error. They make adjustments. They have another audit. They fail that audit. Does the bank change course and say, "Well, you tried, we are going to give you money." Can they get money, Mr. Mansfield?

Mr. MANSFIELD. Probably not.

Mr. HIGGINS. They cannot.

Mr. MANSFIELD. They cannot.

Mr. HIGGINS. Thank you for your candor.

Here is the problem with this bank. We do not even have the money. We are giving you \$1 trillion a year almost now. We just added \$1 trillion to our national debt in 1 month. It is an arrogantly abusive culture that we have allowed to become manifest over there that devours the people's wealth.

So, let us shift to a positive note, Mr. Mansfield. For the record, how long have you been in your position, good sir?

Mr. MANSFIELD. My current position, about a year and a half.

Mr. HIGGINS. Year and a half. You stepped into the fire, man. I would imagine you are a patriot, very good at what you do. I am sure you envisioned fixing this thing. Did you not?

Mr. MANSFIELD. Well, I envisioned the department fixing it. Our job is to validate them.

Mr. HIGGINS. Through your leadership and guidance and supervision, through your skills, you would endeavor to produce a clean or relatively clean audit by the DoD?

Mr. MANSFIELD. It is not particularly whether the audit is clean or not, meaning it really depends on the department getting its financial house in order. We just report the facts as they are.

Mr. HIGGINS. You are in the middle of that, though, aren't you?

Mr. MANSFIELD. Yes, sir.

Mr. HIGGINS. Along with the gentleman sitting next to you.

In my closing seconds, can any of you gentlemen promise in the near future a clean audit?

Mr. Tenaglia?

Mr. TENAGLIA. Sir, I would ask the Comptroller to help me provide you with a timeline that the Comptroller is indicating is the pathway to a clean audit.

Mr. HIGGINS. We are looking for a glimmer of hope here, gentlemen.

Mr. Mansfield?

Mr. MANSFIELD. I can only commit to continuing to assess the department and being as transparent as we can with how we see it. And as of right now, I do not think their timeline is as they say—

Mr. HIGGINS. Valiant effort, good sir.

Mr. Khan?

Mr. KHAN. No. GAO cannot project a time when DoD is going to be audible. Through our recommendations, we are forcing them to get audible, but it is certainly up to them to implement those recommendations and to reach that goal.

Mr. HIGGINS. Thank you, gentlemen, for your testimony today.

Mr. Chairman, I yield.

Mr. GROTHMAN. Ms. Norton.

Ms. NORTON. Thank you, Mr. Chairman.

In the 1990's, Congress passed, Mr. Mansfield, legislation requiring Federal agencies to improve their financial management processes. That goal included a requirement for large agencies to prepare annual agency-wide financial statements and have them audited. Congress designed the legislation to effectively manage and safeguard taxpayer-provided resources and to help lawmakers better focus on government performance and serving this country.

The Government Accounting Office placed DoD financial management on its High-Risk List in 1995. That, of course, indicates financial management was vulnerable to waste, fraud, abuse, and mismanagement. Despite decades of preparation, DoD did not assert readiness for a full audit of its financial statements until Fiscal Year 2018.

So, Mr. Mansfield, can you provide a brief—or a few brief observations on DoD's main challenges preparing for audit readiness leading up to 2018?

Mr. MANSFIELD. I would say that they are very similar to the problems that they face today, in that it is systems that are non-compliant with Federal general ledger expectations. It is systems that do not communicate. It is a department that cannot consistently and repeatedly do the same processes over and over. They cannot describe, on occasion, the processes through which information are supposed to flow, the controls they have in place to ensure the information is accurate. These are long-standing issues.

I would refer you back to our—my prepared statement where some of the scope-limiting material weaknesses that I spoke about earlier, some of those have been around for nearly 27 years, so since the DoD and the CFO Act required financial statements from the DoD.

So, information technology, fund balance with Treasury, inventory-related property, general property and equipment, and government property in possession of contractors, as well as environmental liabilities and disposal—or environmental disposal liabilities, those have all been issues the department has been dealing with since the establishment of the CFO Act which you referred to.

Ms. NORTON. Thank you.

Mr. Khan, since Fiscal Year 2018, DoD's Office of Inspector General has coordinated five DoD department-wide financial audits, five. Each time DoD has been unable to receive a clean audit opinion, meaning that independent auditors could not obtain sufficient reliable information on whether DoD presented its financial statements fairly and in accordance with generally accepted accounting principles.

For Fiscal Year 2023, DoD's OIG identified improving financial management and budgeting as one of the eight top management challenges of the agency. Their report stated—and here I am quoting—“the DoD will continue to face challenges related to financial managements and budgeting due to its size and complexity, shortcomings in its current business processes and reliance on legacy systems.”

For example, DoD operates more than 300 different financial management systems across the department, which includes some legacy systems dating back to the 1960's. We do not actually know how many systems there are. Moreover, DoD's OIG has found that DoD—and here I am quoting—“historically underestimates the time necessary to retire legacy systems.”

So, Mr. Khan, DoD has been working to improve its financial systems environment for more than 30 years. Why is it taking so long to modernize these systems?

Mr. KHAN. This was not a priority for DoD until the last 10 or so years. DoD has many systems, but they are not meant to produce reliable financial information. They were put into place to support the mission logistics and it has only been in the last 10, 15 years that they have realized that financial information is important to them primarily because of budget constraints.

So, it is a matter of priority, and that has only happened in the last 10 or so years.

Ms. NORTON. Thank you.

I yield back.

Mr. GROTHMAN. Thank you.

Mr. BIGGS.

Mr. BIGGS. Thanks, Mr. Chairman.

This is an incredibly important and timely hearing today. Appreciate you gentlemen for being here today. We are considering an almost \$890 billion NDAA bill this week. The only thing that is actually growing faster than the DoD budget as a budget unit is our interest on our national debt. That is the only thing that is growing faster than that. So, I thank you for being here.

Mr. Tenaglia, I have to tell you I am disappointed that your colleagues did not make today's hearing a priority, but I am grateful that you are here.

DoD's budget accounts for nearly half of the Federal discretionary budget, and DoD is responsible for nearly 75 percent of government assets.

Mr. Khan, DoD's financial management has been on GAO's High-Risk List since when?

Mr. KHAN. 1995.

Mr. BIGGS. And this highlights the exposure of taxpayer-funded resources to waste, fraud, abuse, or mismanagement because it is nearly 30 years DoD has been on that High-Risk List.

It has already been discussed today. Last fall, DoD failed its fifth consecutive audit and was unable to account for 61 percent, 61 percent, of it is \$3.5 trillion in assets. Yet after more than 15 years of audit readiness and mediation efforts, DoD is yet to produce a clean audit.

Mr. Mansfield, how much money has DoD spent on audit readiness over the past 15 years?

Mr. MANSFIELD. Sir, I do not know, over the past 15 years, I do not have that in front of me. But I can tell you since 2018, audit support, which is responding to auditor requests is right around \$1 billion. And audit remediation efforts, that is putting controls in developing corrective action plans, that is around \$3 billion.

Mr. BIGGS. \$3 billion?

Mr. MANSFIELD. Yes, sir.

Mr. BIGGS. So, a total of about \$4 billion?

Mr. MANSFIELD. That is correct.

Mr. BIGGS. And you still cannot manage to pass a stinking audit.

Mr. Khan, what factors contribute to DoD's inability to pass a financial audit?

Mr. KHAN. It is primarily the capacity. It has got two parts to that. One is antiquated systems that are unable to produce survival information, and the other one is their trained work force, people who know the interim DoD business processes and they know how to work new Martin systems.

Mr. BIGGS. Same question for you, Mr. Mansfield.

Mr. MANSFIELD. I do not have a whole lot to add there. I think it really is just antiquated systems and just a lack of understanding what their processes and procedures are.

Mr. BIGGS. Mr. Tenaglia?

Mr. TENAGLIA. I think the internal controls and also the inability of our systems to communicate with one another. In my written statement, I described the procure-to-pay process, the end-to-end process, from financial inception of a requirement in through con-

tract and payment on that contract. And so, behind that we are instituting a number of standards that will enable—

Mr. BIGGS. OK. Let me ask you this next question.

Mr. Tenaglia, what are the consequences for failing to pass an audit to DoD?

Mr. TENAGLIA. In the case—well, in the demand that I work in, in the procurement and contracting, it relates to our inability to—

Mr. BIGGS. What is the consequences?

Mr. TENAGLIA. The consequence, the inability to understand where our assets are.

Mr. BIGGS. So, the response of this body is we just keep throwing more money there. Right? You do not know where your assets are, but we are going to keep giving you more money. So, the NDAA top line is increasing by \$23 billion this year. Inflation adjusted, it will be highest DoD budget since World War II, highest.

And Mr. Higgins here, the audit line, the questioning that he was engaged in, the problem is he said Mr. Mansfield correctly answered that if you fail an audit, you are not going to get more money from the bank. And he says, “Well, we are the bank.” The problem is the bank just keeping giving you more money.

So, Mr. Tenaglia, there is no consequence. You may not know where everything is, but we are going to give you more money. It just keeps happening. And that is what is going to happen tonight at 10 p.m. We will finish it off tomorrow. We will do amendments tonight, and then tomorrow we will pass it out, and we will send it to the Senate, and you guys are going to get more money than you have ever had.

I do not think anybody in this audience at home, the four people that are watching this on TV, and those of you who are in this room, and probably most people on this Committee, I am not sure that you even realize this, but it was reported to me before we left for the July 4th recess that the \$1.8 trillion discretionary budget, non-military and military, all the discretionary budget, we have to borrow every penny of that \$1.8 trillion, every penny. That is the problem with us being a bank. We are broke, and we just do not acknowledge it or know it.

Yield.

Mr. GROTHMAN. Ms. Crockett.

Ms. CROCKETT. Yes. Thank you, Mr. Chair.

I do not want to be redundant. I think that if we have not figured out by now, we know that you all are constantly failing. Right? And, honestly, our job is to win for the American people. And so, while this Committee tends to be probably the most divided committee in the Congress, especially this Congress, it is amazing the times that we can agree. And we agree that right now taxpayer dollars are being wasted. I am just going to keep it all the way real.

And what is frustrating to me is that while I applaud my colleagues from the other side of the aisle bringing this and pointing out that there is definitely a ridiculous amount of waste when it comes to defense—and that does not mean on the anti-defense before the haters on Twitter start getting crazy, because we all want to be free. We all want to feel safe here in this country, and we

appreciate what defense does for us. But everyone has to be held accountable, especially when we are dealing with the budget deficits that we are dealing with, especially when we are dealing with the inflation that we are dealing with.

And, unfortunately, I sat through Rules Committee this week, and it took everything in me not to blow up, because I had colleagues from the other side of the aisle as we are dealing with NDAA and we have real things to address, such as how are we going to get DoD on track, do you know what they wanted to talk about? Do you know what these amendments are going to deal with? They are going to deal with things that do not have anything to do with the budget, such as they want to talk about if they are going to deny access to healthcare for women.

That is a priority in NDAA. They wanted to talk about whether or not Trans folk would have access to the healthcare that they need. That is what they want to talk about. They want to deal with the things—and, of course, they want to fight about Ukraine and not recognize that it is important that this modern-day democracy is upheld.

So, what I want to talk about is getting to the point that, No. 1, we only got here because there were certain people that decided that they were going to hold the entire country hostage in the debt ceiling fight. And so, as part of the agreement, the agreement was that all of those people that need Social Security, Medicaid, Medicare, all of those programs that people are relying upon, SNAP benefits, as we are dealing with record inflation, they got less money and defense got more.

That is exactly what happened. Somebody got more, somebody got less, because we care more about let us try to balance the budget on the backs of people that are only getting \$6 a day for things like SNAP benefits instead of focusing on the waste that is going on here.

And so, the only question that I have for you is what do you need from us? What is needed so that we can actually stop being performative? Because what I do not want us to do is try to pretend as if we really care about this waste that is going on by having this hearing on the same day that, as has already been said by my colleague, Mr. Biggs, this is going to get voted out, and you all are going to get more money. That is going to happen.

And you know what? We are still going to have more people that are facing homelessness in this country. We are still going to have more people that are hungry in this country. And, honestly, I can promise you I would rather give more people that \$6 to eat than to sit here and say, “Well, we just have not fixed it.”

If we know that the problem is that we have not modernized, what is the problem with modernizing? Why can't we? Because it is not for a lack of resources. Is there anyone that can tell me why we cannot modernize, especially since we have the best military in this country, but we cannot figure out how to count our money and count our guns? We cannot figure that out? Somebody help me, anybody. This is a real question. What is the problem?

Mr. TENAGLIA. So, with respect to clean audit and auditability we—as has been previously said, retirement of legacy systems is a

significant part of the path to do that. So, we do need to get after that. That is the most significant from the procurement—

Ms. CROCKETT. Let me stop you right there. We need to get after that. Tell me why we have not is my question.

Mr. TENAGLIA. I think it is just a matter of the number of systems that we are having to evaluate for retirement and incorporation of a modernized business process to capture—

Ms. CROCKETT. Let me ask you this. So, can we agree that all of the systems need to go? I mean, how modern are any of these systems? Can we not just agree that we need to scrap it and we need to get up to date?

This is the same body where we are dealing with AI conversations. Like we are—I mean, we have not even been brought up to today, yet alone the future. Can we not just agree that we need to scrap, and we need to move on instead of, like, pontificating? Because I feel like that is what is happening, and it is happening on the American people's dime.

Mr. TENAGLIA. The parts we are taking is to promulgate standards that are feeding the data between the systems. So regardless, I do not think it is realistic that we are going to be able to clean slate them all and so the systems that we have forcing procurement standards and other standards so that the systems can talk to one another.

Ms. CROCKETT. And, Mr. Chair, I know I am out of time, but if I could just ask this last question.

Can you give me a reasonable amount of time to get through to modernizing these systems, just a reasonable number?

Mr. TENAGLIA. I mean, there is systems within my responsibility. I could speak to those, but I am not familiar—

Ms. CROCKETT. OK. So, speak to those.

Mr. TENAGLIA. I would say within a 5-year period.

Ms. CROCKETT. Thank you so much.

With that, I yield.

Mr. GROTHMAN. Congressman Palmer.

Mr. PALMER. This has probably already been covered in one form or another, but I just want to clarify that the \$6.2 billion error in accounting for the equipment that was sent to the Ukraine was an overestimate, not an underestimate and that we sent \$6.2 billion less than what we thought in terms of the value of the equipment. Is that correct?

Mr. TENAGLIA. That is my understanding. The Comptroller advised me that the error, as you described it, with respect to the valuation of the equipment—

Mr. PALMER. Give a short answer so we can get to some more substantive stuff. It is either a "yes" or "no."

Mr. TENAGLIA. Yes, sir.

Mr. PALMER. It was overvalued.

So, one of the things that I have run into—and I have had multiple discussions since I have been a Member of Congress, had a discussion with a former procurement officer with the Pentagon—is that the Pentagon cannot operate in the same way that a business does.

I formerly worked for two international engineering companies. And when we bid on a project, we had a preliminary bid based on

a proposed design, but what we built was to a finalized design. And we were able to do that because we knew that we would get paid. If the client needed to make changes, we did change orders, and that would get added to the cost of the project.

Part of the problem I think with the Pentagon and what I consider—well, I do not know if I call it waste, but the inefficiencies is that so many times—and correct me if I am wrong, and I have had these discussions before—is that oftentimes the Pentagon is so concerned that the next Congress will not follow through on the funding that has been appropriated by one Congress for a weapon systems, for new facilities, whatever, that they begin the construction of facilities or the production of the weapon systems or platforms before the design is complete.

Is that an accurate statement? And you wind up with a number of overruns and change orders as a result.

Mr. TENAGLIA. We do have a number of systems that have concurrent development as—that are ongoing development.

Mr. PALMER. And current development is another way of saying you started the system before the design was complete. You need to speak in plain language because I am not here to throw you under the bus. I am here to find a way to fix this. And part of the solution rests with the Pentagon, but a lot of it rests with us, and I do not think we can escape acknowledging that.

And it is not just a problem with the Pentagon. When I was on the Science Committee, we had a NASA project that as I recall—and my math might be a little—my memory of the math might be a little bit fuzzy, but it was a \$48 million budget, which is not even a drop in the drop in the bucket. But halfway through the project construction, they had already gotten \$24 million in change orders. And I asked the individual from NASA if it was because they started it before the design was complete, and he acknowledged that that was the case.

Mr. Chairman and Chairman Sessions, I think this is an enormous problem that Congress needs to address. Because if we are going to invest money in one Congress to build out defense systems, weapon systems, and platforms facilities, we should not start paying the bill until the design is right. But at the same time, we need to make sure that they have time to get the design right and that the money will be there.

If we did that, would you guys agree that there could be potentially substantial savings? That is a “yes” or “no.” And if you disagree, say so, because we have got to find a way to fix this.

Mr. TENAGLIA. I think a lot of our systems that are software driven and the iterative development of software-driven systems require us to field some minimal capability and upgrade that as we go. I think that—

Mr. PALMER. That is part of the problem you had with the F-35, particularly with the helmet. But what I am trying to get to is a way to address these issues, because we are at a point right now where we need—and with all due respect to my colleagues here, I am more interested in paying for soldiers and weapons than I am accountants. But at the same time, you are responsible for making sure that every dollar that we appropriate for the defense of this country goes for the defense of this country.

And as I have reminded my colleagues, we are either going to pay for this in dollars or we will pay for it in blood. That is the responsibility that rests on your shoulders.

Mr. Chairman, I yield back.

Mr. GROTHMAN. Thank you.

Mr. Frost.

Mr. FROST. Thank you, Mr. Chairman.

So, audits are one of our best tools in ensuring oversight and accountability. They give us a chance to look at the financial records and accounting documents and ultimately ensure that assets and liabilities are tracked over time. That is as long as we are achieving an unmodified or clean audit.

Mr. Mansfield, very simple question. When did the Department of Defense go through its first full scope consolidated financial statement audit?

Mr. MANSFIELD. 2018.

Mr. FROST. 2018.

Mr. Mansfield, did the DoD achieve a clean audit in 2019?

Mr. MANSFIELD. No.

Mr. FROST. What about in 2020?

Mr. MANSFIELD. No.

Mr. FROST. What about in 2021?

Mr. MANSFIELD. No.

Mr. FROST. 2022?

Mr. MANSFIELD. No.

Mr. FROST. Year after year, we hope that the DoD will attain a clean audit, and year after year the DoD fails. The DoD is the only major Federal agency with this level of consistent failure as it relates to an audit.

Mr. Khan, in an attempt to meet the essential standards of accountability, some components of the DoD introduced reforms, including correcting around \$5.2 billion in cost assessments and innovations, like the deployment of hundreds of bots aligned to financial management processes.

Why have these measures all failed to get DoD to have a clean audit?

Mr. KHAN. The issues at DoD are much more pervasive. Some of what you mentioned—I mean, there is other bright spots. It is helping that DoD is embracing technology and using some of the robotic process automation. It is freeing up the resources to be able to do more analytical work. But the problems are very pervasive across DoD, and that is why it is taking them time.

Mr. FROST. DoD antiquated and mismatching financial management systems are a cause for concern. It is part of the reason that they have been on the GAO's High-Risk List since 1995.

Yes or no, has GAO ever outlined what DoD could do to get them off the list?

Mr. KHAN. Yes, we have.

Mr. FROST. Go ahead.

Mr. KHAN. It is in the High-Risk List. We have five removal criteria, and we have been very specific as to what DoD needs to do to come off the list.

Mr. FROST. And there has been many agencies have been on this list, have been taken off, followed your recommendations. Usually

when GAO gives recommendations, how long does it usually take for agencies to implement them and get off the list?

Mr. KHAN. The one parallel I can draw is DHS, which is a much smaller agency. It took them 10 years from inception to getting a clean audit opinion.

Having said that, they continue to be on the High-Risk List because of some issues they are having with technology.

Mr. FROST. Failing an audit does not necessarily indicate that funds are being misused or lost funds. In fact, people can achieve a clean audit and still be misusing funds. However, I refuse to accept the status quo that DoD just cannot get a clean audit.

Mr. Mansfield, when does DoD estimate that you will be able to pass a clean audit?

Oh, if you could turn on your mic, I think.

Mr. MANSFIELD. So, the DoD has estimated that they are looking at 2028.

Mr. FROST. 2028?

Mr. MANSFIELD. Yes, sir.

Mr. FROST. Mr. Khan, does GAO agree with that estimate? And what does GAO see as the roadblocks to achieving that timeline?

Mr. KHAN. They need to have better plans. We do not have a timeline projected for DoD essentially because the audits are still continuing, the scope of the audits is still expanding. So, the complexity and difficulty of the remediation activity is still unknown.

Mr. FROST. And I agree with what my colleague just said before me. Look, I am not just here to rail on DoD about this. We know that it is an issue. We want solutions.

So, from any of you, what can Congress do to help DoD get off of the next GAO High Risk List? I do not think 2028 list is acceptable. What can we do to make sure that DoD gets off the High-Risk List for the next GAO list that will come up?

Mr. KHAN. The main issue is capacity, doing modernization of their system and to have their work force trained. They are—understanding the financial management function and so that they also understand how to use the new financial systems, the automated systems. That is critical. Then they need to have better action plans which are detailed. That is one of the areas where DoD has slipped. They have not adequately defined the action plans, so the dates come and go, and they got extended.

Then, finally, they need to have a better monitoring mechanism to be able to monitor where their deficiencies are and to be able to address those risks before they become a crisis.

Mr. FROST. Thank you.

Congress is poised to give the Department of Defense \$844.3 billion for this year's NDAA. How can Congress continue to justify, given these increases, when you cannot even pass a clean audit? It is not fair. It is not fair to the American people. In fact, I do not believe Congress can justify it, and so I hope this gets fixed.

Thank you. I yield back.

Mr. BURLISON. [Presiding.] I now recognize Mrs. Mace for 5 minutes.

Mrs. MACE. Thank you, Mr. Chair.

And I have several questions I want to get to, so I would just ask that you answer them quickly. If you filibuster, I will interrupt you.

This morning we have already heard DoD has been on GAO's High-Risk List since 1995. Mr. Khan, I dropped out of high school in 1995, a very long time ago. Are there any other Federal agencies which have consistently failed to meet basic accounting standards since I dropped out of high school? "Yes" or "no."

Mr. KHAN. No.

Mrs. MACE. All right. Mr. Mansfield, DoD has never had a clean audit. Yet last month a DoD spokesperson claimed its on track for a clean audit by 2027. I always hear—if I had a dollar for every time I heard, "Hey, we are on track, we are going to get you this or get you that." So, why should the Congress believe the department now will meet this goal when it has never done so in its history? What has changed?

Mr. MANSFIELD. I cannot speak on behalf of the DoD itself. We provide oversight of them, so I would say we are going to continue from the Office of Inspector General's perspective to validate and be transparent in our conclusions on that in terms of how—

Mrs. MACE. So, no answer. All right. Got it.

OK. Mr. Tenaglia, the retirement of legacy systems is part of what you are saying needs to be modernized. And yet the DoD uses a 25-year-old Defense Travel System to book billions and billions of dollars in travel expenses every year. This legacy system wastes hundreds of millions of dollars annually due to inefficiency and overpayments. Though on track to modernize the system, which would be a good thing per your comments earlier, but in May the department outright canceled a \$374 million contract to replace a system with a more modern version.

Who is responsible for that decision?

Mr. TENAGLIA. I believe that is under the purview of the Office of the Under Secretary for Personnel and Readiness.

Mrs. MACE. OK. Do you believe if you are in charge of wasting \$374 million on a contract that you should keep your job? "Yes" or "no."

Mr. TENAGLIA. I would not characterize that as wasteful.

Mrs. MACE. So, you do not have an answer. Got it. All right.

The Defense Travel System has incurred over \$965 million in improper payments from Fiscal Year 2016 to 2018. Exactly how large will that number get if the system remains in use?

Mr. TENAGLIA. I do not have the answer for that.

Mrs. MACE. You do not have any answers today. OK.

So, if you are responsible for losing \$965 million, which is almost \$1 billion in improper payments, should the person responsible for those losses keep their job? "Yes" or "no."

Mr. TENAGLIA. I do not know that that would be—

Mrs. MACE. You do not have an answer. OK.

So, what is the plan going forward? Do you plan to stay with the Defense Travel System for another 25 years? Do they plan to start from scratch? And how much more money is going to be wasted?

Mr. TENAGLIA. I would defer to the Office of Personnel.

Mrs. MACE. So, no answer.

So, nobody has any answers. That is the thing. When we have these hearings, you guys come to our Committee. We have specific questions. We want specific answers. We are wasting billions of dollars every single year. And no one, no one that comes before these Committees ever have any answers. They have no solutions.

So, like, what are you guys doing? I do not understand. And, quite frankly, I have been up here for 2.5 years. I have been very jaded in a very short period of time. I do not know if there is incompetency or ignorance, like I really do not. And I do not understand why any of that is OK. It is not OK.

In the business sector, if you lose \$1 billion, you lose your job, or you have an audit. You have to pass an audit to get—as we have heard today to get financing, to get lending, to get the bank to do business with you. And yet you just have a free check, a free pass—all of these agencies have a free pass from us. We are going to give another free pass. DoD is going to get another free pass today with no one being held accountable, no one being held responsible, and no one taking responsibility. No one is in charge.

Like, I just do not understand the incompetency with any of this. I just—I do not get it. I am not impressed. We are just going to basically shrug our shoulders and just sit here with our hands crossed that we are just going to continue waste billions of dollars. No one is in charge. No one is responsible. No one is ever going to be held accountable, and everybody gets to keep their job. And it is wrong, and it is bullshit.

I hope you guys are better prepared for our next hearing on this because my questions are going to be even more specific, and I am going to want answers.

Thank you, Mr. Chairman. And I yield back.

Mr. BURLISON. The Chair now recognizes Mr. Goldman from New York for 5 minutes.

Mr. GOLDMAN. Thank you very much, Mr. Chairman. And I thank our witnesses for coming in today.

I want to focus a little bit on Ukraine and the money that the U.S. Congress has appropriated to support our democratic ally against an illegal, unwarranted, and global altering war of aggression by an authoritarian dictator, Vladimir Putin.

There—and I want to focus a little bit on the oversight, especially with you, Mr. Mansfield, because I think on both sides of the aisle, we very much want to ensure that there is strong oversight and accountability to ensure that the money that Congress has authorized and appropriated in support of Ukraine is used as it is intended to be used. And I would note that Inspector General Storch testified earlier this year to the Armed Services Committee that the situation in Ukraine is fluid and calls for continuous agile oversight.

Mr. Mansfield, can you describe the OIG efforts to execute that agile oversight?

Mr. MANSFIELD. Yes. Thank you for the question.

First, I would say that we have partnered with the oversight community writ large. So, between the State Department, the Agency for International Involvement, and the Department of Defense Office of Inspectors General, we have formed a working group where we collectively come together to talk about what meaningful

oversight should be occurring within Ukraine related to the funding being provided in support for the DoD Office of Inspector General.

To date we have issued four reports and seven advisories related to anything from tracking of the funds appropriated or supplemental funds to the department's processes and State Department's processes for tracking and monitoring, end use monitoring of military funds that have been provided.

We have 18 ongoing projects related to anything from training of Ukrainian forces to execution of the funds provided under the supplemental appropriations, and we have another three projects right now planned, but there is more in the works as well.

Mr. GOLDMAN. And has Ukraine generally been cooperative with DoD's efforts to do the tracking and oversight that you just described?

Mr. MANSFIELD. So, from our perspective at the OIG, we have gotten cooperation from the Department of Defense in terms of our oversight of their efforts to oversight the Ukraine's use of the equipment that is provided. So, we have not had any difficulties there yet.

Mr. GOLDMAN. I appreciate that. And I thank the department broadly for having such robust oversight. I think it is often mischaracterized and it is important for you to recite all of those efforts as you just did in terms of oversight.

We are dealing right now, as one of my colleagues on the other side—or Mr. Frost mentioned, about—we are dealing with the NDAA and appropriations in support for the department. And one of the things that has become a very hot button issue, sadly, is support for Ukraine. Many of my colleagues on the other side of the aisle seem to fundamentally misunderstand the purpose of our support to Ukraine. Ukraine is a democracy. Russia is an authoritarian regime that is trying to conquer and overtake a democracy. And when we talk about America first, we are talking about America's national security. And if my colleagues do not realize that the support of a robust democracy and end robust democracies broadly around the world do not relate to our national security, then they fundamentally misunderstand global engagement and foreign policy and what makes us safe here at home.

I was very disturbed to see that the Chairman of this Committee, not the Subcommittee but the Committee, went on television last week, I believe, to say that President Biden is scared of conducting oversight of what is going on in Ukraine. And I appreciate you outlining all of the extensive efforts that the department is doing to provide that oversight.

And I would just urge the department to continue to do that oversight, and I would urge my colleagues on the other side of the aisle not to defend and take the side of a dictator in Vladimir Putin trying to overtake and dominate and conquer a democratic nation that needs our support. And it has sadly become somewhat of an odd political football, but the notion that we would not support a democracy at war around—anywhere in the globe is completely counterintuitive and counterproductive to our own national security.

So, I thank you all for being here, and I yield back.

Mr. BURLISON. Thank you.

The Chair now recognizes Mr. Donalds from Florida for 5 minutes.

Mr. DONALDS. Thank you, Mr. Chairman.

Allow me to actually respond to my colleague on the other side of the aisle. The issue with Ukraine is not that Members on my side of the aisle do not want to support a democracy in Ukraine. That is not the issue. The issue is, is that while spending upwards of \$114 billion in said conflict with, frankly, no end in sight, because the President has not led in any of this effort, mind you. He was drug into this conflict because of his own dereliction of duty when Russia was amassing troops on the Ukrainian border for 6 months, and President Biden did nothing. He dithered. He ignored. And only when Putin actually went in, his first comment to Volodymyr Zelenskyy was: "I will send the G5 for you, hop on the plane, and let us go home." That is what he told Volodymyr Zelenskyy. And it was only until the Ukrainian president and, frankly, people around the world said we should stand for Ukraine, then Joe Biden did an about-face. So, that is No. 1.

No. 2, the issue a lot of Americans are having right now is that we have spent \$114 billion on the Ukrainian conflict to defend Ukraine, which, by the way, I do think we should do, but at the same time, we have recklessly disregarded our own southern border and our own national security, which is affecting many states, many counties, many localities who are now not just on the southern border but basically at every city in the country.

Do not believe me? Go ask Eric Adams, the Mayor of New York, who is now very concerned about the fact that we have more migrants in the city of New York than they have space for because of President Biden's reckless policy on the southern border.

So, what I would urge my colleague on the other side of the aisle is please do not do this in a vacuum. Please understand that you have Members who want to be supportive of Ukraine, but they are very concerned and now at this point apoplectic that we have spent \$115 billion on Ukraine but we cannot secure our southern border. That is why Members on my side of the aisle are furious, frankly, with Joe Biden and those who want to use Ukraine as a leverage point.

Mr. GOLDMAN. Will the gentleman yield to—

Mr. DONALDS. I am not yielding. You had your time. I let you talk. I was going to interrupt you, but I did not want to. I am not yielding.

Now, point No. 3—and this is very, very clear—with respect to Ukraine sovereignty, I am very familiar with the Budapest agreement. I think every Member of the Chamber is now familiar with this agreement. We signed on to protect their sovereignty if Ukraine returned their nuclear ballistic missiles back to Russia. That was the 1994 agreement. We signed on to that as the United States of America. I believe that we should uphold that agreement. I do. But when you see Russian troops amassing on the border of the same country, we have an agreement to protect and you do nothing, your inaction as the Commander in Chief cost the United States taxpayer \$115 billion. That is why Members on this side of the aisle are frustrated with Joe Biden and his lack of action.

Now back to the Department of Defense, because that is what I am really here to do, but I had to set the record straight. Here is the issue—

Mr. GOLDMAN. Can I just ask a question quickly?

Mr. DONALDS. No, because you are not recognized.

Now, back to the Department of Defense. Here is the issue we are having. We want to spend money to defend this Nation and to make sure that our men and women have every piece of equipment necessary to do so. We want to make sure they have all the bullets, all the tanks, all the ships, all the equipment necessary.

But the frustration we are having in Congress you are seeing, which I am going to tell you right now is growing, is the complete disregard for fiscal sanity at the Department of Defense. We cannot continue to just fund contracts in ad infinitum with no idea of how we are going to actually acquire the material we are paying for, getting them the material that we have maintained in an orderly and timely fashion, and that the men and women who are on the frontlines, not the brass, not the people over at the Pentagon, the men and women who are on the frontline are getting what they need in a timely fashion. I do not think you would have many issues from Congress to be able to fund that.

But—and I think, Mr. Khan, you spoke to this before in your comments as I was watching the hearing before I came in—the issue is that DoD cannot even find a way to just go through the audit process and come through with minimal findings, which is something that publicly traded companies have to do, and it is something that the current SEC would demand they do, forget the other agencies for that matter.

So, that is the issue we are having at the Department of Defense.

I want to fund our military. I want us to be a lean, mean fighting machine. That is what I want. But as a Member on the Republican side of the aisle, I have got serious concerns about funding the agency if the bloat and the waste continues. Procurement reform is critical.

Last quick question, and I believe I am going to send it to you, Mr. Mansfield. I understand that we spend a ton of money on diesel fuel, but don't you believe that finishing the Project Pele and actually getting it up and running and doing it consistently, won't that be to the betterment of the Department of Defense? And I will close off that.

Mr. MANSFIELD. Sir, I will take that one for the record.

Mr. BURLISON. All right. The Chair now recognizes Mr. Lynch for 5 minutes.

Mr. LYNCH. Thank you very much, Mr. Chairman.

I do want to say there is a little bit of revisionist history here about the circumstances under which Russia did invade Ukraine. I hope my colleagues recall that it was the U.S. Intelligence Service and the White House that consistently warned President Zelenskyy that Russia was going to invade. It was Zelenskyy who came back and said: "We do not think they are going to do this."

Those are the facts. Those are the facts. I understand you—if you want to score political points, I understand that, but you cannot rewrite history. And if you go back and read the intelligence reports, read what Zelenskyy was insisting, it was the U.S. Intelligence

Service, and we collectively in this Congress, in classified settings, we applauded the work of the U.S. Intelligence Service under the Biden Administration for correctly calling that invasion and rallying, rallying Europe behind Ukraine, standing behind them. Separate and apart from any other criticism you might have of the Administration, they got that right. They got that right.

Let me talk briefly about—and ask briefly about a matter at hand.

So, DoD has been frequently criticized because of the failure of its audits from various quarters. One of the factors that affects our ability to really—look, our readiness militarily is going to be affected by our fiscal readiness as well. Right? We have got to be able to plan. We have got to be able, to the degree possible, correctly estimate costs on weapon systems and deployments. All of that requires a good financial team within DoD. And I am concerned.

The Government Accountability Office reported last year that they were worried about DoD's ability to attract the necessary personnel with the right skill sets to put our fiscal house in order. And I am just wondering what is going on right now, from your perspective, to meet that challenge that GAO has identified.

Mr. MANSFIELD. So, I prefer to defer to the Department of Defense on their hiring practices in terms of their own personnel. We at the DoD OIG have been pretty successful in hiring highly qualified individuals who provide oversight of the Department of Defense, to include financial management professionals. So, I defer to DoD.

Mr. TENAGLIA. So, within the financial management community, I am not able to speak about that. But within the acquisition community, we have a significant number of people that perform multiple functions, whether they are procurement, engineering, systems engineering, logistics. But the work force challenge of making sure we are able to attract and recruit the right people to do what we need them to do, that is right now one of our leaders' top priorities.

Mr. LYNCH. Let me just—you know, it sounds like everything is fine, do not worry. But this is—I am reading, from the GAO report, that DoD lacks a strategic approach for work force planning for the collective set of staff that support financial management systems. And that is their analysis after their investigation. And, you know, you are saying things are good and we are going to keep on doing what we are doing. So, there seems to be a divergence of opinion there.

Did the GAO hit on anything, or they are just—

Mr. TENAGLIA. Sir, I would prefer to have the Comptroller provide you the response for the financial management community. I can speak to the acquisition community.

Mr. LYNCH. Mr. Khan?

Mr. KAHN. The major issue that was identified in that report was a skill gap analysis for DoD to be looking to the future to develop the work force of the future, for a few reasons. Their processes are changing in part because of the audit. New technology is coming in line, so you have to retrain the people to be able to understand the new process and the technology. So, without doing a skill gap analysis, which is what they currently have and where they need

to be, it is going to be difficult to develop the requirements, the skills that the people need to have for the future needs.

Mr. LYNCH. All right. My time has expired. Mr. Chairman, I yield back. Thank you.

Mr. BURLISON. Thank you.

The Chair now recognizes Mr. LaTurner for 5 minutes.

Mr. LATURNER. Thank you, Mr. Chairman. Thank you all for being here today.

As our adversaries continue to increase their aggression, it is more important than ever that Congress ensures our brave servicemen and—women have the resources they need to keep themselves and our Nation safe. China is slowly but surely probing the sovereign boundaries of Taiwan, and their malign naval activity in the Pacific is well recorded. Iran seeks to become a nuclear power in the near future, which would only further destabilize one of the most tumultuous regions in the world. And President Biden's weakness on the world stage following the botched withdrawal from Afghanistan has empowered our enemies across the globe.

I would argue that strengthening our military readiness and supporting our allies abroad is one of most important duties we have this Congress. At the same time, the American people find themselves drowning in \$32 trillion of debt.

Kansans, like many Americans across our country, are very concerned with the Pentagon's lax accounting practices. The DoD is no stranger to sloppy bookkeeping. They failed five consecutive audits, and cannot even tell you how many contractors the Department employs. As just a few examples of this complete lack of accountability, the DoD could not account for more than 61 percent of its assets in the most recent audit.

The United States Air Force spent \$549 million on 20 cargo planes for the Afghan Security Forces, and then was forced to suspend the program and sell the planes for scrap for just over \$40,000 because they were deemed unreliable and unsafe.

Just last month, the agency overestimated the value of weapons sent to Ukraine by \$6.2 billion. And when the Pentagon has been provided opportunities for improvement, they often fail to take advantage and allow this mismanagement to continue.

Of the over 3,300 recommendations made to the Department in 2021 to improve their financial management, they failed close to 2,800. No business or organization in America operates this way. This current standard of fiscal accountability is completely unacceptable, and the American taxpayers deserve better.

With the countless threats facing our country today, it is vital that the United States continue funding our defense capability. However, Congress' authority over the power of the purse is a tremendous responsibility, and we owe it to our constituents to exercise that power judiciously.

Mr. Khan, how does the lack of financial auditability at the Pentagon impact its ability to effectively allocate resources, manage budgets, and make informed financial decisions?

Mr. KAHN. It impacts it greatly. Without having adequate controls, you would not have the reliable information with which to make the decisions as to where to allocate the money and to reprioritize funding, if that need arises.

Mr. LATURNER. This is for each of you. What are the consequences, both financial and reputational, of DoD's failure to pass audits?

Mr. TENAGLIA. Sir, I think the operational concern is one of logistics and understanding where our assets are so that we can have, for example, spare parts, needing to know where they are at any one time in order to operate in that environment.

Mr. LATURNER. What about reputationally?

Mr. TENAGLIA. Well, I think we would all prefer to have the ability to say we have a clean audit.

Mr. LATURNER. I hope it is more than just a preference. Trust in government is at an all-time low in this country, and it is because people across the country, our constituents, do not feel like they can trust government to do what they say they are going to do.

I hope you care about DoD's reputation, and I hope you want to improve it. I hope that you want the American people to have trust in it. Tell me that is the case.

Mr. TENAGLIA. Absolutely, yes.

Mr. LATURNER. Go ahead, Mr. Mansfield.

Mr. MANSFIELD. Well, you took my answer. I was going to say it erodes the trust of the American public in the Department's ability to be fiscally responsible, to be good stewards of taxpayer dollars. That is, I think, the biggest risk in terms of reputation for the Department.

Operationally, as we have talked about financial, the dollar value is one piece of that. But as we are going through and doing testings of systems and records, we also look at condition. And so that is where you really start to get into some of the operational side of the house.

When you have—when you do not know where equipment is or you do not know what condition it is in, it is difficult to budget from what you need to purchase going forward in terms of spare parts or equipment. If you do not know what condition it is, you do not—you cannot budget for repair to bring stuff up to standards, so it is operationally available and ready. And so, it is fundamentally an operational issue in addition to a fiscal issue.

Mr. LATURNER. Quickly, my time is about up.

Mr. KAHN. DoD's inability to get an opinion prevents GAO from auditing the government-wide financial statements. Because of that, government-wide, the U.S. Government cannot get an opinion.

Mr. LATURNER. We have to fix this problem, gentlemen. Members of Congress are incredibly frustrated, and it is because our constituents are incredibly frustrated. We have got to fund our military in a way that allows us to meet the challenges of today. And we should expect, and DoD should deliver, sound accounting practices to make certain that when we send our taxpayers hard-earned money, that it is being well spent defending this Nation.

I yield back.

Mr. GROTHMAN. [Presiding.] Thank you.

Ms. Porter?

Ms. PORTER. In Washington, the same game is played year after year. The President requests a massive defense budget, lawmakers

do not want to be seen as soft on national security, and defense lobbyists exploit that. Congress then falls into line and passes an expensive defense package. And then we do the same thing again the next year. That is the game that lawmakers and lobbyists play with our tax dollars.

Today, we are going to play a new game. Welcome to Jeopardy-DoD, where our witnesses will uncover Waste, Missing Guardrails, and the Enablers who make our defense budget balloon. Witnesses, you will pick a category and a point amount. I will read you a prompt. And just like in regular Jeopardy, you will give the answer in the form of a question. For example, if I read, the Congresswoman hosting Jeopardy-DoD, you will say, "Who is Katie Porter?"

Let us get started. Mr. Tenaglia.

Mr. TENAGLIA. I will take Enablers for \$100, please.

Ms. PORTER. Enablers for 100. A President who called how much we spent on defense crazy, but let defense spending grow by over \$100 billion in one term.

Mr. TENAGLIA. I do not know the answer to that question.

Ms. PORTER. Really? You do not know who called the defense budget crazy? Who is Donald Trump?

Mr. Mansfield?

Mr. MANSFIELD. Enablers for 200.

Ms. PORTER. Enablers for 200. A Member of Senate leadership who recently said funding the Pentagon at \$886 billion would mean defense is radically underfunded.

Mr. MANSFIELD. I do not know the answer.

Ms. PORTER. Who is Mitch McConnell?

Mr. Khan, really, you can easily be the winner here.

Mr. KAHN. I will take Waste for 300.

Ms. PORTER. Great choice. Waste for 300. Ineffective DoD assets that cost about \$600 million to build and are now being decommissioned before the end of their useful life.

Mr. KAHN. I am drawing a blank there. Sorry.

Ms. PORTER. What are littoral combat ships? You are familiar with this program.

Mr. Tenaglia?

Mr. TENAGLIA. Enablers for 300.

Ms. PORTER. Pardon me?

Mr. TENAGLIA. Enablers for 300.

Ms. PORTER. Enablers for 300. Individuals who get rich while pushing to overspend our tax dollars.

Mr. TENAGLIA. I do not know.

Ms. PORTER. Who are defense lobbyists?

Mr. Mansfield?

Mr. MANSFIELD. Waste for 200.

Ms. PORTER. Waste for 200. I am really counting on you here, Mr. Mansfield. A program that is \$183 billion over budget and 10 years behind schedule.

Mr. MANSFIELD. What is the Joint Strike Fighter program?

Ms. PORTER. What is the what?

Mr. MANSFIELD. Is it the Joint Strike Fighter program?

Ms. PORTER. That is correct. What is the F-35 program. Correct.

Mr. Khan?

Mr. KAHN. Missing Guardrails for 200.

Ms. PORTER. Missing Guardrails for 200. The institution that has authorized more defense spending than the President requested for the current fiscal year. Who has authorized more defense spending than the President requested for this current 2023 fiscal year?

Mr. KAHN. I would say it is the Armed Services Committee.

Ms. PORTER. We will give you that. Who is Congress?

Mr. Tenaglia, I would really love to see you get one right here. I am rooting for you.

Mr. TENAGLIA. Missing Guardrails for 100.

Ms. PORTER. Missing Guardrails for 100. This one I think you are going to know. A review that every agency has passed except the DoD.

Mr. TENAGLIA. What is an audit?

Ms. PORTER. What is an audit? Correct.

Mr. Mansfield?

Mr. MANSFIELD. Missing Guardrails for 300.

Ms. PORTER. Missing Guardrails for 300. This is a really good one. The percentage of DoD's assets that it cannot account for.

Mr. MANSFIELD. Sixty-one percent.

Ms. PORTER. Sixty-one percent.

Mr. MANSFIELD. What is 61 percent?

Ms. PORTER. Huh?

Mr. MANSFIELD. What is 61 percent?

Ms. PORTER. What is 61 percent? So, I read the question wrong. The percentage of DoD assets that it can account for is 39 percent.

You are right. Cannot account for 61 percent, can account for 39. All right, Mr. Khan.

Mr. KAHN. Is that double jeopardy? 100.

Ms. PORTER. Yes, this is it. Waste for 100. DoD assets that have been lost, damaged, or destroyed to the tune of millions of dollars based on a May GAO report.

What are spare aircraft parts?

We are out of time for Jeopard-DoD, and the winner here today should be the American people, because no matter who uncovers the most waste, the important thing is that we provide long-overdue oversight to the taxpayers.

Look, politicians and lobbyists play the same spending game year after year, and that is not getting us to a responsible defense budget. Nobody is going to win—

Mr. GROTHMAN. Mr. Fallon?

Ms. PORTER [continuing]. Until we start playing a new game.

I yield back.

Mr. FALLON. Thank you, Mr. Chairman.

Gee, I think we all know who is running for the U.S. Senate.

So, I want to thank you, Mr. Chairman. I want to thank the witnesses today as well. We are not going to play Jeopardy or any other childish games because I do not care about viral clicks. What I care about is some answers because soldiers are dying. I want to bring to the attention DoD financial mismanagement that is directly leading to injuries and death of our servicemembers.

The Army has a Humvee program that retrofits Humvees to prevent them from rolling over, and it is going to save the taxpayers about \$8 billion. And more importantly, it is going to save lives. We have got about 47,000, a little north of that, Humvees in the fleet.

We have been using them since 1983. They are a workhorse. And the Army is going to continue to use them until 2050.

There has been 900 rollover accidents. We have lost 150 servicemembers. We all agree that one is too many, 150 is incredibly egregious. Seven hundred members have been injured as well in noncombat accidents. That is a very important point to point out here.

So, if the issue is not bad enough alone, there is delays in the awarding of the contract. Congress has made it very clear that we want to spend hundreds of millions of dollars to mitigate this issue because we want to save lives and, again, we are going to save lots of money. But sadly, we have lost another servicemember with a preventable Humvee rollover, and his name was Specialist Jayson Haven, and he was 20 years old. What makes me angry is his vehicle was originally scheduled to be retrofitted in February, but because of delays, it never happened. I cannot help but think that if the Army had done its due diligence and ignored contractor politics and moved forward with a sense of urgency that Congress has clearly directed for 3 years, that Specialist Haven might be alive today.

So, let us call this for what it is. It is contractor politics, and it is special interests inside the Pentagon that is delaying the retrofit program because it is not lucrative for certain interests outside of the Pentagon. The incumbent contractor with only—with the only proven kit to solve this issue has passed every hurdle that the contracting office and the competitors could have thought to throw at them. So, this decision is costing the Army billions of dollars and is a perfect example of financial mismanagement.

So, Secretary of the Army Wormuth, I just talked to her yesterday. She has assured me under oath and in private again that she is committed to getting this work done expeditiously. I really thank her for that. But unfortunately, down a few levels, something—the ball is being dropped here. So, the commitments that we—we have to do something for our men and women.

And, Mr. Tenaglia, are you tracking this issue with the Humvee retrofit program?

Mr. TENAGLIA. I was not aware of that detail, but I will commit to getting with the Army to get you answers, and—

Mr. FALLON. Thank you. Because again, we are losing soldiers' lives, and this is preventable, you know. None of this work is happening because the supplier is not under contract.

So, Red River Army Depot does a lot of this work, and they can get the work done, but they cannot hire the people that they need until they are under contract, till they have a contract for this. And then the Army says now that they do not expect that the award will occur until the fourth quarter of this year.

Do you have an acceptable reason as to why this appropriated money is not being spent in a timely manner? Really, invested.

Mr. TENAGLIA. No, sir, I do not have—

Mr. FALLON. OK. So, Mr. Khan, costing the taxpayers an additional \$8 billion while jeopardizing the lives of our soldiers sounds like an issue that GAO might be interested in. So, has the GAO reviewed this recent delay in the Army's Humvee retrofit program?

Mr. KAHN. No. GAO has not reviewed that program.

Mr. FALLON. Will you and Comptroller Dodaro commit to a formal review of the issues related to the Army's Humvee retrofit program?

Mr. KAHN. I will get in touch with that team who does work on the weapons systems, and they will work with your office to see how we can meet your needs.

Mr. FALLON. Thank you. And we will be more than happy to provide you with a formal written request, if needed.

So, I want to thank the witnesses again. And just while I have a minute left, I want to just discuss—maybe talk about truth for a minute and candor and not politics. So, I will be real frank.

This Congress on the Hill, 2 years ago got it right in regard to Ukraine. It was very clear that the Russians were going to invade. And Congress, both Democrats and Republicans, got it right. The White House did not. The White House did not lead. Congress led.

I signed on to a letter that was sent out in 2021 in December to the White House urging more lethal aid to be sent to act as a deterrent because, yes, war is expensive. You know what is even more expensive? Losing a war. And we, Congress, both Republican and Democrats, bipartisan, led on that issue. The White House failed.

Because if the White House got it right, I would say they got it right. They got it wrong, but we got it right. Congress led. And the facts are the facts. And now we will never know if that deterrence could have been—could have worked because the White House dragged their feet for 6 weeks until that second lethal aid package was sent.

So, I yield back. Thank you, Mr. Chairman.

Mr. GROTHMAN. [Presiding.] Thank you.

There he is, Mr. Connolly.

Mr. CONNOLLY. Thank you, Mr. Chairman.

And let me take direct issue with the gentleman who just spoke. The Biden Administration is one of the only administrations ever to deliberately leak intelligence to let people know the invasion was pending. And by the way, an invasion that initially the Ukrainians felt was not going to happen. It was the Biden Administration that called out the fact that it was about to happen and leaked intelligence we had about Russia to ensure that Russia could not use pretext that the Ukrainians, in fact, had provoked the invasion.

I also want to take issue with him in diminishing and ridiculing my colleague from California on her Jeopardy example. We have been droning on in the entire 15 years I have been in Congress about the lack of an audit for the Pentagon, and zero progress has been made. We have talked about waste, fraud, and abuse for generations with respect to Pentagon spending, and zero progress has been made. And in one 5-minute questioning, my colleague, Ms. Porter from California, showed the American people, in clear and understandable terms, numbers and systems that are at risk or at fault, and it is their tax dollars, and it is our national security.

So, I praise Ms. Porter for what she just did. I thank her, and I think she probably did more to penetrate American public consciousness than 15 years of hearings on the subject.

Mr. Khan, do I understand that DoD has 326 financial management systems according to the DoD itself?

Mr. KAHN. That is correct. I think the list has gone up to—closer to 400.

Mr. CONNOLLY. Four hundred financial management systems. Is that correct?

Mr. KAHN. Correct.

Mr. CONNOLLY. What could go wrong with that?

Mr. KAHN. Everything. Primarily, they do not communicate with each other. They do not have controls, so the information does not pass from one system to another system reliably. Consequently, the information which is aggregated at the top level is unreliable. You cannot make decisions on that information.

Mr. CONNOLLY. So how does the President, the Joint Chiefs of Staff, or the Secretary of Defense manage financially within the budget Congress gives them if they have got over 400 systems, they do not talk to each other, they do not cooperate, and do not give a complete picture of what is happening at, say, a 30,000-foot level?

Mr. KAHN. Primarily, through budget. How much budget is available and how much is spent. But it does not provide them if the money is being spent on the right assets, the right services, and are they receiving the right services and right goods for the amount paid.

Mr. CONNOLLY. So, what do you think should happen with these 400 separate systems of financial management?

Mr. KAHN. As GAO has recommended, they need to be modernized. But they—

Mr. CONNOLLY. Well, modernized. But shouldn't they be consolidated?

Mr. KAHN. Yes.

Mr. CONNOLLY. Like, a lot of them eliminated?

Mr. KAHN. Right.

Mr. CONNOLLY. And is that possible? Is that doable?

Mr. KAHN. It is doable, but it has to be planned.

Mr. CONNOLLY. Do other Federal agencies have 400 financial management systems?

Mr. KAHN. No, they do not.

Mr. CONNOLLY. They do not. So, it is doable?

Mr. KAHN. Correct.

Mr. CONNOLLY. We even have examples we could point to?

Mr. KAHN. Yes.

Mr. CONNOLLY. And has the Pentagon used best practices with other Federal agencies to start to make some progress on this?

Mr. KAHN. It is trying to do that.

Mr. CONNOLLY. Legacy systems. One of my favorite topics on this Committee has always been IT modernization because I believe it is fundamental to the enterprise, to the mission, and to the execution of the mission.

Now, DoD has decommissioned, I understand, 18 legacy audit-related systems in Fiscal Year 2022. Is that correct?

Mr. KAHN. That sounds about right.

Mr. CONNOLLY. How many more do we got to go?

Mr. KAHN. Hundreds more.

Mr. CONNOLLY. Hundreds. And how are they doing in developing and executing a plan to do that?

Mr. KAHN. It is somewhat slow. They need to have better plans as to how they are going to go from where they are right now to what the target state is, where they need to get there.

Mr. CONNOLLY. Are there cyber risks from outside malign actors with the legacy systems?

Mr. KAHN. Yes. Yes, there is.

Mr. CONNOLLY. So, this directly affects the security of our missions, of our intelligence, of our defense planning, on our new weapons systems development?

Mr. KAHN. It does.

Mr. CONNOLLY. It does. So, it is a pretty grave matter.

Mr. KAHN. Very much so.

Mr. CONNOLLY. I think we are going to want to know a lot more about that as we proceed.

My time is up, but I really thank you.

Mr. GROTHMAN. Mr. Timmons.

Mr. TIMMONS. Thank you, Mr. Chairman. And thank you to the witnesses for joining us to discuss the lack of financial accountability that is all too prevalent within the DoD.

As we all know, the Pentagon had its first ever independent audit in 2017, but failed that audit. And it has also failed every audit subsequently. Unsurprisingly, in November 22, DoD announced that it failed its most recent audit, unable to account for more than half of its assets. It is extremely concerning that our largest Federal agency cannot properly identify up to half its assets. And today, I want to focus on some smaller issues that are contributing to that.

In the GAO report released on May 23, on the accountability of spare parts, GAO found that 1 million parts have been, quote, "lost" since 2018. The report said DoD and contractors cannot agree on how spare parts should be categorized. This lack of agreement affects how DoD processes lost parts. For example, about a half million lost parts worth \$85 million, DoD was only able to review the circumstances surrounding two percent of identified losses since 2018.

Mr. Khan, this question is for you. Can you provide additional context for the Committee? What is your definition of a, quote/unquote, "lost" part?

Mr. KAHN. When the parts do not match what is in the record and what is in the record do not match the part which is in the warehouse.

Mr. TIMMONS. And do auditors currently have the ability to identify and differentiate which parts are actually lost and those which are simply excess inventory?

Mr. KAHN. No.

Mr. TIMMONS. Is that a problem?

Mr. KAHN. That is a huge problem.

Mr. TIMMONS. So, would it be much better to have—to differentiate these categories?

Mr. KAHN. Yes.

Mr. TIMMONS. How do we do that?

Mr. KAHN. By inventorying them correctly, by tagging them, by having the right information in the records as to which part is obsolete and which part is still serviceable.

Mr. TIMMONS. What needs to be done to accomplish that?

Mr. KAHN. Better records, better policy and procedures. So, somebody follows through with their guidance to make sure that information is in the records.

Mr. TIMMONS. Is it harder—I know that Mr. Connolly was discussing the 400 different systems. Is that part of the problem? If there were fewer, if it was more streamlined, would it be able to accomplish that?

Mr. KAHN. That is part of the problem. In this case, a lot of these spare parts are managed by contractors, so there needs to be proper guidance for the DoD personnel to require the contractors to provide that information.

Mr. TIMMONS. OK. Thank you.

Mr. Mansfield, speaking specifically on the F-35 program, what percentage of parts have been lost in the last 5 years?

Mr. MANSFIELD. I do not have a specific number on that.

Mr. TIMMONS. OK. It seems that the rate is fairly low, given the information that I am looking at. How—so you do not know the answer to that.

What is the overall goal for the Defense Department as it relates to lost parts?

Mr. MANSFIELD. So, I cannot speak for the Department's overall goal, only because we provide oversight over the Department. But what I could say their goal should be is there should be no lost parts, right. One hundred percent inventory accuracy in terms of parts.

Mr. TIMMONS. I think that that is a great goal, but I mean, I think zero percent is probably not attainable. But I mean, I would say somewhere low single digits is a good objective.

What methods do you think could be implemented to lower lost part percentages?

Mr. MANSFIELD. So, specifically for the Joint Strike Fighter, because those are government assets, they are controlled by a contractor. The fundamental thing, there is three things that go into it. One is contract requirements, very clear contract requirements and deliverables that have measurable outcomes and goals within that. And then you also have to have, the second part of this is a very solid oversight plan from the government, a way of checking and checks and balances on the contractor. And the third is the wherewithal within the contracting community to actually hold the contractors accountable for not meeting contract requirements and providing the information that is required to maintain accountability and fiscal responsibility for those parts.

Mr. TIMMONS. Sure. Thank you for that.

We have got a long day ahead of us working on the NDAA. I am glad that we are having this hearing to discuss concerns with what is our largest Federal agency, so we can continue to do better.

And, Mr. Chairman, I yield back. Thank you.

Mr. GROTHMAN. Thank you.

Mr. Moskowitz?

Mr. MOSKOWITZ. Thank you, Mr. Chairman.

I would like to yield some of my time to Representative Goldman.

Mr. GOLDMAN. Thank you. I thank the distinguished gentleman from Florida for yielding a little time.

I want to briefly address another one of my distinguished colleagues from Florida's earlier remarks in mostly saying that there was a 6-month buildup of Russian troops on the border and somehow President Biden did nothing to deter Russia from invading Ukraine. I find it odd to hear a Republican supporter of Donald Trump complain that we did not do more earlier to deter Russia.

We all remember, in 2019, Donald Trump withheld all of the military and security assistance Congress appropriated to Ukraine in order to benefit his reelection campaign. And, in fact, on the contrary, Joe Biden, as President, did share intelligence to rally around our European allies to support Ukraine in a meaningful way that actually offset the need for us to provide as much financial assistance.

But I am glad to hear that Mr. Donalds supports Ukraine in its war against Russia. And I hope that he can convince his colleagues, including some on this committee, not to strip all funding for Ukraine in the NDAA.

I thank my colleague for yielding. And I yield back.

Mr. MOSKOWITZ. Thank you.

So, we are talking about the NDAA, while this hearing is going on, supporting our defense, supporting our country, keeping our military superiority over China. It passed 58 to 1 in committee, bipartisan, how it has always been and how it should be. Except now, it is held hostage. It is held hostage over the culture war, right. It is not about defense. It is not about protecting the American people. No, it is about abortion or defending the Confederacy, based on amendments that my colleagues have filed. Or it is about books again. We are back to books. Or it is about stopping mitigation to climate change. Anyone right now who is currently experiencing record flooding or record heat, they are not worried about defending the country. No, they are worried about stopping mitigation and climate change.

The Senate is going to kick all this back to us. They are going to wipe all this culture war nonsense out. And so, this is just theater. It is not about defending the country. They are holding up 250 nominees, in the Senate, to our military. My colleagues across the aisle are doing that. We cannot appoint the head of the Marine Corps because of the culture wars. Has not happened since 1910.

In October, when we are going to see the Chairman of the Joint Chiefs of Staff probably retire, nope, we will not be able to appoint that person either, based on this nonsense if it continues.

But they are focused on the audit of the Pentagon. Can you imagine if someone audited this Committee? Oh, wait, I have that audit of this Committee. Actually, it is in form of an indictment. That is the audit of this Committee. It is an indictment by the Department of Justice, because this Committee is focusing on working with foreign agents, right. You want to talk about national security? That is why you guys are here. It is about national security.

But the main Committee is working with an indicted Chinese agent who does business with the Iranian regime and is an illegal arms dealer to Libya. All of this in order to own Hunter Biden. That is how far they have stooped. It reads like a 007 movie, this indictment, except they are working with the villain.

You know, that is why I have sent a letter to the China Select Committee, the chairman of that committee, to open up into an investigation into what is happening in Oversight, because I am deeply worried about whether the CCP has manipulated the information that has been provided to this Committee through their foreign agent that they are working with and the information that they are then providing to the American people.

It is also why I have sent a letter to the Chairman of Foreign Affairs and the Chairman of Homeland Security, because I need to know and the American people need to know, they have a right to know, whether the indicted foreign agent, the illegal arms salesman who is working within the Iranian regime, who is a supporter of terrorism around the world—that is who they are working with—we need to know whether they have jeopardized homeland security in their search to help Donald Trump in his reelection.

I yield back.

Mr. GROTHMAN. Mr. Burchett?

Mr. BURCHETT. Yes, sir. Sorry, Mr. Chairman, I am usually a little more prepared. I apologize.

Mr. Mansfield, the Presidential budget for Fiscal Year 2024 requested \$910.8 billion for defense-related activities. Does that sound right to you?

Mr. MANSFIELD. Yes.

Mr. BURCHETT. How much of that \$910.8 billion is mandatory and how much is discretionary spending?

Mr. MANSFIELD. I believe the vast majority is discretionary.

Mr. BURCHETT. I cannot hear what you are saying.

Mr. MANSFIELD. It is discretionary, sir.

Mr. BURCHETT. Say again.

Mr. MANSFIELD. I said I believe the vast majority of that would be discretionary.

Mr. BURCHETT. Vast majority, OK.

When was the last time the Department of Defense passed a clean audit?

Mr. MANSFIELD. It never has.

Mr. BURCHETT. Never has. And what issue does the Department face in tracking the money that was spent?

Mr. MANSFIELD. It is a magnitude of issues. You know, it is—as we speak about—or I spoke about in my prepared statement, there is a series of material weaknesses, anything from information technology systems to be able to track its balances that are with the Treasury. It is inventory over property and equipment. It is ability to actually capture the total universe of financial—

Mr. BURCHETT. OK, OK. I appreciate all that, but don't you think it is time? I mean, you have never had it—if it never has come out right, that you all would fix that problem?

Mr. MANSFIELD. I would agree it is time for the DoD to fix that problem. Our role as the Inspector General is to oversight the DoD's process. So, we actually issue the opinion that finds that the DoD cannot report its financial information accurately.

Mr. BURCHETT. How does the process work in the Department of Defense? The auditing process, how does it work?

Mr. MANSFIELD. Well, in terms of the audit or the compilation of the financial statements, because—

Mr. BURCHETT. Just the audit, the audit, sir.

Mr. MANSFIELD. So, we have—within the DoD Office of Inspector General, we look at the consolidated financial statements, and then we oversee a series of independent public accounting firms that look at individual entities within the DoD that have their own financial statements that roll up into the agency-wide. And so, at the entity level, there is testing going on by IPAs substantive to—

Mr. BURCHETT. So, it just goes from one bureaucrat to another bureaucrat to—it just goes up the chain.

OK. Let me ask you, how many people work in this maze? How many people work to audit the Pentagon?

Mr. MANSFIELD. Right now, my organization, the DoD Office of Inspector General, has about 180 people dedicated to it. And then within the independent public accounting firms, it is right around 1,400 staff.

Mr. BURCHETT. Now, does the Pentagon do any of this work in-house? Do they do their own auditing at all or any of that, or do they just—

Mr. BURCHETT. They contract with a few IPAs and oversees those IPAs. We do the vast majority.

Mr. BURCHETT. Did you say overseas?

Mr. MANSFIELD. They oversee them.

Mr. BURCHETT. Oversee them. OK. I am sorry.

Mr. MANSFIELD. I am sorry. I apologize. Yep.

Mr. BURCHETT. You had me really nervous thinking I was going to change my questions.

How much do you all spend to do—on the auditing process?

Mr. MANSFIELD. So, in Fiscal Year 2023, it looks like we are around \$186—the DoD is around \$186 million. But if you look at the contracts they have, which are multiyear contracts, the total potential amount obligated there is around \$485 million or so.

Mr. BURCHETT. Do you think they will ever pass a clean audit?

Mr. MANSFIELD. I think there is room there for that to occur. I think it just requires consistent attention.

Mr. BURCHETT. I think at some point this Congress is going to have to get some guts and remember what we said, that we are the country's checkbook—or this Congress' checkbook, and we have to start cutting money if they do not. I mean, that is what you do in the business community, that is what you do in small government. You—and when I was county mayor, I will tell you this, if it—if they did not come back clean and they could not give me the proper answer, I was going to fire somebody's butt overnight, overnight. Tennessee is a right-to-work state, and they were gone. I just—this group, all you do is hire more people. I just do not follow what is going on.

Mr. Khan—did I say that name correctly?

Mr. KAHN. Yes.

Mr. BURCHETT. Mr. Khan?

Mr. KAHN. Yes, sir.

Mr. BURCHETT. In your opinion, what programs within the Department are most prone to waste, fraud, and abuse?

Mr. KAHN. Based on the work, it is primarily the weapons systems. I mean, that is where their cost overruns time delays.

Mr. BURCHETT. Do they do this so they can say, well, we are putting more into it, or it just—I mean, you know, they try to wrap it in the patriotism of this great country, and I just worry about that.

Mr. KAHN. I cannot answer that question.

Mr. BURCHETT. Do what?

Mr. KAHN. I do not know the answer to that question.

Mr. BURCHETT. All right. How does the Department of Defense's financial management compare to other Federal agencies?

Mr. KAHN. It is lacking compared to other Federal agency.

Mr. BURCHETT. And that is saying something, because Federal agencies are pitiful. So, go ahead. I am sorry.

Mr. KAHN. Well, I was going to say it is the only one which has not received audit opinion since it became the law in 1990, so it is really far behind other Federal agencies.

Mr. BURCHETT. I prepared legislation. I will be filing it, Mr. Chairman, to penalize government departments that do not follow through or do not—or who have audit findings in the future. I would hope, maybe this Congress would get some guts and our party would get some guts and follow through with some of our promises that we have made.

Thank you, Mr. Chairman. I appreciate all you guys being here. I know you probably woke up this morning and thought, wow, this is going to be just like it is on television, and obviously it is not, because we have terrible snacks back there. I just want you to know that, so—exactly, no snacks, exactly.

Thank you.

Mr. GROTHMAN. OK. Thank you.

Ms. Greene?

Ms. GREENE. Thank you, Mr. Chairman.

As Congress is debating and considering voting on the next National Defense Authorization Act that will cost the American people \$866 billion, I think this is a very important hearing today. And I thank you all for being here.

I own a construction company. And my company is audited every single year. That is part of being able to do the jobs that we do. We have to account for everything that our business owns, all of our liabilities, all the way down to counting hammers and nails.

So, this was very alarming information to me as I found out that the Pentagon had failed its first ever independent financial audit in 2017. But more importantly, that the Department of Defense has failed every single audit since then. And I am sure that alarms you as well.

In November 2022, the Department of Defense announced that it failed its most recent audit, unable to account for more than half of its assets. That is mind-boggling, especially for Americans that pay for all of this. After 1,600 auditors sifted through the Department of Defense's 3.5 trillion in assets and 3.7 trillion in liabilities, officials found that the DoD could not account for more than 61 percent of its assets is so alarming.

What is particularly concerning to me, in our NDAA, there is \$300 million more dollars in the NDAA to go to Ukraine. Congress has already spent \$113 billion for the Ukraine war.

So, on June 20th, 2023, when a Department of Defense spokesperson said that the DoD had been overestimating the value of U.S. assistance to Ukraine by nearly \$6.2 billion over the Fiscal Year 2022 and 2023, that is really concerning. The spokesperson noted that military services used replacement costs rather than net book value in many cases. And this sum would subsequently go back into the pot of money allocated for the Presidential Drawdown Authority, PDA, for Ukraine.

So, I want to talk about accounting practices today. And I am going to ask both of you, Mr. Tenaglia—I apologize if I mispronounced that—and Mr. Mansfield. Basically, my estimation of what this means in simple terms for anyone watching this hearing is that, at first, using the accounting practice, basically putting the net worth and the value of this equipment originally given to Ukraine, it was kind of like pricing it like a new car. And then changing its value by pricing it like a used car and that is how \$6.2 billion showed up. But yet, the American people have to resupply the military at a new car value, right. So, that is a loss to the American people in the amount of money they are spending.

Would you agree with me? And I will go with each of you.

Mr. TENAGLIA. I am told by the Comptroller's staff that the accounting error that they identified through an internal review was—informed the Congress of that, as you referred, does not have any fraud, waste, or abuse implications, and that accounting error has been rectified.

Ms. GREENE. And how was that rectified? It is a loss to the American people. Or it is actually just giving you—is it a loss to the American people or is it giving Ukraine another \$6.2 billion, using accounting terms?

Mr. TENAGLIA. I do not believe it is another \$6 billion. I believe it is a re-estimation of the value of that equipment.

Ms. GREENE. Well, who is going to be paying for the \$6.2 billion when we replace the military equipment for our military, for the defense of our country, not Ukraine, who some seem to think it is the 51st state, but actually the Defense of the United States of America? Who is going to be filling in that \$6.2 billion?

Mr. TENAGLIA. Again, I do not believe it is a matter of filling in the \$6.2 billion, but we can get—the Department will get you an answer to describe the impact of that error.

Ms. GREENE. There is an impact for sure and it is always made up in terms, but the American people pay for it.

Mr. Mansfield, could you answer my question?

Mr. MANSFIELD. Yes. First, I would say I appreciate your analogy. I think it is a good way of describing the situation, as I understand it. In terms of who pays for the equipment that has gone to Ukraine ultimately, that is the U.S. taxpayer.

Ms. GREENE. Right. And then, obviously, if they have to replace the \$6.2 billion of equipment at a new car price, versus what the change in accounting has been to a used car price, then it is the American people that pay the price again.

Thank you so much for clarifying.

I yield back, Mr. Chairman.

Mr. GROTHMAN. Thank you.

Mrs. Boebert?

Mrs. BOEBERT. Thank you, Mr. Chairman.

Mr. Tenaglia, can you please give me an example within the past year when your office has provided oversight on contractors who are overcharging for their services and equipment?

Mr. TENAGLIA. Yes. The role of our office is to help contracting officers throughout the Department with the policies that we issue. And so, one example would be the reviews we conduct advising contracting officers about individual negotiations. Each of those negotiations involve contractors submitting proposals. Some of those proposals may indicate overvalue, and some of that is subject to negotiation. The Congress has provided us some safeguards for sole-source contracts so that we have—

Mrs. BOEBERT. So, you are providing regular oversight.

Mr. TENAGLIA. Yes.

Mrs. BOEBERT. Just a few years ago, it was determined—and I apologize if this has been brought up already today—but it was determined that contractors were charging the United States Air Force \$1,280 for a cup of coffee. Or—

Mr. TENAGLIA. I am not familiar with that particular example.

Mrs. BOEBERT. So—but is there oversight being conducted to ensure that we are not paying \$1,280 for a cup of coffee?

Mr. TENAGLIA. The oversight that my office conducts primarily relates to the largest transactions, anything that is valued over a billion dollars for negotiation.

Mrs. BOEBERT. So, something like that could be overlooked. There is not an in-depth office—there is not an in-depth search in your office for small dollar items that cost—

Mr. TENAGLIA. We do have some safeguards in place.

Mrs. BOEBERT. OK.

Mr. TENAGLIA. For example, with the government purchase card program, we have the ability to identify fraud, waste, and abuse. But throughout the Department, we have a number of different buying activities, and each one of those have leadership and warranted contracting officers who are empowered to make sure that they are getting at the best deal for the taxpayer.

Mrs. BOEBERT. So, Mr.—what steps are you taking to ensure that companies that the DoD is contracting with are providing their best warfighting capabilities at a reasonable cost to the taxpayer so, you know, we do not have a \$1,200 cup of coffee? So, what are you doing to ensure that does not happen?

Mr. TENAGLIA. The best thing that we can do is promote competition, and competition gets us the best pricing possible. But in many cases, we have fielded weapons systems for which we have negotiations with sole-source contractors, and we have safeguards to make sure we are paying the fair price.

Mrs. BOEBERT. So, is it your determination that there is no fraud, waste, and abuse by contractors in the DoD in terms of materials and capabilities received?

Mr. TENAGLIA. Where there is fraud, waste, and abuse, we have mechanisms, such as the Defense Contract Management Agency has an organization responsible for rooting out that. The DoD IG has a whistleblower program. And so, we have the means to identify fraud, waste, and abuse.

Mrs. BOEBERT. Do any of your whistleblowers ever get indicted?

Mr. TENAGLIA. I am not aware of that.

Mr. MANSFIELD. I would hope the whistleblowers themselves would not get indicted, but the individuals they are blowing the whistle on. I apologize.

Mrs. BOEBERT. I see—no, but—

Mr. MANSFIELD. Thank you.

Mrs. BOEBERT. Thank you, Mr. Mansfield.

So, have you determined that any of the sole source of manufacturers of the systems that we are providing to Ukraine are making exorbitant profits via price gouging? And if so, what percentage of profit are they making? And if you have looked into this Ukrainian spending.

Mr. TENAGLIA. So, a significant amount of the Ukrainian security assistance has been executed using a technique we call undefinitized contract action. And so, we have deferred the negotiation of the price for that, and so we do not yet know what the definitized price or profitability will be. But we have no information that will indicate any price gouging.

Mrs. BOEBERT. Well, I sure hope that you get that information. I would like that to be given to me personally. Because in 2015, the Pentagon ordered a review, and Army negotiators discovered one company and its subcontractor company were grossly overcharging the Pentagon and U.S. allies by hundreds of millions of dollars for the Patriot's PAC-3 missiles. Pentagon analysis found the total profits approached 40 percent. The standard, as you know, is anywhere from 12 to 15 percent. And this is only one of the examples that I know about.

How many other examples of this corrupt practice will come to light as we continue to send Ukraine more weapons at the taxpayers' expense? Our servicemembers are lacking the resources they need in exchange for the CEO of a defense contractor's new private jet.

So, China has clearly—it has paced—it is a pacing threat. Would you agree with that?

Mr. TENAGLIA. Yes.

Mrs. BOEBERT. Yes. Under Secretary Colin Kahl, he said that the top priority for the Department is getting China right. Secretary of Defense Austin has described China as America's pacing threat. It means that China is the only country that can pose a systematic challenge to the United States in the sense of challenging us economically, technologically, politically, and militarily.

Now, my time has expired. If I may, do you just consider the current contracting process limited to the small number of prime contractors sufficient to meet the rapid technological requirements that the threat picture poses by our adversaries?

Mr. TENAGLIA. So, the defense industrial base we have is producing weapons systems that our warfighters are using. If we have more competition, that would be better.

Mrs. BOEBERT. Thank you. I appreciate you all for being here.

Mr. Chairman, I yield.

Mr. GROTHMAN. Thank you very much.

Well, that—I want to thank our panelists for being here today. Nice long hearing. I will have a few more words to add in a second,

but we will start out going to Ranking Member Mfume for closing remarks.

Mr. MFUME. Thank you very much, Mr. Chairman.

I want to thank the witnesses for their time today, for their testimony as well. And I want to thank Members of this body for helping to drill down on this very important, very, very important issue.

As Members of this body, we are obligated to keep careful watch over the use of taxpayers' dollars, that goes without saying. And that responsibility must be carefully balanced again and again with ensuring the security of our Nation.

As we have heard, the General Accounting Office has identified many, many instances over the years where the Department of Defense's components had inaccurate inventories on their books, like the Black Hawk helicopter debacle, which left 39 Black Hawk helicopters unrecorded in the Army's property system. That sort of military equipment costs millions of dollars each year, depending on the model. And that is only one example of many.

When you consider the fact that the moneys lost, without a doubt, could fund school lunch programs across this country, SNAP benefits, assistance to our seniors who are in desperate need of housing assistance, student loan support, Medicaid and Medicare, it is almost unbelievable that the testimony and the facts before us today point to such an atrocity. And I do not know a better word for it.

The most striking thing, Mr. Chairman, that I took away from this goes back to the comments from the gentlewoman from North Carolina when she gave us a definition of systems, and then said, of the almost 400 systems at DoD, how many of those worked as intended. And Mr. Khan in his statement said, none of them.

So, if none of the systems are working, none of them—and this is GAO's assessment—we are in a big pickle here, in a situation that I think requires immediate and drastic actions. It is—I just—I find that so unbelievable. None of the systems work as intended.

So, I do not know. I, you know, I generally have been supportive of NDAA, but I do not know how I am going to vote in support of something like this. This is absolutely ridiculous. It is. And I know I do not want to be here next year and hear the same thing all over again.

So, I just would implore, as best I can, the Department of Defense, from the top down, to address this and do it immediately, to make it a priority, and to do it before we are back here again in 12 months. It is shameful. I do not know how any other word could be used when you consider the amount of dollars that are being lost that could be going to help people, that are continually lost, and the fact that the DoD has been on this high-risk list going back to the 1990's?

Maybe it is just me, I do not know, but I just—I am astounded, I am insulted, and I am very perplexed about how it goes on. And many of our colleagues who are not here today, I certainly hope that I get a chance to talk to on the Floor before these votes come up because this is ridiculous. We just cannot keep doing the same thing.

So, I implore the leadership of DoD to address these deficiencies as outlined by GAO immediately.

I want to thank the witnesses here. Actually, you have been here taking knives and the arrows of other people who should have been here. I hope that they will understand that they have an obligation to come to this Committee when requested by the Chair.

I yield back.

Mr. GROTHMAN. Thank you.

Mr. Garcia?

Mr. GARCIA. Thank you, Mr. Chairman. And thank you to our witnesses again.

You know, at least as we have heard throughout the hearing, I just want to recap a few things. Obviously, the Department of Defense has a statutory and financial responsibility to the military but, of course, the taxpayers and the American people to achieving a clean audit to ensure greater transparency and better support for our military.

DoD's long-standing issues to reach an audit expand multiple administrations, and so we know that, and it has been made very clear today as well. Congress needs to hold DoD accountable to achieve a clean audit. That has been also very clear today. And DoD needs to streamline and modernize its legacy data bases to ensure that systems are working together and in harmony. And we know that achieving a clean financial statement also does not indicate that DoD is free of fraud, waste, or abuse, or even mismanagement.

Now, I want to note that we should be very concerned that many of our House colleagues in the Majority are also attacking vital support and resources to Ukraine as has happened in today's hearing. I want to be clear that the Federal Government is conducting robust oversight over the support in Ukraine. More than 120 auditors from 20 different oversight agencies, and including 15 Offices of Inspectors General, have completed four reports, with 18 currently in progress as some of you have stated earlier today.

Moreover, the Ukraine Oversight Interagency Working Group has sent seven different management advisories to improve its collective oversight and ensure accountability of all of these critical funds.

So, to say that the U.S. is sending Ukraine a blank check is dangerous, reckless, and, quite frankly, counter to our own national security.

Now, I do welcome bipartisan efforts to helping DoD achieve a clean audit, but House Republicans cannot exploit a decades' long inability to achieve a clean audit to endanger our national security and allow a tyrant like Putin to invade a sovereign democracy.

I also just want to make two more notes. One is I want to remind everyone that the Majority called this hearing and knew that the DoD Comptroller would be—even though would be the most appropriate witness for the agency and for the substance of this hearing, because they could not find the right date and that Mr. McCord could not avail himself on this date, they moved forward with oftentimes questions today that could not be answered because, really, that is the job of the DoD Comptroller.

So, in the future we should certainly work, I think, better with witnesses so that we have our true subject matter experts answering these questions.

And, finally, Mr. Chairman, I just ask for unanimous consent to enter also a fact sheet into the record. There has been some discussion about some of the mischaracterization around DoD's accounting of Ukraine. DoD did share with both the Majority and the Minority of this Committee ahead of this hearing that once DoD discovered these miscalculations, they notified Congress and reissued guidance clarifying how to value this equipment. So, we do have that fact sheet that was submitted, and so I just want to enter that record into the record without any objection, please.

Thank you.

Mr. GROTHMAN. OK. Well, thank you. First of all, to clarify, it was not just the Comptroller that could not make it. It was the two people immediately under him. So, you would figure for a congressional hearing focusing on your inability to pass an audit, one of the three would have been available, but apparently not.

As far as the hearing overall is concerned, to me the most important part of the Federal Government is the Department of Defense. Right? The freedom of the whole free world depends on it, and it is kind of disappointing that it would—you know, it would be disappointing if the Department of Interior failed an audit, but the Department of Defense.

It shows—I think Ms. Foxx said we have a cultural problem. It is a cultural problem. It is an arrogance problem. They think because they are the Department of Defense, they do not play the rules by everybody else. We do not care if we are wasting money. We do not care if we misplace stuff.

We will just say that we have a threat from China or a threat from Russia, and Congress has no alternative but to give us the money we are asking for, or we produce weapons in a lot of people's different districts or give a lot of campaign contributions, or whatever. And as the result, we just have to keep writing the checks, and that is not true.

A lot of these hearings, I guess, would be had by the Armed Services Committee. I do not know how many they have had all on this line. This is not the first hearing we have had focusing on the idea that we are spending money on the Department of Defense we do not have to. I did not ask Kevin to be on the Armed Services Committee, but if this Committee has got to have more hearings to delve into where all of this money is going—and the odd thing is they are important things that we should be building that we cannot build. OK? But apparently, we cannot build it because we are just going to be sloppy on what we are spending.

So, you can carry it back to people. And if you are around the Comptroller, you can tell him too that, you know, this is not the last hearing that this Committee is going to be holding focusing on waste or unnecessary spending of the Department of Defense.

And it is very important on—it kind of frustrates me. My colleagues here feel that if we are able to spend a little more money on defense, we can spend more money on something else. Actually, if you can spend a little less money on defense, we should not be operating such a big budget deficit is what we should be doing.

But, in any event, I appreciate you for coming over here today. I do not want to hold more hearings on this topic, but I do not have a choice but to hold more hearings on this topic, because, you know, we are going to have the Appropriations Bill come around. We are going to have the Senate.

They are going to pass their version of events, and then we are going to be on to next year as well. And you just cannot trust the Department of Defense to give you a straight story as to why we are spending so much money, whether there is any waste out there, or, quite frankly, whether we are procuring the right weapons as well, or whether we are doing a good job with our personnel. And I have got one amendment in this bill.

But, in any event, I appreciate you coming over here. I did not run for Congress to monitor the Department of Defense, but I guess I am going to have to do that.

So, again, thanks for coming over here, and I hope you enjoyed our humble Subcommittees.

I know we have got to—with that and without objection, all Members will have 5 legislative days within which to submit materials and to submit additional written questions for the witnesses which will be forwarded to the witnesses for their response.

If there is no further business, without objection, the Joint Subcommittee hearing stands adjourned.

[Whereupon, at 1:05 p.m., the Subcommittees were adjourned.]

