



**Testimony of Greg Williams, Director of the Center for Defense Information  
Project On Government Oversight  
for the House Committee on Oversight and Accountability  
Subcommittee on Government Operations and the Federal Workforce  
On “Tracking Progress:  
Examining the Department of Defense’s Financial Management Practices”  
September 24, 2024**

Thank you Chairman Sessions, Ranking Member Mfume, and distinguished members of the Subcommittee on Government Operations and the Federal Workforce, for inviting POGO to offer this written testimony on the importance of achieving clean financial audits of all Department of Defense components.

My name is Greg Williams, and I am the Director of the Center for Defense Information at the Project On Government Oversight (POGO). We are an independent, nonpartisan watchdog group focused on promoting a more accountable, transparent, and effective federal government that also respects and safeguards constitutional principles.

Our organization has a long history of advocating for more transparent and accountable spending from the Pentagon. When we were founded in 1981, we were the Project on Military Procurement. We worked with Defense Department whistleblowers to expose some of the shocking wastefulness of past Pentagon budgets.<sup>1</sup>

In the more than 40 years since, POGO has continued our work bringing accountability, transparency, and reason to Pentagon spending. We’ve partnered with members of Congress and administrations from both parties on reforms to improve how the Defense Department budget is determined, apportioned, and executed. And we’ve long recognized how Congress — as appropriator of the Pentagon budget and provider of critical oversight — plays a crucial role in enacting rational defense policy.

One important point of consensus between Democrats and Republicans and between Congress and the Pentagon is that the Department of Defense must be able to track its expenditures and assets in such a way that its effectiveness and efficiency can be measured by both the executive and legislative branches. This kind of quantitative, objective information is the necessary foundation for any serious debate on policy.

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<sup>1</sup> James Barron. “High Cost of Military Parts,” *The New York Times*, September 1, 1983, <https://www.nytimes.com/1983/09/01/business/high-cost-of-military-parts.html>.

Announcing the first Pentagon-wide audit in 2017, then-Comptroller of the Defense Department David L. Norquist got it right when he said, “It is important that the Congress and the American people have confidence in DoD’s management of every taxpayer dollar.”<sup>2</sup>

At the time of that announcement, Norquist also committed to annual Pentagon audits starting in 2018, to be issued on November 15 of each year, which would allow the public to see where their Defense Department funding actually goes. Unfortunately, the Pentagon has never been able to make good on this commitment.

In FY 2023, it failed its sixth audit in a row.<sup>3</sup> When asked to account for their share of nearly \$4 trillion in assets, 18 of 29 Pentagon components could not do so.<sup>4</sup> Indeed, the problem has gotten marginally worse instead of better, with 62.1% of Pentagon components receiving a disclaimer of opinion on their FY 2023 audits (issued “when auditors were unable to obtain sufficient, appropriate evidence to provide an opinion on the financial statements”) versus 61.5% in FY 2022.<sup>5</sup> The problem is longstanding: DOD Financial Management has remained on the Government Accountability Office’s High Risk list for 28 years.<sup>6</sup>

This cannot continue. At POGO, we’ve long argued that to pit fiscal responsibility against national security is to offer a false choice. We can have a more effective military at a lower cost, but to do so will require an intentional effort from both the Pentagon and Congress. A closer look at a few concerning Pentagon programs offers a clear example of where we’re going wrong and highlights the pressing need for acquisition reform.

- The Sentinel intercontinental ballistic missile (ICBM) program: This \$141 billion program, designed to replace our current ICBMs, has seen costs soar over 81% through its program cycle. Yet even absent reliable financial data, Congress’s support for this program seems unwavering.<sup>7</sup>
- The Constellation frigate program: This \$22 billion program is running three years behind schedule, a delay the Government Accountability Office (GAO) attributes at least

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<sup>2</sup> “Officials Announce First DoD-Wide Audit, Call for Budget Certainty,” U.S. Department of Defense, December 7, 2017, accessed September 20, 2024, <https://www.defense.gov/News/News-Stories/Article/Article/1391471/>.

<sup>3</sup> Noah Robertson, “Pentagon Fails Sixth Audit, With Number of Passing Grades Stagnant,” *Defense News*, November 15, 2023, <https://www.defensenews.com/pentagon/2023/11/16/pentagon-fails-sixth-audit-with-number-of-passing-grades-stagnant/>.

<sup>4</sup> Doug G. Ware, “‘This was not a surprise’: Pentagon again fails annual audit of \$3.8 trillion in military assets,” *Stars and Stripes*, November 16, 2023, <https://www.stripes.com/theaters/us/2023-11-15/pentagon-failed-audit-shutdown-funding-12064619.html>; U.S. Government Accountability Office, Snapshot: DOD Financial Management: FY 2023 Financial Statement Audit Progress and Challenges, GAO-24-107478 (July 2024), 1, <https://www.gao.gov/assets/gao-24-107478.pdf>.

<sup>5</sup> Government Accountability Office, *Snapshot: DOD Financial Mismanagement* [See note 3].

<sup>6</sup> Inspector General, U.S. Department of Defense, “Summary of Management and Performance Challenges Facing the DoD Fiscal Year 2024,” in *Fiscal Year 2024 Agency Financial Report*, (December 2023), 21, <https://media.defense.gov/2023/Dec/20/2003363647/-1/-1/1/DODIG%202023%20ANNUAL%20FINANCIAL%20REPORT.PDF#page=99>.

<sup>7</sup> Department of Defense, “DOD Press Briefing Announcing Sentinel ICBM Nunn-McCurdy Decision,” July 8, 2024, <https://www.defense.gov/News/Transcripts/Transcript/Article/3830251/dod-press-briefing-announcing-sentinel-icbm-nunn-mccurdy-decision/>.

in part to “the Navy’s decision to begin construction before the design was complete.”<sup>8</sup> As my colleague Dylan Hedtler-Gaudette recently testified, “Agreeing to a contract for a critical program like Constellation without first having a design for that program seems like, at best, acquisition and procurement malpractice.”<sup>9</sup>

- The F-35 Lightning II fighter program: At an investment of nearly \$2 trillion, the F-35 program has been so plagued by cost overruns, delays, and performance problems that there is not space to list them all here.<sup>10</sup> At the same time, the Department of Defense Inspector general identified the Joint Strike Fighter Program (the F-35) as one of 10 “weaknesses” in the FY 2022 audit:

The JSF Program Office was unable to verify the completeness and value of the JSF Program assets, and the assets were not in an accountable property system of record. Not only were the auditors unable to perform the necessary procedures to conclude on the JSF property balances, but they also could not quantify the extent of the misstatement.<sup>11</sup>

If the Pentagon can’t or won’t track new, high-profile programs like the F-35, what hope is there for older, less scrutinized programs?

In this written testimony, I propose reforms that will increase accountability and transparency in Pentagon acquisition and procurement. POGO has advocated for these reforms before, most recently before the Subcommittee on National Security, the Border, and Foreign Affairs, and we see them as a first step toward more effective defense spending.<sup>12</sup> We believe that each of these reforms has merit, and taken together they would constitute significant progress toward our goal of a strong, effective military at a significantly lower cost.

We encourage Congress and the Biden administration to take the following steps:

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<sup>8</sup> Shelby A. Oakley et al, Government Accountability Office, *Navy Frigate: Unstable Design Has Stalled Construction and Compromised Delivery Schedules*, GAO-24-106546, “Highlights,” (May 29, 2024), <https://www.gao.gov/products/gao-24-106546>.

<sup>9</sup> “Wasteful Spending and Inefficiencies: Examining DoD Platform Performance and Costs”: Hearing before the House Committee on Oversight and Accountability, Subcommittee on National Security, the Border, and Foreign Affairs, 118th Cong., (July 24, 2024), (Testimony of Dylan Hedtler-Gaudette, director, Government Affairs, the Project On Government Oversight), <https://www.pogo.org/testimonies/pogos-testimony-on-wasteful-inefficient-pentagon-spending>.

<sup>10</sup> John A. Tirpak, “Report: F-35 Struggled with Reliability, Maintainability, Availability in 2023,” *Air and Space Forces Magazine*, February 8, 2024, <https://www.airandspaceforces.com/f-35-reliability-maintainability-availability-2023/>; Dan Grazier, “Has the Pentagon Learned from the F-35 Debacle?” Project On Government Oversight, June 8, 2023, <https://www.pogo.org/analysis/has-the-pentagon-learned-from-the-f-35-debacle>.

<sup>11</sup> Inspector General, U.S. Department of Defense, “Summary of Management and Performance Challenges Facing the DoD Fiscal Year 2024,” in *Fiscal Year 2024 Agency Financial Report*, (December 2023), 22, <https://media.defense.gov/2023/Dec/20/2003363647/-1/-/1/1/DODIG%202023%20ANNUAL%20FINANCIAL%20REPORT.PDF#page=100>.

<sup>12</sup> Hedtler-Gaudette, “Wasteful Spending and Inefficiencies,” [see note 9].

### **Recommendations:**

- Enact legislation that requires a successful Defense Department audit and imposes penalties for failure to do so. An audit is not the end-all-be-all in terms of fiscal responsibility and budgetary best practice, but it is a necessary element of a broader reform effort. The fact that the Pentagon has failed audits for successive years is emblematic of deeper, systemic financial pain points. All DOD components finally passing audits could be the catalyst that gets the Department back on solid and sustainable financial footing while spotlighting key acquisition and procurement problems.
- Congress should more frequently and more assertively conduct oversight of Pentagon spending and programming, paying particular attention to which Pentagon components have clean audits. While acquisition and procurement problems plague the Pentagon itself, Congress has a vital role to play in monitoring how defense spending and policy are being implemented on the ground. In our view, Congress has not fulfilled this role sufficiently over the years. It is time to begin more regularly asking hard questions and making hard choices through congressional oversight activities, especially for those DoD components without clean audits.
- Congress should use the ‘power of the purse’ to operationalize necessary changes. In addition to conducting rigorous, real-time oversight, Congress has a potent tool at its disposal: funding. This tool should be used more effectively and more often to compel cooperation and change behavior when it comes to the Pentagon’s acquisition and procurement decision-making and execution, especially when major acquisitions and platforms fail to meet deadlines, exceed cost parameters, and generally over-promise and under-deliver.

It’s clear that the Defense Department is not yet equipped to pass an audit on its own — it’s time for Congress to step in and force the issue. The good news is that today, both the House and the Senate are considering bipartisan bills that would require a clean audit from the Pentagon.<sup>13</sup>

I want to thank you for inviting my testimony for this hearing, and for committing yourselves to bringing more accountability and transparency to Pentagon spending. The reforms suggested above are sensible, achievable steps that Congress can take to hold the Defense Department accountable and ensure that the tax dollars we dedicate to National Security are actually working to keep us safe.

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<sup>13</sup> Audit the Pentagon Act of 2023, S.2054, 118th Cong., (2023), <https://www.congress.gov/bill/118th-congress/senate-bill/2054>; Audit the Pentagon Act of 2023, H.R.2961, 118th Cong., (2023), <https://www.congress.gov/bill/118th-congress/house-bill/2961>.