“Tracking Progress: Examining the Department of Defense’s Financial Management Practices”
Committee on Oversight and Accountability
Tuesday, September 24, 2024
Rep. Gerald E. Connolly (VA-11)

The Department of Defense (DOD) operates a vast budget that has historically eluded meaningful oversight. While the DOD’s mission is to ensure our nation's security, the agency has a responsibility to do so in a manner that responsibly makes use of taxpayer funds.

In fiscal year (FY) 1996, Congress began requiring agencies that qualified pursuant to the Chief Financial Officers Act, including the DOD, prepare annual agency-wide financial statements and have the agency’s affiliated Office of Inspector General (OIG) audit those statements. The DOD, however, did not assert audit readiness because it did not have the necessary financial management systems or processes in place to prepare the documentation required to fully comply with this requirement until FY 2018.

The DOD has been audited every year since 2018 and has yet to pass an audit once, though some notable progress has been made in the Department’s 2023 audit, particularly by the Marine Corps. Currently, the Department estimates it will not be able to pass an audit until 2028. Some Government Accountability Office (GAO) findings indicate it could be even longer.

In March 2023, the GAO confirmed the DOD’s existing business and financial systems were key impediments to achieving a successful audit. Some of these systems, dating back to the 1960’s, are wholly incapable of providing the transparency and accountability required to understand how taxpayer funds are being used by the Department. Achieving audibility requires both modernized legacy information technology (IT) and a shift in DoD’s culture surrounding accountability. Exemptions for the DOD from accountability measures – for example, the Federal Information Technology Acquisition Reform Act (FITARA) oversight – exacerbate the very issues standing in the way of the Department achieving a clean audit.

To address the DOD’s audit issue, Congress must modernize DOD’s IT legacy systems, ensure access to reliable data, and recruit a more agile Federal IT workforce. Hand in hand, these changes have potential to both save taxpayer funds and increase agency efficiencies, allowing DoD personnel to focus on more complex activities necessary for achieving a clean audit sooner rather than later.

In addition, while DoD works to improve its auditability, Congress must hold the Department accountable for doing so. One accountability tool that can be particularly effective when used correctly is a Scorecard. It’s my understanding that the Majority has worked with GAO to create a scorecard for tracking DoD’s progress towards auditability. Such a Scorecard has potential to keep the Department on track towards more transparent and accountable processes if used the right way.

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Last week, I hosted a roundtable that marked the 18th iteration of the FITARA Scorecard where GAO and chief information officers from several federal agencies testified to update us on progress implementing IT best practices. Since its inception, the FITARA Scorecard has saved taxpayers billions of dollars and driven meaningful behavioral change across Federal agencies, setting an example of what a Scorecard can accomplish.

As demonstrated by this example, Scorecards can, in fact, be effective tools when used in a strategic way. As we discussed at the FITARA roundtable, effective scorecards can catalyze deeper conversations among stakeholders who often share similar goals around agency improvement in given areas, but lack a clear path forward on how to achieve those goals. To do so, Scorecards must retain certain characteristics.

First, effective Scorecards require dedicated commitment over time, as demonstrated by Oversight Committee Democrats' dedication to 18 consecutive iterations of the FITARA Scorecard. I do fear that this important characteristic of effective Scorecards is one my Republican colleagues fail to appreciate, given their abandonment of the FITARA Scorecard process in the 118th Congress, which to date has saved taxpayers $31.6 billion. Commitment is important because it allows past learnings to build on each other, opens the door to new areas for improvement, and demonstrates to stakeholders that the dedication to continued improvement is serious.

Second, to be effective, scorecards require constant tending and frequent evolution. Rather than serving as a static mechanism that continuously grades against the same metrics iteration after iteration, an effective Scorecard must measure important, evolving categories of an agency's performance to create productive conversation about areas for improvement, which, ideally, change over time as growth occurs. As improvements are made in one area of a Scorecard, stakeholders can begin looking for new areas for improvement to build on existing success; in fact, past improvements often shine a light on new areas where progress can be made, prompting updated Scorecards. As such, an effective Scorecard does not necessarily equate to a holistic snapshot of agency performance at any given time – meaning that an imperfect grade on a Financial Management Scorecard is not an overarching indictment of the Department of Defense. Rather, good Scorecards and their associated ratings are more akin to diagnostic tools that are continuously fine tuned to improve the health of an organization, like the DoD, as it works towards a stated set of goals.

Finally, an effective Scorecard should show dedicated value over time. FITARA, with $31.6 billion in savings so far and counting, sets a high bar. However, I believe that if executed in line with the principles stated above, a Scorecard does have potential to help Congress, DoD, and GAO ensure that the Department of Defense remains on track to ensuring responsible financial management while advancing its mission.