

**TRACKING PROGRESS: EXAMINING
THE DEPARTMENT OF DEFENSE'S
FINANCIAL MANAGEMENT PRACTICES**

HEARING

BEFORE THE
SUBCOMMITTEE ON GOVERNMENT OPERATIONS
AND THE FEDERAL WORKFORCE
OF THE
COMMITTEE ON OVERSIGHT
AND ACCOUNTABILITY
U.S. HOUSE OF REPRESENTATIVES
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**TRACKING PROGRESS:
EXAMINING THE DEPARTMENT OF DEFENSE'S
FINANCIAL MANAGEMENT PRACTICES**

Tuesday, September 24, 2024

U.S. HOUSE OF REPRESENTATIVES
COMMITTEE ON OVERSIGHT AND ACCOUNTABILITY
SUBCOMMITTEE ON GOVERNMENT OPERATIONS AND
THE FEDERAL WORKFORCE

Washington, D.C.

The Subcommittee met, pursuant to notice, at 2:36 p.m., in room 2154, Rayburn House Office Building, Hon. Pete Sessions [Chairman of the Subcommittee] presiding.

Present: Representatives Sessions, Palmer, Higgins, Biggs, Burchett, Burlison, Mfume, Norton, Lee, Crockett, and Tlaib.

Mr. SESSIONS. This hearing on the Subcommittee on Government Operations and Federal Workforce will come to order, and I would like to welcome everybody.

Without objection, the Chair may declare a recess at any time.

I would like to recognize myself for an opening statement right now.

I want to welcome each of you and the witnesses who are here today to take part in what I believe will be a very important hearing on a bipartisan basis. My partner here, the Ranking Member, Mr. Mfume, and I are deeply committed to understanding how we are going to get more money to the reason why it was given by the taxpayer. More money and efficiency from a congressional perspective when we provide agencies with money, and, in this case, the Department of Defense with the money that it is given for lethality and for the war fighter effort. I want to thank our witnesses for taking time with me to discuss and make sure that they knew that today would be very important to us and them as we really want to hear from them about their ideas. They are people that are on the front lines that are day-to-day engaged in the same business that we intend to engage them on.

Financial transparency of the military is perhaps the most critical dollar that is spent. To remain confident in DoD's ability to protect American interest at home and abroad, we need to be able to properly monitor their financial performance. I think more than that, that Congress has been engaged for a number of years in trying to make sure that DoD was not only efficient but effective, and

the efficiency is where this falls today. In Fiscal Year 2023, DoD received just over \$850 billion, half the Federal discretionary funding. Also, during that same year, they reported \$3.8 trillion in assets, a whopping 70 percent of the Federal Government's assets. Last year, we held a hearing asking basic questions such as how tax dollars are spent, how existing assets are managed, and which business systems track the flow of funds through the Department, and today, we still have not completed that exercise. Some could say we do not have those answers.

DoD failed its sixth consecutive audit and holds the distinction of being the only Federal Agency that has never passed a comprehensive audit. I get that, and we are not jumping up and down upset about it. What we are is here to make sure that we are on a road to recovery, that we are on a road to understand that the basic elements that must be understood in the effectiveness by not only DoD, but by Congress to look at what needs to be accomplished, it requires us to do it together. A financial statement audit is not just simply an exercise. It is an important exercise. It is a purpose of Congress in our oversight capacity and responsibility. We need to know where we stand, and we need to hear from the people who are on the front line.

As required by Fiscal Year 2024 National Defense Authorization Act, DoD must achieve a clean audit opinion by December 28, 2028. It is right around the corner. To meet this goal, DoD has established audit priorities and developed corrective action plans. However, GAO noted that DoD's remediation plans were not sufficient and detailed enough to achieve this clean audit. In other words, not sure that we are on that path after all. So, instead of focusing on high-level financial management priorities, instead of the steps needed to achieve a clean audit, we necessarily are here today to make sure that that is the pathway. GAO also found that DoD had consistently missed remediation deadlines established in the Department's own financial roadmap. Clearly, more work is needed.

We are not here to point fingers. We are not here to fail. We are here to effectively work together. Just as Mr. Mfume and I see this as an issue, I am convinced DoD does, too. I am convinced that there are people within DoD who see how important this is. I am convinced that DoD, and we will hear today, has certain parts of the military that have very adequately accepted that rigor that would be required for financial integrity. But it is bigger than that, and we are going to hear today from this panel to describe to us about how we can continue to work together, where those distinctions may be, and how we can work to make sure that they are encouraged to make this work. Today's hearing, I think is important also from understanding the scorecard, the scorecard that I think has been passed out to everybody. Today could be seen as negative, or it could be seen as a work in progress. I believe it is a work in progress.

So, we have got questions that we are going to ask about the major problems. What is preventing progress? Is DoD trying to remedy its financial management shortcomings? How is DoD learning from each attempted audit? We see the Marine Corps has. Can we extend that to other piece parts of DoD, and what can Congress do, and how can we work together?

So, today we have three distinguished people who will be with us, who I am going to highlight in just a minute. But first I want to move to my distinguished Ranking Member, the gentleman, Ranking Member, Mr. Mfume, for any opening statements the gentleman choose to make. The gentleman is recognized.

Mr. MFUME. Thank you very much, Chairman Sessions. I want to also thank the witnesses for being here today. This is going to be an interesting hearing, and I hope it is, in fact, the beginning of a process that gets us to greater financial efficiency. Last July, we gathered in this Committee room and held a hearing to address financial accountability in the Department of Defense. And just like magic, we are back here again today to continue that conversation and to continue it in light of the Department of Defense's recent inability to pass a clean audit for Fiscal Year 2023. Unfortunately, and sadly, this is not a new phenomenon, as we all know, at the Department of Defense.

In Fiscal Year 2018, DoD began its efforts to successfully complete a Department-wide audit. The Fiscal Year 2018 audit covering \$2.7 trillion in assets and \$2.6 trillion in liabilities was likely and probably the largest audit any of us had ever conceptualized. As expected for such a large organization, the first audit attempt revealed severe material weaknesses where DoD could not provide an accurate accounting of their finances. There have been five, as we know, five additional audit attempts after the 2018 audit, and yet, most of the Department of Defense still has not produced a clean audit.

So, to be clear, like most of us in this room, I support our troops. I know, like many of you, that Congress has a duty to ensure our Nation is protected from a growing number of threats, both at home and abroad. I also know we have a duty, however, to maintain accountability for the billions of dollars that make up defense spending, dollars that total about half of the Federal Government's total discretionary spending and nearly \$3.8 trillion in total assets. In Fiscal Year 2024 alone, U.S. taxpayers turned over \$851 billion to the Department of Defense. That figure represents one of the largest investments in the DoD budget in our Nation's history. And while we continue to provide the Department of Defense with escalating sums of money, only 11 of the 29 components achieved clean audits. The 18 components that failed, including the Army, the Navy and the Air Force, comprise about 90 percent of DoD's assets by dollar amount.

I want to go back to what the Chairman said about the Marine Corps. Maybe there is something to be learned there by the other departments, but clearly, they seem to be on the right path. So, standing in the way of a clean audit for these components is the wide prevalence of material weaknesses, in other words, areas in which the Department of Defense lacks internal controls over financial reporting. We have heard a lot about that in the previous hearing, we are hearing it again now, and I am sure as you all testify, that will continue to be a term that makes its way into this conversation.

So, I am gratified and quite appreciative of the sacrifice that so many hardworking Americans make to keep our Nation safe. This Committee believes, however, we must ensure that our service

members have the most sophisticated, modernized technology systems to eliminate the threats that exist, but also that the Department has the most modern and efficient way of doing its accounting. I look forward to discussing how this Committee and, indeed, the entire Congress can work with the Department of Defense in modernizing its financial management systems, and how we can actually incentivize DoD to improve the acquisition and management practices that it employs every day. The security of the Nation remains of paramount concern, and accountability measures across the Department of Defense must be efficient, they must be effective, and they must be informative.

So, I look forward, Mr. Chairman, to hearing the testimonies of the witnesses before us. I would be remiss if I did not say that patience is running thin. And I do not know how to say it any other way, but we expect more, and that is why we are pushing for more in a bipartisan way to bring about the change that we know is so desperately needed. And with that, Mr. Chairman, I would yield back any time.

Mr. SESSIONS. Thank you very much. I concur with the distinguished gentleman. And so that the panel knows this, and our friends that are with us today, Mr. Mfume and I deeply believe in the United States military, their mission, and the men and women and the families, but we also believe we have an obligation to continue working with DoD on this.

I am pleased today to welcome our witnesses. Tom Steffens is the Senior Advisor to the Comptroller, previously served as Deputy Chief Financial Officer, advising the Comptroller and defense senior leaders on all financial matters and management and reforms, and our conversation yesterday was very enlightening. And Tom, I am delighted that you decided to show today. I know you said you would, but thank you. I think you have a lot to add today. Brett Mansfield is Deputy Inspector General for audit. Prior to this role, he served as Senior Advisor to the Inspector General, advisor on matters affecting the mission operations of Department of Defense Office of Inspector General. Brett, welcome. We are delighted that you are here also. And Mr. Asif Khan is Director of the Financial Management and Assurance team at the GAO, the Government Accounting Office [sic]. Since 2009, he has focused his work on financial management and audit readiness for the Department of Defense. I must say, if I can, to my dear friend, I think today will be an enlightening hearing for each of us, and I know our witnesses are up to that task.

I would now ask if each of our witnesses would rise and raise their right hand.

And pursuant to Committee Rule 9(g) the witnesses will raise their right hand.

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?

[A chorus of ayes.]

Mr. SESSIONS. Thank you. Please let the record reflect that the witnesses have answered in the affirmative, and I ask that they please take their seat.

We are delighted that you are here. I did not get a chance yesterday to personally describe this to each of you, but you are here for a reason, and we really might want you to complete your answer, give your testimony. People on this side are very interested in hearing from you, and we have got a lot of questions, but we are going to try and stick to a time format. It does not have to be 5 minutes, it can be a little bit over, but please make sure your point is well made, and I would say to Members, I will give them that latitude also. So, I am delighted you are here, Mr. Steffens. We are going to have you go ahead and first start your testimony.

The gentleman is recognized for 5 minutes.

**STATEMENT OF TOM STEFFENS
SENIOR ASSISTANT TO THE COMPTROLLER
U.S. DEPARTMENT OF DEFENSE**

Mr. STEFFENS. Chairman Sessions, Ranking Member Mfume, Members, thank you for the opportunity to address the Committee. I am Tom Steffens, Senior Advisor and former Deputy Chief Financial Officer for the Undersecretary of Defense Comptroller. First, I would like to thank Secretary Austin and Deputy Secretary Hicks for their unwavering commitment and tone at the top leading our financial management improvement efforts. This has been a key to our acceleration of audit progress, as evidenced in our financial modernization efforts and most recent audit results. Today, I will cover the status of audit within the Department, our need for continued open dialog with those entrusted with our oversight, and I will share my thoughts on PPBE reform.

In Fiscal Year 2023, the Marine Corps was the first military service to receive an unmodified audit opinion. This was achieved by using a systemic, cultural, and analytical approach imposed by an engagement from senior leaders like the Commandant of the Marine Corps, General Eric Smith. Audit success was a priority across all fields, like acquisition, human resources, and logistics within the Marine Corps. The Department is replicating this success, implementing lessons learned from the Marines.

At the start of our Fiscal Year 2024 audit, unmodified and qualified audit opinions together covered 51 percent, or \$1.9 trillion, of the Department's total assets, a number that will increase in the coming years. The Fiscal Year 2024 National Defense Authorization Act mandated an unmodified audit opinion on the DoD-wide financial statements by December 31, 2028. This is also now the Department's audit goal. It demands a fresh look at our timelines, risks, dependencies and measures of progress, and is evidenced in our revised audit roadmaps.

We look at five areas when measuring audit outcomes and benefits: workforce modernization, business operations, quality decision-making, reliable networks, and finally, enhanced public confidence. In Fiscal Year 2023, the Department invested \$991 million for audit remediation. This investment focuses heavily on tackling the root cause of systemic, longstanding issues that impede success. The Secretary's audit priorities, revised annually, are an essential part of our audit strategy. For each audit priority, we establish quantitative goals and report on progress to the Deputy Secretary of Defense quarterly.

In Fiscal Year 2023, the Air Force General Fund closed its fund balance with Treasury material weakness as an audit priority. Army Working Capital Fund and Navy General Fund and Marine Corps all improved on fund balance with Treasury material weaknesses as well. Combined, these results encompass \$423 billion, or 55 percent, of our Fiscal Year 2023 ending balance of \$768 billion in fund balance with Treasury, validating that addressing this key material weakness as an audit priority has been effective.

The Comptroller General, Mr. Dodaro, has advised us to simplify our financial system environment. We continue to assess, upgrade, consolidate, and retire systems that are impacting our ability to financially report successfully. Congress' support is critical to our success, as demonstrated in the Fiscal Year 2024 NDA inclusion of beginning balance certification for the Defense Logistics Agency's National Stockpile Transactions Fund, and we appreciate the support and the partnership there. We will continue to seek congressional support when addressing our most difficult systemic issues and providing adequate and consistent funding and staffing for our financial modernization efforts. Adequate and consistent funding is paramount to financial modernization, not to mention our military's overall readiness.

Over the course of the last 15 fiscal years, there have been 48 continuing resolutions lasting for 1,794 days, or nearly 5 calendar years. In a letter to the House Committee on Appropriations, Secretary Austin detailed to Chairman Cole the negative impact of a 6-month continuing resolution. As noted in the letter, our budget is aligned to the National Defense Strategy. Without a timely budget, we are challenged in investing in new technologies, equipment, and training. This has a profound effect on the quality of life of our service members, damages military hiring, and delays vital investments in capacity such as submarine and shipbuilding. Undersecretary of Defense Comptroller, Michael McCord, and I joined Secretary Austin in urging Congress to act urgently.

Congress and the Department have consistently collaborated on critical financial management improvements, including reforming the planning, programming, budgeting, and execution process. The PPBE process is a fundamental strategic decision support mechanism for our leadership. The report from the Commission on PPBE reform, released in March, included 28 recommendations parceled into 35 initiatives. The Deputy Secretary of Defense endorsed 26 PPBE reform initiatives for implementation across the Department. The timeline for PPBE reform relies on outcomes from complex, multi-organizational discussions and legislative actions, and success depends on sustained cooperation and transparency.

We appreciate congressional support for the National Defense Strategy and the Department's financial management improvement efforts. We are thankful for our interagency partners' assistance in broadening information sharing. We value the independent assessments coming from Government Accountability Office and the Department of Defense Office of Inspector General, and we will continue to listen to their recommendations to achieve future success. I welcome any questions you may have.

Mr. SESSIONS. Thank you very much. The gentleman yields back his time. Mr. Mansfield, you are recognized for 5 minutes.

**STATEMENT OF BRETT A. MANSFIELD
DEPUTY INSPECTOR GENERAL FOR AUDIT
U.S. DEPARTMENT OF DEFENSE OFFICE OF THE INSPECTOR
GENERAL**

Mr. MANSFIELD. Chairman Sessions, Ranking Member Mfume, and Members of the Subcommittee on Government Operations and Federal Workforce, thank you for inviting me to discuss the Office of Inspector General's role in auditing the DoD's financial statements and oversighting the DoD's efforts to obtain a clean audit opinion. I am Brett Mansfield, the Deputy Inspector General for Audit at the DoD Office of Inspector General, and it is my privilege to be here today to represent the dedicated oversight professionals that make up the DoD Office of Inspector General.

The financial statement audits performed or overseen by the DoD Office of Inspector General are critically important for maintaining the public's trust, ensuring accountability, and improving DoD operations. The 2024 financial statement audits are ongoing now, so I cannot speak to their results today. However, in Fiscal Year 2023, as you mentioned, Chairman, the DoD reported discretionary appropriations of just over \$850 billion which comprised half the discretionary spending of the United States. The DoD also reported nearly \$3.8 trillion in assets, which is approximately 70 percent of the government's total assets. Because of its size and financial reporting deficiencies, the DoD is limiting the Federal Government's ability to obtain a clean audit opinion on its financial statements.

Fiscal year 2023 marked the sixth full-scale audit of the DoD's financial statements, and for the sixth year, it resulted in a disclaimer of opinion on the DoD's Agency-wide financial statements. In addition, of the 29 reporting entities that underwent standalone audits, 10 received clean opinions, one received a qualified opinion, and 18 received disclaimers of opinion. The disclaimers of opinion were issued because the DoD entities continue to have unresolved accounting issues and material weaknesses. Fiscal year 2023 also included a major development with the Marine Corps reaching an unmodified opinion. However, this only came after substantial effort in completing an unconventional 2-year audit. Sustaining this opinion will require significant effort going forward.

As my prepared statement today, I provided a recently released Office of Inspector General report, "Understanding the Results of the Fiscal Year 2023 Financial Statement Audits." There are three key themes discussed in this report, which I will highlight today.

First, the Comptroller and financial management community cannot do it alone. Leadership involvement from the commanders and operators is imperative. The Comptroller does not have command and control of operators, yet the information and systems relied upon for financial reporting are often controlled by soldiers, sailors, marines, airmen, and guardians. Every time a bomb is released from a plane, a submarine undergoes maintenance, or a radar system is fielded, service members are inputting information into DoD management systems, which ultimately results in a financial transaction and have a direct impact on the reliability of the DoD's financial statements.

Second, the inability to support its financial statements is inherently an operational risk for the DoD. Financial statements reflect, in part, the assets, such as munitions, equipment, and spare parts the DoD has on hand. This information comes from logistics and inventory systems that the operators rely on to have the right equipment to train, fight, and win. If the DoD cannot support the information required for financial statement auditing, such as cost, location, and condition of these items, it stands to bear that the operators cannot rely on those same systems to make informed decisions regarding the availability, location, and condition of supplies and equipment.

Third, material weaknesses are longstanding and persistent. While the DoD makes progress each year in addressing material weaknesses, we still consider 17 of them, of the 28 material weaknesses, to be scope limiting, meaning the DoD OIG cannot perform the necessary procedures to draw a conclusion on the financial statements. These weaknesses cover topics, including information technology, inventory, and government property in the possession of contractors. Scope-limiting material weaknesses stop audit work. In other words, we cannot do our job until the DoD fully addresses these weaknesses.

Achieving a clean financial statement opinion is a long-term effort for the DoD. The Office of Inspector General believes that leaders outside of the Comptroller's office must continue to focus on material weaknesses. Addressing these weaknesses requires sustained leadership, focus, and significant coordination within and between each entity within the DoD. As for my office, the Office of Inspector General, we will continue to fully and fairly audit the DoD's financial statements to identify deficiencies and areas for improvement and to provide actionable information and recommendations to the DoD. Our commitment to enhancing the financial health of the DoD through independent oversight remains steadfast in this crucial long-term endeavor. Thank you, and I look forward to your questions.

Mr. SESSIONS. Thank you very much. The gentleman yields back his time.

Mr. Khan, you are recognized for 5 minutes.

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

Mr. KHAN. Chairman Sessions, Ranking Member Mfume, and Members of the Subcommittee, thank you for the opportunity to testify on the benefits of financial statement audits for the Department of Defense.

The DoD is an immense and complex organization responsible for half the Federal Government's discretionary spending, overseeing millions of service members and civilian employees across the globe. At this scale, ensuring sound financial management and transparency is not just a necessity. It is crucial for our national security and operational effectiveness, but just as the size and scope of the Department is something hard to grasp, so are the benefits of financial statement audits. An analogy might help provide some insight.

Imagine a professional football team, each game has high stakes with a lot riding on each play. The team wants to do as well as possible in every aspect, from training camp all the way through—each hopes to a Super Bowl victory. Amongst the tools available to today's professional teams is advanced video analysis to meticulously review game footage. This is more than just simply watching highlights. It is about examining every play, every movement, every strategy. Coaches and players analyze this footage to analyze strategies and weaknesses, correct mistakes, optimize performance, and make sure each player follows the best practices. Errors get corrected, plays get improved, controls on who does what and how and when get tightened. This detailed analysis provides important information to help coaches make best strategic decisions and players make best choices in both preparation and the moment. It produces a more successful and cohesive team and more effective and efficient play and management. It is crucial to the team's success.

Now let us draw a parallel to the financial statement audit. Just as a team reviews game footage to improve, auditors review DoD's financial statements and processes identifying weaknesses and improving strategies. Video analysis help coaches to spot inefficiencies in place and areas where players will need additional training, ensuring the team makes informed decision to improve performance. Similarly, financial statement audits identify material weaknesses in internal controls and processes. By remediating these weaknesses, DoD can improve its accuracy and reliability of its financial information, leading to better decision-making and resource management.

Tighter coordination and execution. By reviewing game footage, teams ensure that every player understands their role and executes each play correctly. Financial statement audits identify internal controls that need to be present are strengthened, ensuring that all financial operations are executed efficiently and effectively, leading to greater accountability and transparency vital to managing DoD's vast resources.

Enhanced decision-making. Insights gained from game film analysis help coaches make strategic decision about player positions, game plans, and training focuses. Audit results provide critical data that help DoD leaders make informed decision about budgeting, resource allocation, process improvement, systems development, and strategic planning, ensuring the Department uses funds effectively and efficiently to support their mission and improve operational readiness.

Long-term benefits. Regular video analysis leads to continuous improvement, allowing teams to refine their strategies and enhance performance game after game, season after season, as they move closer to achieving their Super Bowl success. Annual financial statements auditing leads to strong long-term benefits, including better data reliability, improved financial visibility, and the identification of previously unknown assets. These improvements support ongoing efforts to achieve a clean audit opinion and improve on overall performance.

DoD's financial statement audits, like game film analysis, provides invaluable insights and benefits. They identify weaknesses, enhance coordination, improve decision-making, and can lead to

long-term improvements. They are fundamental building blocks of sound policy and effectively managing our Nation's defense resources. Your continued interest and oversight are essential as DoD strives to achieve these goals.

Thank you once again for the opportunity to testify on this important subject. Now I will be happy to answer your questions. Thank you.

Mr. SESSIONS. Mr. Khan, thank you very much yielding back your time. Mr. Khan, if you could take a look up, we should have our scorecard up there in just a second, and that is the main thesis of what we are attempting to accomplish today.

[Chart]

Do you mind taking a minute and just in an overview process tell us the good and tell us where we ought to aim of what we need to make it better?

Mr. KHAN. Thank you, Congressman Sessions. Thank you for that question. The scorecard is a snapshot of the DoD status. That is what the bottom line is. It tracks five key performance measures which are necessary for any Federal agencies to get to auditability. In this case, this has been applied. How the scores had been developed, this is specific to the DoD's circumstances. The key categories are financial statement reliability, the progress that DoD is making in addressing the issues that have been identified during the financial statement audit. Then it also highlights the planning, the oversight, and then, finally, it focuses on the systems. The systems are critical to driving financial statement auditability at the Department of Defense, specifically for the military departments, the large components.

Their audit is only possible if DoD has sound financial management systems with operating effectiveness, operating effectively. The key measure for that effectiveness is what we have toward the bottom, systems compliant with FFMIA. That is critical for DoD to comply. Without that, it will be very difficult. The military departments will be challenged to attain auditability. It may be possible for smaller entities to be able to do that through manual workarounds, but the size of the Army, Navy, and the Air Force is immense, so it is critical for systems to be sound and comply with FFMIA. Thank you.

Mr. SESSIONS. Earlier in the hearing, we had noted that the United States Marine Corps discovered that they could get things done by working hard. Many times, it takes a team effort, and I think that that is what the Marine Corps has done. I note that they came across with an overall grade that was not just passing, but really, for the first time ever in DoD, they passed the audit. When we look at this, I notice there are F's on system compliance with financial management requirements—F, F, F, F. Take a minute and tell me how we make that better.

Mr. KHAN. This grade is, in part, self-reported by the military services, and, in part, it is also because of a lack of reporting by the IPAs. Federal Financial Management Information Act requires compliance with three specific categories. It is compliance with Federal financial management systems requirements, it is compliance with Federal financial accounting standards, and it is also compliance with the U.S. Standard General Ledger.

Mr. SESSIONS. Is it fair that we have that as a question, because I think it is completely within any audit management system that would be required. Are we asking the right thing of them?

Mr. KHAN. Yes, sir.

Mr. SESSIONS. OK.

Mr. KHAN. It is essential because of the size and complexity of the military departments that this compliance be attained.

Mr. SESSIONS. Mr. Steffens, welcome. You are an Eagle Scout. You like to leave your campsite better than the way you found it. Are we fair? Is this grade fair that has been placed upon this DoD organization?

Mr. STEFFENS. Mr. Chairman, I believe it is fair. I respect the grade. I respect the process that was gone through, and the intent here to try to get to a baseline here of how the departments are doing. What I would offer, though, as supplemental to the report card here, the scorecard that was given, is there are other ways that we are looking foundationally to try to assist the military departments to getting there as well.

So, we have a number of metrics that we look at. We have our own individual roadmaps, as Mr. Khan and Mr. Mansfield are aware, to get to some foundational things. One of the things we have learned, sir, particularly I have learned over the past 2 years, is you saw some F grades there, obviously, but there are a lot of dependencies that those military departments have on either the DoD enterprise, some of the service providers, some things perhaps they need at the enterprise level from the Chief Information Officer to get their F grade to a higher level. And I understand the need to try to give that baseline grade, but I also want to stress the interdependency that is required here amongst the services and the DoD enterprise to improve that grade. And that is what we are trying to do a lot of focus here at the DoD level and to providing assistance to those military departments so they have the tools to improve.

Mr. SESSIONS. I think Mr. Mansfield very clearly made us all aware again, downrange you are doing your job. It is hard to get the widgets done also, and I think that that was what you tried to get me to understand yesterday. It is not a lack of effort. It is just as hard getting it done. Thank you very much.

I would now like to go to the distinguished gentleman from Maryland. The gentleman is recognized for 5 minutes.

Mr. MFUME. Thank you, Mr. Chairman. Couple of quick things. Mr. Steffens, I understand you are leaving service after 39 years.

Mr. STEFFENS. Mr. Ranking Member, that is correct. I am retiring here next month after 39 years.

Mr. MFUME. Well, congratulations and God bless. That is a long haul, and oftentimes people in the government do not always say to those who are leaving, "job well done," but from everything I have seen, you have had a job very well done and we wish you well. I know I speak on behalf of the Chairman when I say that.

Mr. Kahn, when we met for the briefing session, I guess it was last week, the Chairman and myself, it was very interesting and informative, particularly the notion about the scorecard. And I said to you then that my real concern, in addition to making sure we do what we ought to do when we ought to do it in terms of an

audit, is the other side of that and what happens when we do not capture the dollars we should capture, when money is going through a sieve, when people are complaining. And the other side of that is the human side.

I think I may have said then that whether we are talking about undergirding the Social Security system, or Medicare for our seniors, or women, infant and children programs that are in desperate need of funding, or dollars that get lost that cannot go to small business loans or development, none of those dollars can we recapture and replace, they are out of the window, which is why so many people have a dire and terrible assessment of the Department of Defense's ability and capability to manage its finances. So, that human side always gnaws at me, I mean, every audit, every budget, every year. And I think more than anything else when I noticed the scoring of the Marine Corps in various categories, and I think the only one that it did not do as good in was material weakness downgrades.

What is so magic about the role of the Marine Corps in this audit that you can share with us that ought to be a guidepost to the other areas and other agencies within Department of Defense that could give some hope?

Mr. KHAN. Right. Thank you, Congressman Mfume. The Marine Corps, like Mr. Mansfield was saying, went through this unusual timeframe, 2 years, so, I mean, that is something which has to be considered. The lessons learned are the tone at the top. The Marine Commandant made this a directive that every person within the Marine Corps is going to be all hands on deck to support this audit effort, and they fell in line, and everyone helped to pull the information together to support the audit. That was critical.

In addition to that, there was a directive from the Secretary of Defense and the Deputy Secretary of Defense to the other business provider, and that is the interdependency that Mr. Steffens was talking about. That really promoted a lot of interagency cooperation. It does happen, but they made it a priority to help the Marine Corps audit effort. And the other one is that they implemented a new system before the audit period started. So, when they entered the audit period, the new system was operating somewhat effectively, but still, it was in place. That made the path toward auditability that much clearer and easier to obtain.

Mr. MFUME. Do you see that same kind of leadership, accountability, and directive taking place in the Army and the Navy?

Mr. KHAN. That will be essential. Whether it happens or not, I cannot say that. It is yet to be seen. But that sort of leadership tone at the top, at that level, is essential. In financial management high risk, we consider leadership to have been met. There is tone at the top, but it has to happen at different levels, and we have to see that at the Army, the Navy, at the Air Force so they undergo the same level of effort to really be able to move a large amount of data to be able to reach auditability. And the window is closing down pretty quickly before that time runs out to reach auditability by 2028.

Mr. MFUME. And I am going to ask you to go out on a limb. Why do you think that has not been the case at the Army, the Navy, the Air Force?

Mr. KHAN. In large part because of the size and complexity, the communication lines are somewhat strained. Marine Corps, like Congressman Sessions has mentioned, is only 2 percent of DoD. Now, we are talking about the other military departments, they are 90 percent, so they have to have clearer communication, and I think that is where the focus should be so there is no ambiguity as to what is needed to be able to get to the finish line.

Mr. MFUME. OK. And I think I heard both you and Mr. Mansfield in your testimony refer to the fact that some of the financial accounting systems being used date back to the 1980's. Can you talk about that for a minute?

Mr. MANSFIELD. Sure, I would be happy to talk a little about that. We issued a report back in January on legacy systems within the Department of Defense, and what we determined is that within the DoD, they have identified internally about 232 systems that they consider to be relevant to financial statement reporting. We determined that not only is that list maybe insufficient, so it does not contain or capture the full amount of systems that the Department actually uses or relies upon, but also the definition that the DoD applied at the time that information was collected, in terms of what a legacy system is, was a little short-sighted in that it only identified systems that would be retired within the next 3 years.

However, when we looked, for example, the DoD had identified specifically, I think, 23 systems that they had reported to Congress that needed to be retired, of those 23 systems, 14 of them were not scheduled to retire until 2029 or later, so some are going out to 2031. I apologize, 2019 and on. So, some of these systems, like you said, date back to the 1970's. So, a specific one I can talk to is the Standard Army Finance Information System. It has a retirement date of 2031. It is non-U.S. General Ledger compliant. It was created in the 1970's. At the time we did our review, there was no modernization plan, and that system is not necessarily considered to be a legacy system because it is not planned to be retired until 2031.

So that really is, in a nutshell, kind of the issue the DoD faces. There are a lot of systems that they are using and they rely upon for operations, so they cannot just turn the systems off. They have to make determinations on how to replace those systems. And what we recommended is not to just make recommendations on each system individually, but to look across the operational-like responsibilities across the Department and try and make decisions so you are replacing multiple systems with one new system to simplify the Department's information systems, like programs to make it just easier to oversight, easier to maintain, easier to modernize in the future so you are only doing a few systems versus a few hundred systems.

Mr. MFUME. So, I am just amazed—my time is up, maybe we can come back to it—how we all can sit here and see clearly what has to be done, but the persons running the show cannot seem to figure it out. It is almost like many of the inefficiencies are built in. I am not a paranoid person, but I do not believe Humpty Dumpty just fell. I think he was pushed, and I think some of these inefficiencies are in place to keep a good thing going. And in the meantime, it does a disservice to our troops, it does a disservice to our Nation,

and the other face, which I talked about earlier, the face of all those Americans that are not getting the benefits they should get because so much money is lost in this deep, dark hole that we call DoD. I yield back, Mr. Chairman.

Mr. SESSIONS. The gentleman yields back his time. Thank you very much. I would like to yield to the distinguished gentleman from Louisiana, Mr. Higgins, 5 minutes.

Mr. HIGGINS. Yes, Mr. Chairman, and thank you, Mr. Chairman. I am going to be moving fast, which is rare for me. Mr. Chairman, Federal agencies are required to conduct annual audits under the Chief Financial Officer's Act of 1990. The Department of Defense receives more funding than any other Federal agency. More than half of Federal discretionary spending goes to DoD, yet it is the only Federal agency not to achieve a clean audit opinion.

Mr. Mansfield, I am going to be directing my question at you, so I am going to ask you to tune in with me. Let me ask you up front. You are the Deputy Inspector General for Audit under the U.S. Department of Defense Office of the Inspector General. Is that correct? So, you are like a financial law enforcement officer. Is that correct?

Mr. MANSFIELD. I would not go quite that far.

Mr. HIGGINS. You look at it like that? So, you are familiar with the term.

Mr. MANSFIELD. We call the balls and strike——

Mr. HIGGINS. You are familiar with the term “reasonable suspicion?”

Mr. MANSFIELD. Yes.

Mr. HIGGINS. So, in looking through money, would you be able to recognize something that looks suspicious?

Mr. MANSFIELD. I would like to think so.

Mr. HIGGINS. Most probably.

Mr. MANSFIELD. Yes.

Mr. HIGGINS. Mr. Chairman, may I suggest to you that you are not going to have clean audits out of the DoD until we address the culture within the DoD of confounding and even suspicious decisions out of the Department of Defense regarding programs costing billions and billions and billions of dollars. How can you possibly have a clean audit when you have mysterious things going on? So, I am going to drive into one example. I am going to give one particularly egregious example. If you will direct your attention to the screen. Thank you.

[Chart]

Mr. HIGGINS. Let us just go through the timeline here. This is one large interaction between Austal shipyards and the DoD, United States Navy, has been going on for a long time. February 2017, wide media reports highlight concerns about China's frigate design resembling the United States Navy's littoral combat ship, the LCS. That coincides with, also, USA's joint venture with a Chinese shipbuilder. June 2020, Austal gets \$50 million. The DoD invests \$50 million in a grant to Austal to establish steel shipbuilding capabilities funded by the DPA and the CARES Act. They have never built a steel ship, but they got \$50 million American treasure to set up the capability to do so.

2022, September, myself and Congressman Dunn expressed national security concerns officially to DHS and Navy secretaries about Austal USA's OPC contract amidst the LCS program scrutiny. In 2023, a Federal grand jury indicts three individuals with accounting fraud at Austal USA related to LCS contracts. July 2023, myself and Congressman Dunn sent a letter to the Navy OIG requesting an investigation into Austal USA regarding connections to China and this ongoing mystery of money and contracts being awarded for steel vessels when they had never built a steel vessel.

It continues. May 2024, the DoD IG meets with me after it had been confirmed to me from the DoD IG that the DoJ was now involved investigating Austal and things that I had put on the table. DoD IG meets with me and acknowledges ongoing investigations in response to concerns, but they refuse to provide any further details because it is an ongoing DoD IG and DoJ investigation. June 2024, the former Secretary of the Navy becomes the Chairman of Austal Limited. You cannot make this stuff up, America. How are you going to possibly get a clean audit when this is the culture that we are dealing with?

August 2024, Austal agrees to settle accounting fraud and false claims with the DoJ by paying a \$25 million fine. The fine was supposed to be \$71 million, but they reduced it because Austal said they did not have the money. September 2024, Austal receives another \$450 million contract to expand their submarine module production in Mobile, Alabama, basically building them a shipyard with American money. September 2024, just the other day, Austal gets another \$152 million Navy contract to build infrastructure for the Columbia-class and Virginia-class submarine modules. That is \$600 million that they have been given just this year, this month. The former Secretary of the Navy is the CEO of the company, an Australian company.

Mr. Mansfield, does this rise to the level of reasonable suspicion in the financial realm, sir?

Mr. MANSFIELD. I have not looked into—

Mr. HIGGINS. Are you familiar with any of these investigations that allegedly have taken place within the IG's office?

Mr. MANSFIELD. Sir, so I focus on audits, not criminal investigations, but I am familiar with the public disclosures and discussions regarding the settlements reached by DoJ.

Mr. HIGGINS. That is encouraging. So, you are familiar with what I am discussing here. The bigger picture here, Mr. Steffens, Mr. Mansfield, Mr. Kahn, is that the Department of Defense returns to Congress every year and asks for hundreds and hundreds of billions of dollars. I am on the Armed Services Committee. We are responsible for funding, and I am honored to fund the Department of Defense, but we cannot continue to operate without some degree of accountability for this money. It is almost a trillion dollars a year now. When you have things like this going on, it just blows the minds of Americans that witness it.

Mr. Chairman, my time has expired, but my passion for this topic has not. I thank you for having this hearing today, and I yield.

Mr. SESSIONS. I thank the gentleman. I now move to the gentlewoman, Ms. Norton, recognized for 5 minutes.

Ms. NORTON. Thank you, Mr. Chairman. For over 3 decades, the Government Accountability Office has maintained a High Risk List, as it is called, to identify serious weaknesses in critical government programs and services. The Government Accountability Office added Defense Department financial management to that list in 1995, and it has remained there ever since. Mr. Khan, briefly, why is the Defense Department financial management on the High Risk List?

Mr. KHAN. DoD has got problems with its internal controls. They are unable to track the money that they have been given, primarily because of weak systems which were implemented decades ago, and those problems continue to persist. We have made recommendations. DoD could help themselves by implementing the recommendations we have made in the area of financial management as well as business system modernization.

Ms. NORTON. Well, Mr. Khan, the Defense Department has two other items of critical concern to the High Risk List: the business systems modernization and weapons systems acquisition. Beyond financial management, the Defense Department has longstanding problems with effectively procuring and overseeing the products and services it spent more than \$456 billion in Fiscal Year 2023. So, Mr. Khan and Mr. Mansfield, can you quantify the impact of the Defense Department's ineffective procurement processes?

Mr. MANSFIELD. I do not know that I can quantify it, but what I would say in terms of moving forward, there are, like, three elements to really solid acquisition, right? The first is clear requirements. Oftentimes, the DoD's requirements at first take are not as clear as they could be, and it ends up with modifications to acquisition programs, right? Because they adjust the requirements often after they are set up. The second thing is a clear and measurable oversight plan by the Federal Government. So, the contracting officers have to have a clear way of doing quality assurance and quality assessments, surveillance plans, and making sure that they are getting what they pay for. So, those two elements are critical. The third element that is even more critical is the wherewithal within the Department to actually hold contractors accountable for failure to meet those contract requirements.

I think if you look through our history of oversight and acquisition programs, those are the three areas that stick out the most for us: unclear requirements that are modified, the Department not having quality oversight of the Department, and then even when it does its oversight, it does not consistently hold contractors accountable for not meeting expectations set out in the contracts.

Ms. NORTON. Mr. Khan?

Mr. KHAN. The commonality, the common thread between the three high-risk areas you mentioned are it is tracking the money, whether it is acquisition, or it is financial management, or business system modernization. Business system modernization is really the infrastructure to be able to enable tracking the money from the budget when it is appropriated to when the purchase orders goes out, and then when you receive the goods and services, that has to be tracked. So, that is one important control DoD needs to have, that they are receiving goods and services, including large contracts and weapons systems, for what they have paid for and those

goods and services have been accounted for, and especially if it is goods, the location, quantity, count, and condition is known.

Ms. NORTON. Well, Mr. Khan and Mr. Mansfield, how could this Subcommittee help the Defense Department improve its procurement of business and weapons systems? Mr. Khan and Mr. Mansfield?

Mr. KHAN. By continuing to hold DoD accountable through various means that you have, hearings such as this, is important, and then asking for additional briefings and information when you have any questions. We will be more than happy to meet with you and your staff.

Ms. NORTON. Mr. Mansfield?

Mr. MANSFIELD. Yes. I think transparency is key to the Department being successful in this area. So, whether it be through congressional oversight and sharing the information that you glean from the Department publicly, or oversight like GAO and the DoD IG do, we provide our findings publicly as well. And so, sharing that information when we find deficiencies and we can make recommendations that are actionable by the Department, the fact that those are known by the public, that can create additional pressure on the government to take action in a more responsive, more timely manner. Not to say that the government and the DoD is generally responsive to our recommendations, agreeing with us, or working through alternate approaches, but it is that sunshine that is placed on that through transparency, through reporting, and venues like this that actually help, I think, apply that pressure in a more consistent manner.

Ms. NORTON. My time has expired.

Mr. SESSIONS. I would like Mr. Steffens to, if he could, to answer this because yesterday, I asked exactly the same thing, and today is today. It is not yesterday, so we will see what he says today, but—

Mr. STEFFENS. Mr. Chairman, to provide some context to the high-risk list—

Mr. SESSIONS. Well, essentially what you said is, it was made important to general officers that they were going to follow through on this stuff.

Mr. STEFFENS. Yes. Absolutely.

Mr. SESSIONS. That is what you said yesterday.

Mr. STEFFENS. No. Absolutely. The two documents released within the last year from the Undersecretary for personnel and readiness, one was for the senior executives to have this codified in their performance standards for audit.

Mr. SESSIONS. Right.

Mr. STEFFENS. Very important. The second thing, just released within the last month from the Under Secretary for Personnel and Readiness, was for the general officer and flag officers to also be held to accountable. This is groundbreaking. This guidance went out to the military departments in August, and they have to report back to the Undersecretary on their plan to achieve this, so I believe this is a thing that we are tracking very closely. We find this will be very helpful to us in getting to that tone at the top.

I just wanted to highlight for a second to provide some context for Mr. Khan's comment about the high-risk areas. We have been

working very diligently in the financial management arena. I think Mr. Khan will agree we have made progress here. Yes, since 1995, we have been on the High-Risk List, but since 2017, of the five criteria, we have gone from not met at all to partially met for most of them, and one for fully met. And we have closed, out of 52 recommendations, we have closed 15 of them in the past year, year and a half, so we are moving toward that. We take it very seriously. We think that the High-Risk Program is very complementary to the audit as well. A lot of those things that we get after here in the High-Risk Program are going to benefit us in terms of getting a clean audit opinion, sir.

Mr. SESSIONS. I found your question enlightening, and I hope you got a good answer.

Ms. NORTON. I think so.

Mr. SESSIONS. Yes, ma'am. Thank you. I would like to move now to the gentleman, Mr. Biggs. Mr. Biggs is recognized for 5 minutes.

Mr. BIGGS. Thank you, Mr. Chairman. I am just going to change my order of questioning that I had planned because I thought I just heard you all say to get accountability, we should do some more hearings, and we should do some more briefings, and that would help us get accountability for 15 years of failed audits, right? I mean, I find that really unsatisfactory for me, and I am hoping that maybe you can dispel some of this.

So, Mr. Mansfield, you talked about some of the problems. In the acquisition program, I thought I heard you say something like the requirements are vague, they are indefinite, and then in oversight, there are problems with oversight, and then there is a problem with accountability. And I cannot help think but what Mr. Mfume said, and he said that this money is going down to a dark hole. And so, I guess, I am finding myself absolutely apoplectic here in some ways because I am thinking of the F-35 program. When you look at the F-35 program, when you guys are conducting your audit, Mr. Mansfield, do you take into account performance of production by the contractors or the program itself?

Mr. MANSFIELD. Yes.

Mr. BIGGS. And so, about a year and a half ago, the high-water mark, you had about 55 percent of delivered F-35s were operable. I am going to put that word in there, "operable." The word I got today, well it is really closer to 29 percent today. How bad does a program have to be before somebody is held accountable, Mr. Mansfield? I mean, I am just dying to know that question. How bad does a program have to be? Because two aspects of this—this is a program that is supposed to go through 2088 or something like that, and it is going to cost us about \$2 trillion, and the CBO said 2 years ago that over the next 10 years, DoD is going to receive \$7.1 trillion from the Federal Government, and I think that is low based on just the trends that we are taking.

So, I am curious, how do we get accountability besides a hearing and briefings? And I know that there have been hearings in HASC about this very program. I know we have had them. We have had briefings, I have sat in SCIFs, but we are still looking at a totally failed program. So, what really does get us accountability?

Mr. MANSFIELD. So, like I said, one of the roles of the DoD OIG, is oversight, right? So, we do not take specific action on a program.

We make recommendations to the Department who ultimately has to take action on those programs. Oftentimes, our recommendations relate to holding individuals accountable to stopping programs depending on the scope of the work that we have conducted. So, I think it really falls to the Department to take action on the recommendations when we identify those issues and call them out for them.

Mr. BIGGS. I mean, when we have oversight in Congress, we have you all come in and testify, and you answer our questions, and this is not the most ideal format, although I will say Mr. Sessions does a pretty good job because he gives us a little bit extra time. But in the end, it is like 5 minutes here, 5 minutes there, and it is not the most ideal way. And so, we get these private briefings, and then the public does not know, but we are ticked off after the private briefings. But the founders of this country in the Constitution gave this body the best and strongest check against this type of mal-administration, and it is the purse strings. And so, when you see a program where only 21 percent or 29 percent, whatever it is, today, of F-35s in a multitrillion-dollar program are even operable, maybe this body, us, this body, this dais, should really be looking into a different kind of accountability.

You can see that I am frustrated here because this is not the first one we have done of this, and I appreciate you all being here to talk about this. But I wanted to just ask one last area here. Is there a comprehensive audit that is done over the spare parts suppliers to DoD?

Mr. MANSFIELD. So, I would say we have not conducted a comprehensive audit over all of the suppliers, but we have looked at specific spare parts supplies, streams, or certain providers of that. Yes, sir.

Mr. BIGGS. And over the course of time, when you go back to the, what, \$800 toilets and \$600 hammers—there was one DoD Inspector General who found one supplier was charging 3,800 percent, just a couple years ago, above the contracted amount. So, my question is, how do we get hold of that end of the misspend?

Mr. MANSFIELD. Yes. So, I think we have made some recommendations related to two sides of that. The first is, sometimes the contracting officers, when negotiating prices with a contractor, especially if it is a sole-source provider, they do not necessarily have the information they need to make good decisions for the Department, and that comes down to cost data, right? Usually, they are relying on historical pricing, or, in other words, last year I paid \$100 for that, so this year they are charging me \$101, so that is a fair price. Now, I do not think you and I would do that, we do a little more research. How much does it actually cost to produce that item? What is going into that? So maybe that item actually costs you \$50 to produce. Am I going to pay \$101 this year because I paid \$100 last year? Hopefully, I am not.

The problem is the way that the acquisition regulations are established. It sets contracting officers up to use that historical pricing data versus the no-kidding-hard-facts of what the costs are, and that is difficult. It puts the contracting officer in very difficult position in terms of making informed decisions.

Mr. BIGGS. So, there may be something statutorily needs to be changed to modify that language. Is that right?

Mr. MANSFIELD. Yes, and we made recommendation. A couple years ago, the DoD submitted two legislative requests or proposals. I do not think they made it into the NDAA. Two years ago, there was another one for Fiscal Year 2024 that was submitted. Actually, that one went through OMB and made it up. I do not believe that is in the current version of the NDAA, but—

Mr. BIGGS. And it is a crying shame, Mr. Mansfield.

Mr. MANSFIELD. There is some stuff out there, though, to look at, sir.

Mr. BIGGS. Thank you so much, and, Mr. Chairman, thank you, and I have some documents I would like to include in the record.

Mr. SESSIONS. Without objection, so ordered.

Mr. BIGGS. Yes, a piece called, "What a Waste: \$778 billion for the Pentagon and Still Counting;" another one entitled, "Waste of the Day: Pentagon \$50 Billion Behind in Building Repairs;" another one, "Committee Requests Information on Pentagon's \$125 billion in Waste;" another one, "Pentagon Buried Study That Found \$125 Billion in Wasteful Spending;" and then this one, which I did not get a chance to ask about. I would like to know what is really going on with this one as well: "Forbidden Russian Oil Flows into Pentagon Supply Chain," and I yield. Thank you.

Mr. SESSIONS. Without objection, we will include those in the record.

And I would encourage the gentleman, if he would choose to have additional questions for our witnesses, our witnesses will find out at the end we are asking them to please answer those for us, and thank you very much, the gentleman from Arizona. Ms. Lee, you are recognized for 5 minutes.

Ms. LEE. Thank you, Mr. Chair.

Mr. SESSIONS. Yes, ma'am.

Ms. LEE. I do thank you all for joining us today, again, as we continue along on this series of exploring why Congress continues to funnel hundreds of billions of dollars to an organization that cannot even keep track of how they spend the money. I am sorry or I apologize if I do not take or I cannot take as patient a tone as some of my other colleagues because I think about how even just a small percentage of that money that cannot be accounted for could fund things like universal school meals, or needed infrastructure projects in my district, or childcare, but instead we do not even know where it is. So, Mr. Khan, if Congress gave DoD unlimited resources to upgrade systems and hire people, how long would it take for the DoD to pass a clean audit?

Mr. KHAN. It is a very good question, Congresswoman Lee. I mean, just laying out their timelines, what DoD is looking toward is 2028. They have the resources. They are working toward that timeline. But, you know, whether they need that data or not, it is difficult to predict because they have huge challenges before them, as depicted on the scorecard, so it is difficult to answer that question, Congresswoman.

Ms. LEE. Thank you. So, it is more than just getting the right computer systems and staff in place?

Mr. KHAN. Correct. Yes.

Ms. LEE. OK. Mr. Mansfield, would you agree that unless DoD's leadership makes this a priority, we are not going to get a successful audit?

Mr. MANSFIELD. I would agree with that, yes.

Ms. LEE. Thank you. Auditing DoD is expensive for taxpayers, and it is lucrative for the corporations that profit from the military industrial complex.

Mr. Chairman, I would like to ask unanimous consent to enter into the record a June 2024 report from the DoD OIG showing how between Fiscal Year 2018 and Fiscal Year 2022, DoD spent more than \$4 billion in government and contract costs related to finding solutions to help it achieve a clean audit.

Mr. SESSIONS. Without objection, we will enter that into the record.

Ms. LEE. Thank you. So much money for zero results. I think just about anyone else would get fired for that type of failure, yet the DoD faces no consequences. Mr. Mansfield, can you explain some of the management issues that the OIG discovered in reviewing this \$4 billion failure to improve its auditability?

Mr. MANSFIELD. Yes. I appreciate you bringing that report up. That is, we looked at the Department's efforts to contract for remediation efforts in support for the financial statement audits. And so, some of the things we found in terms of that was the DoD does not have clear definitions of what should be contracted for, for remediation efforts. And so, when trying to compile the amount of effort or to take the amount of effort and put a dollar figure to it that is spent on remediation efforts, it was a little difficult to do because different parts of the Department are using different definitions for what is considered remediation.

We also went in and looked at some of the contract requirements, and we found that they were not as clear as they could be. There were not specific deliverables within some of those remediation contracts, which makes it very difficult for the Department to know it got exactly what it paid for. We also found that a number of the efforts underneath those contracts, while they were value-added efforts, were not clearly linked to the Department's remediation goals. And so, if the Department is saying these are our priorities for remediation, but then they are putting money into things that are not directly aligned to that, it does not feel like they are really kind of having a consolidated focused approach at the remediation.

Ms. LEE. Thank you, and I thank you for your very thoughtful answer. But the fact remains that the DoD can waste \$4 billion on a failure and barely bat an eye. It just shows how much of an over-inflated tick the Agency is. It is sucking the resources and money from our Federal Government. No government agency should be held above accountability and now we must ask ourselves, at what point do we stop using the carrot approach and start using the stick? The solution is clearly not giving DoD more resources and money for passing their audit. That has failed over and over again. They have shown that even with their seemingly unlimited resources, they do not care to work to improve. Maybe what we need are real consequences.

Their budget is already over inflated and should be cut regardless of their ability to give a clean audit. So, how about slashing

their budget every year they fail to deliver a clean audit? Regardless, this is not a new problem. This has been going on for decades, and their financial mismanagement is the reason they have been on GAO's High-Risk List since 1995, meaning, it is among the Federal Government programs and operations most likely to commit waste, fraud, abuse, or mismanagement. The Pentagon must rethink this culture that enables unchecked and unfettered spending at every level and prioritize its financial duty. Failing to do so harms our national security. I do thank you for your time, and with that, I yield back.

Mr. SESSIONS. The gentlewoman yields back her time. Now I yield 5 minutes to the distinguished gentleman from Alabama.

Mr. PALMER. I want to raise some questions, Mr. Chairman, about what the GAO has tried to do in terms of getting more accuracy from the Department of Defense. And despite the massive spending, the only Federal agency in the country that has failed to pass an independent audit, they remain on the GAO's High-Risk List for waste, fraud, and abuse for 34 years. Last year, the Department of Defense failed at six consecutive audits, was unable to fully account for 63 percent of the \$3.8 billion of its assets. A Navy audit found \$4.4 billion of previously untracked inventory. Air Force identified \$5.2 billion worth of variances in its general ledger. Reports found defense contractors routinely overcharged the Pentagon, and, I would add, the American taxpayer, by nearly 40 or 50 percent.

There is a significant amount of money, Mr. Steffens, being spent every year, approximately a billion dollars being spent on projects around getting the DoD to a clean audit. So, about 15 percent of the amount is spent on audit services, but the rest is spent on building new systems and all kinds of contracts under the umbrella of audit readiness. That is a lot of money. How much insight and influence do you have into ensuring that the money is being well spent?

Mr. STEFFENS. I appreciate the question on that. I believe, sir, that we are getting, definitely instilling, more accountability from the Secretary and Deputy Secretary on this.

Mr. PALMER. But how do you account for the fact that you cannot pass an audit? I mean, are the systems being modernized? Are new systems being built? I mean, what improvements are you making?

Mr. STEFFENS. So, we have to approach it from about four or five different fronts. Mr. Khan came to the House Armed Services Committee, I think, about 13 years ago, with six imperatives, I think, that need to be, and all of them are important, not just systems, but he—

Mr. PALMER. But you never implement them.

Mr. STEFFENS. Well, we are working on each one of them. We hold, you know, trained and ready workforce, a good defined business architecture. Business process architecture needs to be in place as well.

Mr. PALMER. I understand that you need to maintain a certain level of secrecy in some of the things that you do, that money is fungible, but the fact that you have not had a successful audit in 34 years and the fact that you have not implemented much of what the GAO has recommended is problematic. I mean, it is important

that the American public have confidence in the Department of Defense. I want to bring up something else because we keep hearing about massive overruns in defense systems or weapons platforms as an issue of change orders. Does the Department of Defense authorize the construction and manufacture of systems before the design is final? Does that ever happen?

Mr. STEFFENS. It would not surprise me that it has happened before.

Mr. PALMER. Why would that happen? I worked for two international engineering companies, and we typically did not start building something until we had a final design.

Mr. STEFFENS. What I could offer, sir, is there is a delay, there is a push—

Mr. PALMER. A delay is something different. Not having a final design but starting the development of a weapon system or constructing a facility is different. If you start before the design is final, you are almost guaranteeing that you are going to have massive numbers of change orders. Would that have anything to do with the way Congress appropriates funds for the Department of Defense? Are you starting projects before they are ready because you are afraid Congress will not put the money there in the next appropriation? Would that be a problem?

Mr. STEFFENS. It would absolutely be a problem, yes.

Mr. PALMER. Is that why you do it?

Mr. STEFFENS. I do not—

Mr. PALMER. Is that why you had such massive overruns on the F-35? You are afraid that Congress would pull the program? I mean, there was a project that I worked on in engineering where we were supposed to be retrofitting rockets, and I think we had already spent nearly a billion dollars and they pulled the project. Is that part of what is happening here?

Mr. STEFFENS. I cannot speak to the F-35 or the project management piece, but, you know, in—

Mr. PALMER. Mr. Mansfield, can you speak to that?

Mr. MANSFIELD. So, I can say some of the oversight work that we have done, some of the things that we have identified is similar to your point. It really gets to the test and evaluation process, where throughout the test and evaluation process for an acquisition program, so looking at a system, the DoD will do some testing, or—

Mr. PALMER. But that is different from starting before the design is ripe.

Mr. MANSFIELD. No. But so, they will identify that there are deficiencies, and they will still move forward with the manufacturing process before addressing all those deficiencies, knowing they are going to have to retrofit down the road incurring additional cost.

Mr. PALMER. Yes, I understand that because that is an evolving system. But when you are building a facility or some other things where you develop a design, and then you build to the design, from my observation, you are starting work on projects and facilities before the design is ripe. And I just wonder, Mr. Chairman, if it is because they are concerned the money will not be there, so they go ahead and start, and we wind up spending 30, 40, 50 percent more on these weapon systems and these facilities than we should, and

then you are not doing adequate audits, oversight of these projects. So, Mr. Chairman, I do not think we are done with this. I would like for us to continue to try to exercise oversight and do some additional followup. I yield back.

Mr. SESSIONS. Thank you very much. Let me agree with the gentleman and also agree with the panelist who do not think our work is done because they do not think we have always made sure at the highest levels of DoD how important this is. And they want a clean audit, and they want these things, so I think your point is well made.

Mr. PALMER. I am not sure they are taking us seriously.

Mr. SESSIONS. Well, you know, I certainly think that what this Subcommittee should do is walk a mile in their sandals, so to speak, and there are a number of things about F-35, A-22, a lot of these things that became abject failures because someone thought they were going to use it one way and was used another. There are hundreds, if not thousands, of people who are suppliers to F-35, and they may be in other countries and trying to get those piece parts together and trying to get that. So, I do agree with you because we all talk about the billions, not the thousands, and I think that is the point that the distinguished gentleman has made that I do take at hand, and we do need to be concerned about that.

Mr. PALMER. Thank you, Mr. Chairman.

Mr. SESSIONS. Yes, sir. Thank you, sir. Now I would like to move to the gentlewoman, Ms. Tlaib, for 5 minutes.

Ms. TLAIB. Thank you, Chairman. Mr. Steffens, you know, just bear with me here. So, they say that, you know, the Department of Defense failed its sixth audit. How many audits have they had?

Mr. STEFFENS. So, ma'am, since Fiscal Year 2018, we have gone under full financial statement audit, so that has been 6 consecutive years. The first time we ever went under a full financial statement was 2018, so—

Ms. TLAIB. We never did a full audit before that?

Mr. STEFFENS. Before that? No, ma'am.

Ms. TLAIB. OK. And so, what is the percentage because I read that they could not account for half of its assets. You probably heard a lot of my colleagues talk about it. It is, what, \$3.1 trillion? How much of that is the entire Federal budget, percentage-wise?

Mr. STEFFENS. Both asset-wise, I do not have the exact percentages, but in terms of the budget, we are roughly half the discretionary spending for the U.S. Government.

Ms. TLAIB. So, it is actually 78 percent of the entire Federal budget, the excess of \$3.1 trillion,—

Mr. STEFFENS. Yes, that is right.

Ms. TLAIB [continuing]. Seventy-eight percent of the entire Federal budget. You know, I know my colleagues talk to you all about this, but I started the Get The Lead Out Caucus, and we got tremendous bipartisan support. Of course, I think all of us agree no amount of lead in water is safe anymore, and it never really was. I mean, \$60 billion just to start putting a dent into removing lead pipes, and just thinking about the fact that I am always being told, how are we going to pay for it, and you see this kind of waste. And I really commend my colleagues to bring this forward because, I kid you not, I could be in a room in a town hall in Detroit—and

I do not just represent the city of Detroit, I represent some of the suburban communities—this is one of the consistent things they will agree with me on, even if politically we do not agree on a lot of other issues.

So, Mr. Khan, one of the things that I was reading in regard to the clean audit, specifically, I did not understand what this meant: it said, “Since 1995, the GAO has designated DoD financial management as a high-risk area due to longstanding issues, including ineffective processing systems.” What does that really mean? What does it mean to say that they are designated as a high-risk area?

Mr. KHAN. So, it would be similar to any Federal program. It needs to have systems and processes, especially when a large amount of assets and money is involved in there. DoD was set up to support the war-fighting missions. They did not have systems and control to do financial management. They were to process logistics. Because of that, they were not able to account for the money that was given to them in the annual appropriations. They were not properly—

Ms. TLAIB. So, it is about waste. High-risk is, like, oh, are they wasting money, right?

Mr. KHAN. It leads to waste. It does, yes. It is about transparency and accountability. If you do not have that, then it can lead to waste, fraud, and abuse, correct.

Ms. TLAIB. OK. Yes. Mr. Mansfield, and I am, like, generally, is it only war manufacturing in the Pentagon budget? What else is in there?

Mr. MANSFIELD. I am sorry. Can you repeat that?

Ms. TLAIB. In the Pentagon budget, is it just war manufacturing? Like, if I was to go to my community, and I know kind of the answer, and I would explain this to them, what else is in there? Give me something that would blow my mind.

Mr. MANSFIELD. So, it is like any organization, although I would say the duty is like a strange microcosmos of society, right? So, there are grocery stores or healthcare, there are school systems, there is manufacturing, there are people, right? You got to pay for all the individuals in addition to the acquisition program. So, there are a lot of things we—

Ms. TLAIB. So, it is not just war manufacturing like everybody thinks?

Mr. MANSFIELD. No, by no means.

Ms. TLAIB. Yes. No, I know that. Chairman, I wish people would understand that, though. When you were looking at it, Mr. Mansfield, and I believe you are the Inspector General, correct?

Mr. MANSFIELD. I am the Deputy Inspector General for audit.

Ms. TLAIB. Deputy, yes. Sorry.

Mr. MANSFIELD. Yes. Rob Storch is our Inspector General.

Ms. TLAIB. Yes, of course. I apologize.

Mr. MANSFIELD. That is OK.

Ms. TLAIB. Even with the work that you are doing, what stood out to you the most, kind of in line with what Mr. Khan talked about of high-risk?

Mr. MANSFIELD. Yes. So, I believe Mr. Khan hit the nail on the head. It is about systems. So, you know, when we do the financial statement audit, the auditors issue what are called notices of find-

ings and recommendations. Those are, as you look at each individual kind of system or process, you make recommendations on how to improve those. You know, in 2023—

Ms. TLAIB. So, you guys have been doing that for years now?

Mr. MANSFIELD. Yes.

Ms. TLAIB. Any of them get implemented?

Mr. MANSFIELD. Yes. So, in 2023 the DoD closed just over thousands, almost 1,500, of the NFRs that we had—that is our kind of lingo—that we had issued in previous years, so they do make progress every year. But as in any improvement process, as you fix one thing, that leads to us to be able to look at a little deeper, dig a little more, and we do identify additional issues. What I was going to say, though, is about 50 percent, maybe a little more than 50 percent, of the notices and findings and recommendations that we issue are related to information technology, whether that is system security or controls over system upgrades, system interfaces, those types of things, so—

Ms. TLAIB. How much of the budget? And I am sorry, Mr. Chair, but how much of the budget are contractors?

Mr. MANSFIELD. I do not have an answer for that with me today. I apologize.

Ms. TLAIB. Do you know what I mean by that? Like, are they, like, separately done? Like, not outside of the Federal? Like, they are contracted out?

Mr. MANSFIELD. Tom, if you have an answer for that? I am not sure.

Ms. TLAIB. I actually do not know the answer to this, this is—

Mr. MANSFIELD. I can take it for the record, though, and try and get something for you.

Mr. STEFFENS. Well, you know, budgets are broken down by program, but each part of that program, as Mr. Mansfield mentioned, a large part of it is to pay people, both civilians and military. Some of it is used for, you know, things like travel and other areas. But, you know, contracting is a large piece, but a lot of that contracting is—

Ms. TLAIB. I think over 50 percent of the Pentagon budget is contractors.

Mr. STEFFENS. I believe it is less than that.

Ms. TLAIB. It is less, OK. Less, OK. Yes. No, I know you hear this a lot, but 78 percent is a lot. I mean, of the whole Federal budget, you think about everything, healthcare, Social Security, everything, and 78 percent of it. And just to think that I am begging just for \$60 billion to actually try to get clean water across our country. But with that, I mean, I really commend you, Chairman, for doing this. This is incredibly important. I hear this question all the time, why can't they pass an audit? What is going on, you know, and Americans of all different political backgrounds really do not like wasteful spending, especially when they are still struggling and they cannot figure out why they are still struggling, while again, watching kind of wasteful spending or, as Mr. Khan calls it, a high-risk area within it. So, thank you so much, Mr. Chair.

Mr. SESSIONS. The gentlewoman yields back her time. I would like to now move to the distinguished gentleman who has taken his

time be here. The gentleman is recognized, Mr. Burlison, for 5 minutes.

Mr. BURLISON. Thank you, Mr. Chairman. You know, I think that I try to treat this role as to try to be the best steward of the taxpayer dollars that I could possibly be. When I think about the families of my district and how hard they work and then their taxpayer dollars are sent here, and the American people in my district, they are frustrated. The question is, who is to be accountable for this, right? The concern that I have is that by having all this uncertainty, we cannot pass an audit, then all of the conspiracy theories, when people talk about military industrial complex, all of these things start, it becomes more prevalent because there is nothing that you can point to. So, my question is, you know, we have not passed a clean audit ever. The Department of Defense is the only Agency that has not done so. Congress has mandated that DoD achieve a clean audit by December 28, 2028. So, my question to each one of you on the panel is, do you think that that will happen?

Mr. STEFFENS. It is a great question. I know there is a lot of concern expressed about that date and can we meet that date. It will definitely be a challenge, but I believe if we have a couple of key elements in place, I think we can do it. Leadership commitment is first and foremost. More important, even than the resources is the sense of priority that our leadership has to have on this. I do feel comforted over the last 2 years, the last 3 years, really, Secretary Austin and Secretary Hicks take this very seriously. They have issued, and I have introduced, I think I have shared some correspondence with both the Chairman and the Ranking Member's team on some of the things that they have done in getting, not just the financial management folks like myself that are here today, but it is going to require effort from all of the functional areas, the acquisition functional area, the Chief Information Officer, folks from human resources.

It is an all-hands-on-deck, just like we gave the example the Marine Corps and the great success they had this year, very hard work. But the Commandant and the ACMC for the Marine Corps, the Assistant Commandant, had required everybody to be a part of everybody's business. It was that profound, and he was very, very adamant about that. We will require that same tone at the top at the Department level. So that, the resources.

The other thing I am excited about, too, recently is technology. We have not talked much about it today, but ADVANA is an example. It is a platform, a data base, a data platform that helps us better remediate, identify where our problem areas are, the areas that need reconciliation, and to remediate those things, and so we are utilizing some of that. With that advanced technology to do better data analytics, is we need personnel to also be trained to do that data analytics, and we are working on that very much. Workforce. In addition to the systems, in addition to the tone at the top, is we have to have quality professional people to do this. And we are working toward that, making sure we are developing professional competencies within our financial management workforce, but also logistics and acquisition as well. So, they are all trained on the importance of audit.

Mr. BURLISON. Mr. Mansfield, do you believe that there will be a clean audit by 2028?

Mr. MANSFIELD. So, you know, our role as the Inspector General is to perform the audit, and so I am very hesitant to make any predictions before we have actually done the work, so I am going to kind of refrain from saying whether they will pass or not. What I would echo is what Mr. Steffens said. There is a lot of work to do before they get there. And I would also add the Department, as much as it is making progress and has, I think, a solid tone at the top at this point, does have a history of sliding expectation of goals to the right. And so, it will be a difficult and uphill battle for the Department, although I think they are committed to it, but it still waits to be seen, and we will have to do the actual audit work before I can give you an opinion on whether they will pass or not.

Mr. BURLISON. OK. Mr. Khan?

Mr. KHAN. I think there will be early indicators whether or not they can meet that timeline. The system is going to drive that. Having a compliance system across the Department. They have to be in place, in our view, by the end of Fiscal Year 2026 so that they can begin to process transactions in 2027 and 2028 to be able to reach an opinion by that date, so we will know. We perform oversight of the DoD. So, as we do our work, we will have good indication as to how the progress is going and what the path to auditability looks like and if those timelines can be met.

Mr. BURLISON. OK. So, Mr. Steffens—is Steffens or Steffens? Sorry. You said that it is going to take a commitment from leadership, and then you said, you know, the current leadership is committed. If they are committed, why are we not there yet?

Mr. STEFFENS. I think we are making progress, and obviously we have been under full financial statement audit for over 6 years into our—

Mr. BURLISON. I think, like, the American people who are listening, they would wonder, it has been 6 years. That shows there has not been any commitment.

Mr. STEFFENS. I do believe we are at an inflection point, though. I believe over this last 2 years we have been in an inflection point. The one thing, too, that was pointed out, which I think has actually energized the leadership, is the NDAA 2024 that came out with the mandate for 2028. Initially we saw that, you know, a lot of folks will look that as a threat, you know, this is challenging, but I have to report to you that this has created an enormous amount of energy in the Department. Every functional meeting that we have that addresses audit and financial audit remediation starts out with, 'team, we have a mandate from Congress for 2028,' so that has been very helpful.

Mr. BURLISON. Sorry, Mr. Chairman. Can I ask one more? Is this an organizational behavior issue? Is that, is what I am reading into this is that you have got a cultural resistance to a lot of this?

Mr. STEFFENS. But I believe that is changing. I believe that is changing. You know, the old Army's motto was to fight and win our Nation's wars, right? I will take the Army's examples because I spent a lot of time in the Army. They developed a process, but we have to be accountable as well, and we have to have sound business operations. That will only help our readiness. And I think we

have to instill that in our leadership—our senior leadership, operational leadership—that, hey, doing this, getting better business operations, getting more sound, getting auditable will actually help readiness in the long term. That has got to be the message, and that is what I think is being received now better than it has before.

Mr. BURLISON. Thank you. I yield back.

Mr. SESSIONS. The gentlemen yields back his time. Does gentlewoman seek time?

Ms. CROCKETT. Yes.

Chairman SESSION. The gentlewoman, Ms. Crockett, is recognized for 5 minutes.

Ms. CROCKETT. Thank you, Mr. Chair. I will be honest and tell you that most of my constituents are not particularly interested in the finer points of Federal financial auditing. But what they do care about is whether their taxpayer dollars are being wasted, whether our military is ready to take on the next threat, and whether our military can continue to keep us and our allies safe. Unfortunately, we are seeing right now what happens when DoD fails to maintain good accounting of its Federal funds and government-funded property.

A few weeks ago, the DoD Office of Inspector General issued a report claiming that “DoD did not effectively or efficiently implement accountability controls for items delivered to Taiwan from November 2023 through March 2024.” It continued noting that “2.7 million rounds of ammunition from the DoD, including some that was expired in a mix of original, loose, and incorrect packaging.” This is to say nothing of more than 340 of 504, or 67 percent of the total pallets sent over were water damaged, resulting, in other things, including moldy body armor.

And I am going to just pause here really quick because we just had a larger hearing earlier today that was talking about the threats of the PRC and the idea that we continue to say that we support Taiwan and we stand with them. And then because of our own failures, we are unable to support those that we are trying to help, at the same time that we are casting dispersions on this real threat that China presents is problematic. Not to mention these are items that, essentially, could have been necessary for our own protection. These are items that came out of our own stores, and so it does not instill the most confidence, but also just the amount of money that was lost.

My district, 20 percent live at or below poverty, so when they are paying taxes that a lot of them really cannot afford in the first place because they need every single dime, it is hard to hear numbers like this and know that, literally, the amount of money that we send over to DoD are amounts of money that most of us will never see in our bank accounts in a lifetime. It is a problem, but we also know that there are real threats, as we know, that the temperature around the world is a little high right now, and as we are attempting to be good allies, we need to do just that and be good allies. And this is one of the easiest ways we can start, is by making sure that we are holding ourselves accountable for the money that we are spending.

DoD’s failure to account for and properly oversee its weapons and property funded by taxpayers in my district and across the country

is an understatement. National and international security today increasingly relies on good technology, solid record keeping, and cutting-edge data analytics, and every dollar lost to fraud, waste, or abuse, means the American people get a less efficient and effective military.

Mr. Khan, yes or no? From your experience, can better financial management at DoD improve Agency decision-making to better protect our national security and the security of our allies?

Mr. KHAN. Yes.

Ms. CROCKETT. Now, going back to the DoD report, the Inspector General stated that because of DoD's failures, our government ended up spending an additional "\$618,000 in labor and materials to clean and dry wet and moldy body armor, and \$113,000 to replace damaged body armor delivered to Taiwan." This is to say nothing of the additional costs incurred to replace the unusable munitions sent over which again was sent over an incorrect packaging. How is DoD supposed to pass an audit if it is supposedly sending arms and weapons to our friends and allies with the wrong label?

A sixth of our total Federal budget goes to DoD, and to be clear, I am not underestimating the vital work of the Department's mission in protecting our national security and the security of our allies, but it is because of the vital role DoD plays in our lives that Americans demand accountability. The people need to know that if a crisis happens, DoD can protect us and our allies in worst-case scenarios, and to do this, DoD must have a successful audit.

Mr. Khan, how long has the Department of Defense's financial management been on GAO's High-Risk List?

Mr. KHAN. It has been around 30 years.

Ms. CROCKETT. And why is DoD's financial management of GAO's High-Risk List? Why is it on the list? Sorry.

Mr. KHAN. Because of pervasive internal control weaknesses that prevent accountability of their assets and the budget they have been provided by the Congress.

Ms. CROCKETT. Thank you. Has DoD's leadership improved the Department's financial management in ways that could get it off of the GAO High-Risk List?

Mr. KHAN. Yes. I mean, the High-Risk List has got five criteria. Probably the most important is leadership. That is where they have met the criteria. Tone at the top is very important for remediate the other four areas.

Ms. CROCKETT. Thank you. Although DoD as a whole has yet to achieve a clean audit, 10 of its 29 components passed their audits with clean opinions in Fiscal Year 2023. While this is nowhere near where DoD needs to be, the progress is promising. DoD must use the success in these components for the remaining areas needing improvement. Can I ask one last question, Mr. Chair?

Mr. SESSIONS. Yes, of course..

Ms. CROCKETT. OK. In fact, Mr. Steffens, just so we have it on record, what are some of the lessons or best practices from the 10 successful components at DoD that can be shared Agency-wide?

Mr. STEFFENS. Sure. Thank you for the question. I believe there are a number of lessons learned that we have, most recently, obviously from the Marine Corps. We just talked about this, tone at the

top, the example that General Smith, at the time was the Assistant Commandant, set, holding his leaders accountable is vitally important, and we talked about through several of you today. Second, the important thing in the Marine Corps, too, is breaking down the stovepipes amongst systems, the acquisition systems and our financial systems. Making sure there is free flow of data, the correct data, and the exact data in the right configuration so a transaction can flow through the purchasing system, through the financial system is very important. We learned from that.

But aside from the Marine Corps, and also, I think, the Marine Corps, too, is having a very modern, capable enterprise resource planning system or ERP, in the form of the Defense Agency's initiative system, which they adopted here several years ago, just recently, and it shows that the systems matter, right? So, aside from the Marine Corps, I will go to the Army Corps of Engineers only because I served as their CFO there for 6 years, and we have had clean audit opinions, to your point. Standardization is so important, standardization among entities. So, let us, you know, establish the policy and have all those organizations do it correctly.

Now, I will tell you in the Corps, maybe it was a little bit easier with 44 districts that could operate the same way. It is a little more challenging in the military departments because you have such a differentiation in missions amongst those various commands, but nonetheless, the standardization has to be important. It has to be enforced. So, those are a couple examples of things that we have learned from Marine Corps, Army Corps of Engineers, and then working closely with your service provider. I think we have learned here recently from organizations that the working capital funds from Defense Information Systems Agency, the partnership you have with the service provider, being vocal, good exchange on what they can provide for you, and DFAS has done, that is also a good example, ma'am.

Ms. CROCKETT. Thank you so much. With that, I will yield.

Mr. SESSIONS. The gentlewoman yields back her time. Mr. Mfume asked me to please provide on his behalf unanimous consent to enter to the record the statement from Greg Williams, Director of the Center for Defense Information at the Project on Government Oversight, that offers specific recommendations to increase the accountability and transparency in DoD's acquisition and procurement programs. Without objection, we will enter that into the record.

Gentlemen, thank you very much. I had an opportunity over the last few days as we were preparing this—Mr. Mfume did also—to draw some conclusions that some of our Members may have gotten at, some of our Members may not have gotten at. We have new Members. I confess, I have been around for a while. I have not gotten to where I am going to make any excuses for anybody, but we have to be able to understand where we are, just as you have understood where you are in that process.

One of the things I would say is, is that one of the most interesting parts is that at least the Marine Corps, maybe some of the others, hold their general officers accountable for this. No. 2, the Marine Corps did make progress. There is a specific example of someone who did pass an audit as opposed to the years where no

one did. I think that organizations can see across themselves specific examples, and I think we ought to give the Marine Corps a pat on the back. When I was at AT&T for a number of years, we tried to celebrate victories, good behavior, encourage things that would organizationally be beneficial to employees as well as the bottom line of running the business. I think the Marines Corps should get a pat on the back, be told that they did the right thing. Mr. Mfume and I decided today that we are going to go and try and do that, try and say thank you. I think success needs to be encouraged.

Other things which I learned, which I had known for quite some time, we are also not actively in a full-time war posture. There is less movement of issues and ideas, and organizations can focus, perhaps better, on what their mission is, but less movement of equipment, less movement necessarily required even though we are supporting, as has been noted here, a number of our allies, and not all those things, excuse me, have been done correctly. But I believe that I could successfully say that each of you, while you answer the question that all of us had, I did, over the last couple days, are we going to make it? And the answer is, we can. There is a model for it, but we are going to have to keep working together.

So, this Subcommittee has a lot of work. This Subcommittee has more work than just DoD. It has the rest of the government to be concerned with. And last week, we held a number of hearings that were stunning in the testimony about the inefficiency of agencies. Part of it we want to say we can fix, must fix in the next few days, but they also, when those participants came forth, they said we have got to fix it. We cannot continue to bleed not just the taxpayer, but the intended purpose of why the money was given in a program.

So, our process is laid out. For Mr. Mfume and I, I will tell you, I am delighted with the Subcommittee Members, like Ms. Tlaib and others who showed up, Mr. Palmer, Mr. Higgins, who, I think, are really dedicated to work with you. Each of you have distinguished yourself. We appreciate what you do, and your teams. Mr. Steffens brought a young man with him yesterday from Georgia, strong colonel who supported him yesterday, and others. So, it is not just each of you. I know that you have a team. I know that you have got hundreds of people that go into this work every day. I hope you will pat them on the back and tell them somebody does care.

So, this now gets to the end of our hearing. Sorry, I have got to read a little closing script here. I now recognize that we are at the end of this, and so, without objection, all Members will have 5 legislative days within which to submit additional written questions for each of you as witnesses, and we will be forwarding these to you, would expect an answer back.

And with that said, this closes the hearing, and I want to thank each of you for being here.

[Whereupon, at 4:26 p.m., the Subcommittee was adjourned.]