

**TRACKING PROGRESS:
UPDATES TO DOD'S FINANCIAL
MANAGEMENT SCORECARD**

HEARING

BEFORE THE
SUBCOMMITTEE ON GOVERNMENT OPERATIONS
OF THE

COMMITTEE ON OVERSIGHT
AND GOVERNMENT REFORM

U.S. HOUSE OF REPRESENTATIVES

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TRACKING PROGRESS: UPDATES TO DOD'S FINANCIAL MANAGEMENT SCORECARD

Tuesday, April 29, 2025

U.S. HOUSE OF REPRESENTATIVES
COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM
SUBCOMMITTEE ON GOVERNMENT OPERATIONS
Washington, D.C.

The Subcommittee met, pursuant to notice, at 10:19 a.m., in room 2247, Rayburn House Office Building, Hon. Pete Sessions [Chairman of the Subcommittee] presiding.

Present: Representatives Sessions, Foxx, Palmer, Burchett, Gill, Mfume, and Randall.

Mr. SESSIONS. The Subcommittee on Government Operations will come to order.

Welcome, everyone. And to our guests who have taken time to be here, as well as the Members and their staff, thank you very much for preparation for today.

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

I would like to welcome everybody to today's hearing regarding updates to the Department of Defense's progress toward achieving a clean audit opinion. I would like to thank our witnesses for testifying today on this very important topic. I would also like to thank Subcommittee Members on both sides for staying committed to shining a light on financial management issues that the Department of Defense faces in working toward a solution, together, to that future.

I have said this before but financial transparency of the military is critical. It is critical for the military, and it is critical for the American people to know that they have the confidence that is being well managed.

So, the question is, how can we remain confident in the Department of Defense's ability to protect American assets and interests if they cannot properly manage their expenses or assets, perhaps not even knowing where they are?

We are here today because the Department of Defense is still unable to achieve a clean audit of their financial statements. In Fiscal Year 2024, the Department of Defense reported more than \$909 billion, half of the discretionary spending of the United States, but

still holds the distinction of being the only Federal agency that has never passed a comprehensive audit.

The Department of Defense has more than 28 components, and it is fair to say that some are doing better at financial management than others. For this year's past financial audit, components that could not be audited accounted for at least 48 percent of DoD's total assets and at least 64 percent of DoD's budget.

It is important to note that this is more than just a paper exercise; it is understanding where your assets are and how much taxpayer funding is left. It is important that the military gain a complete picture of military readiness, as well as Congress that counts on these reports.

Even though roughly half of DoD passed, the services who received the most amount of money and the most assets account for the areas where they are struggling to track their spending and assets. Balancing the checkbook is more than just military preparedness. I believe it goes hand-in-hand, both understanding where the checkbook is, where the assets are, and military preparedness.

Financial security is national security. The Joint Strike Fighter Program is a multiservice, multinational program that will cost more than \$2 trillion over its lifetime of service according to the GAO.

For Fiscal Year 2024, auditors found that DoD management did not account for, manage, or report Joint Strike Fighter government property. Not fully reporting this information resulted in material misstatements across DoD assets.

Because DoD could not provide reliable information to verify the existence, completeness, or value of the program's government properties, auditors were unable to quantify the amount of these misstatements. This means that there are monetary and operational gaps.

Last September, the Subcommittee, with the help of GAO, created a scorecard to track DoD's progress toward achieving a clean audit opinion. Rather than continuing to say that DoD is not doing a good job making progress toward achieving a clean audit, we wanted something that would show that they were, in fact, on the road—and I think we will hear today—to fixing not only those things that are internally imperative to this but good ideas from certain elements within DoD that are taking the lead. This is especially important because DoD is mandated to achieve a clean audit by 2028. It is and should remain the goal of this Subcommittee and of Congress to hold DoD accountable.

Today, we plan to discuss the progress that DoD has made and the challenges they face. As this new Administration is planning for the future, it will be imperative to understand where the Department has been, where it needs to go, and what is standing in the way.

Today, we are also unveiling the new section of the scorecard that focuses on fraud risk management. We have talked about fraud prevention for many years, so I am very excited to see a new method to track progress in preventing fraud in the areas of procurement and contracting. Strong financial management systems are an important part of fraud prevention. Seeing inside that is essential.

What we have seen over the years is that DoD has struggled in maintaining and updating systems, and these systems are critical if we are going to get where we want to go with a clean audit.

Last Congress, we were told that DoD had to achieve a clean audit opinion by December 2028. We made that commitment, and today I think we will show where there is strong significant progress by 2026. That is why we are here. We are having this discussion. But it also is a commitment by the gentleman, the Ranking Member, Mr. Mfume, and myself to make sure that we go beyond these hearings and to actually engage the Department of Defense.

Unfortunately, today the Office of the Secretary of Defense will not be a part of the conversation. They will be missed. And both Mr. Mfume and I plan to visit the Pentagon to lead that discussion with the Secretary of Defense. We hope that they will see this as an opportunity to listen and learn, to take some of what we are hearing today, but to move forward together.

And I would now yield for—the gentleman’s time for an opening statement, Mr. Mfume. The gentleman is recognized.

Mr. MFUME. Thank you very much, Mr. Chairman. Good morning to you, good morning to our witnesses, and good morning to those of you in attendance.

I want to particularly thank Chairman Sessions for doggedly following up on this issue. He and I feel very, very strongly, as some of you know, that we just cannot keep going down this street.

I want to thank Mr. Khan, Mr. Mansfield. Good to see both of you again.

Last September, we held the second hearing to address financial accountability in the Department of Defense. So, as fate would have it, we are back here today to continue that conversation in light of the Department of Defense’s continued inability to pass a Department-wide audit. It is not new for the DoD, and I share the Chairman’s commitment to holding that entire agency accountable.

For years, the Department of Defense has tried but, as we know, failed to successfully complete a clean Department-wide audit. A clean audit is not judging the merits of DoD’s spending, which we do not do in this Committee, but it is asking what is that spending and how do you explain that spending and the accountability of it. DoD has failed to meet this basic standard to provide proper evidence to show that they accurately accounted for their finances.

Now, let me be redundant. There have been seven—if you are listening at home or watching—seven straight audits that have been failed by the Department of Defense. I want to be deliberately redundant about this because that number, every time I say it, continues to strike a great deal of horror in me that it happens and continues to happen.

[Chart.]

Mr. MFUME. And I want to underscore that—I am not really into a lot of graphics, Mr. Chairman, but this time I want to just repeat the fact that we have had seven audits. And you can see going back to 2018—raise it up, would you? Failed, failed, failed, failed, failed. That is embarrassing. This is the greatest country on the face of the Earth, and we cannot even get an audit completed?

So, I hope that if the leadership of the Department is watching, that they understand how serious this is for those of us who, personally, are just offended that this continues to happen. I cannot stress enough my thanks to the Chairman for working on this issue together.

So, while the Department of Defense has still not produced a clean audit, there was significant progress under the previous Administration. That progress was spurred by Secretary Lloyd Austin's focus on modernizing financial systems, which helped to lead the U.S. Marine Corps to adopting a 2-year audit approach and achieving a clean audit opinion for Fiscal Year 2023 and 2024. God bless the United States Marines.

That progress is critically important, so I think it is up to us to determine how to get other components at DoD up to the standard that the Marine Corps is at.

Chairman Sessions and I are dedicated to ensuring accountability for the hundreds of billions of dollars in spending and the \$4 trillion in total assets that make up our defense budget.

In Fiscal Year 2024, U.S. taxpayers entrusted \$909 billion to the Department of Defense; one of the largest investments in our Nation's history. And while we continue to provide the DoD with escalating sums of money, only 11 out of the 24 total components at DoD were able to achieve a clean audit.

The components that failed, unfortunately, include the Army, the Navy, and the Air Force. Those three alone comprised 90 percent of DoD's assets by dollar amount.

Now standing in the way of a clean audit is the wide prevalence of material weaknesses, which we have been told over and over again. That is an accounting—term for the areas in which the Department of Defense lacks internal controls over financial reporting. Material weaknesses.

Year after year, these material weaknesses caused the Department of Defense to be the only major Federal agency unable to achieve a clean audit opinion. This, along with a number of other longstanding issues, serves as a daily reminder of DoD's history of pervasive deficiencies in financial management systems, business processes, internal controls, and financial reporting.

So, under these conditions, it makes the Administration's goal of raising the Pentagon's budget to a trillion dollars particularly puzzling. Absolutely puzzling, I should say. Under the Department, we have seen so many things take place, and I am convinced that until the Department can restore full faith and accountability for these critical dollars, I cannot justify increasing their budget even further, especially in light of a pressing need for funds and so many other areas of overall spending where we have taken a chain saw and cut the hell out of it.

It is even harder for me to justify any increases in the Pentagon's budget in the midst of its current leadership crisis. During our last hearing on this topic, our witnesses discussed the importance of leadership from, quote, "the top down." And they said that was important in creating a culture within the DoD where accountability, at long last, really does matter.

Right now, we are seeing a distinct lack of leadership, especially in the realm of accountability. And I join the Chairman in express-

ing the hope that either Secretary Hegseth will come before this Committee and talk to us about that accountability and what is being done or that we will find ourselves at the Pentagon trying to again get some real clear information about the struggles at DoD.

It is our largest Federal agency, as I said, employing more than 3.4 million Americans, including 1.3 million Active Duty servicemembers. And in their efforts to keep our Nation safe, we must ensure our servicemembers have the most sophisticated, modernized technology and systems to eliminate financial errors. Just like we have tried to provide that to win wars, we need the best sort of technology that we can provide to eliminate financial errors and to streamline data entry and obtain the most effective national security we can for the tax dollars we invest.

I think it is fair to say that Congress cannot allow another failed audit to go by. Do not want to be here next year talking about the eighth year in a row as we move toward this 2028 mandate. It would be good to see just a little bit of progress on that road and, personally, I have not seen it.

But I want to thank all of those who have worked on this important matter since our last hearing. I thank you over and over again for your efforts to give us direction and understanding on some of this and to provide real transparency about where, really where, all of our military spending goes.

With that, Mr. Chairman, I again want to thank you. And I yield back.

Mr. SESSIONS. The gentleman yields back his time.

I would like to reinforce for our witnesses that are here today and those of the staffs that are here to recognize that Mr. Mfume and I are doing this across the entire government. It is not just the Department of Defense; it is areas, where some \$300-to \$500 billion in our immediate past was the guess from OMB and CBO about the amount of money, that went to misdirected payments. And both Mr. Mfume and I are together on this; him using not just a strong voice and working together, but us sincerely wanting to make sure that the money goes to the intended purpose and not outside of that. So, Mr. Mfume, I wanted to thank you.

And as we said last year, we would do this year, as we are saying today, we will be pleased to show up at the Pentagon, make those arrangements, and make sure that at the highest levels of the Department of Defense they understand the work that has gone on today must be prepared and continued for 2028.

I am pleased to welcome our witnesses for today: Representing the United States Marine Corps, Lieutenant General James Adams III; the gentlemen, Mr. Brett Mansfield; and Mr. Asif Khan.

Lieutenant General Adams is Deputy Commandant for Programs and Resources in the United States Marine Corps. Mr. Mansfield is the Deputy Inspector for the Government for Audit at the U.S. Department of Defense, Office of the Inspector General. Mr. Khan is the Director of Financial Management Assurance at the U.S. Government Accountability Office, GAO.

And we look forward to hearing from you today. And I would ask that each of you would stand pursuant to Committee Rule 9(g).

The witnesses will raise their right hand to be sworn.

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?

[Chorus of ayes.]

Mr. SESSIONS. Let the record reflect that each of the witnesses has answered in the affirmative.

We appreciate each of you being here today and appreciate, also, that what the testimony that you—you may be seated, thank you. We appreciate that the testimony you will give today would be along the line of making sure that this Subcommittee hears you fully.

With that said, we normally extend 5 minutes. I have notified each of you that if it takes you 6 or 7 minutes, we are all ears. We want you to make sure you are given the time so that this Subcommittee hears from each of you.

As a reminder, the buttons that are in front of you, you would push them and then we would be able to hear you.

I now recognize the distinguished gentleman, Lieutenant General Adams, for his opening statement. The gentleman is recognized.

**STATEMENT OF LT. GEN. JAMES H. ADAMS, III
DEPUTY COMMANDANT FOR PROGRAMS AND RESOURCES
U.S. MARINE CORPS**

Lt. Gen. ADAMS. Chairman Sessions, Ranking Member Mfume, and distinguished Members of the Subcommittee, thank you very much today for the opportunity to appear before you. It is an honor to represent the United States Marine Corps in my capacity as the service's Chief Financial Officer, and to speak to our financial management progress and continued challenges.

I am very proud to report that the Marine Corps received an unmodified audit opinion on our Fiscal Year 2023 full financial statement audit and maintained that opinion for the Fiscal Year 2024.

These are significant milestones, not only for our service, but for the Department of Defense. They reflect many years of determined effort and an enterprise-wide commitment to accountability and stewardship.

I want to emphasize that while we are proud of our achievements, we do not take them for granted. While an unmodified audit opinion reinforces the Marine Corps' reputation of accountability, discipline, and leadership, it also reflects the dedication and hard work of the entire organization, including financial management professionals, acquisitions and logistics teams. These teams continue to work tirelessly to ensure proper stewardship of resources, and their commitment remains critical to achieving and sustaining a clean audit opinion.

But these achievements are not the end state; they are critical milestones along a very important journey, one that demands continued focus, sustained investment, and transformation across our financial and operational systems.

Unmodified opinions are difficult to earn. They require rigorous internal controls, meticulous recordkeeping, and transparent financial reporting. We remain committed to continuous improvement in our financial management practices, recognizing that an unmodified opinion is hard won but easily lost.

Sustaining audit success within DoD requires recognizing that we cannot operate in silos. The Defense Department presents a complex audit environment characterized by numerous IT systems, varying operational procedures, and common deficiencies across components.

To achieve and maintain DoD-wide auditability, we must prioritize streamlining, standardizing, and harnessing technology, to include emerging technologies like artificial intelligence to free up valuable resources, simplify our business environment, and ultimately strengthen our financial management posture.

One of our most persistent challenges remains the modernization of our business IT infrastructure. Much of our financial data continues to originate in legacy feeder systems that were never designed to meet audit or modern data analytic standards. These antiquated systems, some of which are decades old, require manual intervention, reconciliation, and workarounds that add complexity, introduce risk, and slow down decision-making.

As the Chief Financial Officer of the Marine Corps, I see first-hand how better systems enable better outcomes, not just for auditors, but for commanders and warfighters. These individuals rely on accurate, timely information to make mission-critical decisions. The clean opinion is a clear sign of progress, but system modernization is essential to sustain and build on that progress.

The achievement of auditability across the military services demands a shift in how we conduct business within DoD. A key example is the current data systems environment which is not conducive to finalizing agency financial reports by the mid-November deadline. The Marine Corps innovative approach to utilizing a 2-year audit to attain its first opinion is related to the challenges with the financial reporting timeline. Our approach allowed us to bypass typical mid-November audit closeout activities and dedicate that time, two full quarters of time, to completing comprehensive audit procedures which would have otherwise been impossible to accomplish given the current constraints.

Adhering to the mid-November deadline is unrealistic in the short term and sets us up for failure until data systems and financial reporting processes are streamlined. We need a realistic timeframe that allows for thorough and accurate financial reporting.

As the Commandant of the Marine Corps has stated, these efforts tell the American people that a dollar invested in the Marine Corps is a dollar well spent, and it is part of how we distinguish ourselves as a professional warfighting organization. Passing an audit makes us more ready to fight when our Nation calls.

Readiness for the warfighter means being accountable for our assets, knowing where they are and in what condition they can be found at a moment's notice. It also means having accurate, timely, and relevant information in the hands of decision-makers so that the widest determinations can be made to successfully carry out every mission. We remain committed to transparency, to reform, to delivering a more agile accountable financial enterprise that supports the readiness and lethality of the Marine Corps.

Thank you, again, for the opportunity to speak with you, and I look forward to your questions.

Mr. SESSIONS. Thank you very much.

The gentleman, Mr. Mansfield, you are recognized.

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

Mr. MANSFIELD. Chairman Sessions, Ranking Member Mfume, and Members of the Subcommittee, thank you for inviting me to discuss the Inspector General's role in auditing the DoD's financial statements in the DoD's efforts to obtain a clean audit opinion. It is my privilege to represent the dedicated oversight professionals who make up the DoD Office of Inspector General.

The financial statement audits performed or overseen by the Inspector General are critically important for maintaining the public's trust, ensuring accountability, and improving operations. The 2025 financial statement audits are ongoing so I cannot speak to their results. So, I will focus on 2024 and the previous 7 years of audit.

As my prepared statement today, I provided Part 1 of our annual report on understanding the results of the DoD's financial statement audits. We plan to issue Part 2 next month. These reports explain the DoD's responsibility to prepare auditable financial statements and establish internal controls. It also talks to the links between financial management and operational readiness. These reports also explain the DoD OIG's responsibility to independently audit the DoD's financial statements.

Fiscal year 2024 marked the seventh full-scale audit of the DoD's financial statements. And for the seventh year, it resulted in a disclaimer of opinion, or as Ranking Member Mfume referred to, a failed opinion. But that does not tell the whole story. The agency-wide financial statements are a consolidation of audit statements and information from across the DoD.

In addition to the agency-wide financial statement opinion, auditors issues opinion on individual reporting entities. In Fiscal Year 2024, 11 received clean opinions, one received a qualified opinion, and 12 received disclaimers of opinion. These disclaimers of opinion were issued because the DoD entities continued to have unresolved accounting issues and material weaknesses.

When consolidated into the agency-wide financial statements, the entity level deficiencies resulted in the OIG identifying 28 agency-wide material weaknesses. However, individual reporting entities have made progress toward clean audit opinions. In fact, as a fellow witness stated, the Marine Corps maintained its clean opinion this year. DTRA and DLA obtained clean opinions. In addition, 14 entities either closed or downgraded at least one material weakness in Fiscal Year 2024.

While these entities, some of them are not material, but when it comes to their full contribution to the agency-wide financial statement opinion, it does mark progress. And as individual reporting entities, like the services or Defense agencies, as they become better and they reduce material weaknesses and they have more solid controls over financial reporting, so will the DoD overall.

Today, I want to highlight three things the OIG has identified during the past 7 years of audit. First, the DoD needs account-

ability at all levels for financial management. Senior leaders have set the right tone at the top. However, at the individual level, personnel do not consistently understand how the work they do impacts financial statements.

For example, a sergeant in a warehouse who was focused on the operational readiness may not grasp the financial impact of receiving inventory and recording inventory or tracking customer orders and maintaining reporting documentation and how that ultimately relates to operational readiness and knowing what you have, where it is, and the condition it is in.

Second, the DoD has an extremely complex systems environment, with over 4,700 systems across the DoD. More than 400 of those systems are relevant to financial management, which have at least 2,000 interfaces between them. Some of these systems have been in use since the 1950's. The systems are not always interoperable, meaning they cannot talk to each other. And many of the systems require manual processes and do not have effective controls.

Third, the DoD's policies and procedures for accounting do not consistently match the capabilities of the systems they use. When implementing new systems, DoD components do not change their policies or procedures to align with the system's capabilities. Rather, they make modifications to the system to match their current procedures, negating the value of the system investment.

Addressing these weaknesses requires continued effort and significant coordination within and between each DoD entity. The culture must continue to change so that all personnel realize that financial management has a direct impact on operational readiness and is everyone's business.

The DoD Office of Inspector General will continue to ensure that DoD receives full and fair audits of its financial statements to identify deficiencies in areas for improvement and to provide actionable information and recommendations to the DoD. Our commitment to enhancing the DoD's financial health through independent oversight remains steadfast.

Thank you, and I look forward to your questions.

Mr. SESSIONS. Thank you very much. Timely in conclusion also. Thank you very much, Mr. Mansfield.

Mr. Khan, you are recognized.

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

Mr. KHAN. Good morning, Chairman Sessions, Ranking Member Mfume, and Members of the Subcommittee. Thank you for the opportunity to once again testify on the Department of Defense financial statement audits.

As you heard, there has been some progress since our last update. The tone at the top continues to be supportive of the audit effort with the goal of achieving an opinion by 2028. This is one of Secretary Hegseth's three priorities.

The audit uncovers weaknesses in DoD management systems, improves coordination, and guides better decision-making, and it has led to positive results, both financial and operational. It has

also identified vulnerabilities which require heightened attention by DoD management.

Today, I would like to highlight two key items: the expansion of DoD financial management high risk area, to include fraud risk management; and then the next steps in DoD's audit approach to reaching auditability.

First, effective fraud risk management is essential to protecting the resources entrusted to the Department. The lack of an effective fraud risk management capacity combined with the identified material weaknesses compounds DoD's failures to establish a strong financial management internal control environment. This condition increases opportunities for fraud against the Department's vast resources.

DoD spends over a trillion dollars annually. It obligated over \$450 billion for contracting in Fiscal Year 2023, making it the largest contracting agency in the Federal Government. The scope and scale of DoD's financial activity makes it inherently susceptible to fraud.

For Fiscal Year 2017 through 2024, DoD, themselves, reported over \$10 billion in confirmed fraud. The actual fraud is likely much higher, as the full scale of fraud is not known.

Now to my second point, the next steps in DoD's approach to auditability. Some financial management processes are critical to supporting DoD's mission, ensuring its financial resources are being spent wisely and that there are controls in place to minimize fraud, waste, and abuse. It also helps ensure DoD has reliable information on what supplies and assets it has, where they are located, so the Department can achieve its mission effectively and efficiently.

As a first step to auditability, DoD will need to have reliable data for preparing its financial statements to successfully pass the audit. The Marine Corps was able to achieve its first opinion through effective, strategic planning and managing milestones. They augmented the capabilities of the new general ledger system, the DAI, with manual, labor-intensive methods which smaller agencies previously used to obtain a clean audit opinion. This strategy involves tracking transactions piecemeal and relying on manual workarounds for recordkeeping as the feeder systems and underlying controls are unreliable.

The goal of an effective financial management system is to provide reliable information on a timely basis for decision-making. It is yet unclear for other larger DoD components if they may successfully employ the Marine Corps approach. But what is clear, in order to succeed, the Department must be realistic of the resource needs to prepare auditable financial statements and coordinate detailed planning, enforce timelines, and manage complexity.

To reap long-term benefits and meet the intent of producing financial statements, DoD must also strengthen internal controls and modernize systems to cut fraud risk and eliminate inefficient workarounds. DoD must build a repeatable, reliable financial management process that consistently generates timely, accurate data to support operations and strengthen national defense. And if Congress were to monitor milestones, ensure accountability, and adapt where necessary, without affecting the 2028 audit goal, it would go

a long way toward helping the Department achieve auditability and build that repeatable financial management process.

My written statement provides much more detail on these matters. I am able to address your questions about them and on the broader subjects of DoD financial management and the benefits of financial statement auditability.

Thank you once again for the opportunity to testify. I will be happy to answer your questions.

Mr. SESSIONS. Mr. Khan, thank you very much.

All three of you completed the task well within the timeframe, and that I appreciate.

We have a number of Members who are spread out, not only on the Democratic side but the Republican side, and so today we will attempt to take those Members as they appear. I would first offer time to the distinguished gentleman from Tennessee, Mr. Burchett. The gentleman is recognized.

Mr. BURCHETT. When you said distinguished and gentleman, I did not look up. But then when you said Tennessee, I realized you were talking about me, Mr. Chairman.

Mr. SESSIONS. Yes, sir. Yes, sir.

Mr. BURCHETT. Thank you, Mr. Chairman and Ranking Member Mfume. I appreciate you all being my friend. I have a few questions.

Mr. Mansfield, is DoD's Fiscal Year 2026 budget going to be higher than Fiscal Year 2025's budget?

Mr. MANSFIELD. That is my understanding, yes.

Mr. BURCHETT. And how much of that spending is mandatory and how much is discretionary?

Ms. MANSFIELD. That past majority is discretionary.

Mr. BURCHETT. The spending has increased, but I assume that DoD still has not completed a clean audit. Is that correct?

Mr. MANSFIELD. Correct.

Mr. BURCHETT. Why is the Marine Corps able to complete a clean audit but no one else at the Pentagon is?

Mr. MANSFIELD. So, I think it goes back to some of what my fellow witnesses were talking about. It was a deliberate and long-term effort to get to that point.

Mr. BURCHETT. To get to the point of not being able to pass an audit?

Mr. MANSFIELD. Being able to pass an audit. So, there was about a 3-year cycle. It was a 2-year audit, but they capitalized on a lot of work that was performed in previous financial statement audits to look at accountability and how testing results were coming out. They implemented a new system, DAI, which has some inherent controls within it. And then they validated the information within that through a substantive testing effort.

So, it was a very labor-intensive effort, taking actually a little over 2 years. It was actually extended past the November deadline into, I think, February in order to actually get the full financial statement audit testing completed. So, it was a deliberate and, kind of, I think, very manual, what I refer to as a brute force auditing approach.

Mr. BURCHETT. Right.

Mr. MANSFIELD. It is not your standard approach of doing internal control testing.

Mr. BURCHETT. I see part of our problem here is we are preaching to the choir. You know, 8 years they have not passed an audit. They cannot account for over a half a trillion dollars. This is the Pentagon, not the Marine Corps. Half a trillion dollars, sir, is an aircraft carrier. Somewhere in the Pentagon we have lost an aircraft carrier.

And that hurts me because I come from the most conservative area. My daddy fought in the first Marine division. His colonel was Chesty Puller. My momma lost her oldest brother fighting the Nazis. My wife is a widow, and the biological father of my child was a master chief on a Navy sub. So, the military runs very deep in my family, and patriotism does as well.

But when we continue to feed this insatiable diet of waste and abuse, it continues to, I think, weaken us and weaken us from a fiscal standpoint and a military standpoint. We continue down this path of an antiquated system where we vote for huge, bloated budgets for powerful Members of Congress, and we have programs, apparatus, machinery, everything imaginable that gets mothballed the day we put it out.

And, Mr. Chairman, that has got to stop. We have got to educate the public, and they need to be as angry as I am about this, because we cannot continue down this path.

I think we are endangering our military. We are endangering our men and women. Daddy used to say—he was quoting somebody else—but he said, old men make decisions and young men die. And when we are sitting here having half-a-billion-dollar aircraft being proposed, and we are putting out—we are allowing the Chinese to make the microchips for them that could possibly turn off some of those aircraft mid-flight, we have been told—it is not just some conspiracy theory that is talked about. And we continue down this path of greed. And when we have Members of this body that profit from this and are allowed to do individual stock trades and continue down this, the public does not trust us. And dadgummit, they ought not trust us. We have not been good stewards of their money.

This is going to continue until we get off our high horse and realize what the heck is going on. And what is going on right now is, we are allowing people to steal from us because we are hogs at the trough. Congress is hogs at the trough, and I am convinced of that. You want to follow the dadgum money trail? It goes right back to Congress.

And someday I hope some Members of Congress are led out of here in handcuffs because of that. Because these men, they are the ones having to come out and defend the indefensible. And I want to salute the Marine Corps and you all's great heritage. And my momma said after daddy died, if daddy had not been and go fight in that war, she probably could not have been able to live with him because he loved this country and he loved the Corps. He loved Chesty Puller as well, but that goes a lot deeper.

So, thank you all.

Sorry, Mr. Chairman, I went to preaching. I did not even have a—we will have a special love offering when this is all over with.

We did not even have an altar call. But thank you for allowing me to indulge, Mr. Chairman.

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

The distinguished gentleman from Maryland is recognized.

Mr. MFUME. Thank you, Mr. Chairman. I know there are other Members. I am going to just waive my time right now so that you can start the process of acknowledging them.

I do want to thank the gentleman who just spoke for always speaking real and from the heart in a very basic way to underscore the work of this Committee and the challenge, the challenge, to change the status quo.

I yield back.

Mr. SESSIONS. The gentleman yields back his time.

The distinguished gentlewoman from North Carolina is recognized, Ms. Foux.

Ms. FOXX. Thank you very much, Mr. Chairman, and thanks to our witnesses for being here today.

Mr. Mansfield, in 2024, the DoD Office of Inspector General reported that many of DoD's financial management systems remain noncompliant with statutory standards for accurate, reliable, and timely information. Although DoD aims to achieve compliance by Fiscal Year 2028, the OIG found its plans insufficiently aggressive, citing delays in retiring outdated systems. The OIG recommended expediting the retirement and replacement of 23 systems, potentially saving nearly \$728 million in future funding.

Mr. Mansfield, in your opinion, why is the Department of Defense not being more aggressive in retiring financial systems that are not cost effective and that are not compliant with statutory requirements?

Mr. MANSFIELD. It is a complex—it is a complex story line. So, if you think about the number of systems they have—

Ms. FOXX. Simplify it. We have short time.

Mr. MANSFIELD. No, so what I am saying is there is a lot of systems. In order to replace them—you have 400 systems that you are relying upon. To replace all of those at one point in time is very difficult. And so, what the Department has not done, I do not think, the best job of is prioritizing which systems to replace, those systems that have the biggest impact on the Department.

So, if you think about the most material portions of the financial statements and the systems relied upon for that, prioritizing those and making real decisions on which systems are going to be used in the long term. So, identifying those enterprise resource management systems they want to use across the board and requiring use of those and to stop letting individual entities make their own decisions on the systems they use. There needs to be more of a strategic approach to that.

Ms. FOXX. Thank you very much.

Mr. Khan, according to GAO, the Navy identified 14 legacy systems they have plans to retire, which would save the Department approximately \$103 million. Are the other branches also running legacy systems that would be more cost effective to eliminate, and how many legacy systems are there that are costing the branches and the DoD money to use?

Mr. KHAN. Yes, there are other components which are running legacy systems which are not producing reliable information. I do not have a number with me right now. I will get that to you for the record.

Ms. FOXX. OK. What prevents the military services from using the same financial systems?

Mr. KHAN. In part, they have quite different requirements. It is big, complex. They have to do this in stages. First, they have to do individual offices, components. But it is the scale, and there are different practices which keeps them using one system for the entire Department.

Ms. FOXX. Another question, Mr. Khan. A DoD IG audit of financial improvements and audit remediation contracts for the military components found that from Fiscal Year 2018 to Fiscal Year 2022, the DoD spent approximately \$4 billion on audit remediation in support with the goal of obtaining a clean audit, but that the Department made minimal progress to correct its financial management. What specifically was the money spent on, and how does \$4 billion yield only minimal progress for achieving a clean audit?

Mr. KHAN. Most of the money went for the project planning and putting in the basics of the system so they could be integrated with the existing feeder systems that go into the entire component. Results were achieved, but it is primarily getting the data clean so they can be reliable to pass the test of an audit, and that takes time.

Ms. FOXX. Did we get our money's worth, yes or no?

Mr. KHAN. It is difficult to say.

Mr. MANSFIELD. Ms. Foxx, I would like to submit—since we produced that report—I would say I do not think we got our money's worth, for what it is worth.

Ms. FOXX. Thank you. Thank you.

Mr. Khan, I am very concerned about the lack of fiscal responsibility we have historically seen at the Department of Defense. As you know, Congress has directed the Department to have a clean audit option by 2028. To maintain public trust and accountability as the Administration continues to cut costs, the Department must ensure the independence of its outside auditors whose mission is to objectively evaluate waste, fraud, and abuse.

Mr. Khan, what steps is the Department taking to ensure its outside auditors are able to help the Department achieve a credible clean audit.

Mr. KHAN. The outside auditors have been vetted by the DoD IG. They are the companies which go through a pretty lengthy procurement process. The audit firms, these are CPA firms who have been registered as such, they also go through peer review. So, their reports, whether it is in the Federal sector, state and local sector, or private sector, they have been peer-reviewed by other CPA firms to make sure they meet auditing standards and professional standards.

Ms. FOXX. But they are not being compromised by the DoD as they do the audits. They are allowed complete independence, are they?

Mr. KHAN. Yes, as far as we can tell, they are independent. They are not compromised by management or anything I can see from where we are.

Ms. FOXX. Thank you very much, Mr. Chairman. I yield back.

Mr. SESSIONS. The gentlewoman yields back her time. And I want to thank the gentlewoman for coming back. I know she is busy. And I know we have other Members that are busy too.

Now I would like to yield to the distinguished gentlewoman from the state of Washington, Ms. Randall. The gentlewoman is recognized.

Ms. RANDALL. Thank you so much, Mr. Chair.

You know, like the gentleman from Tennessee, I come from a family with a strong military tradition, including a grandfather who survived pretty heavy combat in the Korean war. I also represent Naval Base Kitsap and the intermediate maintenance facility. And my neighbors know how important it is that our Department of Defense is operating at the highest possible level, that we are efficient with taxpayer dollars, and that we are effective with our delivery of the mission.

Mr. Khan, GAO has made many recommendations for DoD on financial management so that we will not be in this position, with this big graphic that Mr. Mfume had, in the future. Which of these recommendations could have the greatest impact on DoD's efforts to modernize its financial system.

Mr. KHAN. Thank you for that question, Congresswoman Randall. The key that comes to mind is DoD's planning and they are managing their milestones. Those are the key issues which keeps DoD having to move their timelines. They need to be more forceful in maintaining their timelines, and the way they can do that is better planning to have more granular information with intra-milestones so they are not reaching the end of time and then realizing that all the steps have not been completed.

The other one, if I may touch on very quickly, is the tone at the top needs to be, continue to be, very, very consistent to make sure that this remains a focus. And just like Mr. Mansfield was saying, it has to go through all the levels, not just the top, but actually people who are delivering some of this accounting information, they also have to embrace the similar mindset.

Ms. RANDALL. Thank you so much.

And, General Adams, you know, we are very grateful for the Marine Corps' leadership and, you know, leading the branch through a successful audit. What lessons from the Marine Corps' work can we learn and apply to DoD more broadly so that we can help DoD and the Navy and other service lines achieve a clean audit by 2028?

Lt. Gen. ADAMS. Yes, ma'am. I want to echo my fellow witness' comment there at the end about tone at the top. I will tell you, on the 8th of November 2019, General Berger, who was the Commandant at the time, put a memo out to the force, all commanding generals, all commanding officers, all the way down to the lowest level, lowest echelon of command, saying audit is important. It is important because we need to know what we have, in what condition it is, how much money we have been given by the taxpayers

to spend on warfighting capability and accountability for every single penny.

And so, that tone from the top is actually what drove us to success. And I think I see that happening in the Department of the Navy with the current acting CNO, starting the tone at the top with the Navy. I am very excited about their opportunity to be the next one out of the gate with regards to a clean and unmodified opinion.

And I would say, just to echo another part of what my fellow witness said, was—he said planning milestones. I equate that to accountability. And that was the Marine Corps' critical way of getting to the clean opinion, is it was not just the tone at the top, it was holding people accountable at all levels of command on a monthly basis by the Assistant Commandant of the Marine Corps in a public forum as to the achievement of the milestones that were on the plan.

And so, we continue that to this day. And, again, I see that reflected in the Navy as they go on their audit journey and track toward a clean opinion here in the future.

Ms. RANDALL. Thank you so much, General. I mean, we are talking about this audit as an important way that we steward taxpayer dollars. But what way has the Marine Corps' recent success in financial management translated into increased mission readiness?

Lt. Gen. ADAMS. So, first of all, and foremost, I am the CFO, right. And so, I work for the Commandant to ensure that those valuable taxpayer dollars that are provided to the Marine Corps are spent in the most effective ways. And so, the audit in the financial lane, allows me to identify where the next available dollar is spent on the most resultant readiness.

Two, I mean, we talk about the audit as it is financial, but it is also accountability of equipment. And knowing, as a warfighter assigned a mission, and in the case of the Marine Corps, always having to be ready, the mission comes at the middle of the night. Like, you need to go here and do that. The audit framework, the data that is the byproduct of the audit, allows the commander to know what he has, or she has, where it is, in what condition it is, and will they be able to accomplish the mission. So, that combat capability, that lethality that is delivered through audit readiness is a critical, important part.

It has also been able to allow us to identify very clearly how much equipment actually costs. And in the past, you maybe know what was programmed for a piece of equipment. But in reality, once the equipment is delivered and then it is enhanced and you put all the special systems on it, the actual true cost of equipment is known.

And then, last, and probably most importantly, it is a layer of accountability that we are accountable to the U.S. taxpayer to make the best use of every dollar, every penny that is provided to the Marine Corps. And we feel strongly that that audit allows us to do that.

Thank you.

Ms. RANDALL. Thank you so much. Mr. Chair, I yield back.

Mr. SESSIONS. The gentlewoman yields back her time. Thank you for the questions.

The distinguished gentleman from Texas, Mr. Gill, you are recognized.

Mr. GILL. Thank you, Mr. Chairman, for holding this hearing. It is nice to be part of a bipartisan hearing where I think we can all agree on what our goals are here. And thank you to the witnesses as well for taking the time here.

Mr. Mansfield, can you remind us what the Department of Defense's budget was in 2017?

Mr. MANSFIELD. Off the top of my head, it was \$909 billion.

Mr. GILL. In 2017?

Mr. MANSFIELD. Oh, in 2017—

Mr. GILL. OK. It was about \$582 billion, roughly.

Do you know what it was in 2024?

Mr. MANSFIELD. Last year, \$910 billion.

Mr. GILL. Nine-hundred-ten billion dollars. So, it is a pretty substantial increase, is it not? That is a lot of money.

Mr. MANSFIELD. Yes.

Mr. GILL. And can you remind us if the DoD has ever passed an audit?

Mr. MANSFIELD. At the agency-wide level, no.

Mr. GILL. Got it. And how many audits has it had recently?

Mr. MANSFIELD. Seven full-scale audits.

Mr. GILL. And how much do those cost?

Mr. MANSFIELD. So, this year, the cost of audit is right around \$211 million.

Mr. GILL. \$211 million this year?

Mr. MANSFIELD. I think that is right. Yes.

Mr. GILL. So, it is a lot of money. That is a pretty substantial audit, is it not?

Mr. MANSFIELD. It is.

Mr. GILL. Got it. And can you sort of walk us through some of the high-level reasons why the DoD has not been able to pass an audit?

Mr. MANSFIELD. Well, it goes back to what we have been talking about here. Systems is one of the main things, right. And then, more importantly, you can have the best system in the world, but if the data that is within that system is not accurate, reliable, and supported, the system doesn't matter. So, it gets to the fundamentals of accounting and just operationalizing good controls.

So, when you receive a shipment, you count how many things are in it, you validate that the cost you were charged is what you expected, you make sure you have got the right line of funding to pay for that, and then you make sure it is in your books in the appropriate—in the appropriate place so you know where it is at and what the condition is. If those pieces are missing, the systems are not going to matter.

And then, as Mr. Khan indicated, the other thing is that the planning process for the Department. In the way it makes decisions, they are made piecemeal. They are made throughout the Department individually for the good of the individual entity, not always with consideration for the overall DoD approach.

And so, I think that is one of the reasons they have so many problems setting milestones and sticking with them, is that so many individuals making decisions for their own interest versus

stepping back and saying what is the best system for multiple entities to be using at the same time.

Mr. GILL. So, you have a pretty good idea what needs to be done in order to pass an audit at least at a high level. Can you help us understand why we have not passed an audit recently?

Mr. MANSFIELD. The lack of execution on the fundamentals, is what I would say.

Mr. GILL. And who is held accountable for that? And what are the consequences whenever the DoD fails to pass an audit?

Mr. MANSFIELD. Well, the real consequence is lack of confidence from the taxpayer in the DoD's ability to account for and spend its money.

Mr. GILL. Right, I agree. But within the DoD, for instance, is there somebody who gets fired, who gets demoted, who sees their bonuses decrease? Is there any actual action taken against any individual or group within the DoD for failing to pass an audit?

Mr. MANSFIELD. I cannot speak to individual personnel actions. But I can say, in recent years, the DoD has added, at least at the executive level, an element in the performance plans for their executives related to financial readiness, getting down to the ability to support individual transactions. So, there is an accountability measure they have now. It is up to the Department's management to use that effectively in order to spur change, though.

Mr. GILL. Right. But in other words, we are talking about a budget of hundreds of billions of dollars every single year that—and large portions of that are unaccounted for. We do not know where this money is going. This is taxing my constituents, all of our constituents here, hardworking Americans, to keep our country safe, which again is something we all agree with. And we have not seen anybody fired for the—what seems to be, appears to be largely a total lack of accountability. We have not seen any punitive measures against anybody in the DoD. Is that right?

Mr. MANSFIELD. Not that I am aware of.

Mr. GILL. Got it. You know, I think that as we are thinking about hundreds of billions of dollars that should be keeping the American people safe, we—the American people expect transparency, they expect accountability, they expect to know where their hard-earned tax dollars are going, and we have got to see some progress here. So, thank you very much for your time.

Mr. SESSIONS. The gentleman yields back his time.

I have just talked to Mr. Mfume about—I would like for us to approach my time and his time together here. He did not have an opportunity, as I did yesterday, to spend an extensive amount of time with each of you on an individual basis. You came in either by yourself or with your team, and we tried to, what I think would be, learn a little bit more. And I would like to go through some of this, not in long discussions, but just things that we learned.

And one of them is that the Marine Corps counts on the Navy to look at a huge part of their assets. And the Marine Corps sent this message down within their structure, but the Navy had to do a lot of the work too. General?

Lt. Gen. ADAMS. Mr. Chairman, that is accurate. And the Army did as well. Eighty percent of the ammunition that the Marine Corps owns is stored in Army facilities. And so, our audit involved

coordination, detailed coordination with multiple services as well as support from OSD.

Mr. SESSIONS. And so, it was a complementary exercise that these other departments of DoD went through to provide you the information. Because it was important for the Marine Corps on their mission that they have put up and down their management lines.

General Adams, I also spoke with you yesterday about something that has been brought up today, and that is, how would a lieutenant general look at this, how would a major general look at this, how would a brigadier general look at this, how would—going up and down the line? And you indicated to me that it could be looked at differently based upon a master sergeant who was there who was responsible for things.

Would you mind going through, if you remember that exercise from yesterday, just very quickly so that we get a heads-up on the thinking of people?

Lt. Gen. ADAMS. Yes, Mr. Chairman. The idea of how the audit connects to, affects, and impacts individual marines at different levels is different. If you are down at the master sergeant level, maybe the captain or major level, you are working the systems, you are processing receipt of equipment, you are entering into systems. And you may not understand fully how that action ties in to the overall audit.

As you move up the echelon and you start to look at high levels of command where there is large bits of—large portions of responsibility for formations that have missions assigned to them, understanding accountability of resources and understanding status of equipment is critically important to knowing whether you can accept a mission or not.

And then at the highest levels, my level, at the Deputy Commandant level or the Commandant level, understanding that we are responsible primarily to Congress as we engage at our level with regards to our budget, with regards to other activities, to know that we can, with full faith, say we know exactly where every dollar that you have appropriated to us is spent and it is spent on the most important work.

Mr. SESSIONS. Yes, sir, and yet I think there is more to the story, and that is, the higher you get up, I will call the organization. If they were planning a mission, they would have to look at the various components of the Marine Corps. Perhaps there would be aviation involved. Perhaps there would be ships involved. They gained a foothold off knowing where things are as a result of the exercise they have done, and with great consistency they were able to know where those assets are. And we will go through this in just a second.

Mr. Mansfield, tell us about how important it is for them to understand that what they have gained is now the opportunity at the end of the audit to say this is where we are, and it begins the process of knowing where all these assets are, as opposed to just an audit, but rather where they are, what shape they are in, and to do the things that will be necessary that they will move forward on, because they now have a snapshot of that and then they can move forward knowing where they are and it will start there.

Mr. Mansfield?

Mr. MANSFIELD. Yes. So, as Lieutenant General Adams had kind of talked to earlier, the next step after kind of where the Marine Corps is, is developing those internal controls. A financial statement audit validates the accuracy of information at a point in time, to your point. So, during that one date we know how many assets there are. We know how much value they are. We know what is left in terms of fund balance with Treasury, the amount of money that is available left for the Department to spend. The important part, then, is having the controls throughout the year. At any point in time throughout the year, you have the controls and the processes in place that you can have that same level of confidence, 2 months later, that when you look down through those financial records and you look into those systems supporting the financial statements, you have that same level of fidelity as to what you have, where it is, how much money you have left, how much it costs, that you have to have that throughout the year.

And so that is where that second part that was talked about earlier really comes into play. It is those internal controls. It is those repeatable processes. So, I am not sure if I have captured the picture for you.

Mr. SESSIONS. But it is available for the entire organization, then, to see?

Mr. MANSFIELD. Absolutely, up and down the organization.

Mr. SESSIONS. Up and down the organization. And so, this is where, then—and, Mr. Khan, it may have been in your conversation with me—about some of the weaknesses inherent where there are organizations that provide support to the military, have key data that we could not get, like the F-35. And so, the military actually did not have as much visibility.

Could you talk about, Mr. Mansfield and Mr. Khan, your idea about things being managed outside of the Department of Defense within those agencies of knowing the assets, resources, and things they have?

Mr. KHAN. Thank you, Chairman Sessions. I have several examples, and I think they are the ones you mentioned in your opening statement and they pertain to the joint strike program. One is the global spare pool that is managed by contractors. And its duty has not been successful in getting the information, the data they need, which they can feed into the financial system. So, that is still somewhat unknown as to what the accuracy of that information is.

The other one is government property held by contractors. And it happens. It is not just in the Department of Defense. There are other Federal agencies, such as Department of Energy, where the contractor has complex equipment they have procured on behalf of the government, and they manage that. Similarly, at DoD, there is material amount which is held by contractors and the information about the location cost condition is not known for it to be reliable to be put into the financial statement. So, those are two examples.

Mr. SESSIONS. I have great respect for our contractors, not only that they manage this, that they know what they have got, but is there a need, General, to make sure that inside you have that necessary information to make decisions? For instance, F-35s, where they are, how many we have got, what is operational? Is that en-

tirely held by a contractor, or does the Marine Corps or the Navy in perhaps in a circumstance have visibility into that? Is it different recordkeeping?

Lt. Gen. ADAMS. Mr. Chairman, this is an excellent question, and I think to approach it generally, there are some specific issues with the F-35 in the way the accountability of the funds to the actual pieces creates complications that we are trying to solve as a department and break that thing apart so we understand when the Marine Corps puts money in as a pro share toward a—let's say it is a spare pool or maybe even, I would say on the platform side, knowledge and understanding of platform E&C, existence and completeness, is very good. It is the spare part pool and it is the way it is funded with partners and so forth. Everyone puts money in, and it is not a clean transaction that you have otherwise.

Now, with regards to equipment in the hands of contractors, for both the Marine Corps audit and the Navy audit, I will give you a specific example. If there is a weapon system that requires an interval of maintenance and we have to send it from our magazine to Lockheed Martin or to Raytheon or to some contractor in order to maintain that device, we know exactly when we send it to them, and our independent auditors, as a part of our site visits, actually go to those contractors' locations. They can account for where all those things are and in what condition they are.

So, I would say there are some specific examples out there that we have highlighted that are adverse and negative and we are working on them, but there are many that are very good.

And the accountability, with regards to specific equipment in the hands of contractors, is actually really well done, and it was a part of our clean audit opinion. Very small part. Much bigger in the Navy's, and they are working on that right now.

Mr. SESSIONS. Well, I have nothing but great confidence in these contractors that have developed these systems, understand the intricacies of them, the placement of them. What I am specifically saying is, does that come up the chain to where your leadership has an opportunity to know, OK, we need to order more of these or we are planning an exercise, perhaps, where we will need twice the number or a quick reevaluation?

As we know, in the Ukraine war, a good bit of our equipment was utilized there, and was that well within the leadership of DoD to know, if they had to plan more, what would be necessary for their needs so that we did not put more out the door than our needs? It is those kinds of things that I just want to make sure at the top—forget the clean audit or not. The visibility to see equipment and how it was managed, is that a problem?

Lt. Gen. ADAMS. It is not a problem in that there is specific accounting categories for those types of systems that are in the hands of contractors, whether it is for maintenance or maybe it is construction in progress. Knowledge of that system is known. It is in the systems reported, and it is included as we—let us say we are talking munitions. We know how many munitions we have on hand and then how many are due to come out, if it is work in progress, or those that are, like, not in our hands but maybe they need a few months of retrofit or upgrades. That whole enterprise is known.

Mr. SESSIONS. So, it kind of goes back to my questioning about—we talked about a lack of visibility into these contractors, but really there is information that flows back and forth on a regular basis. Do you then capture that?

And I really want to make sure here, because I really think, perhaps on the F-35 model, there was information there that went back and forth that maybe someone was not capturing and then someone did not have visibility when they went to it. Help me understand that, General and Mr. Mansfield?

Mr. MANSFIELD. Let me speak to the Joint Strike Fighter a little bit, because, you know, the Marine Corps experience may be a little different than the rest of the departments in that. For the Joint Strike Fighter, there is information that is supposed to flow back and forth between the contractor and the DoD. It is not flowing back and forth. So, within the contractor structure it should.

Mr. SESSIONS. It does not flow back and forth.

Mr. MANSFIELD. It does not.

Mr. SESSIONS. But it should?

Mr. MANSFIELD. And it should and it should be reconcilable. So, when the DoD provides, in the case of Joint Strike Fighter, spare parts or the contractor buys spare parts for use on the Joint Strike Fighter, the contracts are written in such a way that it requires the contractor to maintain full accountability of those: value, location, condition. And when those are then placed onto an aircraft, the value of the aircraft, you know, it changes because of that.

But in terms of managing that spare parts pool, there is contract requirements that require the contractor to provide information on the amount of property it has in its possession that is owned by the DoD. That information is not flowing back to the DoD and making it onto its financial statements.

Mr. SESSIONS. So, how do you know whether a product was delivered or not? And that goes to the point of our contracting updating that Mr. Khan is aware of that we are now saying we need more contracting information.

I have a vast interest in trusting our contractors. I support them. I believe in them. But how are we going to fix this back and forth if you never really ever received it? How do you know what you are paying for?

Mr. MANSFIELD. Yes. I think it comes down to clear contract requirements. What is expected of the contractor? Clear and measurable deliverables, right. So—and then there is—you have oversight on the government side. The government has to be able to validate that what they have gotten from the contractor is what they required. And then finally, the DoD has to have the wherewithal to hold a contractor accountable when it does not deliver.

I think in the case of the government property in the possession of contractors, both Joint Strike Fighter as well as—I have other opportunities I can talk about that if you would like—other entities having similar issues, there is no accountability for the contractor. You know, I am not seeing them have significant—

Mr. SESSIONS. Is that deliberate on what might be the Marine Corps' issues, or how do we get at this? I know we are going to put a scorecard on it, but how do we then properly, professionally, acknowledge the contractors' role, but put DoD where they have got

to be aware of what came in to update their systems for their needs? Is that a black hole, so to speak? Is that something we just have not figured out?

Mr. MANSFIELD. I think the Department is aware of it. Let me restate that. The Department is well aware of the issue. They are working on solutions. They have—working on plans to do counts of the—especially for the Joint Strike Fighter specifically. They are working on doing counts of the Joint Strike Fighter spare parts pool so that it can have a good starting point to then, hopefully, follow on with clear contract requirements and deliverables that they can hold the contractors accountable for going forward.

For our role here at the OIG, we actually have an ongoing audit looking at the broader issue of government property in the possession of contractors. When that is released, I would be more than happy to come up and talk to you about it, let you know what we are looking at from a broader perspective across the DoD, outside of just the Joint Strike Fighter, though.

Mr. SESSIONS. General Adams, you were very proud of, as we are, of the initiative that the Marine Corps has taken. You acknowledged, I think, respectfully the help that you received from the United States Army, United States Navy. Did they learn a lesson in that process where they now have a baseline of what they have and did they extend that to more than just your assets?

Lt. Gen. ADAMS. Mr. Chairman, to answer this, there are multiple lessons that were learned as a part of our audit by the Army and the Navy. One of those lessons had to do with a material weakness that all services had with regards to its fund balance with Treasury. And it was a—I would call it an issue that—it was prevalent for many decades that the fund balance with Treasury beginning balance and the trial balance of the services, it could never balance.

And think of the fund balance the Treasury has. That is the checkbook that the bank has and can you write checks against that amount. And through our audit process and, quite frankly, some of our really, really sharp accountants that were assigned to the project, figured out a way of adjusting one—accounting for the previous balances that were just continuing to roll over year after year, actually nailing them down, figuring out where they were, settling them, and then changing the actual way that they accounted the fund balance of Treasury in a very technical accounting way that was shared with the Air Force, shared with the Army, and shared with the Navy. And they were able to mitigate that material weakness across all the—so, it really was a game changer in terms of overall DoD progress toward a clean opinion.

Mr. SESSIONS. And as you alluded to yesterday, a lot of internal work that went on with that meticulous work that was because the systems, an antiquated system, it took a lot of workarounds.

Lt. Gen. ADAMS. It did, yes, sir. But it is really important, we took 2 years to get our initial opinion, because we had to establish our baseline and go and account for—you know, the Marine Corps is this year 250 years old, and we have some stuff out there that is almost that old. Everything has to be accounted for in existence and in condition. And so, it took that long to get there.

But once you establish that position and you follow the processes, procedures, and controls that you do have, we would like to have more advanced integrated systems that are connected and talking digitally, but we do not, but that does not stop us from continuing to maintain visibility very accurately on our position. Data access is a byproduct of the audit process that really helps me and other commanders make decisions every day, because you have immediate access to—whether it is financial data or it is data about readiness or personnel—all of that information is available as a byproduct of the audit.

Mr. SESSIONS. Mr. Mfume?

Mr. MFUME. I want to go back to Mr. Khan and Mr. Mansfield briefly. Gentlemen, is it true that DoD has no one in place to serve as the CFO?

Mr. MANSFIELD. There is an acting CFO at the moment.

Mr. MFUME. And no one has been nominated. Is that correct?

Mr. MANSFIELD. I do not believe so.

Mr. MFUME. So, we are just flying around in limbo at DoD with no real person to give direction that people are expecting.

One of the things that I listened to with Lieutenant General Adams was his comment about how the Commandant looked at this, gave a direct order through the ranks, this is where we are going, ladies and gentlemen, and this is how we are going to get there. And everybody understood that, and they were able to stand up a model after establishing for 2 years a baseline and then follow through.

I think the difference here is that there was a clear, dogged, deliberate, determined, and designed order to get this done, to not have the Marine Corps reflected like all these other agencies again and again and again. That is the real difference. It is leadership. It is leadership.

So, I find it absolutely stunning that the Air Force General, C.Q. Brown, Jr., was fired within the last 100 days, that Admiral Linda Fagan was fired the day after she was sworn in. I do not understand that. And that Navy Admiral Lisa Franchetti, the highest-ranking officer in the Navy, was fired also.

So, if we are firing these people and we may have somebody acting here or not acting there, how in the hell are we going to expect that by 2028, not even to mention next year, that we are going to have an audit that can be stood up and talked about like we talk about the Marine Corps model?

This is a damn shame. This is the United States. We are better than that. We just cannot keep making these excuses, which is why I want to see Secretary Hegseth, and the Chairman has also indicated we need answers. We need to know what is going on. We just cannot keep doing this.

And it is amazing to me now, and correct me if I am wrong, that no other leader of any other entity has said the same thing the same way as the Commandant of the Marine Corps. And by the way, give him my appreciation, if you will.

It is just sad. It is sad. Maybe that is why they say send in the Marines or the Marines will lead the way, and I am not being funny here, but I am being funny in some respects, because this does not have to happen. We do not have to hold up the sign again

to see how many failed marks there are. These are dollars that people pay every year in taxes. Taxpayers have a right—whether they are Black, White, Jew, gentile, Asian, Latino, Native American, male or female, it does not matter—to believe that their tax dollar is going to be spent in a way that it can be accounted for. We cannot account for what has been happening. And this has been going on since 2018.

This is really a shame. It is an embarrassment, quite frankly. And I would hope that DoD sees it that way. I would like to think that we are going to have a CFO over there, but God knows, since there is no nominee even out there to be the CFO, how that is going to happen.

And, Lieutenant General Adams, you are very kind in your remarks, and yes, there were some things that were learned by the other branches, but I do not think they have taken them to heart. And I would love to be proved wrong. But something tells me that the Chairman and I will be here next year, if we are not careful, talking about eight straight, going on nine, failed audits, and it is just—it gets to me.

So, when the gentleman from Tennessee says he hopes that some of us will be led out of here in handcuffs because we are part of this crazy notion that we just keep feeding this beast and feeding this beast, it will take care of itself, it will not. It will not. And there are too many games being played by Members of Congress, by private contractors and, to some extent, by these divisions of the armed services that allow this to go on.

I do not know how anybody can come here and say this is the United States and this is why we are great and this is why we care about tax dollars. You can take a buzz saw and a chain saw and go through agencies, but you cannot find a way to force DoD to come up with an audit. I do not understand that. And so, my anger here is real. Life is too short to play these games. The American public deserves more. We all deserve more than this.

So, I am done, Mr. Chairman, which is probably why I did not have a whole lot to say a minute ago, because it just bubbles over in me over and over and over again. And I just want to, again, as I said, thank the Marine Corps for setting the model of how to get something done when it has to be done from the top straight down to the bottom. And I would hope and pray that both the Secretary of Defense and the other branches of the armed services learn from this. But also, be prepared to talk to us about what is going on and why we cannot seem to move this 800-pound gorilla.

I yield back.

Mr. SESSIONS. The gentleman yields back his time.

I would like for those that are witnesses today to understand that Mr. Mfume and I still do work together. We see a common goal. We will be, together, engaging the Department of Defense at the highest level. We also recognize that the changes that have been made in these areas—right, wrong, or indifferent—were made, and it will be important for us to have a commitment from those who are replacing them and are a part of that moving forward team to be prepared for 2028.

I think you have given us a model. You have showed us how a baseline is important and the attributes of success, not just to the

management of the organization, but to where all the way up and down people have an idea about their preparedness with lethality, as General Adams spoke about, but perhaps more to the point and to make sure the confidence that the American people have in that.

Both the gentleman and I, Mr. Mfume, represent a thinking that we are not going to give up. I will say to the Department of Defense, I encourage you to have a great attitude about us approaching you. I would say to the leaders of each of these areas that we will be engaging you. We do expect you to take the time and to listen, and we do expect to hear back from you. But we will not give up on this effort and we will do this together.

So, to each of our witnesses, I want to thank you for being here today. Today you have seen what I consider to be a bipartisan subcommittee hearing that we believe we listened to you. We believe that we appreciate and respect you. But it is a task that is still left for us to complete as we prepare for 2028.

With that said, I want to thank each of our witnesses. And this now—oh, we have got to do the 5 days.

So, with that, and without objection, all Members of this Subcommittee have 5 legislative days within which to submit material and additional written questions for the witnesses which will be forwarded to the witnesses from the Committee.

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

[Whereupon, at 11:46 a.m., the Subcommittee was adjourned.]

