





# OTHER INFORMATION

Provides other financial and non-financial information that are required by various laws and regulations to be included in the Agency Financial Report.

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*A Falcon 9 rocket carrying the Crew Dragon spacecraft launches from the Kennedy Space Center, Fla., March 3, 2024. The rocket transported the eighth regular crew rotation mission to the International Space Station. (Photo by Joshua Conti, Space Force)*

*Left:*

*Air Force Senior Airman Grace Pritchard, prepare for a flag-folding event during a retirement ceremony at MacDill Air Force Base, Fla., Jan. 15, 2024. (Photo by Air Force Senior Airman Joshua Hastings)*

# SUMMARY OF FINANCIAL STATEMENT AUDIT AND MANAGEMENT ASSURANCES

DoD management has a fundamental responsibility to develop and maintain effective internal controls to provide assurance programs are operating efficiently and effectively to achieve the DoD mission. A strong internal control environment also provides assurance federal resources are being used appropriately.

As discussed in the Management's Discussion and Analysis section, managers throughout the Department are accountable for ensuring effective internal controls in their areas of responsibility. All DoD Components are required to establish and assess internal controls over reporting for financial reporting, financial systems, and operations.

Management-identified weaknesses are determined by assessing internal controls, as required by the Federal Managers' Financial Integrity Act of 1982 ([FMFIA](#)), the Federal Financial Management Improvement Act of 1996 ([FFMIA](#)), and Office of Management and Budget ([OMB Circular No. A-123](#)), and fall into one of the following categories:

- FMFIA Section 2, Effectiveness of Internal Control over Financial Reporting;
- FMFIA Section 2, Effectiveness of Internal Control over Operations; or
- FMFIA Section 4, Compliance with Federal Financial Management Systems Requirements / FFMIA Section 803(a), Implementation of Federal Financial Management Improvements.

## SUMMARY OF FINANCIAL STATEMENT AUDIT

**Exhibit 1** lists the 28 FY 2024 material weaknesses in the Department's financial statement reporting as identified by the DoD OIG in the Independent Auditor's Report. The material weaknesses identified by the DoD OIG in the Independent Auditor's Report establish a baseline for alignment of DoD management identified material weaknesses as defined by the DoD Risk Management and Internal Control (RMIC) program.

**Exhibit 1. Summary of Financial Statement Audit**

**AUDIT OPINION: DISCLAIMER**  
**RESTATEMENT: NO**

<b>Material Weakness</b>	<b>Beginning Balance</b>	<b>New</b>	<b>Resolved</b>	<b>Consolidated</b>	<b>Ending Balance</b>
Financial Management System Modernization	1				1
Configuration Management	1				1
Security Management	1				1
Access Controls	1				1
Segregation of Duties	1				1
Interface Controls	1				1
Universe of Transactions	1				1
Security Assistance Accounts <sup>1</sup>	1				1
Fund Balance with Treasury	1				1
Inventory and Stockpile Materials	1				1
Operating Materials and Supplies	1				1
General Property, Plant, and Equipment	1				1
Real Property	1				1
Government Property in the Possession of Contractors	1				1
Joint Strike Fighter Program	1				1
Contingent Legal Liabilities	1		(1)		0
Accounts Payable	1				1
Environmental and Disposal Liabilities	1				1
Leases	0	1			1
Beginning Balances	1				1
Unsupported Accounting Adjustments	1				1
Intragovernmental Transactions and Intradepartmental Eliminations	1				1
Gross Costs	1				1
Earned Revenue	1				1
Reconciliation of Net Cost of Operation to Outlays	1				1
Budgetary Resources	1				1
Service Organizations	1				1
Component Entity - Level Controls	1				1
DoD-wide Oversight and Monitoring	1				1
<b>Total Material Weaknesses</b>	<b>28</b>				<b>28</b>

<sup>1</sup> Formerly reported as Reporting Entity. Renamed because 2 of the 3 conditions in the Material Weakness were remediated in FY 2024 with Security Assistance Accounts the only open condition in the Material Weakness.



## SUMMARY OF MANAGEMENT ASSURANCES

Both, DoD OIG and DoD Management identified findings are now aligned by material weakness area eliminating the necessity for a DoD OIG and Management identified findings crosswalk.

### *FMFIA Section 2, Effectiveness of Internal Control over Financial Reporting*

Exhibit 2 lists the FY 2024 Management identified material weaknesses in internal controls over financial reporting, captured by end-to-end process and material weakness area, and reports the changes from the material weaknesses disclosed in the FY 2023 DoD Agency Financial Report (AFR).

#### Exhibit 2. FY 2024 Effectiveness of Internal Control over Financial Reporting (FMFIA §2)

STATEMENT OF ASSURANCE: NO ASSURANCE						
End-to-End Process	Area of Material Weakness	Beginning Balance	New	Resolved	Consolidated	Ending Balance
<b>Budget-to-Report</b>	Entity Level Controls	2				2
	Fund Balance with Treasury	1				1
	Financial Reporting Compilation - Security Assistance Accounts <sup>2</sup>	1				1
	Financial Reporting Compilation - Beginning Balances	1	1			2
	Financial Reporting Compilation - DoD-wide Oversight and Monitoring	1				1
	Financial Reporting Compilation - Budgetary Resources	1	1			2
	Financial Reporting Compilation - Contingent Legal Liabilities	1			(1)	0
	Financial Reporting Compilation - Earned Revenue	0	1			1
	Financial Reporting Compilation - Reconciliation of Net Cost of Operation to Outlays	1				1

<sup>2</sup> Financial Reporting Compilation has been broken out into multiple subcategories to improve transparency.

STATEMENT OF ASSURANCE: NO ASSURANCE						
End-to-End Process	Area of Material Weakness	Beginning Balance	New	Resolved	Consolidated	Ending Balance
<b>Budget-to-Report</b>	Financial Reporting Compilation - Service Organization	1	1			2
	Financial Reporting Compilation - Universe of Transactions	0	3			3
	Financial Reporting Compilation - Unsupported Accounting Adjustments	0	4			4
	Financial Reporting Compilation - Gross Cost	1				1
	Financial Reporting Compilation - Leases <sup>3</sup>	0	1			1
<b>Hire-to-Retire</b>	Accounts Payable- Healthcare Liabilities	1				1
	Accounts Payable-Contract/ Vendor Pay <sup>4</sup>	7	2			9
<b>Procure-to-Pay</b>	Intragovernmental Transactions and Intradepartmental Eliminations (includes Reimbursable Work Order) <sup>5</sup>	3				3
<b>Plan-to-Stock</b>	Inventory	4				4
	Operating Materials & Supplies	4				4
	General Property, Plant & Equipment <sup>6</sup>	0			2	2
	Internal Use Software	1		(1)		0
	Equipment Assets	2			(2)	0
<b>Acquire-to-Retire</b>	Joint Strike Fighter	1				1
	Real Property	1				1
	Environmental and Disposal Liabilities	1				1
	Property in the Possession of Contractors	1	1			2
<b>Total Material Weaknesses</b>		<b>37</b>	<b>15</b>	<b>(2)</b>	<b>0</b>	<b>50</b>

<sup>3</sup> Leases were identified as a new material weakness related to reporting and disclosing leases per SFFAS No. 54 guidance. On September 25, 2020, OUSD(C)/CFO released a memorandum to reporting entities establishing a financial reporting policy for implementing SFFAS No. 54.

<sup>4</sup> Previously reported as Accounts Payable.

<sup>5</sup> Updated to include Reimbursable Work Orders.

<sup>6</sup> Equipment Assets are now being reported under General Property, Plant & Equipment for FY 2024.

## Entity Level Controls

Department-wide; Identified FY 2019; Correction Target FY 2026

### *Material Weaknesses*

1. Multiple Components do not have sufficient entity level controls (ELC) to provide assurance over the financial reporting process. The lack of sufficient controls at the Component level increases the risk of material misstatement on both the Components' financial statements and Agency-wide financial statements.
2. Management did not have proper policies and procedures in place to monitor, identify, and resolve internal control deficiencies impacting DoD Component financial statements.

### *Corrective Actions*

- Continue to track DoD-wide ELC Corrective Action Plan (CAP) milestone completion to assist Reporting Entities with data analytics, gap identification, and steps required to address and resolve ELC deficiencies.
- Continue to assess Reporting Entity ELC supporting documentation to identify deficiencies and validate ELCs are operating effectively.
- Continue to conduct monthly ELC Remediation Workshops with Reporting Entities to enhance collaboration across the Department and facilitate sharing of technological tools, effective governance structures, and guidance for development and implementation of ELCs.
- Continue to analyze Department-wide ELC data to pinpoint high risk areas for prioritization.
- Continue to enhance Department-wide oversight mechanisms to verify sufficient progress is achieved to meet target ELC resolution dates.

## Fund Balance with Treasury

Department-wide; Identified FY 2005; Correction Target: FY 2026

### *Material Weakness*

1. The Department does not have effective processes and controls to support the reconciliation of transactions posted between the Department's Fund Balance with Treasury (FBWT) accounts and the Department of the Treasury's records, timely research and resolution of FBWT difference, or sufficient and accurate documentation supporting FBWT transactions and reconciling items.

### *Corrective Actions*

- Support beginning balances through research and documentation or through alternative approaches.
- Implement, standardize, and improve accuracy and timeliness of Advana reconciliations.
- Establish and maintain processes to prevent and/or reduce variance inflow and aging.
- Enhance internal controls, processes, and systems involved in FBWT reporting.
- Collaborate with key stakeholders in support of the FBWT Remediation Strategy, focusing on Critical Path Elements.

## Financial Reporting Compilation:

### Security Assistance Accounts

Department-wide; Identified FY 2022; Correction Target FY 2028

#### Material Weakness

1. The DoD did not report Security Assistance Accounts (SAA) financial activity in the FY 2024 Agency-Wide Financial Statements, as required by Statements of Federal Financial Accounting Standards 47 – Reporting Entity.

#### Corrective Action

- Design and implement monitoring and oversight controls over reporting SAA financial activity in the Agency-Wide Financial Statements.

### Beginning Balances

Department-wide; Identified FY 2005; Correction Target FY 2027

#### Material Weaknesses

1. Several Components did not sufficiently implement oversight and monitoring activities to identify and resolve deficiencies that could affect their basic financial statements.
2. The Department cannot provide historical data to support the completeness and accuracy of beginning balances on the financial statements or reconcile beginning balances to closing balances at the end of the previous reporting period.

#### Corrective Actions

- Continue to provide Components under stand-alone audit oversight, ensuring the DoD policy to issue comparative year financial statements is in accordance with the GAAP.
- Review the financial statements to identify lines with unsupported beginning balances.
- Enhance root cause analysis to gain understanding of beginning balances issues.
- Establish strategies to address the unsupported beginning balances.
- Update the policy instructing Components to track, resolve, and report the accuracy and completeness of their beginning balances.



*BEAUFORT SEA (March 8, 2024) The Los Angeles-class attack submarine USS Hampton (SSN 767) is surfaced through ice at Ice Camp Whale in the Beaufort Sea, kicking off Ice Camp 2024. Ice Camp is a three-week operation that allows the Navy to assess its operational readiness in the Arctic, increase experience in the region, advance understanding of the Arctic environment, and continue to develop relationships with other services, allies, and partner organizations. (U.S. Navy photo by Mass Communication Specialist 1st Class Justin Yarborough)*



## DoD-Wide Oversight and Monitoring

Department-wide; Identified FY 2019; Correction Target FY 2026

### *Material Weaknesses*

1. DoD Management did not sufficiently implement oversight and monitoring activities to identify and resolve deficiencies affecting Agency-Wide basic financial statements.

### *Corrective Actions*

- Issue a DoD-wide Corrective Action Plan (CAP) guide instructing Components to enhance root cause analysis when needed to address and resolve deficiencies.

## Budgetary Resources

Department-wide; Identified FY 2005; Correction Target FY 2026 (*see note*)

### *Material Weaknesses*

1. The DoD Components and Agency-wide Statement of Budgetary Resources may not be complete and accurate. Specifically, the DoD Components did not maintain sufficient and appropriate detailed transactions and supporting documentation over Statement of Budgetary Resources (SBR) balances.

### *Corrective Actions*

- Maintain monthly reconciliation control of budgetary resources and budget execution information to identify the discrepancies. If any discrepancies are identified, research and identify root causes and perform the necessary corrections.
- Update policy requiring Components to maintain sufficient and appropriate detailed transactions and supporting documentation regarding the SBR balances.
- Establish oversight to monitor reporting deficiencies for each SBR line item and validate explanations are reasonable and remediated timely.
- Ensure budgetary data is correctly recorded, balanced, and consistent across sources to present accurate financial data on the SBR. Any identifying variances should be researched and corrected.

**Note:** The correction target date was adjusted from FY 2024 to FY 2026 to fulfill the remediation activities involving components with SBR-related material weakness and to be able to remediate challenges after identifying them.

## Reconciliation of Net Cost of Operations to Outlays

Department-wide; Identified FY 2020; Correction Target FY 2025

### *Material Weakness*

1. The DoD Components were unable to support adjustments made to reconcile budgetary to proprietary data on Component financial statements in accordance with SFFAS No. 7. Note 24, *Reconciliation of Net Cost to Net Outlays*, in the DoD Agency-Wide Basic Financial Statements did not comply with OMB Circular A-136.

### *Corrective Actions*

- Require the DoD Components to provide documentation confirming variances between budgetary and proprietary data are researched and resolved throughout the reporting period in accordance with SFFAS No. 7, and confirm documentation is maintained to explain these variances.
- Establish and implement DoD-wide policy and procedures to confirm DoD financial statement note disclosures are complete, accurate, and consistent and comply with the requirements in OMB Circular A-136.
- Resume government-wide and DoD working group meetings with the U.S. Treasury Bureau of the Fiscal Service and DoD financial reporting network to further reduce the unreconciled differences.
- Continue resolving outstanding accounting scenarios contributing to the unreconciled differences. Provide Components with standard posting entries to resolve the items identified.

## Service Organization

Department-wide; Identified FY 2019; Correction Target FY 2028

### *Material Weaknesses*

1. Service Providers have not designed or implemented reliable controls to provide the reasonable assurance to their DoD Component customers, which decreases the reliability and accuracy of the DoD Component-level financial statements used to compile the Agency-wide financial statements.
2. User Entities have not developed governance and monitoring techniques to identify existing Service Provider relationships and Complementary User Entity Controls (CUECs) applicable to the user entity. As a result, user entities have control gaps in their internal control environment as they have not effectively identified, designed, or implemented controls to address the CUECs.

### *Corrective Actions*

- DoD will maintain oversight over Service Organization progress through regular reviews of updates to the roadmap to confirm the Service Organizations are on target to achieve their milestones for a clean opinion by the NDAA required remediation date of 2028.
- OUSD(C) will take a proactive approach collecting, reviewing, aggregating, and reporting on Component testing activities to address CUECs.
- OUSD(C) will issue a standard Service Organization Monitoring SOP to help Components develop an effective Service Provider Monitoring program.

## Universe of Transactions

Department-wide; Identified FY 2016; Correction Target FY 2028

### *Material Weaknesses*

1. The DoD is unable to demonstrate reasonable assurance of completeness to the financial statements.
2. The DoD needs more quality supporting documentation to rely on data within the legacy system.
3. Reporting Entities lack supporting documentation to support financial data.

### *Corrective Actions*

- Establish a Universe of Transaction (UoT) framework that can be uniformly applied across the Department's Reporting Entities.
- Establish a recurring UoT working group, a collaborative effort facilitated by the Office of the Under Secretary of Defense (Comptroller) (OUSD(C)), Enterprise Financial Transformation (EFT), Financial Management Operations and Analytics (FMOA) Division.
- Collect and catalog UoT material weaknesses and Notices of Findings (NFRs) from DoD Components to support the remediation strategy.
- Validate all accounting and feeder systems within Advana via UoT Metric 1 have a complete population of transactional details that impact the financial statements.
- Partner with DoD's FM community to build and reconcile the UoT.
- Develop reconciliations based on materiality to assert reasonable assurance of completeness to the financial statements.

## Unsupported Accounting Adjustments

Department-wide; Identified FY 2008; Correction Target FY 2026

### *Material Weaknesses*

1. The Department did not have effective controls to provide reasonable assurance accounting adjustments were valid, complete, and accurately recorded in its accounting systems and the general ledger.
2. Manual and system-generated accounting adjustments recorded at the DoD Component level did not include supporting documentation.
3. Accounting adjustments lacked approvals at the appropriate levels.
4. DoD lacked policies and procedures to properly record accounting adjustments.

### *Corrective Actions*

- Utilize Advana to review journal vouchers for in-depth analysis and prioritize the review of unsupported adjustments.
- Complete journal voucher action plans addressing root causes requiring Components to record unsupported accounting adjustments.
- Review journal voucher packages to identify areas of focus, supporting documentation improvement, and work through the findings to avoid financial statement misstatements.

## Gross Costs

Department-wide; Identified FY 2019; Correction Target FY 2025

### *Material Weakness*

1. The DoD does not present gross costs by the major program in Note 19, *Disclosures Related to the Statement of Net Cost*. Instead, gross costs are presented by appropriation groups. The DoD and its components did not comply with generally accepted accounting principles and did not have sufficient support for transactions related to Gross Costs.

### *Corrective Actions*

- Work with the Department of Treasury to standardize the Statement of Net Cost across the Department.
- Develop and implement a DoD-wide action plan to access, oversee, and ensure that DoD Components implement effective internal controls for recording Gross Costs.
- Develop, document, and implement policies and procedures to require or strengthen internal control activities to ensure the existence or occurrence, accuracy, and timeliness of recorded transactions and balances to support the Statement of Net Cost.

## Accounts Payable – Healthcare Liabilities

Department-wide; Identified FY 2003; Correction Target FY 2025

### *Material Weakness*

1. The Medicare-Eligible Retiree Health Care Fund (MERHCF) prospective payments are based on budget execution processes rather than accrual-based accounting. The costs being allocated cannot be related to specific appropriations. In addition, the MERHCF does not have a formalized approach to tracking health care encounters for MERHCF beneficiaries for accounting purposes, resulting in no transactional patient-level data to support the direct care costs recognized by the MERHCF.

### *Corrective Actions*

- Complete the implementation of new enterprise resource planning core financial systems across the Department for the relevant Components to record accrual-based, patient-level cost accounting data.
- Deploy a new billing solution and automated coding solution, and develop processes to facilitate the creation of itemized bills for all patients receiving direct care within the Military Health System. This electronic record will assist with the accurate reporting of health care activities and support the establishment of an audit trail.

## Accounts Payable - Contract/Vendor Pay

Department-wide; Identified FY 2019; Correction Target FY 2027 (see note)

### *Material Weaknesses*

1. Funding may not be accurately recorded or available in the relevant accounting system at the time of contract award.
2. The Department lacks standard processes for electronically recording contract obligations in financial systems.
3. The Department has insufficient policies governing accounts payable procedures.
4. The Department did not sufficiently record accruals related to contracts.



5. The Department is unable to reconcile contract data to financial data.
6. The Department's complex operating environment does not enable matching awards to accounting data for public transparency (e.g., Digital Accountability and Transparency Act (DATA Act)).
7. The Department does not have adequate controls to ensure timely contract closeout and de-obligation of funds, which limits the Department's access to capital.
8. The Department lacks sufficient system interoperability for transactions involving multiple DoD Components.
9. The Department did not conduct reviews of dormant accounts in a timely manner.

### *Corrective Actions*

- Publish a DoD Instruction setting policies, procedures, and data standards for recording disbursements and report payments.
- Implement scorecards to track compliance with standard procedures and data compliance for all accounting, entitlement, and contract writing systems. This includes ensuring Purchase Request Data Standard and Procurement Data Standard correctly carry the Standard Line of Accounting.
- Leverage Wide-Area-Workflow invoice acceptance data to expand and improve the posting of accruals within accounting systems. Implement standard operating procedures for electronic receipt, acceptance, and processing of requests for payment.
- Develop a Procure-to-Pay systems roadmap as part of the broader Financial Management Strategy and Implementation Roadmap to ensure system migration plans exist and are implemented to eliminate redundant and antiquated financial management information technology (IT) systems to improve auditability, security, and productivity.
- Design and implement standard processes and controls to ensure contract data can be accurately matched to record accounting data for public posting (i.e., DATA Act).
- Develop Department-wide contract closeout standard operating procedures to ensure financial systems are in balance and de-obligations of funds occur to return available funds back to programs in a timely manner.

**Note:** The correction target date was adjusted from FY 2025 to FY 2027 due to several components needing additional time to perform sustainment testing of the internal controls.

## **Intradepartmental Eliminations and Intragovernmental Transactions (includes Reimbursable Work Order)**

Department-wide; Identified FY 2011; Correction Target FY 2027 (see note)

### *Material Weaknesses*

1. The Department is unable to provide sufficient evidence to support the performance of work, receipt of intragovernmental goods and services, and validity of open obligations.
2. The Department is unable to verify the timely and accurate collection of disbursements and validate recorded reimbursable agreements meet the time, purpose, and amount criteria.
3. The Department has an ineffective process to collect, exchange, and reconcile buyer and seller intragovernmental transactions (IGT).

### *Corrective Actions*

- Continue to perform component-level gap analyses on key processes, develop and enter general terms and conditions agreements in the Department of the Treasury's Invoicing system, participate in G-Invoicing training, and develop functionalities in accordance with Federal and DoD data standards.
- Design and implement accounting interfaces in alignment with Treasury's G-Invoicing release timeline.

- Develop and document authorization procedures and controls over obligations. Develop compensating controls to confirm obligations are properly authorized in instances where system authorizations cannot be relied upon.
- Continue to leverage deployed enterprise wide IGT reconciliation guidance and tools within Advana to support monthly IGT reconciliations.
- Launched a weekly IGT Tiger Team to discuss leading practices around processes and data in collaboration with Military department and other defense agencies points of contact.

**Note:** The correction target date was adjusted from FY 2026 to FY 2027 due several components needing additional time to perform sustainment testing of the internal controls.

## Inventory

Department-wide; Identified FY 2005; Correction Target FY 2028

### *Material Weaknesses*

1. The Department has not implemented adequate policies and procedures over timely reconciliation of subsidiary ledgers and proper application of inventory costing methodologies.
2. The Department has not implemented adequate internal controls to support management's assertion of existence and completeness of inventory, including preventing users from posting transactions that exceed their approved thresholds, reviewing interface transmission errors, and ensuring transactions are recorded in the proper period for existence, completeness, and valuation.
3. The Department is unable to produce sufficient evidential matter to support inventory transactions, inventory held by third parties, and the complete and accurate identification and correction of erroneous transactions.
4. The Department has insufficient documentation to ensure updated business process controls completely reflect all sub-processes within inventory.

### *Corrective Actions*

- Implement revised policy on comingled assets; address process and system deficiencies associated with reconciliations and valuation methodologies.
- Use the Risk Management and Internal Control Program to guide the development and update of internal controls related to inventory accrual, existence, completeness, and valuation. Implement policy changes to support long term courses of action to mitigate inventory weaknesses.
- Implement and enforce revised DoD policy on asset physical accountability requiring internal controls and annual physical inventories. Design and improve reports, management oversight, and procedures to improve effectiveness of management controls.
- Review, improve, and implement enhanced controls in the inventory processes and perform follow up testing for compliance and effectiveness.
- Continue the inventory working group to highlight policy and guidance gaps impacting the existence, completeness, and valuation of inventory, report on progress and share lessons learned.

## Operating Materials & Supplies

Department-wide; Identified FY 2005; Correction Target FY 2027

### *Material Weaknesses*

1. The Department does not report Operating Materials & Supplies (OM&S) in the Inventory & Related Property line on the Balance Sheet in accordance with SFFAS 3 and SFFAS 48.
2. The Department has not performed an annual assessment of OM&S acquired by components for the purposes of determining appropriate accounting treatment under SFFAS 3, to include existence and completeness.
3. The Department does not have adequate processes and controls for accurately recording munitions inventories.
4. Components do not have sufficient controls and procedures addressing OM&S assets in the possession of third parties, to include service providers and contractors.

### *Corrective Actions*

- Implement an appropriate valuation method for OM&S. Develop and implement procedures to document the process and determine when a decline in value should be considered temporary or permanent. Review all posting logic, re-evaluate existing policies, develop and implement controls to ensure property account posting logic, and establish a methodology to support valuation of OM&S.
- Implement new Department policy requiring inventory counts of OM&S. Conduct inventory counts in accordance with existing policies and supplement as necessary based on the new policy. Develop component-level risk control matrices based on inventory control gap analyses to implement changes to the inventory count process. Report metrics for use in governance meetings on physical inventory counts of OM&S, adjustments, and OM&S in the possession of third parties.
- Develop solutions for a new munition control system that accurately handles physical custody and control issues, properly performs the correct accounting for all munitions, and facilitates the implementation of internal controls to provide improved management oversight. Modernize current systems to better manage and perform munitions control prior to the implementation of the new munition control system solutions.
- Continue efforts to validate existence, completeness, accuracy, and ownership of all assets; monitor interfaces of the different systems; and design, develop, and implement improved reconciliation processes to address OM&S held by service providers and contractors. All contractor inventory control point programs will be identified, and controls developed to maintain OM&S along with policies and procedures for oversight.
- Require future contracts which provide OM&S to third parties to perform existence and completeness reporting, controls, and testing.
- Continue the OM&S working group to analyze processes and integrate remediation efforts among Components to optimize system change efforts and harmonize reporting. This group will report on progress and share lessons learned across the Department's OM&S community.

## General Property, Plant & Equipment

Department-wide; Identified FY 2005; Correction Target FY 2027

### *Material Weakness*

1. The Department's processes and controls to account for the quantity and value of General Equipment (GE) are not effective.
2. The Department does not have sufficient internal controls and supporting documentation requirements to ensure timely recording, relief, and accuracy of Construction in Progress.

## *Corrective Actions*

- The ODCFO will develop a standardized valuation methodology for general equipment consistent across all agencies. This methodology will be incorporated into Components/Agencies policies/processes and aptly leverage deemed cost and alternative valuation methodologies as appropriate.
- A valuation review process will be established to ensure all equipment valuations are accurate and consistent. This process will be clearly documented within Component/Agency level policies to include regular reviews of equipment valuations by independent reviewers.
- OSD will provide training and guidance to all personnel involved in the valuation process to ensure they are aware of the standardized valuation methodology and the importance of accurate and complete data.
- Logistics Information Technology (LogIT) Compliance: Components will ensure Accountable Property Systems of Record (APSR) are compliant with DoDI 5000.64 where supportable asset records (Universe of Assets) in support of completeness will be established to store all relevant information related to general equipment, including purchase and maintenance records, current condition, and location. This database will ensure completeness and accuracy of data used for valuation purposes.

## Joint Strike Fighter

Department-wide; Identified FY 2019; Correction Target FY 2027

### *Material Weakness*

1. DoD did not account for or manage Joint Strike Fighter Program Government property, which is composed of Global Spares Pool assets, or accurately record this property in an accountable property system of record.

### *Corrective Actions*

- Establish and maintain processes and procedures to value JSF Program assets (opening balance and subsequent).
- Establish and maintain an accurate and complete population of JSF Program assets in an APSR.
- Establish process to report JSF Program assets on the DoD Financial Statements.

## Real Property

Department-wide; Identified FY 2000; Correction Target FY 2026

### *Material Weakness*

1. Real property processes, controls, and supporting documentation do not substantiate all assets are correctly and timely recorded, properly valued, supported by adequately maintained Key Supporting Documents (KSDs) and consistently reported on financial statements.

### *Corrective Actions*

- Implement a new enterprise-wide IT solution designed to increase efficiency, improve data accuracy, and enhance financial reporting of real property.
- Design new systems that interface general ledger transaction with the Defense Enterprise Accounting and Management Systems (DEAMS).
- Publish policies to support the accuracy and completeness for reporting of real property.
- Increase the fidelity of the real property inventory baseline to support the calculation of plant replacement value in accordance with SFFAS 50.



## Environmental and Disposal Liabilities

Department-wide; Identified FY 2019; Correction Target FY 2026

### *Material Weakness*

1. DoD Environmental and Disposal Liabilities (E&DL) did not include all cleanup, closure, or disposal costs. Additionally, at least one Component could not provide supporting records to document its list of environmental sites was complete.

### *Corrective Actions*

- Continue to convene the joint OUSD(C)/OUSD(A&S) material weakness working group to highlight policy and guidance gaps impacting the completeness, existence and valuation of E&DL, report on quarterly progress, and share lessons learned.
- Develop E&DL policies to ensure E&DLs are being reported appropriately.
- Identify methodologies to produce cost estimates consistently, to include standardizing processes by using the Department's cost estimating tools.

## Property in the Possession of Contractors

Department-wide; Identified FY 2015; Correction Target FY 2026

### *Material Weaknesses*

1. The Components cannot identify property in their APSR.
2. The Components could not properly value their property in their financial systems.

### *Corrective Actions*

- Develop policy supporting reporting and accountability of Government Furnished Property (GFP).
- Develop data standards and automated solutions for reporting GFP.
- Implementation of policy, data standards, and automated solutions by Components.

## *FMFIA Section 2, Effectiveness of Internal Control over Management Operations*

Exhibit 3 lists the FY 2024 material weaknesses in the internal controls over management operations, captured by Assessable Units, and reports the changes from the material weaknesses disclosed in the DoD AFR for FY 2023.

### Exhibit 3. FY 2024 Effectiveness of Internal Control over Management Operations (FMFIA §2)

STATEMENT OF ASSURANCE: MODIFIED ASSURANCE					
ASSESSABLE UNIT	Beginning Balance	New	Resolved	Consolidated	Ending Balance
Acquisition	4	2	(1)	(1)	4
Comptroller and/or Resource Management	5	4	(2)		7
Contract Administration	3	1			4
Force Readiness*	2	1	(1)		2
Financial Systems Modernization (formerly Business System Modernization)	3	2	(1)		4
Manufacturing, Maintenance, and Repair	1	1			2
Personal and/or Organizational Management	12	4	(2)		14
Support Services	6	1	(1)	(1)	5
Supply Operations	3		(1)		2
<b>TOTAL MATERIAL WEAKNESSES</b>	<b>39</b>	<b>16</b>	<b>(9)</b>	<b>(2)</b>	<b>44</b>

\*The beginning balance reflects one material weakness reduction from Force Readiness untraceable to Component data submissions in FY 2022, FY 2023, or FY 2024.

## Internal Control over Management Operations – Material Weaknesses and Corrective Actions

### Acquisition

Department-wide; Identified FY 2017 – FY 2023; Correction Target Date FY 2025

#### *Material Weaknesses*

1. The Department's pricing for Blank Purchase Agreements for medical items appears to be well above private sector pricing.
2. The Department can improve its contract management for service acquisitions, by validating requirements, forecasting budget needs, and issuing Department-wide guidance for operational contract support.
3. The organizational structure and hierarchy of the Defense Health Agency (DHA) prevents compliance with DoDD 5000 series acquisition regulations. Non-compliance with DoD acquisition regulations impacts the entirety of the acquisition lifecycle and prevents providing effective oversight. This results in impacts to cost, schedule, and performance in every program and system in the DHA.
4. Improper Payments made for recalled items. Vendor shipped and billed items with full knowledge that items were not in compliance.

#### *Corrective Actions*

- The Department will conduct systems review, capability portfolio reviews, configuration steering boards, and cost reviews to identify process inefficiencies and improve the acquisition management process. A Standard Operating Procedure has been drafted to reflect requirements related to competitive pricing requirements.
- The Department will publish guidance for category management implementation, complete formal staffing and publish DOD Instruction 3020.41, advocate for OCS manpower resources in FY25 Program Budget Review and Joint Manpower Validation Process and publish DoD Instructions to supplement Vendor Threat Mitigation DoD Directive 3000.16 by FY 2025.
- Implement DoD 5000 policy mandates and guidance to properly align acquisitions with Agency mission and needs which reduces risk and impacts to cost, schedule and performance. Conduct Systems Reviews, Capability Portfolio Reviews, Configuration Steering Boards and Cost Reviews to facilitate addressing the adverse impacts of changing needs earlier by acquisition management, optimize acquisition oversight and monitoring of cost, schedule, and performance parameters, develop a transition plan to align acquisition oversight activities to minimize adverse impacts across the organization to potentially reduce costs and organize management structure.
- Draft a Standard Operating Procedure to reflect requirements related to the quality of goods and services.

### Comptroller and/or Resource Management

Department-wide; Identified FY 2015 - 2022; Correction Target Date FY 2031

#### *Material Weaknesses*

1. DoD Medical Treatment Facilities (MTFs), operating under Uniform Business Office (UBO) guidance issues by the DHA, did not conduct compliance audits, follow-up on outpatient claims to legal for collection when they were open for more than 270 days after initial billing as required by the DoD UBO Manual. Additional information and monitoring needed to better position DoD for restructuring MTFs.
2. Defense Information Systems Agency (DISA) did not fully recover their costs for executing security assistance for the Foreign Military Sales program.
3. Audit of the DoDs Management of the Third-Party Collection Program for Medical Claims needs improvements.

4. USTRANSCOM has implemented the Risk Management and Internal Control Program but has not effectively designed and fully implemented entity-level controls and ongoing monitoring procedures into its operations.
5. Army did not properly design and implement enterprise responsibility controls. Specifically, management did not finalize its internal control oversight body charter to define the purpose, responsibilities, and members. Additionally, management did not properly design its risk management internal control (RMIC) program guidance to include all risks and tolerances and did not implement controls to demonstrate performance appraisals were effectively completed.
6. Army's inadequate design and implementation of entity level controls resulted in the lack of a reliable internal control system for financial reporting. Deficiencies were observed in the control environment, risk assessment, information and communication, and monitoring. These deficiencies included the absence of oversight bodies, incomplete policies and documentation, inadequate recruitment and accountability of personnel, failure to address risks and changes, and insufficient controls over data quality and communication. The conditions arose due to insufficient allocation of resources, incomplete risk assessments, ineffective control environment design, inadequate dissemination of information, and delayed corrective actions for prior deficiencies. Without effective entity level controls, there is a heightened risk of material misstatements in the consolidated financial statements and ongoing control deficiencies.
7. DoD OIG Financial Management Office (FMO) do not have complete internal control documentation that supports the control activities.

### *Corrective Actions*

- Initiated the development of a UBO Compliance Program Manual to detail the requirements for MTFs to stand up a UBO Compliance Program that aligns with Enterprise-level guidance, as well as a UBO Compliance Program training that focuses on educating key stakeholders on the requirements and procedures to be performed on an annual basis.
- DISA will identify and maintain a list of all DoD civilian employees who provide any support to the security assistance programs, determine whether their current staff level is adequate to support their security assistance mission and request additional security assistance funded positions, as needed. DISA will also identify and recover all security assistance related salary expenses for each DoD civilian employee, develop, document, and implement policies and procedures to identify, track, and recover salary expenses for DoD civilians who support security assistance programs. Lastly, DISA will develop, document, and implement policies and procedures to identify and recover all operating costs for DoD facilities used to support security assistance programs in future years.
- DHA has assumed administrative and management responsibility to ensure that Third Party Collection Program for Medical Claims is adequate.
- USTRANSCOM will develop procedures to fully evaluate and document the results of ongoing monitoring of internal control issues and validate the effectiveness of internal controls system.
- The internal control oversight body charter was transferred to implementation with all milestones closed documenting validation of corrective actions, and subsequent publication of the charter. RMIC Statement of Assurance Guidance planned actions include updates to address managing privacy risks, require acquisition assessments, compliance with the acquisition assessment and privacy impact assessment, prioritizing strategic objectives, developing, and defining risk tolerances, publishing a risk addendum, and reviewing the checklist of requirements per OMB Circular No. A 123. Corrective actions planned for employee performance appraisal deficiencies are to clarify appraisal requirements and core values in official memorandum, publishing the memorandum throughout the functional community, and conducting compliance testing to ensure supervisors are accurately reviewing employee appraisals.
- To improve the design and implementation of the entity level controls within the control environment, risk assessment, and information and communication and monitoring, Army corrective action plan milestones address dependency on Army-wide remediation efforts, the audit committee charter, performance appraisals, organizational structure and policies and procedures, identification of objectives, risks, and controls, defining risk appetite and risk tolerance, information and communication, and monitoring.
- FMO staff will establish policies and procedures, document SOPs and map key business processes that adequately document and implement FMO internal controls.

## Contract Administration

Department-wide; Identified FY2014 - 2021; Correction Target Reassessed Annually

### *Material Weaknesses*

1. The Department of the Air Force did not perform contract quality assurance or accept contractor payments in accordance with guidance. Failure to develop policy and manage commercial support to operations could lead to fraud, waste, abuse, and risk to mission.
2. The implementation of MHS GENESIS at the Madigan Army Medical Center (MAMC) resulted in an inability to calculate Patient Safety Indicators (PSI-90) to determine if the MAMC is outperforming, performing the same as, or underperforming compared to other healthcare facilities.
3. The Department has paid more than the pricing benchmarks for services and equipment (durable medical equipment) where it did not establish or use existing TRICARE maximum allowable reimbursement rates.
4. Although DoD has made significant progress addressing challenges with its acquisition workforce, work remains to address criteria for Service Acquisitions and Operational Contract Support (OCS).
5. The Defense Health Program (DHP) made improper payments for items that had been recalled because DoD entities were not notified of the item's recall.

### *Corrective Actions*

- Reinforce internal controls to provide reasonable quality assurance that contracting officers designate a qualified Contracting Officer Representative for all service contracts or retain and execute contract oversight responsibilities and develop a process that will direct and prevent improper payments and fraud.
- The Department has developed a process to review codes annually for medical equipment and supplies that are paid-as-billed. DHA Headquarters will analyze their PSI-90 data and identify improvement initiatives that have led to score improvements or could lead to score improvements in the future. Once these are complete DHA Headquarters and MAMC will develop a summary report to provide to the DoD OIG.
- The Department will extract data from the MHS GENESIS system sites that will enable PSI-90 calculation, evaluate performance, and take appropriate steps to improve performance.
- The Department:
  - » Updated DoDI 5000.74 to align to the pathway structure of DoDI 5000.02, establish data standard for acquisition of services pathway.
  - » Re-establish OUSD(A&S) oversight and governance over Component Services Requirements Review Boards (SRRB);
  - » Execute re-instituted SRRB governance with a data-driven focus supported by visualizations based on pathway data standard and include projected funding on services across the years of the Five-Year Defense Plan in budget supporting documents.
  - » Issue Department wide guidance detailing how OCS should be integrated throughout the Department. The OPIO-DA&M and (OUSD A&S) will share current OMB and internal CM responsibilities divided by contracting equities and CM process or procedural changes directed at requirements/mission owner.
- DHP will update contract language to require vendors to notify Contracting Office (KO) and Contracting Officer Representative (COR)/Acceptor and levy penalties for failure to do so.

## Force Readiness

Department-wide; Identified FY 2014 - 2021; Correction Target Date FY 2025

### *Material Weaknesses*

1. The Department needs further analysis of the size, readiness, and efficiency of the Medical Force.
2. Lack of updated policy and/or enforcement of current policy to document authorization decision within an automated information system (the USTEDA module in SOLMAN application) and a lack of processes and procedures to compare on-hand quantities of assets with approved authorizations.

### *Corrective Actions*

- The Department is developing an approach to identify and mitigate limitations concerning its assessment of the requirements necessary to maintain sound standards and the skills of active-duty medical providers and increase active-duty and civilian medical personnel's productivity.
- Policy and procedure are being updated to document authorization decision and ensure proper execution.

## Financial Systems Modernization (formerly Business System Modernization)

Department-wide; Identified FY2015 - 2023; Correction Target Date FY 2028

### *Material Weaknesses*

1. The Department of the Air Force continues to experience systemic shortfalls in implementing cybersecurity measures to safeguard the data protection environment and address cybersecurity vulnerabilities. Gaps in cybersecurity access controls (including privileged user authentication, public key infrastructure, and device hardening or encryption) contribute to data protection vulnerabilities. Issues exist in policy compliance with cybersecurity measures, networks inventory, oversight, and accountability.
2. The Department continues to face several data issues to include:
  - » Quality metrics data not imported timely and not in correct location.
  - » An electronic records management system is not implemented, policies are not updated, and training is not developed, which is preventing accurate records management of data.
  - » Tri-Care Contract was delayed due to delayed system upgrades related to data.
  - » Criminal history data was not reported to the appropriate agencies in the criminal history database.
3. DHA acquisition programs are not managed through the application of a systems engineering approach that optimizes total system performance and minimizes total ownership costs or consistently employ a modular, open-systems approach per DoD 5000.01, E1.1.27, DoDI 5000.02 Operation of the Defense Acquisition System, Defense Acquisition Guide (DAG), and the OSD Health Affairs Memo.
4. USCENTCOM was unable to account for 24% of the accountable IT equipment in the property system during the last wall to wall inventory.

### *Corrective Actions*

- The Department of the Air Force will continue to strengthen governance and investment certification processes through the Defense Business Council (DBC) and expand review and analysis of proposed IT systems to include non-financial management systems.
  - » Enhance current processes and ensure stakeholder participation in the cybersecurity scorecard meetings and alignment of component scorecard metrics to audit findings.



- » Revise current user system access policy, to include clear guidance on requirements for privileged user access authorization and credential revocation, user access and control training certification, user monitoring, and public key infrastructure-based authentication/credentials.
- » Continue development of an enterprise Identity, Credential, and Access Management (ICAM) solution with nine pilot systems to address access control gaps across the Department.
- » Coordinate with DoD Components to confirm that current acquisition and IT purchase contracts and policy require the adoption of established user access controls and encryption/hardening standards.
- » Reinforce data encryption controls; perform periodic scans for personally identifiable information (PII) and report all findings to designated privacy managers; reinstitute annual PII training; and perform workload studies and associated manning adjustments as necessary.
- » Revise current policy on shared file and drive protection, to include requirements for encryption use and stringent password protection that meets the minimum password requirements specified in DoDI 8520.03 for stronger authentication.
- » Develop, communicate, implement, and continuously monitor entity-level IT security policy, procedures, and practices focusing in the areas of security management, access controls, and segregation of duties.
- » Integrate software acquisition, license media management, and limited asset resources into a single focus point managing software lifecycle.
- » Update the Enterprise Configuration Monitoring Strategy to include investigating, identifying, and disseminating the best use of monitoring tools and techniques for the network component level.
- » Clearly identify lines of demarcation between acquisition and provisioning.
- » Instruct communication squadron commanders to develop and document a process to ensure personnel document network component purchases in the Department's accountable record upon receipt.
- » Update the Enterprise Configuration Monitoring Strategy to include investigating, identifying, and disseminating the best use of monitoring tools and techniques for the network component level.
- » Instruct communication squadron commanders to develop and document a process to ensure that network component vulnerabilities which cannot be mitigated are documented in corrective plans.
- DoD is taking the following actions to address data issues:
  - » Defense Health Program's (DHP) contractual requirements have been written or revised, including updated timelines for testing and milestones and data transfer specifications.
  - » DoD will develop a new Electronic Archive and Records Management System with training and establish/ updated policies and procedures for records management as required by the National Archives and Records Administration (NARA).
  - » Defense Health Program will incorporate Transition updates into the TRICARE Operations Manuals and T-2017 contracts.
  - » Codify Department of Air Force Criminal Justice Information Cell with Initial Operating Capability to oversee all criminal data and reporting with Air Force Office of Special Investigations.
- The Agency has prioritized organizational changes and transitions to meet NDAA requirements, while intermittently adjusting organizational structures to align with mandatory DOD policies.
- USCENTCOM will conduct a 100% re-baseline inventory of the IT equipment, process all unaccounted-for assets by means of a FLIPL, formerly known as a Report of Survey (ROS), to establish an accurate property book, and establish periodic auditing of the EC's equipment accounts as delineated in the CCJ6I 735-2.

## Manufacturing, Maintenance, and Repair

Department of the Navy and Joint Chiefs of Staff; Identified FY 2016 – FY 2022; Correction Target FY 2029

### *Material Weaknesses*

1. The Department's policies for defining, costing, and performing ship and aircraft depot maintenance do not facilitate the accurate prediction of cost and duration.
2. Due to years of deferred maintenance, repairs, and poor operating practices, building Mechanical, Electrical and Plumbing (MEP) code violations have accumulated at the National Defense University (NDU) facilities.

### *Corrective Actions*

- Identify variances between Execution Year Guidance and the President's Budget to develop mitigations.
  - » Integrate depot maintenance into routine internal evaluations through the Department Risk Management and Internal Controls program.
  - » Establish and implement processes and controls to correct over-spending of depot maintenance through improved planning of availability, more accurate planning, and programming of funding, and improved oversight of the availability of resources.
  - » Develop and implement policies for planning and executing depot maintenance while correctly identifying costs and duration. Use the President's Budget as the baseline for execution year variance tracking.
  - » Enhance the maintenance model used for planning, analysis, and budget development.
  - » Continue quarterly execution reviews pending completion of all scheduled FY 2022 shipyard depot maintenance periods.
  - » Conduct reviews of depot maintenance through the procure to pay forum or successor forums.
  - » Draft and implement procedures detailing the budgeting process for aircraft depot maintenance.
  - » Develop a step-by-step description of the end-to-end budget process, to include supporting documentation.
- NDU has collaborated with installation hosts and other service providers to address long-standing facility maintenance issues and continue to identify and repair all existing code violations. NDU also utilizes the yearly POM process to express funding needs to prepare future execution plans and construction contracts for building restoration and modernization initiatives.

## Personnel and/or Organizational Management

Department-wide; Identified FY 2018 - 2023; Correction Target Date FY 2026

### *Material Weaknesses*

1. The Department's average civilian time-to-hire may negatively affect the Department's ability to attract quality candidates to fill open resource needs on a timely basis.
2. The Department has not implemented a centralized personnel accountability system and standardized reporting formats to enable consistent management of military personnel human resource processes across the geographical Combatant Commands.
3. The Department needs to implement expanded Mission Support requirement.
4. The Department does not have a specific policy on fatigue risk management for Military Health System staff.
5. The Department needs to restructure and improve Medical Treatment Facilities (MTF) and introduce new IT system capabilities to ensure that future MTF assessments use more complete and accurate information about civilian health care quality access, cost-effectiveness, and establish roles, responsibilities, and progress thresholds for MTF transactions.

6. Increased Guidance and Collaboration Needed to Improve DoD's Tracking and Response to Child Abuse.
7. Department needs to continue to monitor morphine milligrams equivalent per day by beneficiary, examine data for unusually high opioid prescriptions, and if appropriate, hold providers accountable for overprescribing opioids. In addition, department needs to implement controls to ensure that prescriptions in the Military Health System Data Repository exist and that the dispense date and the metric quantity field for opioid prescriptions in liquid form in the Military Health System Data Repository are accurate and consistent among all systems.
8. A Management Advisory Memorandum Regarding Internal Control Weaknesses Over TRICARE Payments for the Administration of COVID-19 Vaccines was issued.
9. Opportunity exists to improve access to services supporting caregivers of dependents with special needs. The Director of the Defense Health Agency should communicate in writing to each military branch's Exceptional Family Member Program (EFMP) that there is no TRICARE requirement that another adult remain in the home to access the Extended Care Health Option (ECHO) respite care and determine if additional training is needed to inform EFMP staff on ECHO program requirements.
10. Travel Gainsharing awards were approved and issued to DCMA employees without supporting documentation; the Program lacked established procedures and management oversight.
11. The cyber workforce is understaffed. Overall number of systems requiring authorization through the RMF process is cumbersome and it takes on average, 6 months to fully train and indoctrinate a cyber workforce member to the level that they can build packages in eMASS and fully understand all the policies and procedures associated with the Risk Management Framework.
12. Security does not always submit reportable Insider Threat Incidents with sufficient information, which can lead to noncompliance with DODD 5206.16 - The DoD Insider Threat Program.
13. The hiring process isn't streamlined, and it is continuing to delay the Military Treatment Facilities (MTFs) from quickly filling civilian positions. MTF civilian nurses' salaries are not adequate/competitive, so locations continue to face staffing challenges.
14. The Department continues to operate with some legacy systems that has outgrown their ability to be supported. System functions are being "band-aided" with a skeleton contract staff and no dedicated GS 2210 support. From a cyber perspective, the lack of dedicated government oversight has resulted in none of the core academic systems having a valid ATO which is in direct violation of federal and DoD regulations.

### *Corrective Actions*

- Develop and implement Component-level action plans to reduce time-to-hire. Foster Department-wide cooperation and information sharing by using data analytics and Defense Business Council governance to improve hiring practices. A working group has been established to streamline the hiring process, determine if salaries for MTF civilian nurses are commensurate with each facility's local market and if MTFs are able to hire nurses at those salaries. For locations where MTF salaries are not commensurate with the local market, take appropriate actions that will reduce the disparity in those markets.
- Submit FY25-28 IPL package for Joint Staff involvement, conduct GFM training and implement command-wide use of existing Service accountability system (e.g. DTAS).
- Acquisition and Sustainment (USD(A&S)) is hiring additional FTEs and has assigned Mission Requirement to current FTEs leaving lower priority Mission Requirements unfulfilled.
- The Defense Health Agency (DHA) Patient Safety Program in coordination with the Assistant Secretary of Defense for Health Affairs, would assess enterprise-wide and Military Health System (MHS) specific factors that influence both healthcare-workforce fatigue risk and resiliency. This assessment will inform a plan for developing and implementing policy on healthcare-workforce fatigue risk and resiliency. This assessment will also inform policy planning including targeted, evidence-based resources for training and education on strategies to mitigate healthcare-workforce fatigue and improve healthcare-workforce resiliency.
- DHP will examine and identify quality of care metrics to be used to monitor provider quality at the individual level, augmenting activities already in place. DHP will evaluate new metrics for routine assessment of quality of civilian healthcare (providers, facilities, systems) for communities with larger volumes of DoD beneficiaries. DHP will also develop a new IT system and requirements for Program Management Office, monitor and enforce existing contract

requirements for updates and accuracy of online directories, and educate stakeholders and beneficiaries on the purpose of the directory and how it relates to access to care.

- DHA established a Forensic Healthcare Program to address this material weakness. The FHP improves care of Child Abuse/child sexual assault, Adult/Adolescent sexual assault, and Interpersonal Violence/Domestic violence. The FHP has focused on Military Treatment Facilities (MTFs) providing telemedicine program access to International Association of Forensic Nurses (IAFN) certified examiners, through memorandum of understanding (MOU) agreements or a certification program developed internally. Emphasis has been for the contiguous United States (CONUS) with outside the contiguous US (OCONUS), specifically, Europe and IndoAsia. A forensic healthcare trained and certified market coordinator is conducting need assessments and working to determine the best location for a telemedicine center as well as 24/7 MTF's starting with the Indo Pacific.
- DHA will continue to monitor morphine usage and implement new controls to capture unusually high opioid prescriptions and hold providers accountable for overprescribing opioids. Additional controls will be implemented to ensure that prescriptions in the Military Health System Data Repository exist and are accurate.
- Department continues to conduct annual reviews. If overpayments are identified, the Department will issue recoupment actions (non-voluntary). However, the Department will accept refunds on a voluntary basis separate from any recoupment action, in accordance with TRICARE Operations Manual, Chapter 10.
- DHA will develop a process to oversee the extent to which Military Treatment Facilities (MTFs) are adhering to DHA's guidelines related to pediatric lead screening, testing, treating, and reporting and ensure that these processes are implemented consistently across all military medical treatment facilities.
- The DCMA Travel Gainsharing awards program will design and introduce adequate internal controls that establishes procedures and ensures adequate oversight.
- Utilize funded positions or gain underutilized positions from the Defense Media Activity to classify both positions. Also develop an organization chart depicting the positions and their location in the Directorate of Plans and Technology. Once classified, conduct a Strategic Recruitment Discussion and start the hiring process.
- All cases per the IG findings were reported to DITMAC with four cases rejected due to not meeting DITMAC thresholds and three cases were open for further investigation. The next steps will be to hold an AAR to mitigate these actions from being repeated and following all new policies and procedures to maximize success.
- DHP will implement a streamlined hiring process to reduce the time required to hire new employees.
- Utilize funded positions or gain underutilized positions from the Defense Media Activity to classify both positions. Also develop an organization chart depicting the positions and their location in the Directorate of Plans and Technology. Once classified conduct a Strategic Recruitment Discussion with DLA. Conduct a Job Announcement (JOA) with DLA and place both positions on USAJOBS. Conduct resume reviews, interviews and reference checks and hire the best, qualified candidate for the position.

## Support Services

Department-wide; Identified FY 2018 - 2023; Correction Target Date FY 2026

### *Material Weaknesses*

1. There are inconsistencies with the staffing approach to deliver behavioral health, thus impacting the number of appointments required to meet patient demand. Improvements in monitoring referral usage, outcomes, and standardized access/measurement tools are needed.
2. The Assistant Secretary of Defense for Health Affairs, in coordination with the Director of the Defense Health Agency (DHA) and the Service Surgeons General need to establish consistent policies and procedures to manage suicide risk screening and referral as part of the medical process for transitioning Service members.
3. There is a need for the standardized management of medical histories and line of duty documentation for deployed or temporary duty Reserve Component Service members, across all Services so that both are complete and available to their units in a timely manner.

4. The Defense Security Cooperation Agency (DSCA) does not have a process in place to oversee, coordinate, and monitor the Implementing Agencies' (IA) RMIC activities to ensure that Security Assistance Account (SAA) financial reporting objectives are achieved, being that the majority of SAA's financial activity is performed by IAs in separate and distinct control environments that are outside the scope of DSCA's RMIC program.
5. DHP can enhance oversight of provider performance by expanding the use of quality measures for both direct and purchase care.

### *Corrective Actions*

- DHA will update procedural instructions to address access standards for non-urgent initial behavioral health assessments, along with all standardized access measures. There have been advancements made to the Direct Access Reporting Tool (DART) over the past 18 months and improvements for monitoring access to mental health services were included. The new Provider Staffing Tool will help the data be collected.
- DoD is transitioning to a new Electronic Medical Records (EMR) system. The new EMR system will facilitate separation health assessment utilization and tracking as Service members' transition from the MHS to care at the VA. DHA will use the in Transition program to connect separating Servicemembers who have received behavioral health care 12 months prior to their separation to behavioral health care at their next health care setting. DHA will also increase MTF leadership and clinician awareness of the in Transition.
- The Under Secretary of Defense for Personnel and Readiness will establish a standardized DoD form(s) and procedures that provide access for all Reserve Component Service members to line of duty care at all military treatment facilities (MTFs).
- Department needs to develop and implement a process to coordinate, verify and monitor IA SAA ELC practices.
- DHA is working to enhance oversight of provider performance by expanding existing metrics and establishing performance standards related to direct and purchase care at the provider level and expand the range of quality measure types and medical conditions that are assessed. The DHA has made changes to the next round of TRICARE contracts to establish specific clinical quality requirements with expectations for meeting consistent standards. New requirements for clinical quality monitoring at the individual level has also been incorporated into the next round of the TRICARE contract. Anticipate that measures will be integrated in Q1 CY 2025 and any improvement will take place during CY 2025.



## Supply Operations

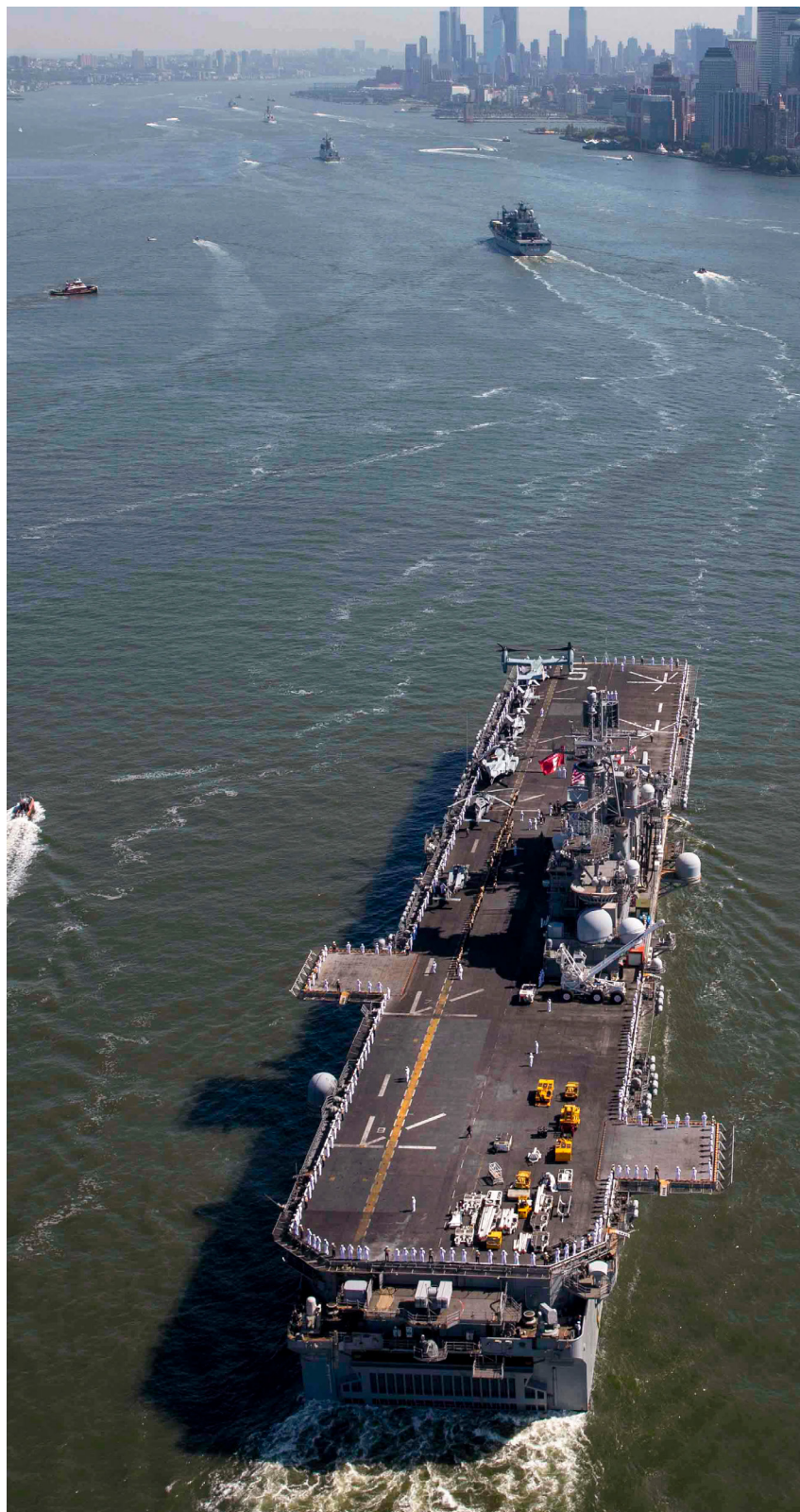
Department-wide; Identified FY 2018 - 2021;  
Correction Target Date FY 2026

### *Material Weaknesses*

1. The department did not properly demilitarize consumable parts, transfer them, or document disposal and demilitarization in accordance with guidance.
2. The DON lacks adequate policies and procedures to account for and financially report, property in the possession of contractors, primarily Government Furnished Property (GFP) as well as Contractor Acquired Property (CAP).

### *Corrective Actions*

- Update guidance to clearly require (a) all base-level personnel to follow the Department's guidance for demilitarization and (b) decentralized materiel support personnel to assist maintenance personnel with identification and disposal requirements of consumable items with demilitarization codes. Also, develop and provide training to ensure all users are aware of consumable item demilitarization and disposal requirements and establish oversight to ensure all Air Logistics Complex personnel follow established demilitarization procedures.
- The DON will develop and implement financial policies, procedures, and controls to ensure a 100% physical inventory is performed for GFP and CAP. Once completed, the DON will update the asset records in an approved Accountable Property System of Record (APSR).



*The USS Bataan participates in the Parade of Ships at the start of Fleet Week New York, May 22, 2024. Fleet Week New York is a sea service celebration that allows citizens of the surrounding region to see today's maritime capabilities firsthand. This is the 36th year; about 2,300 service members will be participating. (Photo by Navy Petty Officer 2nd Class Malachi Lakey)*

## FMFIA SECTION 4, CONFORMANCE WITH FEDERAL FINANCIAL MANAGEMENT SYSTEMS REQUIREMENTS

In accordance with FMFIA section 4, the Department requires that all DoD financial systems comply with federal financial management system requirements. **Exhibit 4** lists the number of instances of non-conformance with federal financial management systems requirements and reports the changes from the instances of non-conformance disclosed in the DoD AFR for FY 2024.

### Exhibit 4. FY 2024 Conformance with Federal Financial Management System Requirements (FMFIA §4)

STATEMENT OF ASSURANCE: NO ASSURANCE					
Non-Conformance	Beginning Balance	New	Resolved	Consolidated	Ending Balance
Financial Management Systems Modernization <sup>7</sup>	1				1
IT Controls (FISCAM)	1				1
FFMIA Compliance	1				1
<b>Total Material Weaknesses</b>	<b>3</b>				<b>3</b>

## FFMIA SECTION 803(A), IMPLEMENTATION OF FEDERAL FINANCIAL MANAGEMENT IMPROVEMENTS

**Exhibit 5** lists the FY 2024 instances of non-compliance with Section 803(a) of the FFMIA, which requires each federal agency to implement and maintain financial management systems that comply substantially with (1) federal financial management systems requirements, (2) applicable federal accounting standards, and (3) the United States Government Standard General Ledger (USSGL) at the transaction level.

### Exhibit 5. FY 2024 Compliance with Section 803(A) of the Federal Financial Management Improvements Act (FFMIA)

	Agency	Auditor
Federal Financial Management Systems Requirements	Lack of Compliance Noted	Lack of Compliance Noted
Applicable Federal Accounting Standards	Lack of Compliance Noted	Lack of Compliance Noted
USSGL at Transaction Level	Lack of Compliance Noted	Lack of Compliance Noted

<sup>7</sup> Formerly Business System Modernization.



## Financial Management Systems Modernization

Department-wide; Identified FY 2001; Correction Target FY 2031 (see note)

### *Non-Conformance*

1. Delays in achieving business system modernization targets has resulted in degraded DoD business process operations to include efficiency, effectiveness, and non-compliance with certain laws (e.g., FFMIA). In addition, the number of applications, hosting locations, interfaces, and other variations in technology create a complex environment where it is difficult to maintain effective IT general and application controls (including information security). The Department needs to continuously focus on simplifying and modernizing its business systems environment by ensuring existing and future systems are secure, compliant, and auditable.

### *Corrective Actions*

- Continue to mature and sustain the integrated Enterprise Financial Management IT application to identify, prioritize, and track system migrations and retirements that will simplify the Department's business systems environment and increase the security, compliance, and auditability of systems, to include improving data quality in authoritative systems, such as the DoD Information Technology Portfolio Repository (DITPR).
- Continue to consolidate DoD general ledger systems by enabling and tracking the Department's migration to enterprise resource planning (ERP) systems and retirement of vulnerable systems to allow for large-scale audit improvements and an enhanced business systems environment.
- Develop and implement assessment(s) and a series of monitoring tools to integrate and evolve the method of evaluating and measuring progress towards achieving a more efficient and auditable defense business system environment. Specifically, the Department will continue to mature and develop new metrics allowing for easy visibility of system planned migration and retirement plans, system compliance, system cost, system dependencies, and system health, etc.
- Leverage the notice of findings and recommendations (NFR) database to monitor and report on the status of corrective action plans and NFR closures.
- Leverage existing working groups and governance bodies to influence business system investment decisions and ensure modernization efforts remain on track.

**Note:** The Correction Target date was adjusted from FY 2028 to FY 2031. The change in Correction Target is due to a delay in the implementation of corrective actions.

## IT Controls

Department-wide, Identified FY 2001; Correction Target FY 2026

### *Non-Conformance*

1. The DoD IT systems environment includes numerous vulnerable systems and core enterprise systems that support the major end-to-end processes and ERP systems. Most of the vulnerable systems were originally designed to support functional purposes (such as human resources, property, and logistics management) rather than the development of auditable financial statement reporting. Many of these systems do not comply with Federal Information System Controls Audit Manual (FISCAM) requirements with regards to entity-level technology controls, application-level general controls, and automated application controls (including security management access, segregation of duties, configuration management, system interfaces, master data, and audit trails).

## *Corrective Actions*

- Continue to implement an enterprise ICAM solution to provide user identity attributes; validate user access rights to protected systems; and facilitate the provision, revocation, and management of user access rights.
- Continue to use the NFR database, leverage technology (e.g., Advana) and the IT Functional Council to track remediation status and identify common solutions to material weaknesses and Department-wide issues.
- Continue to analyze the current IT NFRs and prioritize issues with the most significant audit and security impacts, including access control deficiencies to help safeguard sensitive data from unauthorized access and misuse.
- Align the Risk Management Framework (RMF) with audit results, as the DoD RMF is essential to the Department's ability to self-identify issues and sustain improvements. Summarize the results of security control assessment reviews performed and develop a plan to remediate identified issues.
- Revise and publish an updated Financial Management Overlay with integrated assessment procedures by December 2024.

## FFMIA Compliance

Department-wide; Identified FY 2001; Correction Target FY 2032 (see note)

### *Non-Conformance*

1. The Department's financial systems currently do not provide the capability to record financial transactions in compliance with:
  - a. Current federal financial management requirements
  - b. Applicable federal accounting standards
  - c. USSGL at the transaction level

### *Corrective Actions*

- Continue to focus on reducing vulnerable financial management systems, investing in business systems, evolving the role of service providers, and leveraging machine learning, artificial intelligence, robotics process automation and/or other automation technologies to improve trust and/or enhance financial reporting.
- Continue to monitor the deployment of FFMIA-compliant business solutions throughout the Department that enable the reduction of vulnerable financial management systems. Implement requirement that non-FFMIA-complaint systems establish a retirement date or modernization plan with milestones on when they will become FFMIA-compliant.
- Continue financial systems reviews, integrating results with IT investment decisions associated with DoD's Financial Auditability Requirements to include FFMIA compliance of systems relevant to internal controls over financial reporting, this includes monitoring improvement plans with corrective actions for non-compliant systems that will endure, and ensuring funding is secured to address FFMIA compliance gaps.
- Partner with key stakeholders to identify, prioritize, and implement system change requests, prioritizing known system auditability deficiencies (ex: NFRs), by establishing clear guidance to address internal controls to enable additional capabilities, standardized processes, and information.
- Deploy additional automation compliance tools to measure and track the implementation of DoD's Financial Auditability Requirements (ex: FFMIA) and retain a clear line of sight on the systems within our Enterprise FM IT Roadmap.
- Consolidate portfolio management tools and implement tools to improve data quality.

**Note:** The Correction Target date was adjusted from FY 2028 to FY 2032. The change in Correction Target is due to a delay in the implementation of corrective actions.

# REVENUE FORGONE

Defense Logistics Agency (DLA) Energy provides a fuel service to both military and public entities. The price for fuel supplied is determined by OUSD(C). Often, DLA Energy prices do not match full cost or market prices, and therefore, DLA Energy can incur a loss in terms of revenue forgone for a given fiscal year.

Revenue forgone denotes the difference between the price DLA charges in exchange transactions and the full cost or market price. DLA Energy's incurred revenue forgone from fuel sales totaled \$502.6 million for the year ended September 30, 2024. The demand for the quantity of petroleum products did not change as a result of the difference in price. While DLA Working Capital Fund (WCF) calculates the dollar impact of revenue forgone using the Standard Fuel Price (SFP), certain transactions recorded by DLA use the cost-plus method.

Revenue forgone, as disclosed above, is presented on a net basis. However, higher prices based on full cost or market price might reduce the quantity of goods or services demanded and, therefore, the difference between revenue received and such higher prices does not necessarily provide an indication of revenue forgone.

# MANAGEMENT AND PERFORMANCE CHALLENGES

In accordance with the [Reports Consolidation Act of 2000](#), the DoD Office of the Inspector General ([DoD OIG](#)) prepares an annual statement that summarizes what they consider to be the most serious management and performance challenges facing the Department. This statement is included in a larger DoD OIG report that provides additional background and descriptive information about each challenge as well as an assessment of the Department's progress in addressing the challenges.

The DoD OIG uses the Management Challenges report as a research and planning tool to identify areas of risk in DoD operations. As the report is forward-looking and outlines the most significant management and performance challenges facing the Department now and, in the future, it is labeled as FY 2025 rather than FY 2024 to reflect its forward-looking orientation.

The DoD OIG's statement and executive summary of the most serious management and performance challenges facing the Department are included on the following pages. The complete DoD OIG report on FY 2024 Top DoD Management Challenges and similar reports from previous years are available at the [DoD OIG website](#).



*Army Pvt. 1st Class Javarous Harrison works with military working dog Honda at Fort Gregg-Adams, Va., March 15, 2024. (Photo by Ericka Gillespie, Army)*





# INSPECTOR GENERAL

*U.S. Department of Defense*

FISCAL YEAR 2025

## TOP DOD MANAGEMENT AND PERFORMANCE CHALLENGES



INDEPENDENCE ★ INTEGRITY ★ EXCELLENCE ★ TRANSPARENCY

## Mission

*We promote the economy, efficiency, and effectiveness of DoD programs, and the integrity of its workforce and operations, through impactful audits, evaluations, investigations, and reviews.*

## Vision

*We are a high-performing team driving positive change.*





**INSPECTOR GENERAL  
DEPARTMENT OF DEFENSE**  
4800 MARK CENTER DRIVE  
ALEXANDRIA, VIRGINIA 22350-1500



October 15, 2024

The Department of Defense Office of Inspector General (DoD OIG) is required by statute to annually summarize the most serious management and performance challenges facing the DoD and briefly assess the DoD's progress in addressing those challenges. I am pleased to submit the FY 2025 Top DoD Management and Performance Challenges to fulfill this requirement.

The DoD is vast and faces myriad challenges that can be categorized and analyzed in various thematic ways. This year, the DoD OIG has identified six overarching challenges. As part of our independent assessment, we considered programmatic work conducted by the DoD OIG and, within each challenge, we discuss related findings and recommendations from recent DoD OIG audits, evaluations, and investigations. We also reviewed information from a wide range of other sources, including congressional hearings and legislation, professional research institute publications, Government Accountability Office oversight reports, and DoD strategic documents and plans. Additionally, we considered input from DoD officials across the defense enterprise, obtained in response to solicitations for comment and in engagements by myself and other DoD OIG personnel, as well as input provided by our partners in the DoD oversight community.

The challenges discussed in this year's report are neither exhaustive nor listed in order of importance or severity. We identify some of the major contributing factors affecting management and performance in each area, but there are other considerations that may be at play as well. As this report reflects the DoD OIG's assessment of the most significant challenges currently facing the DoD, it also provides a valuable framework for focusing the audits and evaluations described in our Annual Oversight Plan on the areas where our programmatic oversight can have the greatest positive impact. Consistent with our obligations under the law, we remain committed to conducting agile and relevant oversight and to keeping the DoD's leadership and Congress fully informed of issues identified through our work so that timely actions can be taken to address them. It is a privilege to lead the team of outstanding oversight professionals who prepared this report and who work on an ongoing basis at the DoD OIG to carry out our mission to conduct independent and impactful oversight that promotes the economy, efficiency, and effectiveness of DoD programs, and the integrity of its workforce and operations.

A handwritten signature in black ink, appearing to read "Robert P. Storch".

Robert P. Storch  
Inspector General



## Executive Summary

Pursuant to the Reports Consolidation Act of 2000, Pub. L. 106-531, the DoD Office of Inspector General (DoD OIG) is providing this annual statement from the Inspector General (IG) summarizing the DoD's "most serious management and performance challenges." To fulfill this requirement, the DoD OIG analyzed completed, ongoing, and planned DoD OIG oversight work; input from leaders across the DoD; and the DoD's strategic documents. We also reviewed congressional testimonies, analyses from professional research institutes, and oversight work from the Government Accountability Office. Additionally, as the head of the Defense Council on Integrity and Efficiency, the IG solicited and obtained input from Inspectors General, Auditors General, and other members of the defense oversight community.

In this report, the DoD OIG presents six challenges that we consider to be particularly significant matters facing the DoD in the upcoming fiscal year. For each challenge, we discuss potential impacts on the management and performance of critical DoD programs, as well as the DoD's progress in responding to these challenges. The challenges are not listed in order of priority or importance, and progress in addressing all six is critical to ensuring the DoD meets its mission to provide the military force needed to deter war and ensure our nation's security.

### *The FY 2025 Top DoD Management and Performance Challenges and Key Concerns*

Challenges	Key Concerns
1. Increasing Military Readiness	<ul style="list-style-type: none"> <li>Shortages of military recruits, civilian personnel, and military healthcare workers</li> <li>Aging equipment and inadequate maintenance</li> <li>Barriers to Service member healthcare access</li> </ul>
2. Strengthening the Capabilities and Capacities of Allies and Partners	<ul style="list-style-type: none"> <li>Increased global influence from the People's Republic of China and Russia</li> <li>Limited oversight of security cooperation efforts</li> <li>Obstacles to information sharing and interoperability with partners</li> </ul>
3. Protecting Defense Critical Infrastructure	<ul style="list-style-type: none"> <li>Continued cyber threats to defense critical infrastructure networks and the defense industrial base</li> <li>Vulnerability to climate and extreme weather</li> </ul>

*The FY 2025 Top DoD Management and Performance Challenges and Key Concerns (cont'd)*

Challenges	Key Concerns
4. Improving Financial Management	<ul style="list-style-type: none"> <li>• Inadequate controls over financial data and accounting records</li> <li>• Shortages of skilled personnel</li> <li>• Outdated financial data management systems</li> <li>• Inconsistent availability of resources</li> </ul>
5. Improving Quality of Life for Military Families	<ul style="list-style-type: none"> <li>• Inconsistent availability, quality, and cost of healthcare, housing, and childcare</li> <li>• Limited spousal support opportunities</li> <li>• Barriers to financial stability</li> <li>• Limited availability and quality of beneficiary programs</li> </ul>
6. Building the Future Force	<ul style="list-style-type: none"> <li>• Delayed and over budget acquisitions</li> <li>• Adverse effects of the consolidated defense industrial base</li> <li>• Inconsistent administration of modernization programs</li> <li>• Increased competition in cyber, space, and electromagnetic operations</li> </ul>

**CHANGES FROM THE FY 2024 TOP MANAGEMENT AND PERFORMANCE CHALLENGES**

For this year’s report, we reframed several of last year’s challenges to reflect shifts over time and the emergence of new focal areas. However, the change in the organization and overall number of challenges does not reflect the resolution or diminished importance of previously identified challenges.

One of this year’s challenges, Protecting Defense Critical Infrastructure, incorporates aspects of several challenges from FY 2024 relating to cybersecurity operations, defense industrial base modernization, and climate resilience. Additionally, last year’s challenges on the health and wellness of Service members and workforce recruiting are reflected in three of this year’s challenges to which they directly apply—Increasing Military Readiness, Improving Financial Management, and Improving Quality of Life for Military Families. Similarly, challenges with leveraging data as a strategic asset that we have highlighted since FY 2021 are included in several of this year’s challenges.

In FY 2025, we have also introduced the challenges Building the Force of the Future and Strengthening the Capabilities and Capacities of Allies and Partners. These two challenges incorporate and expand on prior years’ challenges related to modernization and strategic competition.

## STRATEGIC ENVIRONMENT

As the DoD continues to address challenges posed by near-peer competitors, the People's Republic of China and Russia, as well as ongoing and emerging threats from other actors and sources, the DoD must balance ensuring readiness to meet current threats with preparing the Force to meet future threats. The DoD must also reaffirm and strengthen its relationships with allies and partners, which are increasingly important since Russia's full-scale invasion of Ukraine in 2022 and the DoD's provision of military assistance and training as part of an international effort to support the Ukrainian Armed Forces.

The DoD faces difficulties resulting from the decline in the size of its military workforce, weaknesses in its quality-of-life programs, and the effects of recurring continuing resolutions. Although there have been recent successes, recruiting and retaining both Service members and civilians remains a challenge for the DoD and impacts its ability to maintain a robust and ready force. Additionally, the DoD faces significant challenges in hiring and retaining personnel with specialized skills in areas such as financial management, acquisition, cybersecurity, and healthcare.

Challenges related to quality of life are of fundamental importance to Service members and their families, and these challenges are key focus areas for the DoD and Congress. Issues concerning the limited availability of quality housing, specialty healthcare, and adequate support for military spouses can affect the wellness of Service members and their families and therefore negatively impact military readiness. It is essential for the DoD to continue its efforts to provide the Force with safe and healthy environments in which they can live and work.

The impact of continuing resolutions is also an issue for the DoD and we have reflected its importance in multiple challenges in this year's report. In a recent memo to the House Committee on Appropriations, the Secretary of Defense detailed the impacts of continuing resolutions on the DoD, including insufficient funds for recruiting bonuses and personnel benefits, delays in fielding and modernizing weapon systems, and postponement of readiness activities such as equipment maintenance and training, and we are doing ongoing work examining DoD's ability to effectively manage acquisition programs under continuing resolutions.

## Whistleblower Protection

### U.S. DEPARTMENT OF DEFENSE

*Whistleblower Protection safeguards DoD employees against retaliation for protected disclosures that expose possible fraud, waste, and abuse in Government programs. For more information, please visit the Whistleblower webpage at [www.dodig.mil/Components/Administrative-Investigations/Whistleblower-Reprisal-Investigations/Whistleblower-Reprisal/](http://www.dodig.mil/Components/Administrative-Investigations/Whistleblower-Reprisal-Investigations/Whistleblower-Reprisal/) or contact the Whistleblower Protection Coordinator at [Whistleblowerprotectioncoordinator@dodig.mil](mailto:Whistleblowerprotectioncoordinator@dodig.mil)*

## For more information about DoD OIG reports or activities, please contact us:

**Congressional Liaison**  
703.604.8324

**Media Contact**  
[public.affairs@dodig.mil](mailto:public.affairs@dodig.mil); 703.604.8324



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4800 Mark Center Drive  
Alexandria, Virginia 22350-1500  
[www.dodig.mil](http://www.dodig.mil)  
DoD Hotline 1.800.424.9098



# PAYMENT INTEGRITY INFORMATION ACT REPORTING

The reduction of improper payments and compliance with the Payment Integrity Information Act of 2019 ([PIIA](#)) continues to be a top financial management priority for the Department. The Department supports PIIA compliance through the activities of its Payment Integrity program, which comprises 48 separate programs. Collectively, these programs constitute the majority of payments made by the Department annually. This section provides an overview of the FY 2024 results of the Department's Payment Integrity program.

Per [OMB Circular A-123, Appendix C, Requirements for Payment Integrity Improvement](#), all programs with annual outlays over \$10 million fall into one of two possible classifications: Phase 1 or Phase 2.

## Phase 1: Identify Susceptible Programs and Activities with an Improper Payment Risk Assessment.

Programs classified in this phase undergo a risk assessment to determine susceptibility to improper and unknown payments above the statutory threshold.<sup>1</sup> Programs not deemed susceptible to improper and unknown payments above the statutory threshold will undergo a risk assessment every three years.

The Department conducts comprehensive risk assessments on unique data characteristics and subpopulation groups. Most of these groups are not expected to be susceptible to significant improper and unknown payments due to the strength of their internal controls which mitigate risk. Programs deemed susceptible to significant improper and unknown payments must transition to Phase 2.

Actions were initiated in FY 2022 and built upon in FY 2023 through the successful restructuring of the Defense Health Agency Military Health Benefits portfolio. The restructuring involved dividing the large Military Health Benefits program into six smaller, more manageable programs. This strategic division allowed the Department to concentrate on the unique risks and controls associated with each program. As a result of the restructure and targeted focus on program-specific risk factors and mitigating controls, the Department achieved PIIA compliance for the first time in the Military Health Benefits portfolio. The Department then examined all programs to understand the correlation between individual subgroup error rates and their combined program error rates. The Department found that robust internal control processes directly contributed to the individual program's lower projected improper and unknown payment rates. The Department-wide efforts in FY 2024 were focused on performing comprehensive risk assessments to document, identify, and classify the inherent risks and mitigating factors of payment types. As such, the Department leveraged this reorganization to develop and implement appropriate internal controls to reduce improper and unknown payments and uphold financial stewardship of taxpayer money. This strategy aligns with the OMB's Joint Financial Management Improvement Program and demonstrates that PIIA compliance is achievable through the Department's current internal control environment.

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<sup>1</sup> Programs are considered to be above the statutory threshold if they are reporting an annual improper and unknown payments estimate that is either above \$10,000,000 and 1.5% of the program's total annual outlays or above \$100,000,000 regardless of the associated percentage of the program's total annual outlays that the estimated improper and unknown payments amount represents.



## Phase 2: Report Improper Payment Estimates for Identified Susceptible Programs with a Statistically Valid Sampling and Estimation Methodology.

Programs classified in this phase will use a statistically valid sampling and estimation methodology to report an annual improper and unknown payments estimate. Phase 2 is not required if the results of Phase 1 indicate that the program is not likely to be susceptible to significant improper and unknown payments.

Phase 2 operations target programs anticipated to exceed the OMB statutory threshold for improper and unknown payments. Under the PIIA compliance requirements, the Department of Defense (DoD) Office of Inspector General determined that the Department produced unreliable improper payment and unknown payment estimates for the third consecutive year. Although the Department produced statistically valid sampling plans, the Phase 2 programs were non-compliant with the PIIA because the Department could not validate the characteristics of the population variances between the entitlement and disbursing systems. To mitigate this deficiency, the Department divided the Phase 2 programs into more discreet payment populations with similar characteristics and internal control profiles. This will allow the DoD to demonstrate incremental progress towards PIIA compliance. This reorganization has increased the number of Phase 1 programs from eight in FY 2023 to 42 in FY 2024 and decreased the number of Phase 2 programs from eight in FY 2023 to six in FY 2024. See [PaymentAccuracy.gov](#) for the Department's complete list of programs and additional information related to corrective actions and payment recovery efforts.

A working group was established in FY 2024 and will continue into FY 2025. The working group's goal is to develop and implement a standardized process to identify each program's UoT population data characteristics, validate the completeness of the UoT payment population, and produce reliable improper and unknown payment estimates.

Reliable estimates are crucial for DoD to accurately assess the Department's ability to maintain payment integrity. This information guides the direction of the DoD's Payment Integrity efforts, helps identify high risk areas, and determines the appropriate allocation of resources for establishing internal controls and processes to prevent and recover improper payments.



*Arlan Russell and his parents pose for a photograph with a Marine Corps color guard at the conclusion of his Honorary Marine ceremony at Orting Middle School in Orting, Wash., June 8, 2024. The title of Honorary Marine is an honor bestowed by the Commandant of the Marine Corps to civilians who have made extraordinary contributions to the Marine Corps. The program began in 1992 and is intended to strengthen the bond between the American people and the Marine Corps. Notable Honorary Marines include Chuck Norris, Gary Sinise, and Joe Rosenthal. Russell is the 109th person to earn the title of Honorary Marine.*

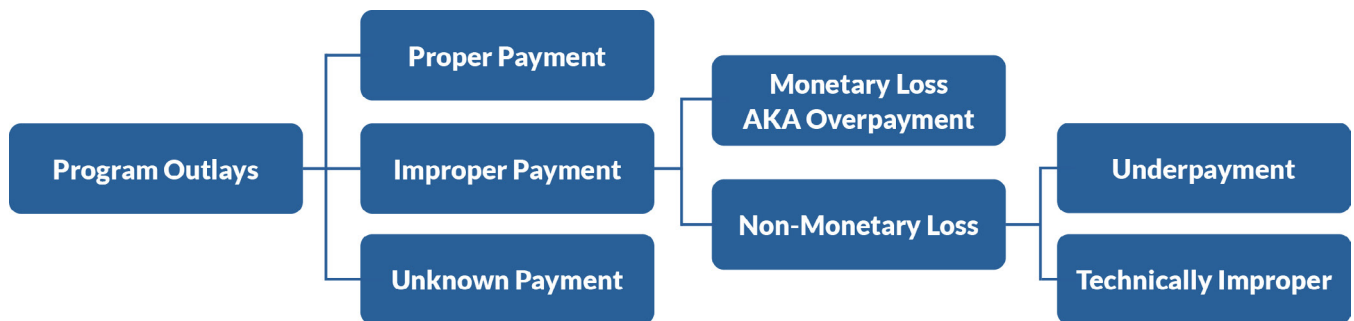


In accordance with OMB Circular No. A-123, Appendix C, the Department categorizes all program outlays as one of three payment types: proper payment, improper payment, or unknown payment. A payment is reported as ‘proper’ if it was made to the right recipient for the right amount, reported as ‘improper’ if it was made in an incorrect amount or to the wrong recipient, and reported as ‘unknown’ for instances where the Department was unable to determine whether the payment falls into the proper or improper category as a result of insufficient or lack of documentation.

In FY 2024, the Department’s estimated improper payments were reported in three separate categories per OMB guidance (see **Exhibit 6**):

- Overpayments are payments in excess of what is due. When an overpayment occurs, the improper amount is the difference between the amount due and the amount of the overpayment. Overpayments result in monetary or cash losses that should not have been paid and in theory should be recovered by the Department.
- Underpayments are payments that are less than what is due. When an underpayment occurs, the improper amount is the difference between the amount due and the amount of the underpayment. Underpayments are non-monetary losses to the Department.
- Technically Improper Payments are payments made to an otherwise qualified recipient for the right amount, but the payment failed to meet all regulatory or statutory requirements. Technically improper payments are non-monetary losses to the Department.

**Exhibit 6. OMB Payment Type and Improper Payment Type Categories**



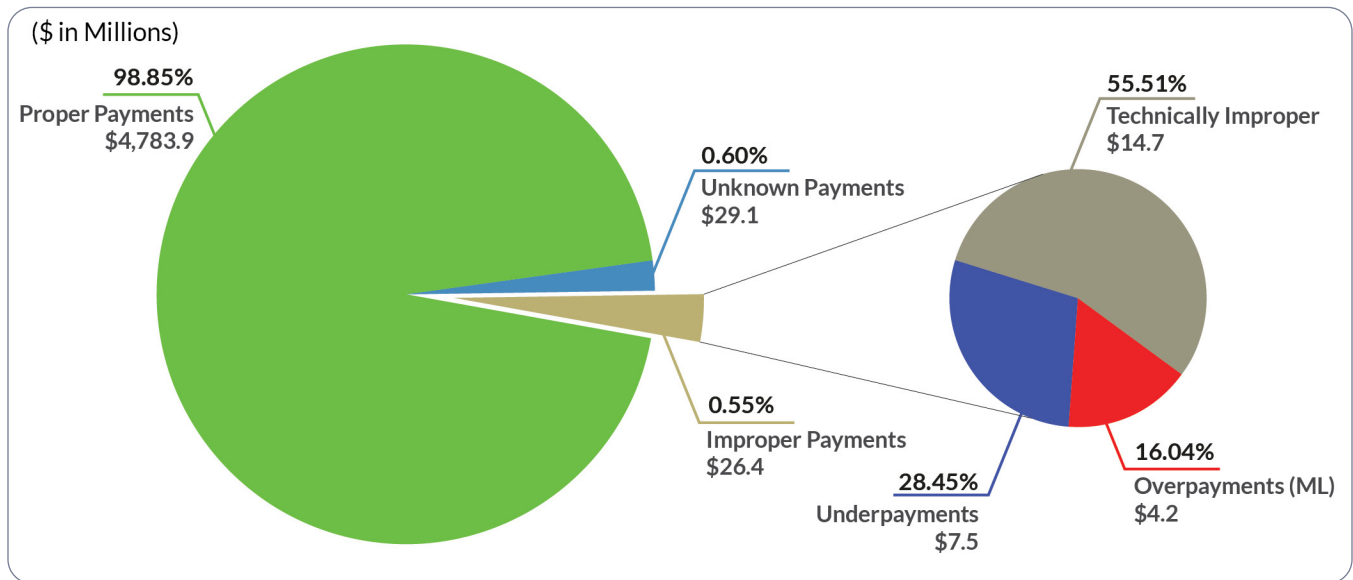
**PHASE 2 PROGRAM RESULTS**

The estimated improper payment rates reported for all six Phase 2 programs were below the PIIA statutory threshold of 10 percent and most of the improper payments identified did not result in monetary losses or incidents of fraud, waste, and abuse.

Overall, the Department Phase 2 programs identified \$256,004.5 million in payments or outlays<sup>2</sup> subject to testing under the PIIA and estimated a proper payment rate of 99.58 percent (254,917.8 million), an improper payment rate of approximately 0.25 percent (\$635.3 million), and an unknown payment rate of approximately 0.17 percent (\$451.4 million). There are not direct comparisons of the Department’s FY 2024 outlays, proper payment, improper payment, and unknown payment amounts to the prior year amounts because a significant volume of disbursements was recategorized from Phase 2 to Phase 1 in FY 2024. The below section describes the improper and unknown payment amounts, projected rates, causes and the mitigating actions planned for the Department’s six Phase 2 programs.

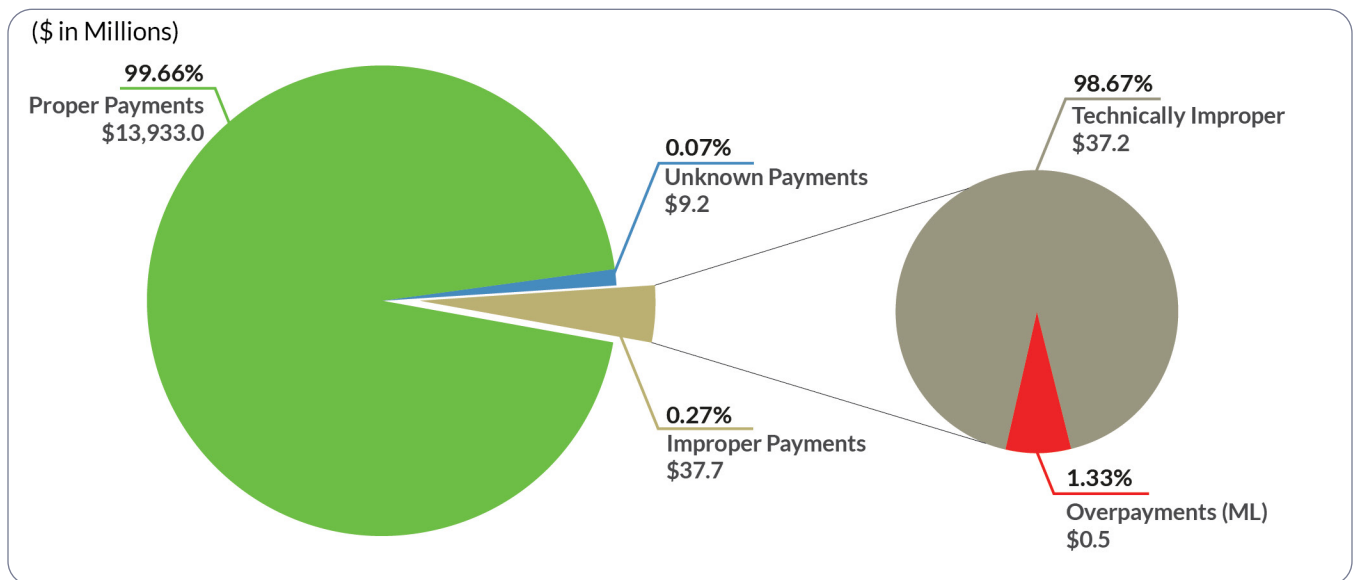
<sup>2</sup> The Independent Auditor’s Report on the DoD FY 2024 and FY 2023 Principal Financial Statements issued by the Office of Inspector General identified a material weakness related to the Universe of Transactions.

**Military Pay Army – National Guard:** Payments disbursed by DFAS for the Army to National Guard Service members for salary, benefits, and other compensation entitlements.



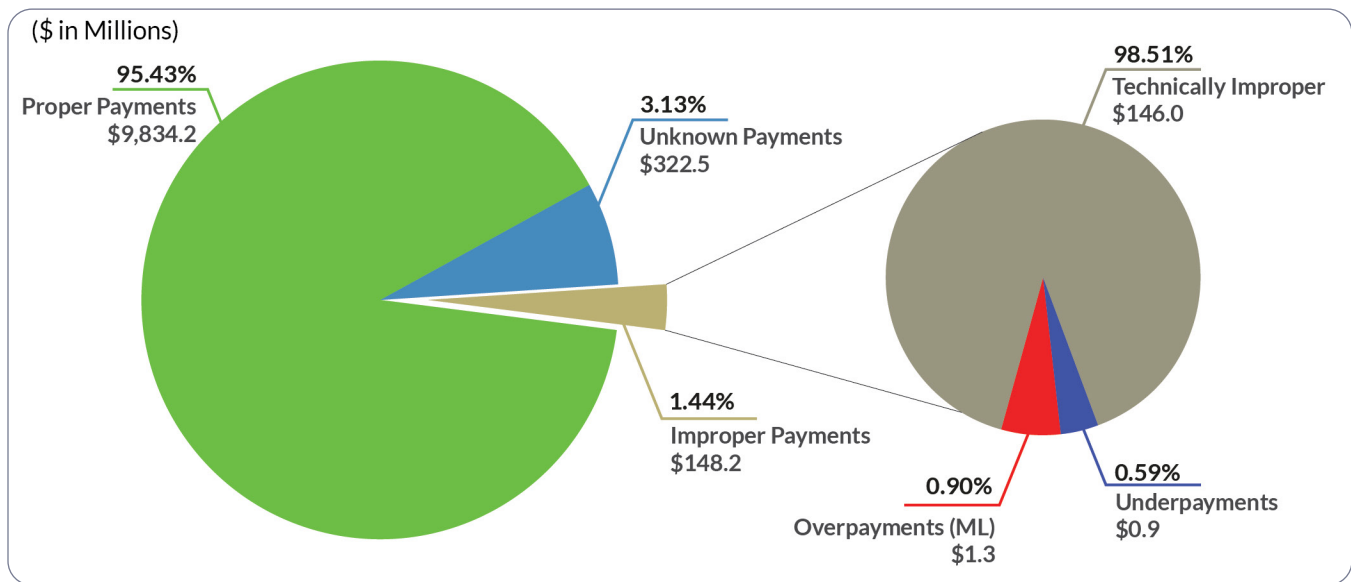
In FY 2024, the Department reported an estimated \$55.5 million (or 1.15 percent) in improper and unknown payments for the Military Pay Army – National Guard (ARNG) program. The improper payment errors were primarily attributed to incorrect amounts for basic pay and basic allowance for housing due to incorrect rank and/or dependent status of the service members. Additionally, housing allowance payments were made without the proper form or missing signatures. The primary reason for unknown payments was due to key supporting documents not in the designated repositories and subsequently not readily available to be reviewed. The ARNG will continue to provide Military Pay training to pay processing personnel, with an emphasis on maintaining and updating service member records in the appropriate repositories. In FY 2025, ARNG will start a Military Pay Certification Program for new pay technicians.

**Civilian Pay – Army:** Payments disbursed by DFAS to Army civilian employees for salary, benefits, and other compensation entitlements.



In FY 2024, the Department reported an estimated total of \$46.9 million (or 0.34 percent) in improper and unknown payments for the Civilian Pay Army program. The improper payment errors were primarily attributed to payments received from improperly signed forms required to authorize the payments. Although the civilian employees were entitled to receive the payments, the payments were technically improper because the forms were not signed by the required approving authorities. In addition, the unknown payment errors identified were primarily due to missing forms and other supporting documentation (e.g., Travel Orders) to authorize or substantiate the payments.

**Civilian Pay – ODO:** Payments disbursed by DFAS to federal civilian employees for salary, benefits, and other compensation entitlements.

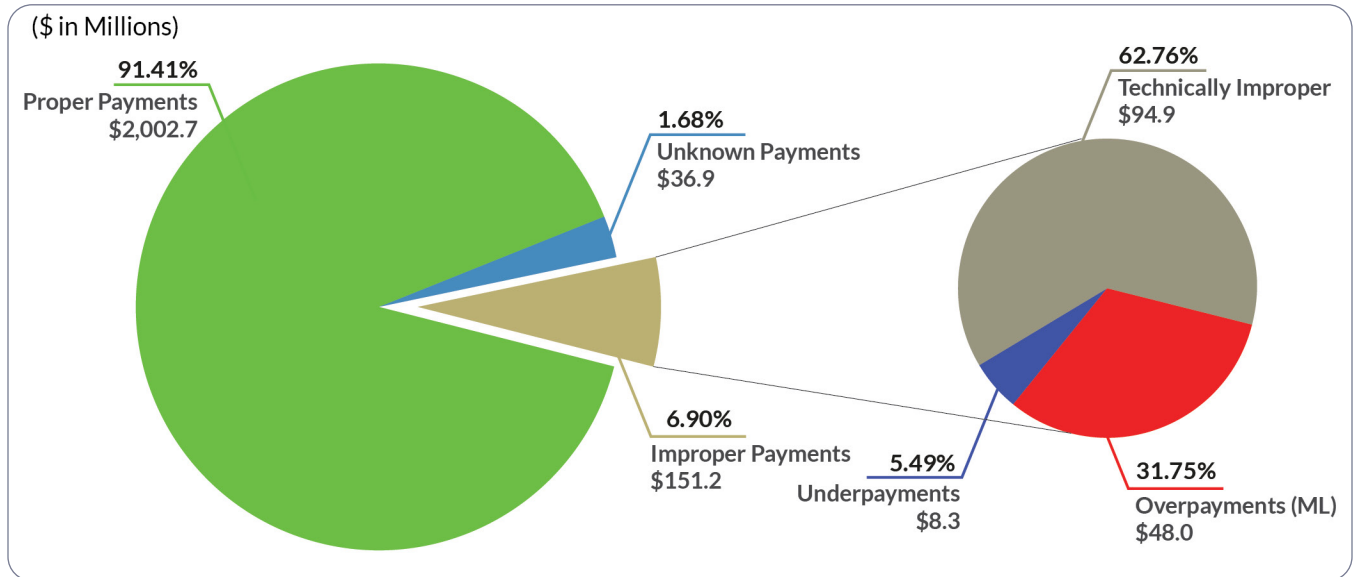


In FY 2024, the Department reported an estimated \$470.7 million (or 4.57 percent) in improper and unknown payments for the Civilian Pay – ODO program. The improper payment errors were primarily attributed to various forms with unsuitable signatures; either missing the approving signature, the signature did not match, or the signature was an image. There were also rate discrepancies from the employee salary forms, resulting in overpayments. The unknown payment errors identified were primarily due to missing forms and other supporting documentation from the reorganization of roles and new personnel not familiar with the process for retaining or providing the appropriate documents. The Department will develop training materials that outline the steps for document retention and maintenance, including guidelines for pulling requested documents for auditors/reviewers in a timely manner. In addition, the Department will implement stronger controls around reviewing and inputting information from salary forms.



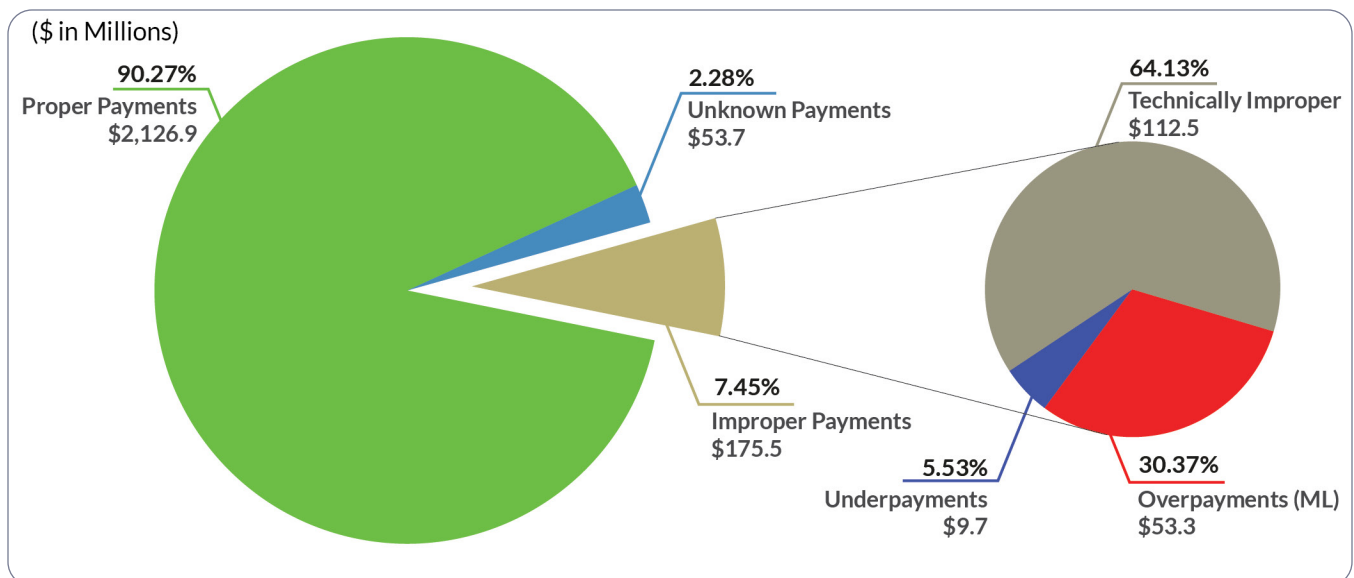
*U.S. Army Capt. Chris Bissett and Warrant Officer Eric Mendoza, pilots, and U.S. Army Staff Sgt. Daniel Pechacek, crew chief, all assigned to Alpha Company, 12th Aviation Battalion, The Army Aviation Brigade, fly a VH-60M Black Hawk over the Potomac River near the National Mall, Washington, D.C., March 25, 2024. The 12th Aviation Battalion uses VH-60M “gold top” Black Hawks to conduct priority air transport in support of Department of the Army senior leadership and other senior Department of Defense officials. (Photo by Nicholas Priest, U.S. Air Force)*

**DoD Travel Pay Army – DTS:** Payments disbursed by the Army, through the Defense Travel System (DTS), to Active, Reserve, and National Guard Military Service members and civilian employees for temporary and permanent travel and transportation-related expenses.



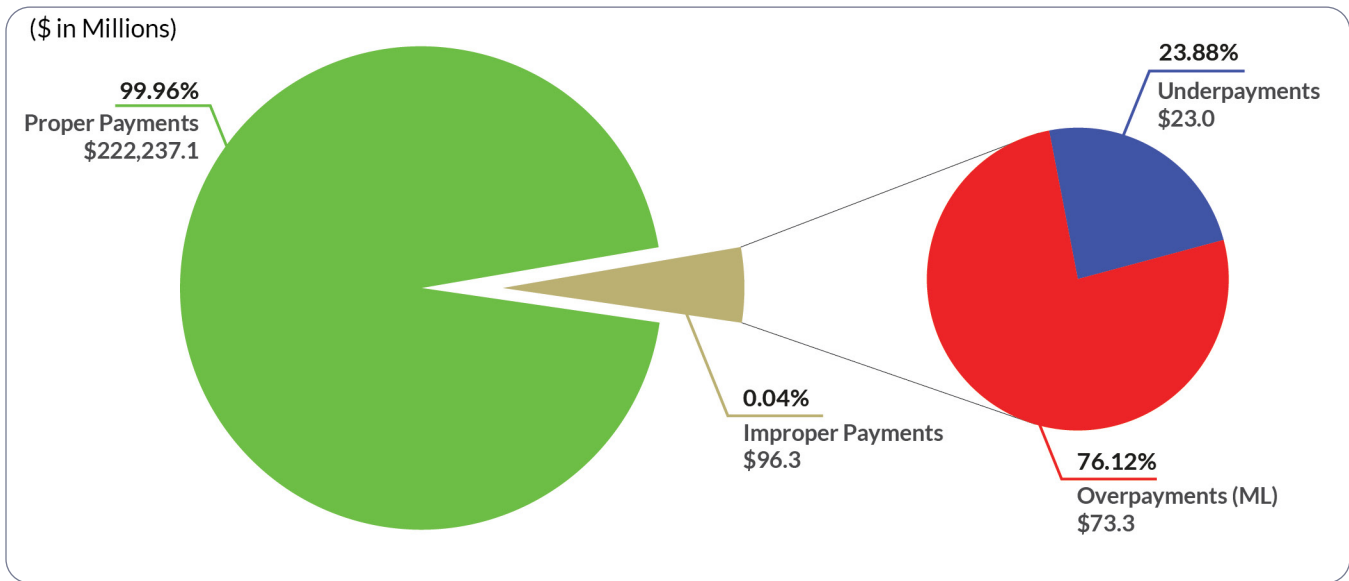
In FY 2024, the Department reported an estimated \$188.1 million (or 8.58 percent) in improper and unknown payments for the DoD Travel Pay Army – DTS program. The primary cause for overpayments were due to travelers claiming incorrect amounts and erroneous mileage reimbursements. The technically improper payments were attributed to Army travelers who failed to provide valid receipts to support authorized travel expenses. Additionally, for urgent travel missions, the travel policy was not followed and there was lack of documentation to support the travel authorization or settlement claim. Lastly, the reason for unknown payments were the traveler’s DTS claims did not contain the corroborating key supporting documentation to determine the validity of the payment. Although the DTS vouchers had incorrect amounts or lacked proper documentation, the approving officials and certifying officers approved these travel vouchers for reimbursement. The Department will continue to hold Army training travel pay sessions and ensure that the approving officials and certifying officers are performing detailed reviews and are ensuring that proper receipts and other supporting travel documentation are stored in DTS.

**DoD Travel Pay DAF – DTS:** Payments disbursed by the Air Force, through the DTS, Reserve, and National Guard Military Service members and civilian employees for temporary and permanent travel and transportation-related expenses.



In FY 2024, the Department reported an estimated \$229.2 million (or 9.73 percent) in improper and unknown payments for the DoD Travel Pay DAF – DTS program. The technically improper payment errors were primarily attributed to the invalid travel receipts that had missing critical information or were not in the proper format. Unknown payments were identified where payments that were awaiting corrective action by the traveler or approving official and therefore unable to determine if the payment was proper or not. For example, the traveler had not attached the correct travel receipt in DTS or the approving official had not approved the amended DTS voucher. The DAF travel pay team will continue to require mandatory DTS training for approving officials and provide quarterly travel pay trainings for all travelers. In addition, the DAF will implement the use of a tracking tool to monitor the number of improper payments identified by each approving official and take action to remove permissions as needed.

**Commercial Pay – MOCAS:** Payments disbursed by DFAS, through the Mechanization of Contract Administration Services (MOCAS) system, to vendors and contractors for goods and services.



In FY 2024, the Department reported an estimated \$96.3 million (or 0.04 percent) in improper payments for the Commercial Pay – MOCAS program. The improper payment errors were primarily monetary losses resulting from incorrect payment terms for contract modifications that were entered into MOCAS due to human error. In addition to continued training, the Department will evaluate and modify the internal controls that failed to prevent overpayments, including reviews of contract, and supporting documentation prior to payment; secondary reviews for payments greater than \$1 million; and daily reports to track contracts and contract modifications received to ensure payments terms are entered timely into MOCAS.

## PAYMENT INTEGRITY HIGH PRIORITY PROGRAMS

A program is designated by OMB as 'high-priority' when its annual improper payments estimate resulted in projected monetary losses that exceeded \$100 million. OMB requires high-priority programs to submit semi-annual or quarterly scorecards on [PaymentAccuracy.gov](https://www.paymentaccuracy.gov). These scorecards describe the root causes of improper payments, lists the planned corrective actions, and tracks the status of the high-priority program's progress towards reducing monetary loss.

The Department prevented all six of the Phase 2 programs from becoming a high priority program in FY 2024 through its continued efforts to identify error root causes, focus on controls that detect and prevent overpayments, implement, and reinforce applicable processes and procedures, and train staff on travel policy guidance and best practices.

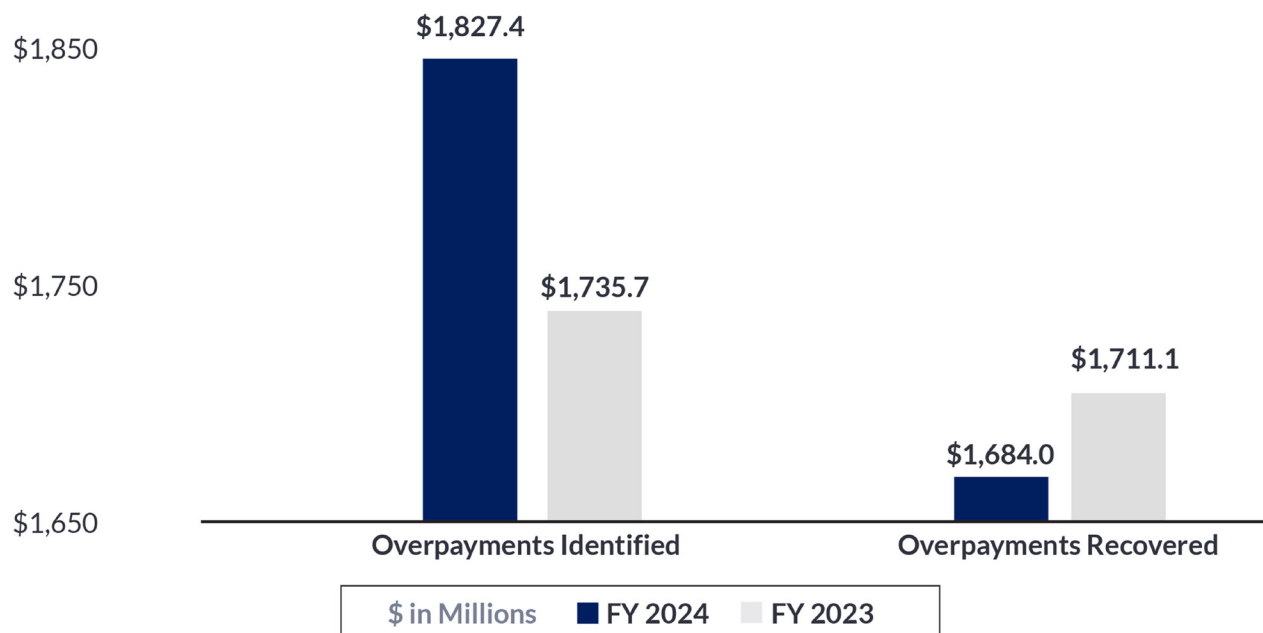
## PAYMENT RECOVERY AUDIT

The objective of the Department's Payment Recovery Audit (PRA) program is to identify, recapture, and reallocate overpayments made by DoD Components in support of the DoD mission while simultaneously demonstrating financial stewardship of resources.

The Department's PRA program consists of a combination of cost-effective internal controls implemented by DoD Components, PIIA-related initiatives, and recovery activities performed by [TRICARE](#) private sector contractors. The Department's PRA efforts are a summation of actions taken by DoD Components with additional collection activities performed by the DFAS, DHA, and USACE on behalf of the Department.

In FY 2024, the Department's PRA program identified \$1,827.4 million in overpayments and recovered \$1,684.0 million or 92.0 percent recovery rate. The total amount of overpayments identified was approximately a 5.3 percent (\$91.8 million) increase from FY 2023 (See [Exhibit 7](#)).

**Exhibit 7. Annual Comparison of Actual Overpayments Identified and Recovered**





# CIVIL MONETARY PENALTY ADJUSTMENT FOR INFLATION

The [Federal Civil Penalties Inflation Adjustment Act Improvements Act of 2015](#), which amended the [Federal Civil Penalties Inflation Adjustment Act of 1990 \(28 U.S.C. §2461, note\)](#), requires federal agencies to adjust the level of civil monetary penalties for inflation annually to improve their effectiveness and maintain their deterrent effect. This law helps deter violations of law; encourages corrective actions for existing violations; and helps prevent fraud, waste, and abuse within the Department. A civil monetary penalty is defined by 28 U.S.C §2461 as any penalty, fine, or sanction for a specific monetary amount assessed or enforced by an agency under federal law, an administrative proceeding, or a civil action in the federal courts.

The Department's civil monetary penalty adjustments are published as final rules in the [Federal Register](#) separately for adjustments pertaining to USACE and those related to the remainder of the Department. **Exhibit 8** provides the maximum civil monetary penalties based on adjustment for inflation that the Department may impose, the authority for imposing the penalty, the year enacted, the year of the latest adjustment, and the current penalty level. Additional supporting details about these penalties are available in the Federal Register Volume 89 [FR 2144](#) and [FR 47863](#).



*Spc. 3 Rikkey Apineru, 72nd Intelligence, Surveillance and Reconnaissance Squadron expeditionary ISR technician, and Sgt. Daniel Watts, 72nd ISRS lead expeditionary ISR technician, set up antennas for a readiness exercise at Peterson Space Force Base, Colo., May 8, 2024. In alignment with the Space Force Generation model, the exercise focused on practicing mission-essential tasks, training Guardians in a low-threat environment and validating unit readiness for deployments. (U.S. Space Force photo by Keefer Patterson)*



## Exhibit 8. Civil Monetary Penalty Adjustments for Inflation

Statutory Authority	Penalty Name & Description	Year Enacted	Latest Year of Adjustment	Current Penalty (Dollar Amount or Range)	Agency Component	Location for Penalty Update
National Defense Authorization Act for FY 2005, 10 U.S.C. §1113, note	Unauthorized Activities Directed at or Possession of Sunken Military Craft	2004	2024	\$161,168	Department of the Navy	<a href="#">89 FR 2144</a> (January 12, 2024)
10 U.S.C. §1094(c)(1)	Unlawful Provision of Health Care	1985	2024	\$14,152	Defense Health Agency	<a href="#">89 FR 2144</a> (January 12, 2024)
10 U.S.C. §11102(k)	Wrongful Disclosure-Medical Records	1986	2024	\$8,368 (First Offense) \$55,788 (Subsequent Offense)	Defense Health Agency	<a href="#">89 FR 2144</a> (January 12, 2024)
10 U.S.C. § 2674(c)(2)	Violation of the Pentagon Reservation Operation and Parking of Motor Vehicles Rules and Regulations	1990	2024	\$2,306	Chief Information Officer	<a href="#">89 FR 2144</a> (January 12, 2024)
31 U.S.C. §3802(a)(1)	Violation Involving False Claim	1986	2024	\$13,946	Office of Inspector General	<a href="#">89 FR 2144</a> (January 12, 2024)
31 U.S.C. §3802(a)(2)	Violation Involving False Statement	1996	2024	\$13,946	Office of Inspector General	<a href="#">89 FR 2144</a> (January 12, 2024)
42 U.S.C. 1320a-7a(a); 32 CFR 200.210(a)(1)	False claims	1996	2024	\$24,946	Defense Health Agency	<a href="#">89 FR 2144</a> (January 12, 2024)
42 U.S.C. 1320a-7a(a); 32 CFR 200.210(a)(1)	Claims submitted with a false certification of physician license	1996	2024	\$24,946	Defense Health Agency	<a href="#">89 FR 2144</a> (January 12, 2024)
42 U.S.C. 1320a-7a(a); 32 CFR 200.210(a)(2)	Claims presented by excluded party	1996	2024	\$24,946	Defense Health Agency	<a href="#">89 FR 2144</a> (January 12, 2024)
42 U.S.C. 1320a-7a(a); 32 CFR 200.210(a)(2); (b)(2)(ii)	Employing or contracting with an excluded individual	1996	2024	\$24,946	Defense Health Agency	<a href="#">89 FR 2144</a> (January 12, 2024)
42 U.S.C. 1320a-7a(a); 32 CFR 200.210(a)(1)	Pattern of claims for medically unnecessary services/supplies	1996	2024	\$24,946	Defense Health Agency	<a href="#">89 FR 2144</a> (January 12, 2024)
42 U.S.C. 1320a-7a(a); 32 CFR 200.210(a)(2)	Ordering or prescribing while excluded	2010	2024	\$24,946	Defense Health Agency	<a href="#">89 FR 2144</a> (January 12, 2024)
42 U.S.C. 1320a-7a(a); 32 CFR 200.210(a)(5)	Known retention of an overpayment	2010	2024	\$24,946	Defense Health Agency	<a href="#">89 FR 2144</a> (January 12, 2024)
42 U.S.C. 1320a-7a(a); 32 CFR 200.210(a)(4)	Making or using a false record or statement that is material to a false or fraudulent claim	2010	2024	\$124,731	Defense Health Agency	<a href="#">89 FR 2144</a> (January 12, 2024)

Statutory Authority	Penalty Name & Description	Year Enacted	Latest Year of Adjustment	Current Penalty (Dollar Amount or Range)	Agency Component	Location for Penalty Update
42 U.S.C. 1320a-7a(a); 32 CFR 200.210(a)(6)	Failure to grant timely access to OIG for audits, investigations, evaluations, or other statutory functions of OIG	2010	2024	\$37,420	Defense Health Agency	<a href="#">89 FR 2144</a> (January 12, 2024)
42 U.S.C. 1320a-7a(a); 32 CFR 200.210(a)(3)	Making false statements, omissions, misrepresentations in an enrollment application	2010	2024	\$124,731	Defense Health Agency	<a href="#">89 FR 2144</a> (January 12, 2024)
42 U.S.C. 1320a-7a(a); 32 CFR 200.310(a)	Unlawfully offering, paying, soliciting, or receiving remuneration to induce or in return for the referral of business in violation of 1128B(b) of the Social Security Act	1996	2024	\$124,731	Defense Health Agency	<a href="#">89 FR 2144</a> (January 12, 2024)
33 U.S.C §555	Violations of the Rivers and Harbors Appropriation Act of 1922	1986	2024	\$6,975	U.S. Army Corps of Engineers	<a href="#">89 FR 47863</a> (June 4, 2024)
Clean Water Act, 33 U.S.C. §1319(g)(2)(A)	Class I Civil Administrative Penalties for Violations of Clean Water Act Section 404 Permits	1987	2024	\$26,686 per violation, with a maximum of \$66,713	U.S. Army Corps of Engineers	<a href="#">89 FR 47863</a> (June 4, 2024)
Clean Water Act, 33 U.S.C. §1344(s)(4)	Judicially Imposed Civil Penalties for Violations of Clean Water Act Section 404 Permits	1987	2024	Maximum of \$66,713 per day for each violation	U.S. Army Corps of Engineers	<a href="#">89 FR 47863</a> (June 4, 2024)
National Fishing Enhancement Act, 33 U.S.C. §2104(e)	Civil Administrative Penalties for Violations of Section 205(e) of the National Fishing Enhancement Act	1984	2024	Maximum of \$29,221 per violation	U.S. Army Corps of Engineers	<a href="#">89 FR 47863</a> (June 4, 2024)

# BIENNIAL REVIEW OF USER FEES

The Department has the authority to establish charges for services and items of value, in accordance with the guidelines that are defined by [31 U.S.C. §9701](#). User fees are designed to reduce the burden on taxpayers to finance the portions of activities that provide benefits to identifiable users beyond what is normally provided to the public.

The [Chief Financial Officers Act of 1990](#) and OMB [Circular No. A-25](#) requires federal agencies to review, on a biennial basis, the fees, royalties, rents, and other charges imposed by the agency for services and items of value provided to specific recipients, beyond those received by the general public. The purpose of this review is to periodically adjust existing charges to reflect unanticipated changes in costs or market values, and to review all other agency programs to determine whether fees should be assessed for Government services or the use of Government goods or services.

During the FY 2024 review of user fees, the Department of the Navy identified programs providing special benefits, thus charging user fees to provide additional funding for mission operations, and the Department of the Air Force identified immaterial adjustments to account for changes in market conditions. The Department of Army will continue identifying user fees and reviewing agency programs to determine whether fees need to be adjusted to reflect market value. The Department will assess user fees and report any identified findings in the DoD AFR for FY 2026.

# GRANT PROGRAMS

Title 2, Code of Federal Regulations, section 200.344 ([2 CFR 200.344](#)) requires federal agencies that issue grants and cooperative agreements (awards) to close the award once they determine that the required work and applicable administrative actions have been completed. To close the award, the awarding agency collects and reviews the required financial and performance reports from the awardee to ensure the terms and conditions were met (e.g., the appropriate use of awarded funds). **Exhibit 9** provides data related to the Department's awards and balances for which the closeout has not yet occurred, and the period of performance has elapsed by two or more years.

## Exhibit 9. Expired DoD Grant and Cooperative Agreement Awards Requiring Closeout

CATEGORY	2-3 Years	4-5 Years	More than 5 Years
Number of Grants/Cooperative Agreements with Zero Dollar Balances	806	1,378	1,105
Number of Grants/Cooperative Agreements with Undisbursed Balances	1,181	667	1,170
Total Amount of Undisbursed Balances	\$ 120,882,397	\$ 111,773,591	\$ 127,506,184

The Department is committed to formally closing assistance awards, and the Components have taken numerous steps to do so, including:

- Increasing management focus on the importance of closing out expired assistance awards. Several Components have taken advantage of new or updated software applications that make finding expired grants, especially with Unliquidated Obligations (ULOs), much easier.
- Implementing or expanding training sessions by numerous Components, along with Staff Assistance Visits, to enable better use of plan templates, to answer closeout related questions, and to provide data analysis to help properly identify ULOs and grant period of performance dates.
- Standardizing and streamlining the closeout process has also been a focus for a few Components, along with increasing the number people assigned to the closeout process, with one Component doubling the number of closeouts.

Challenges with closing out assistance awards include DoD employee transitions, turnover of employees on the recipient side, lingering patent issues, and tracking down points of contact and documents for older awards. Many expired grants and cooperative agreement remain open due to contractors' litigations.

The Department aims to make further progress in reducing these numbers, taking advantage of the abovementioned improvements, and striving to find additional innovations.

# CLIMATE-RELATED RISK

The Department of Defense (DoD) addresses climate-related risk to missions and operations, including financial risk, through climate adaptation activities, tool development, modeling efforts, and additional investments in climate resilience measures, in accordance with Title 10 and other statutory authorities, and aligned with OMB Circular A-11's Capital Programming Guide. Policies and strategies enable the DoD to appropriately include climate change considerations that support the DoD's primary purpose of national security. Numerous statutory requirements guide the Department's actions on climate resilience, including:

- 10 USC 2285 Department of Defense Climate Resilience Infrastructure Initiative
- 10 USC 2391 Military base reuse studies and community planning assistance
- 10 USC 2684 Cooperative agreements for management of cultural resources
- 10 USC 2802 Military construction projects
- 10 USC 2815 Military installation resilience projects
- 10 USC 2864 Master plans for major military installations
- 10 USC 2866 Water conservation at military installations
- 10 USC 2911 Energy policy of the Department of Defense
- 10 USC 2815 Military installation resilience projects

The list below represents a selection of climate resilience efforts and expenditures across the DoD and contain information on climate-related risk were issued by the DoD during FY 2024:

- [FY 2024 report on Enhancing Climate Capability – Mitigating Climate Risk](#)
- [2024 – 2027 Department of Defense Climate Adaptation Plan](#)
- [2024 Department of Defense Arctic Strategy](#) (July 2024)
- [2023 Annual Energy Performance, Resilience, and Readiness Report \(April 2024\)](#)
- [National Defense Industrial Strategy \(January 2024\)](#)
- [Resilient and Healthy Defense Communities \(February 2024\)](#)

The following examples provide qualitative and quantitative information on DoD efforts within the FY 2024 budget authorities and appropriations. Efforts are underway to systematically track the high recovery costs the Department has absorbed from extreme weather events typical of those fueled by climate change and will do so through a phased approach. This will involve not only accounting for direct monetary costs, but also the full impact of damage, including second order consequences of these events (e.g., public health and safety, evacuations, disrupted utilities, and reduced reliability of transportation).

## a. Preparedness for extreme weather events

Preparedness activities are enhanced by understanding exposure to extreme weather and climate change. Through the Department of Defense Climate Assessment Tool (DCAT), DoD conducted a high-level screening of climate hazard exposure for federal facilities and personnel. In addition to this high-level screening, DoD used Climate Mapping for Resilience and Adaptation (CMRA) data to assess exposure of DoD personnel to sea level rise, the Federal Emergency Management Agency (FEMA) National Flood Hazard Layer (NFHL) to assess exposure of DoD personnel to riverine flooding, and the United States Forest Service (USFS) Wildfire Risk to Communities data to assess potential exposure of buildings and personnel to wildfire.



## *Department of the Army*

To prepare for the impacts and aftermath of extreme weather events, the Army has acted with both planning and projects. For example, the U.S. Army Reserve targeted four projects for water supply resilience through aquifer recharge and rainwater harvesting to ensure protection after a disaster. The Army has completed 180 of the 189 planned Installation Energy and Water Plans (IEWPs), which includes an all-hazards assessment and Courses of Action to address resilience gaps. In addition, the Army is developing Installation Climate Resilience Plans (ICRPs) that focus on analyzing climate data (from tools and government agencies such as the DCAT and U.S. National Oceanic and Atmospheric Administration (NOAA) to enable installations to make appropriate strategic real property investments to mitigate and adapt to the effects of climate change.

## *Marine Corps*

U.S. Marine Corps (USMC) Air Station Yuma continues to install and measure the efficacy of Stone Structures at Chocolate Mountains. This aims to reduce the potential migration of unexploded ordnances (UXO) off range and to reduce erosion effects on target landscapes. Barry M. Goldwater Range has initiated a project to restore natural conditions and facilitate natural water flow, to increase ground water recharge, to reduce the impacts of high intensity precipitation, and to reduce dust.

## *Department of the Air Force*

The Air Force has expended more than \$4B in Natural Disaster Recovery funds for recovery from extreme weather events at Tyndall Air Force Base, Offutt Air Force Base, and Langley Air Force Base (FY 2019-2023). The Air Force is expending an estimated \$2B to address direct Typhoon impacts at Andersen Air Force Base. These significant investments are designed to build infrastructure back better and more resilient to the continued threat of extreme weather events. Such investments have produced resilience results.

## **b. Efforts to reduce risks from sea level rise, such as investments in modeling, levees, or natural barriers**

Sea level rise exacerbates coastal water levels and waves. These Extreme Water Levels (EWL) are exerting increasing pressure on the more than 1,800 coastal and estuarine military installations maintained by the DoD, including related effects such as enhanced surge and salinity intrusion.

### ***Strategic Environmental Research and Development Program (SERDP) and Environmental Security Technology Certification Program (ESTCP)***

In FY 2024, SERDP and ESTCP initiated projects related to developing global high-resolution estimates and projections of vertical land motion using observation-informed statistical models, tropical cyclone risk to DoD installations using advanced physical downscaling and evolving tropical cyclone activity and its consequences for DoD Installations. SERDP and ESTCP are continuing several programs which started in FY 2022 and FY 2023 that include work directed at improving sea level information at DoD sites for risk assessments using hybrid modeling and data-fusion, automated scenario assessment of groundwater table and salinity response to sea-level rise, deployable satellite-based model for assessing saltwater intrusion impacts under future sea-level rise scenarios, and dynamic aquifer-ocean modeling for coastal DoD facilities to help categorize vulnerability based on geophysical setting and changes in sea level.

## *Department of the Navy*

The Department of Navy (DON) is developing and implementing nature-based solutions (NBS) to address climate change issues at installations. NBS increases installation resilience to address extreme weather and incremental changes concerns including extreme precipitation, drought, heat, winds, wildfire, desertification, earthquakes, flooding, and erosion. Since FY 2023, the following projects are examples of NBS efforts in planning, design and implementation:

- **Marine Corps Air Station Cherry Point** – NBS will be utilized at Piney Island Bombing Target-11 to reduce flooding of the island that impacts operational training. The solution involves placing a thin layer of dredged sediment that will gradually build up on the surface to support marsh accretion. This is anticipated to promote the growth of a living shoreline to assist in the reduction of wave energy and erosion.
- **Marine Corps Air Station Beaufort** – This project addresses erosion of the marshlands adjacent to the piers and airfield by using dredge materials to conduct thin layer placement on the adjacent marshlands to facilitate marsh accretion and restoration. This will help reduce impacts to the cultural resources site at the fishing pier. Over time, this project is anticipated to promote the growth of a living shoreline near the flightline that can help reduce erosion and wave energy.
- **Marine Corps Training Area Bellows (MCTAB)** – A dune restoration project at MCTAB is in development to reduce beach erosion and wave energy, and support training.
- **Pu'uloa Range Training Facility** – Significant coastal erosion threatens the range's viability and sea level rise is projected to worsen shoreline impacts. This project reestablishes sand dunes to attenuate waves and preserve beach and shoreline areas in front of impact berms.
- **Naval Air Station Key West** – Navy has restored marsh between the airfield and shoreline to reduce energy of storm surge, serving as a stronger buffer for critical runway access during storms.
- **Naval Station Mayport (NS Mayport)** – Navy has completed a stormwater and hydrology study to develop a numerical model of the stormwater hydrology at NS Mayport and inform strategies to better manage stormwater flooding and sea level rise.

## *Department of the Air Force*

MacDill Air Force Base and the local community partnered to build oyster reefs at MacDill Air Force Base, Florida, to reduce erosion impacts to MacDill's eastern shoreline. These oyster reefs improve MacDill's natural habitats and stabilize the shoreline. This is part of the ongoing Oyster Reef Shoreline Stabilization project since 2004.

### **c. Flood risk reduction, flood communication, and flood mapping activities**

DoD provides direction for reducing flooding impacts and flood mapping activities. As referenced in 10 U.S.C. Subchapter 1 and [Directive Type Memorandum \(DTM\) 22-003](#), with highlights below:

- Flood hazard areas be delineated for all installations worldwide consistent with law, Federal policy, and mission requirements.
- The Military Departments and Washington Headquarters Services (WHS) (with respect to the Pentagon Reservation) will maintain digital flood hazard area maps for all its installations using the most current installation geospatial information and services (IGI&S) standards.
- DoD Components will, to the maximum extent practicable, avoid development, siting, or leasing of facilities or infrastructure within flood hazard areas.
- DoD Components will use comprehensive master planning and, in the United States, follow the processes 42 U.S.C. § 4321, also known and referred to in this DTM as the "National Environmental Policy Act of 1969," to avoid development, siting, or leasing of facilities or infrastructure within flood hazard areas to the maximum extent practicable.

- When no practicable alternative exists to executing a project or entering into a lease within a flood hazard area, project sponsors will work with project and installation engineers to reduce flood risk to acceptable levels.

The DoD uses a variety of resources, including personnel and funding sources, to undertake flood mapping projects for installations globally. These include:

- Inland flood hazard modeling and mapping included in DCAT.
- Coastal flood hazard mapping using the DoD Regional Sea Level (DRSL) sea level rise tool installation-level sea level rise information, providing the basis of inundation mapping also included in DCAT.
- The Military Departments and/or their contractors perform detailed flood mapping when required for Military Construction Projects or support of installation planning.
- Some research projects performed under DoD's SERDP and ESTCP produce very detailed flood mapping as part of their scope of work.

### *Department of the Army*

Stormwater management as a form of flood risk reduction is recognized by the Army for installations, defense access road resilience, and waterway and ecosystem conservation. Projects of this type can include the installation, expansion, or refurbishment of stormwater ponds and other water-slowing and retention measures, the installation of permeable pavement in lieu of, or to replace existing, nonpermeable pavement, and the use of planters, tree boxes, cisterns, and rain gardens to reduce stormwater runoff. Army installations reported 46 stormwater projects underway in 2023, all of which provide flood and erosion risk reduction benefits.

### *Department of the Air Force*

The Department of the Air Force partners with academia to update installation floodplain maps with higher resolution maps consistent with FEMA protocols.

## **d. Maintenance and repairs to Federal facilities that aim to reduce future risks from climate change**

Updates have been made to the DoD Unified Facilities Criteria (UFC) addressing energy and climate resilience, master planning processes, and requirements for transportation and military installation resilience components as required by 10 U.S.C. § 2864, 10 U.S.C. § 2802, and other statutes.

[UFC 3-201-01](#), *Civil Engineering*, provides civil engineering requirements for all new and renovated Government facilities for the DoD.

[UFC 2-100-01](#), *Installation Master Planning with Change 1*, outlines a complete process for master planning through the preparation of linked plans that can be implemented entirely or incrementally based on each installation's needs and resources. The UFC requires planning for extreme weather and climate change impacts at Federal facilities, consistent with 10 U.S.C. § 2864 and 10 U.S.C. § 2802.

[UFC 3-210-10](#), *Low Impact Development*, provides technical criteria, technical requirements, and references for the planning and design of applicable DoD projects to comply with stormwater requirements per 10 U.S.C. § 2815 as well as Section 438 of the Energy Independence and Security Act (EISA).

[UFC 1-200-02](#), *High Performance and Sustainable Building Requirements with Change 2*, provides minimum requirements and guidance to achieve high performance and sustainable buildings in accordance with the High Performance Sustainable Buildings (HPSB) Guiding Principles and the [DoD Sustainable Buildings Policy](#).

## *Department of the Army*

Army installations face several risks from projected climate change such as impacts from flooding, wildfire, extreme heat, and water stress. To prepare for these anticipated climate impacts, on-going maintenance and repairs at Fort Carson are focusing on flooding hazards per the ICRP findings. The flood risk reduction strategies include detention ponds to reduce flooding and provide recreational areas. The installation is siting underground storage tanks and critical facilities away from floodplains and incorporating berms or expedient flood fighting strategies, such as sandbags, to reduce risks to key infrastructure, facilities, and aboveground storage tanks.

## *Department of the Navy*

The Department of Navy strengthens resilience in the communities that host our installations through community engagement in the master planning process. The Department of Navy works closely with the California Energy Commission to develop electrification blueprints at six installations, pilot vehicle electrification in partnership with the Defense Innovation Unit and pursue long-term battery storage pilots. These efforts aim to increase the energy resilience of our installations and ensure they remain effective launching platforms of the warfighter.

## *Department of the Air Force*

The rebuild efforts at Tyndall Air Force Base incorporates planning and design strategies that support operational readiness and efficiency, create a secure, resilient environment, address observed and reasonably foreseeable future flood and storm surge risks, and consolidate development to use land efficiently. New facilities at Tyndall are optimized to reduce maintenance costs, increase safety and security, and maximize functionality. This will enable efficient and effective mission execution. The installation of the future represents an evolution toward a more resilient, ready, and lethal Department of the Air Force.



*(from left) U.S. Space Force 1st Lt. Callie Wolfenbarger, Royal Canadian Air Force Master Cpl. Kelly Bacon, U.S. Space Force Spc. 3 Leona Claus and U.S. Space Force Capt. Colleen O'Hara of the 6th Space Warning Squadron (6 SWS) pose in front of the Upgraded Early Warning Radar (UEWR) facility at Cape Cod Space Force Station, Massachusetts, May 6, 2024. (U.S. Space Force photo by Dave Grim)*



## e. Investments in federally managed land, infrastructure, and waterways that reduce future climate risks

The DoD promotes resilient built and natural infrastructure through comprehensive installation assessments (e.g., installation energy, water, and climate plans), Integrated Natural Resources Management Plans (INRMPs), and the Master Planning Process. Expanded programs and partnerships, such as the Readiness and Environmental Protection Integration (REPI) Program, the Office of Local Defense Community Cooperation (OLDCC), and the Sentinel Landscapes Partnership, enhance natural infrastructure mission capabilities. DoD Program policies are being updated to further support built and natural infrastructure by including climate, National Environmental Policy Act (NEPA), natural and cultural resources, range planning, and real estate considerations. The DoD encourages NBS, where appropriate, by supporting built and natural infrastructure in its policies. The Department is working to better understand how DoD's existing building criteria can be optimized to align with future needs.

## f. Climate-smart agriculture practices

Enhancing the management of DoD natural assets to preserve or expand ecosystem services and build resilience is a line of effort under the DoD's Climate Adaptation Plan. Programs like the DoD Legacy Resource Management Program, Natural Resources Program and the Readiness and Environmental Protection Integration (REPI), among others, support and preserve the military's combat readiness mission through conservation, compatible land use and management of DoD's vast natural and cultural resources.

The Sentinel Landscapes Partnership is a coalition of federal agencies, state and local governments, and non-governmental organizations that work with willing landowners and land managers to advance sustainable land use practices around military installations and ranges. Through voluntary state and federal assistance programs, the Sentinel Landscapes Partnership empowers landowners and managers to implement sustainable land management practices that have ecological, economic, and national defense benefits.

### *Department of the Navy*

DON has funded an assessment of opportunities to enhance water resilience through NBS at Naval Air Station Lemoore, CA. Climate variability impacts agricultural water availability in the 10,000 acres surrounding the air station. During drought years, lessees fallow lands due to limited water allocations, which directly impact environmental hazards (e.g., bird strikes). Navy's assessment will bring in local stakeholders, industry and interagency experts, and installation personnel to develop and pilot climate-smart agriculture practices.

### *Marine Corps*

A Carbon Sequestration Pilot Study at Townsend Bombing Range (TBR), Georgia, assesses dominant forest and wetland soil carbon storage and carbon sequestration potential. Soils in wetland habitats are estimated to contain up to 2.6 times more carbon per acre than soils in the forest compartments. This study will provide a map of actual opportunities to aid in TBR's reforestation/revegetation planning activities and roll up needs. USMC is expanding this study to include four other installations in the Southeast.

## g. Response, safety, and preparedness efforts around extreme heat

DoD proactively prepares the Joint Force for a hotter environment to improve military resilience. In accordance with Section 327 of the FY 2023 National Defense Authorization Act, the Military Services conducted independent extreme heat and heat island analyses of dozens of military installations globally and collaborated on a DoD Heat Resilience Plan. The plan aims to reduce the effects of extreme heat and heat island amplification, promote best practices to avoid costs and reduce adverse effects, and provide a resilience framework. The framework includes tangible actions to reduce the impacts of extreme heat caused by the natural environment and amplified by the built environment's heat island effects.

Placing people at the center of heat resilience maximizes the safety of DoD personnel and optimizes military effectiveness and operational readiness. Research on cooling technologies is occurring within the Military Services as well as focused research led by SERDP-ESTCP.

DoD has measures in place to help prepare Service members, civilians, on-site contractors, installations, and surrounding communities absorb, recover from, and adapt to weather and climate exposure. For example, reducing the likelihood of brownouts and blackouts during heat waves by requiring improvements to the energy efficiency of buildings and infrastructure to reduce energy demand. These improvements include passive heating and cooling, passive solar design, use of solar canopies over adjacent parking areas, and integration of buildings with microgrids, battery storage, and installation-wide controls systems.

## **h. Expenditures that improve energy efficiency and the capability to address future climate-related risks**

DoD programs in place ensure that warfighters remain agile and flexible in responding to changing conditions. Activities focus on improving the energy efficiency of combat operations and platforms and deploying new technologies that improve lethality and reduce logistics risk in contested environments. DoD will continue to take actions and advance policies that make use of advanced technologies to lower our energy demand, reduce logistics requirements, and optimize water and energy usage for both operational and installation energy needs, consistent with our statutory requirements. For example, the Army, Navy, and Air Force perform Black Start Exercises (BSEs) to comprehensively assess risk exposure due to energy disruptions, which can occur due to extreme events as well as human-induced treats. Since FY 2018, the Services have completed 70 BSEs with 26 BSEs completed thus far in FY 2024.

### ***Department of the Army***

The Army works with industry partners through Energy Savings Performance Contracts (ESPCs) and Utility Energy Service Contracts (UESCs) to make facilities more efficient and cost effective while decreasing demand for energy and water. ESPCs and UESCs leverage the long-term dollar value of reduced installation energy and water consumption to finance investments into installation efficiency and resilience and operations and maintenance. These contracts are a proven method of installing, improving, and/or operating lighting; building control systems; heating, ventilation, and air conditioning equipment; building envelopes; renewable energy generation and storage systems; and can provide a mechanism for the installation and operation of microgrids, amongst other efficiency and resilience measures.

Installation Energy Plans (IEPs) provide a holistic roadmap enabling installations to work toward energy efficiency, renewable energy, energy resilience, and climate resilience goals. Energy resilience exercise outputs are combined with analyses from DCAT and data from DRSL to inform the IEPs. The IEPs, in turn, are used to inform the installation resilience plans (IRPs) required by title 10 U.S.C. § 2684a (a) (2), which then are incorporated into the installation master planning process and feed into the installation master plan.

### ***Department of the Navy***

The DON has leveraged Title 10 Congressional authorities through \$36.3M in third-party financing contracts during FY 2024 to increase energy efficiency and resilience at our installations. DON is also testing its energy security readiness through Energy Resilience Readiness Exercises (ERREs) with 17 conducted in 2024.

The DON continues to leverage non-DON funding to accomplish DON goals more rapidly and efficiently. DoD's Operational Energy Capability Improvement Fund (OECIF) and Operational Energy Prototyping Fund (OEPF), and Energy Resilience Conservation & Investment Program (ERCIP) enhances DON's ability to address energy technical and resilience requirements in support of weapon systems and installation mission readiness. For example, the DON has benefited from continued support for the ERCIP program with an investment of \$111.3M in FY 2024.



## *Department of the Air Force*

The DAF utilizes a technology agnostic approach toward energy resilience projects, ensuring that each installation is paired with a technology that will best meet its unique needs and limitations. The micro-reactor pilot at Eielson Air Force Base will be the first deployment of a commercial micro-reactor on DoD property and is a pathfinder for Enterprise application of advanced nuclear systems, as directed by Section 327 of the Fiscal Year 2019 National Defense Authorization Act. During the pilot, the DAF must assess mission compatibility with advanced nuclear technology to include siting, environmental, and acquisition criteria to inform the future policy and viability of scale.

The Aerospace Propulsion and Power Technology program is working on new developments to show advanced designs. This will enable high powered mission systems for future Air Superiority platforms while maintaining energy efficiency. Technology maturation in advanced power and thermal architecture, modeling and simulation, and integration will result from this program. Developing flexible and adaptive Power and Thermal components allow for synergetic architectures that leverage advanced engine capabilities and increased energy storage.

### **i. Tools used to assess exposure to future climate risks**

In FY 2023, DoD implemented a climate dashboard for Guam as a pilot for gridded DCAT with updated climate information and inundation mapping. Pilot dashboards were also provided for the following: American Samoa, Diego Garcia, Ebeye, Kwajalein Island, Roi Namur, and Wake Island. These updates included additional installations requested by the Services and those added in the Base Structure Report.

## *Department of the Army*

The Army has adopted tools and resources for assessing exposure to future climate risks including DCAT. DOD continues DoD-wide climate literacy pulse checks and onboarding materials. The DoD Climate Resilience Portal has been developed as a secure CAC-enabled version and tailored mission-essential content.

### **j. Incentives for nature-based solutions to climate risks**

DoD's ability to finance climate adaptation projects lies in legal authorities from Congress. For example, 10 U.S.C. § 2684a authorizes DOD to enter into cost-sharing agreements with state or local governments and non-governmental organizations to create, maintain, or improve off-base natural infrastructure. DoD is required to consider sustainable planning, which can include NBS, when planning the construction of major military installations. As outlined in 10 U.S.C. § 2864, installation master plans are required to be produced that address environmental planning, sustainable design and development, sustainable range planning, real property master planning, military installation resilience, and transportation planning prior. This statute prompts installations to identify and address present and future climate change-related threats to military installation resilience.

16 U.S.C. § 670 c-1, *The Sikes Act*, authorizes DoD to enter into cooperative agreements or interagency agreements to protect natural infrastructure, high value habitat, and natural resources near installations. This statute requires DoD to include discussion of "agreements in effect or planned" in military installation resilience plans as they pertain to natural infrastructure and therefore climate resiliency.

## *Department of the Navy*

The DON has released a series of Chief Sustainability Officer memoranda to establish additional policy and guidance regarding the implementation of sustainability goals. The Office of the Assistant Secretary of the Navy for Energy, Installations, and Environment issued two policy memoranda in March and April 2023 providing direction to Navy components on incorporating water resilience and mitigation recommendations into the Installation Energy Program Summaries and Installation Energy Security Plans and making investments in sustainable land management, resilience

planning, and implementation of NBS and nature-based carbon sequestration. In 2024, DON has continued to implement these policies.

### *Marine Corps*

Marine Corps Air Station (MCAS) Beaufort received a gift from the American Forest's One Trillion Trees Initiative. Through this gift, a total of over one million trees will be planted at the installation's Townsend Bombing Range (TBR) in a substantial reforestation effort. A total of 600 acres of loblolly pine were planted in Spring 2023 and are on schedule to be completed by Spring 2025. The reforestation efforts help with overall range habitat management that will ensure continued sustainability in the training area.

# FINANCIAL REPORTING RELATED LEGISLATION

Beginning in FY 2024, OMB Circular No. A-136 requires significant reporting entities and components to report all agency-specific legislative provisions enacted in the prior or current year that address agency-specific financial accounting, reporting, or auditing issues. **Exhibit 10** provides the legislative provision with its name of act, complete public law citation and a hyperlink, and an explanation of the purpose of the legislation that affected the Department's audit opinion.

## Exhibit 10. Financial Reporting-Related Legislation

Act Name	Citation and Hyperlink	Purpose
The National Defense Authorization Act for Fiscal Year 2024	Public Law 118-31; 137 Stat. 528 <a href="https://www.congress.gov/118/plaws/publ31/PLAW-118publ31.pdf">https://www.congress.gov/118/plaws/publ31/PLAW-118publ31.pdf</a>	<p>The National Defense Authorization Act for Fiscal Year 2024 authorizes appropriations for the Department of Defense for the titled fiscal year.</p> <p>Section 1413 of the National Defense Authorization Act for Fiscal Year 2024 (Public Law 118-31; 137 Stat. 528) was used to establish beginning balances for the National Defense Stockpile Transaction Fund, which is enabling Defense Logistics Agency (DLA) to obtain an unmodified audit opinion.</p> <p>The DLA spent more than five years attempting to obtain or recreate transactional detail to support receipts of funding, collections, disbursements, and transfers in Fund Balance with Treasury from beginning with 2006 for the National Defense Stockpile Transaction Fund. Despite extensive efforts, DLA was unable to provide sufficient evidentiary matter to establish an ending balance for Fund Balance with Treasury (FBwT). Legislative language allowed for management to assert to those balances and enabled the auditors to be comfortable with the ending balances for FBwT.</p>