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Financial Improvement and Audit Remediation Report
UNITED STATES DEPARTMENT OF DEFENSE

The Department of Defense Financial Improvement and Audit Remediation Report, commonly called the FIAR Report, was prepared in accordance with section 240b of title 10, United States Code.

The estimated cost of this report or study for the Department of Defense is approximately \$27,000 for the 2025 Fiscal Year.

This includes \$26,000 in expenses and \$490 in DoD labor.

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The annual financial statement audits are critical to the Department of Defense (DoD) and its efforts to rebuild the military and revitalize America's defense industry rapidly and at a reasonable cost. Achieving an unmodified audit opinion will restore public trust and provide assurance that resources are used efficiently and effectively in support of the warfighter. The Department is committed to achieving an unmodified audit opinion by December 31, 2028, as required by law.

Secretary of Defense Pete Hegseth issued the memorandum, "Achieving a 2028 Unmodified Financial Statement Audit Opinion" on June 16, 2025. In the memorandum, Secretary Hegseth defined the Department's immediate imperatives for positioning the Department to achieve audit success as:

- Establish Advana as a program of record by the end of fiscal year (FY) 2025 and prioritizing its development to support the audit,
- Eliminate key material weaknesses, reconcile intergovernmental transactions, complete accurate accounting and valuation of property held by third parties, and implement protocols to ensure compliance with established audit standards by the end of FY 2026, and
- Complete accurate accounting and valuation, support open obligations, and fully integrate procure-to-pay processes in all appropriate general ledgers by the end of FY 2027.

He further called on each person in the Department to "be an auditor" and for each leader to "shed a light on unresolved issues, press for rapid decisions, and elevate challenges to more senior levels if needed to achieve resolution." The Secretary added, "If you don't know what your responsibility is to achieve the audit – ask, implement, and move out."

"A clean audit improves our ability to put lethal weapons and the most capable technology in the hands of our warfighters. We must defend the taxpayer dollar as well as the nation."

—Secretary of Defense Pete Hegseth
"Achieving a 2028 Unmodified Financial Statement Audit Opinion"
June 16, 2025

This Report

The July 2025 Financial Improvement and Audit Remediation Report streamlines the information it presents while giving the reader a complete overview of the Department's achievements in the high-profile financial statement audits.

Section I highlights the results of the FY 2024 financial statement audits.

Section II links the Department's audit remediation strategy to the National Defense Strategy and Strategic Management Plan. It also provides a snapshot of progress in remediating the annual Secretary of Defense Financial Statement Audit Priorities and accomplishments within each priority area, supporting the National Defense Strategy.

Secretary of Defense Pete Hegseth signs a memorandum aboard an E-4B Nightwatch aircraft while flying over the Pacific Ocean, March 28, 2025. (DoD photo by U.S. Air Force Senior Airman Madelyn Keech)

FY 2024 Audit Results

I. FY 2024 Audit Results

In FY 2024, the Department completed its seventh annual consolidated financial statement audit, encompassing approximately \$4.1 trillion of the Department's total assets and \$4.3 trillion in total liabilities. The audit comprised 28 standalone audits conducted by independent public accountants and the DoD Office of Inspector General (DoD OIG). Sensitive activities are included and audited within the classified environment.

Audit Opinions

Twelve reporting entities received unmodified financial statement audit opinions in FY 2024:

- U.S. Army Corps of Engineers – Civil Works
- U.S. Marine Corps General Fund
- Defense Commissary Agency
- Defense Contract Audit Agency
- Defense Finance and Accounting Service (DFAS) Working Capital Fund
- Defense Health Agency - Contract Resource Management
- Defense Information Systems Agency (DISA) Working Capital Fund
- Defense Logistics Agency's National Defense Stockpile Transaction Fund (DLA NDSTF)
- DoD OIG
- Defense Threat Reduction Agency (DTRA)
- Military Retirement Fund
- National Reconnaissance Office

The Medicare-Eligible Retiree Health Care Fund received a qualified audit opinion. The DoD Consolidated audit and all other standalone audits resulted in a disclaimer of opinion due to insufficient evidence for auditors to form an opinion.

- An **unmodified opinion** means the auditors concluded the financial statements are fairly presented and free of material misstatements.
- A **qualified opinion** means the financial statements are right with noted exceptions.
- A **disclaimer of opinion** does not indicate, nor is it evidence or proof of mismanagement. For example, due to the Department's complex and decentralized Information Technology (IT) systems, the reporting entities are often unable to produce adequate supporting documentation to an auditor in a timely manner, resulting in failed audit tests.

Currently, favorable audit opinions (unmodified and qualified) cover over 52 percent of the Department's \$4.1 trillion in FY 2024 total assets.

Audit Findings

The Department measures audit progress by the closure or downgrading of material weaknesses. Material weaknesses are defined as areas where a combination of deficiencies could prevent management from detecting and correcting a material misstatement in the DoD financial statements.

In FY 2024, reporting entities collectively closed 8 and downgraded 13 material weaknesses. Notably, 9 reporting entities closed or

- ❖ The **U.S. Marine Corps** was the first Military Service to achieve an unmodified audit opinion in FY 2023, and they maintained that status in FY 2024.
- ❖ For the first time, **DTRA and DLA NDSTF** received unmodified audit opinions in FY 2024.
- ❖ Unmodified audit opinions increased from 9 in FY 2021 to 12 in FY 2024.

FY 2024 Audit Results

downgraded their Fund Balance with Treasury material weakness. Fund Balance with Treasury represents the amount of funds the Department has available at the Department of Treasury; resolving this material weakness is foundational to achieving a Department-wide unmodified audit opinion. This significant progress means that \$707 billion of the DoD-wide FY 2024 Fund Balance with Treasury balance of \$856 billion is free of material weaknesses. (See Section II, Audit Remediation, for more detail on the Department's Fund Balance with Treasury remediation progress.)

At the DoD agency-wide level, the DoD OIG identified 28 material weaknesses. The Department closed its Contingent Legal Liabilities material weakness; however, Leases was added as a new DoD-wide material weakness, resulting in no net change in the total number of DoD-wide material weaknesses. When comparing FY 2024 audit results to FY 2023, 26 material weaknesses were repeated, 1 new material weakness was issued, 1 prior-year material weakness was closed, and 1 prior-year material weakness was modified. Table 1 lists the FY 2024 material weaknesses.

Table 1. FY 2024 DoD-Wide Material Weaknesses

Financial Management Systems Modernization	Government Property in the Possession of Contractors	Intragovernmental Transactions and Intradepartmental Eliminations
Configuration Management	Operating Materials and Supplies	Unsupported Accounting Adjustments
Security Management	General Property, Plant, and Equipment	Gross Costs
Access Controls	Real Property	Earned Revenue
Segregation of Duties	Joint Strike Fighter Program	Budgetary Resources
Interface Controls	Accounts Payable	Service Organizations
Universe of Transactions	Environmental and Disposal Liabilities	Component Entity-Level Controls
Security Assistance Accounts	Leases	DoD-Wide Oversight and Monitoring
Fund Balance with Treasury	Beginning Balances	Reconciliation of Net Cost of Operations to Outlays
	Inventory and Stockpile Materials	

FY 2024 Audit Results

Lessons Learned

As the audits advance so, too, does the Department's understanding of success factors. Lessons learned from the FY 2024 audits include:

- **Tone-at-the-Top** – Highly-visible leadership engagement is essential for achieving an unmodified audit opinion. This includes a clear commitment to prioritized audit remediation and an emphasis on communication and collaboration across all levels.
- **Internal Controls** – Effective and efficient internal controls, facilitated by the DoD Risk Management and Internal Control Program, are critical for resolving material weaknesses and improving the Department's overall control environment.
- **Audit Timelines** – Targeted remediation of material weaknesses should be expected to take 2 years and audit timelines should allow for 18-24 months of effective internal control operation prior to testing.
- **Workforce Improvement** – Focused training on providing proper supporting documentation and evidence in response to audit requests will help evolve the capability and capacity of the financial management workforce.

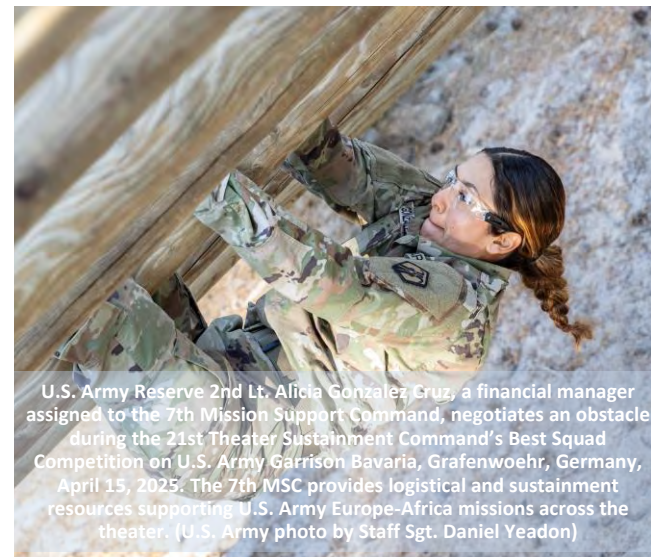
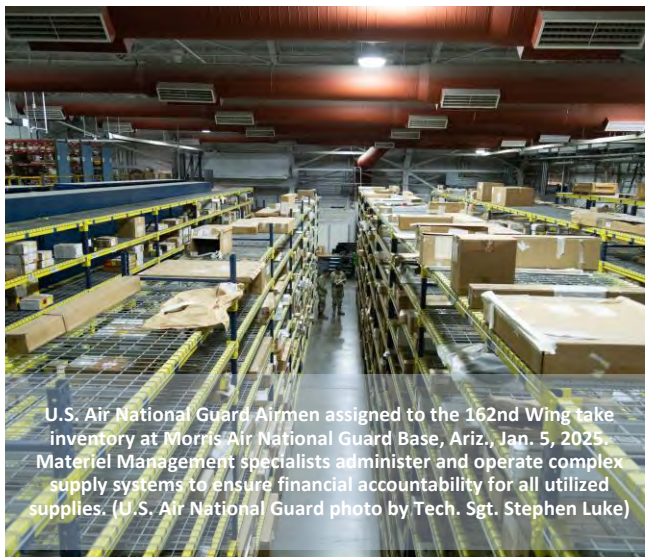
Corrective Actions

Auditors issue notices of findings and recommendations (NFRs) throughout an audit to identify control weaknesses or inefficiencies, including their causes, effects, and recommended corrective actions. Department leaders use these findings to identify issues and prioritize improvement efforts.

The FY 2024 audits resulted in 2,848 NFRs. This includes findings from all reporting entities under standalone audit and findings from the consolidated audit. It does not include findings from audits of the intelligence community and findings from examinations of service provider system and process controls conducted in accordance with the Statement on Standards for Attestation Engagements (SSAE) No. 18. To address FY 2024 NFRs, the Department developed 2,185 corrective action plans. A corrective action plan describes how the DoD Component will remediate the issue and address the root cause by establishing milestones, assigns responsibility for completing the milestones, and projects a completion date.

A direct one-to-one relationship between findings and corrective action plans may not exist. There may be one or more plan for each NFR, and one plan may help remediate multiple NFRs. Findings that continue from one fiscal year into another are reissued by the auditor. Those findings not reissued are considered closed. Only an auditor can determine whether an NFR has been remediated and closed.

The Department uses audit roadmaps to align remediation strategies, establish timelines for achieving audit opinions, and facilitate how progress and resources are monitored. Each Military Department and reporting entity under a standalone audit with a disclaimer of opinion, including the intelligence community agencies, maintain an audit roadmap. Each roadmap is reviewed annually to ensure it is consistent with achieving an audit opinion by December 31, 2028, aligns with the Secretary's audit priorities, addresses root causes of issues, and adjusts appropriately for risk. Any changes to an approved roadmap require written approval by both the Deputy Secretary of Defense and the Under Secretary of Defense (Comptroller)/Chief Financial Officer.



Audit Remediation

II. Audit Remediation

The 2025 Interim National Defense Strategic Guidance is the basis for the development of a new National Defense Strategy, which will guide the Department's actions on the America First and Peace through Strength imperatives. Secretary Hegseth has consistently spotlighted these audits as an essential tool for achieving the Department's reform goals and restoring taxpayer trust. Audit readiness and success support overall mission readiness and success.

Table 2 shows the projected dates by which the Military Departments and DLA anticipate achieving a qualified and unmodified audit opinion.

Table 2. Projected Audit Opinion Dates

	Project Opinion Date	
	Qualified	Unmodified
Army General Fund	2027	2028
Army Working Capital Fund	2026	2028
Navy General Fund	--	2028
DON Working Capital Fund	--	2026
Marine Corps General Fund	--	✓
DAF General Fund	2026	2028
DAF Working Capital Fund	--	2028
DLA Working Capital Fund	2027	2028
DLA NDSTF	--	✓

Note: The Marine Corps and the DLA NDSTF advanced from a disclaimer of opinion to achieving an unmodified opinion in FY 2023 and FY 2024, respectively.

Since FY 2019, the Secretary of Defense has established annual financial statement audit priorities, goals, and metrics that prioritize operational improvements and audit remediation efforts. For FY 2025, the Secretary's Financial Statement Audit Priority areas are:

- Improve Fund Balance with Treasury
- Strengthen the Systems Control Environment
- Advance the Universe of Transactions
- Optimize Asset Valuations
- Integrate Procure to Pay Processes to Accelerate Auditability

Secretary Hegseth's June 16, 2025, memorandum, "Achieving a 2028 Unmodified Financial Statement Audit Opinion" further established broad goals for FY 2025, FY 2026, and FY 2027 (see page 2). The Department is working to operationalize those goals.

The following pages report Department-wide progress toward the quantitative goals established for each previously established FY 2025 priority area and major accomplishments of the Military Departments, DLA, and other Defense organizations. See Appendix A for specific progress toward the quantitative goals for the Military Departments and DLA.

Audit Remediation

Priority Audit Area 1: Improve Fund Balance with Treasury

Fund Balance with Treasury represents the aggregate amount of the Department's budgetary spending authority available to pay current liabilities and finance future authorized expenditures. To ensure completeness and accuracy, each reporting entity must reconcile its records to Treasury's records monthly to resolve any discrepancies

Table 3. Fund Balance with Treasury as of March 31, 2025

DoD-wide Target Remediation Date: FY 2026		Measure of Progress: Undistributed disbursement and collection balances transactions as percentage of total Fund Balance with Treasury.	
FY 2025 Goals		FY 2025 Quantitative Goal	Status as of March 31, 2025
Reduce and maintain total undistributed disbursement and collection balances, as reported in Advana Dashboard, to 1 percent or less of total Fund Balance with Treasury.		< or = 1%	0.5%
Clear aged undistributed disbursement and collection balances in excess of 5 percent within 60 days or less, as reported in the Advana Dashboard.		<5%	62.9%
Key: Goal Met or Exceeded • Goal Not Met • Data Pending			

Note: Status as reported represents mid-year progress at a single point of time. Final year-end results will not be known until the end of the audit cycle in November. Reporting entities with no Fund Balance with Treasury material weakness or significant deficiency were directed to prioritize the sustainment of their control environments and were not required to report against these metrics.

Audit Remediation

Accomplishments

With support from DFAS, the Department again made significant progress in FY 2024 toward resolving its Fund Balance with Treasury material weakness. Nine reporting entities either closed or downgraded their Fund Balance with Treasury material weakness:

- Closed:
 - The Department of the Navy (DON) Working Capital Fund
 - The Department of Air Force (DAF) Working Capital Fund
- Downgraded:
 - The Department of the Army (Army) General Fund
 - Defense Advanced Research Projects Agency (DARPA)
 - DISA General Fund
 - DISA Working Capital Fund
 - DLA NDSTF
 - DTRA
 - National Geospatial-Intelligence Agency (NGA)
- DoD reporting entities have closed or downgraded 14 Fund Balance with Treasury material weaknesses over the last 2 fiscal years. In FY 2024, the Department reported a DoD-wide Fund Balance with Treasury balance of \$856 billion. Reporting entities without an auditor-reported Fund Balance with Treasury material weakness constitute \$707 billion of that total.
- The DAF Fund Balance with Treasury reconciliation process transitioned from the Consolidated Cash Accountability System to Advana, creating an automated and centralized dashboard for tracking and remediating approximately \$2 billion of undistributed variances (FY 2025 average) and providing data visualization of trends and match rates. This reduced the level of effort by ~96 hours per year and facilitated a quicker turnaround.



Caral E. Spangler, Assistant Secretary of the Army for Financial Management and Comptroller, along with Lt. Gen. Paul A. Chamberlain, Military Deputy to the ASA (FM&C), and Sgt. Maj. Terry L. Anderson, ASA (FM&C) senior enlisted advisor, present Amanda McCoy, U.S. Army Financial Management Command Army Accounting and Audit Operations Fund Balance with Treasury division chief, with a certificate of appreciation during the Army's Annual Audit Summit at the Mark Center in Alexandria, Virginia, Dec. 10, 2024. McCoy's and her team's efforts helped the Army downgrade the Fund Balance with Treasury General Fund material weakness in FY 2024. (U.S. Army photo by Mark R. W. Orders-Woempner)

- The DAF's ability to trace \$134 billion (over 96 percent) of General Fund and \$28 billion (99 percent) of Working Capital Fund disbursements and collections to the U.S. Treasury as of Quarter 2 of FY 2025 demonstrates an effective Fund Balance with Treasury control environment. This validation reduces the need for extensive auditor testing, enhances accountability over funds, and demonstrates fiscal responsibility over appropriations.

Audit Remediation

Priority Audit Area 2: Strengthen Systems Control Environment

A robust internal control environment is essential for achieving and sustaining an audit opinion. Effective access controls, segregation of duties, and entity-level controls are critical for preventing cyberattacks and securing sensitive data, equipment, and facilities. DoD components must also implement Identity, Credential, and Access Management (ICAM) solutions, for providing, modifying, and removing user access within systems relevant to internal controls over reporting – financial reporting (ICOR-FR) and internal controls over reporting – financial systems (ICOR-FS).

Table 4. Systems Control Environment as of March 31, 2025

DoD-wide Target Remediation Date: FY 2026 for Access Controls		Measure of Progress: Percentage of findings closed and implementation of ICAM solutions.	
FY 2025 Goals		FY 2025 Quantitative Goal	Status as of March 31, 2025
Remediate privileged access control deficiencies for ICOR-FR- and ICOR-FS-relevant systems through an effective internal control framework. Each Component should achieve a 70 percent NFR reduction from the prior year ending NFR balance plus any new current year privileged access control NFRs.		> or = 70%	52.0%
ICAM:			
<ul style="list-style-type: none"> For ICAM program management offices deploying an ICAM solution, achieve a 90 percent on time delivery, based on baseline schedules developed by December 31, 2024. 		> or = 90%	25.0%
<ul style="list-style-type: none"> For Components that own ICOFR-FR- and ICOFR-FS-relevant systems, whose systems will need to be configured to use an ICAM solution, achieve a 90 percent on time delivery, based on baseline schedules developed by December 31, 2024. 		> or = 90%	Data Pending
<ul style="list-style-type: none"> For Component system owners whose systems will be on-boarding to an ICAM solution (all ICOFR-FR- and ICOFR-FS-relevant system owning agencies), achieve a 90 percent on time on-boarding, based on baseline schedules developed by December 31, 2024. 		> or = 90%	69.2%
Key: Goal Met or Exceeded • Goal Not Met • Data Pending			

Note: Status as reported represents mid-year progress at a single point of time. Final year-end results will not be known until the end of the audit cycle in November.
Onboarding to ICAM is defined as the system's utilization of an approved identity provider service (including onboarded users) and the following ICAM solution capabilities:

- Automated account provisioning/de-provisioning
- Master User Record/Identity Governance and Administration
- Implement and enforce appropriation intra-system segregation of duties
- Periodic re-certification of internal and external user accounts

Audit Remediation

Accomplishments

- The Army published 14 key IT application controls to the Army Control Catalog during FY 2024 and FY 2025, with 6 more planned for publication this fiscal year. This improves financial data reliability, standardizes IT control documentation, and strengthens both the control environment and data integrity.
- The Army is working with DFAS to eliminate unsupported Defense Departmental Reporting System balances and journal vouchers, recording only supported ones. This ensures journal vouchers are validated before posting and supports downgrading the General Ledger Adjustments material weakness.
- Army Working Capital Fund addressed all eight Procurement Automated Data and Documents System findings, pending auditor validation, and closed the Logistics Modernization Program Emergency Changes finding.
- The Army implemented and validated 65 percent of its FY 2024 Working Capital Fund IT corrective action plans before the FY 2025 audit cycle. To date, auditors have closed 14 Army Working Capital Fund IT NFRs. Developing corrective action plans as issues were identified by the auditors allowed the auditors to move beyond test of design and reduced the impact of findings. To sustain progress, the Army is conducting focused internal controls testing on key controls.
- The DON has converted \$216.9 billion of the Navy's \$256.5 billion budget authority into its Navy enterprise resource planning system (Navy ERP) by migrating 9 major Navy commands; decommissioning 11 legacy systems; and transitioning another budget submitting office to Navy ERP in FY 2025. An additional 251,000 roles and over 3,800 end users were also migrated. In FY 2024, the DON migrated the Bureau of Naval Personnel, which had 88,900 roles and over 1,400 end users, to Navy ERP.
- In FY 2024, the Navy closed 83 IT and 91 financial NFRs through improved controls, processes, and documentation. The Navy has closed 36 IT NFRs in FY 2025 as of May 31, 2025.
- In FY 2025, the DON deployed Naval Identity Services (NIS) ICAM for 3 more audit-relevant systems, bringing the total to 12.

The FY 2025 NIS ICAM annual user access recertification, covering over 135,000 identities and 2.6 million entitlements/accounts across 8 systems, has begun. The DON also shut down four legacy defense business systems.

❖ **DLA's Defense Agencies Initiative**, the general ledger accounting system for over **25 DoD reporting entities**, obtained its 8th consecutive unmodified SSAE No. 18 opinion.

- By the end of FY 2025, the DAF will have implemented 54 corrective action plans to address IT audit findings, with 26 plans focused on access management. As of May 16, 2025, 8 plans have been submitted to auditors for verification, and 46 are being implemented and validated.
- The DAF's standardized, automated identity reconciliation between SailPoint Integrated Governance Administration and Air Force Identity has significantly improved identity security, resulting in the disabling of ~7,400 dormant accounts and the flagging of ~16,000 accounts for further review.
- DARPA onboarded the Budget Transfer Tool to DISA ICAM.
- USTRANSCOM reviewed and identified applicable Complementary User Entity Controls (CUECs) across command staff and all three components. USTRANSCOM also created a master list and mapped internal controls and processes to applicable CUECs for five Service Providers. Testing of design and effectiveness began in FY 2025.
- The DoD Chief Information Officer designated MyAuth, a multi-factor authentication tool, as the enterprise-wide standard. MyAuth uses existing DoD self-service logon accounts for identity proofing, saving an estimated \$22 million (\$2 per identity proofed for 11 million existing users). With 18 systems planning to onboard MyAuth, the Defense Manpower Data Center anticipates an additional \$36 million in cost avoidance. At a cost of \$0.45 per identity per month, centralizing authentication will potentially save millions. In May 2025, users of ID Card Office Online and milConnect began using MyAuth.

Audit Remediation

Priority Audit Area 3: Advance the Universe of Transactions

The universe of transactions encompasses all underlying, individual accounting transactions that support a financial statement line or balance. Each reporting entity under audit must be able to validate the completeness of its universe of transactions. The Department is using Advana to establish a complete universe of transactions in a centralized location.

Table 5. Universe of Transactions as of March 31, 2025

DoD-wide Target Remediation Date: FY 2028	Measure of Progress: Universe of transactions standardization and optimization, allowing for measuring progress, closing gaps, and implementation.	
	FY 2025 Quantitative Goal	Status as of March 31, 2025
Achieve 90 percent operationalization of the universe of transactions framework for all DoD Components.	> or = 90%	95.0%
Ensure 90 percent of valid Standard Financial Information Structure trading partner codes are populated within Advana.	> or = 90%	52.6%
Key: Goal Met or Exceeded • Goal Not Met • Data Pending		

Note: Status as reported represents mid-year progress at a single point of time. Final year-end results will not be known until the end of the audit cycle in November.

Audit Remediation

Accomplishments

- In FY 2025, the Army's universe of transactions initiative within the Advana platform achieved the capability to categorize nearly 1 billion transactions annually across 650 business processes. This capability supports effective audits through 70 automated reconciliations and enhances visibility and transparency into financial statement line items.
- The Army successfully transitioned to the U.S. Treasury's Government-Invoicing platform, enabling all Army organizations to execute in-scope reimbursable transactions with federal trading partners. This transition standardizes internal reimbursable business processes, improves intra-governmental accountability, and increases operational efficiencies.
- The Army strengthened documentation retention for Defense Joint Military Pay System transactions by locating supporting documentation across various systems and tools. The Army achieved a 97 percent substantive pass rate for Military Pay Reserve Component in FY 2024 and is sustaining those improvements in FY 2025.
- The DON enhanced its universe of transactions by reconciling key inception-to-date accounting system data and resolving all auditor findings. The DON also integrated the universe of transactions into the Advana SSAE No. 18 examination, System and Organization Control-1 report, adding new controls to ensure complete and valid near-real-time data. Finally, the DON streamlined the audit process by automating data delivery to the auditors through a secure enclave within Jupiter.



U.S. Air Force Chief Master Sgt. Cesar Flores, left, 31st Fighter Wing command chief, learns about the Comptroller Services Portal from Senior Airman Alejandro Egusquiza, 31st Comptroller Squadron financial military pay technician, at Aviano Air Base, Italy, April 27, 2025. The Comptroller Services Portal is an automated incident management application designed to streamline finance-related issues for Air Force personnel. It allows customers to request and receive online assistance from their servicing comptroller squadron, providing full transparency throughout the resolution process. (U.S. Air Force photo by Senior Airman Jenna A. Bond)

Audit Remediation

Priority Audit Area 4: Optimize Asset Valuations

The Department operates in a unique and highly complex environment, managing globally distributed assets such as aircraft, ships, and satellites. The scale and complexity of the Department's acquisition process are unmatched. Additionally, the business processes and IT systems supporting asset acquisition do not readily align with federal accounting standards, posing significant challenges to asset valuation for audit purposes. Multi-year construction projects involving numerous locations and contractors further complicate the accumulation and presentation of construction-in-progress and valuation data. Furthermore, identifying, disaggregating, categorizing, allocating, and reaggregating indirect and ancillary costs (e.g., storage and transportation) is a time-consuming and costly process.

Simplifying the valuation process will create efficiencies, resulting in cost avoidance, with minimal impact on the users of financial statements. This directly supports the Department's national security mission while maintaining legal, ethical, and accountable stewardship of assets and related funds. To meet this financial statement audit priority, the Department will continue to explore alternative valuation methods.

Table 6. Asset Valuation as of March 31, 2025

DoD-wide Target Remediation Date: FY 2026 for Property in the Possession of Contractors; FY 2027 for Joint Strike Fighter		Measure of Progress: Compliant systems for Property in the Possession of Contractors and various measurements for Joint Strike Fighter as listed.	
FY 2025 Goals		FY 2025 Quantitative Goal	Status as of March 31, 2025
Property in the Possession of Contractors:		100%	3.0%
<ul style="list-style-type: none"> Reporting Entity Accountable Property Systems of Record (APSRs) and Integrated Material Management Systems (IMMS) must be compliant with collecting, storing, and using the data elements required by DoD Instruction (DoDI) 5000.64 and DoD Manual 4140.01, Volume 10. By September 30, 2025, Reporting Entities must implement 100 percent compliance assessment reporting in the Office of the Under Secretary of Defense for Acquisition and Sustainment (OUSD(A&S)) LogIT portal.¹ Demonstrate 50 percent system development progress toward ensuring Reporting Entities' APSRs and IMMS are compliant with integrating Government Furnished Property (GFP) data from the Procurement Integrated Enterprise Environment GFP Module via automated interface in accordance with DoDI 4161.02 no later than September 30, 2025. 		> or = 50%	3.0%

Audit Remediation

DoD-wide Target Remediation Date: FY 2026 for Property in the Possession of Contractors; FY 2027 for Joint Strike Fighter		Measure of Progress: Compliant systems for Property in the Possession of Contractors and various measurements for Joint Strike Fighter as listed.	
FY 2025 Goals		FY 2025 Quantitative Goal	Status as of March 31, 2025
Joint Strike Fighter			
<ul style="list-style-type: none"> • OUSD(A&S), in coordination with the Office of the Under Secretary of Defense (Comptroller) (OUSD(C)), will establish and implement Joint Strike Fighter financial reporting roles and responsibilities for the Joint Program Office, Department of the Navy, Department of Air Force, and Defense Logistics Agency by December 31, 2024. 		100%	75.0%
<ul style="list-style-type: none"> • OUSD(A&S), in coordination with the OUSD(C), Department of the Navy, Department of the Air Force, and Defense Logistics Agency will establish Joint Strike Fighter support equipment and vendor spares pool (including spare engines) reporting requirements, and foreign partner and vendor allocation methods to support financial reporting by June 30, 2025. 		100%	60.0%
<ul style="list-style-type: none"> • OUSD(A&S) will ensure 100 percent validation of asset existence and completeness of the Joint Strike Fighter Support Equipment and Spares Pool assets in the Defense Property Accountability System² by June 30, 2025. 		100%	28.4%
<ul style="list-style-type: none"> • OUSD(A&S), in coordination with its Joint Program Office, will implement a compliant process to recognize new assets and completed repairs by utilizing Wide Area Workflow Receiving Reports and Repairable Receiving Reports by June 30, 2025. 		100%	41.5%
<ul style="list-style-type: none"> • OUSD(A&S), in coordination with the OUSD(C), Department of the Navy, Department of the Air Force, and Defense Logistics Agency will ensure 100 percent reporting of all Joint Strike Fighter assets on the Defense-wide balance sheet by December 31, 2025. 		100%	0.0%
Key: Goal Met or Exceeded • Goal Not Met • Data Pending			

¹ Not limited to assets acquired as part of major defense acquisition programs and major weapon system.

² The Defense Property Accountability System was renamed the Enterprise Logistics Management System after the publication of the original FY 2025 goals.

Note: Status as reported represents mid-year progress at a single point of time. Final year-end results will not be known until the end of the audit cycle in November.

Audit Remediation

Accomplishments

- The Army developed an automated tool to calculate deemed cost of Army-owned capital assets by capturing key data from General Fund Enterprise Business System. This supports efforts to downgrade the General Fund Real Property material weakness by establishing a supportable beginning balance for the Army's portfolio of over 400,000 real property assets.
- Army Working Capital Fund implemented deemed cost, demonstrated a strong control environment, and downgraded the Real Property and General Equipment material weaknesses. Army Working Capital Fund has closed four FY 2024 property NFRs to date.
- The Army significantly strengthened its Real Property control environment by establishing a Real Property universe of transactions to track transactions and improve transparency. The Army also reconciled hundreds of thousands of transactions for



An F-35B Lightning II fighter aircraft from Marine Fighter Attack Squadron (VMFA) 242, takes off from the flight deck of the USS America (LHA 6) while conducting flight operations in the Coral Sea, June 10, 2025. 100 percent reporting of all Joint Strike Fighter assets on the Defense-wide balance sheet by December 31, 2025, is a SecDef audit priority. (U.S. Navy photo by Mass Communication Specialist 3rd Class Kenneth Melseth)

over 400,000 Real Property assets. Finally, the Army developed a Targeted Asset Review Population program to validate the completeness and accuracy of 92 percent (\$144 billion) of Real Property deemed cost within six months, supporting the planned FY 2025 material weakness downgrade.

- In FY 2024, Naval Supply Systems Command concluded the fifth year of 100 percent physical inventories achieving 99.6 percent inventory accuracy for 9.5 million items.
- Navy worked with major partners to complete reconciliations with supportable balances and improve system data accuracy for GFP.
- The DAF implemented Data Quality, Adjudication, and Roll Forward controls for Real Property. This enables the DAF to identify data discrepancies and create adjusting journal vouchers, as needed, to prevent erroneous postings to the General Ledger. The DAF has also collaborated with construction partners to develop controls to improve data accuracy and has established materiality thresholds to prioritize improvements.
- The DAF's implementation of Statements of Federal Financial Accounting Standards 50 in FY 2025 will help resolve the General Property, Plant, and Equipment (GPP&E) significant deficiency by establishing beginning balances for DAF Working Capital Fund GPP&E, increasing visibility of \$1.1 billion in net assets (as of September 30, 2024) as well as future GPP&E purchases.
- The DAF revised the cycle counting process over DAF-held Working Capital Fund Inventory assets, increasing overall inventory accuracy to an average of 95 percent, and modified the floor-to-book process to verify completeness of inventory records.
- The DAF created a dashboard to track assets shipped between DAF Air Logistics Complexes and Contractor Depot Maintenance locations and identify variances, improving visibility of assets being repaired by contractors and location.
- The DAF enhanced data quality monitoring dashboards over Other General Equipment and Operating Materials and Supplies accountable property systems of record. This allows for prioritized remediation of data quality issues and improved monitoring of high-risk transactions that may affect financial reporting accuracy.

Audit Remediation

Priority Audit Area 5: Integrate Procure-to-Pay Processes to Accelerate Auditability

The Department must advance data accuracy and traceability to ensure more accurate, complete, and timely posting of financial transactions to the appropriate general ledgers by enforcing end-to-end procure-to-pay system controls and DoD-wide standards.

Table 7. Procure-to-Pay as of March 31, 2025

DoD-wide Target Remediation Date:	Measure of Progress: Improved, accurate general ledger balances and budgetary status of funds availability.	
	FY 2025 Quantitative Goal	Status as of March 31, 2025
FY 2025 Goals		
Achieve 75 percent implementation of the Purchase Request Data Standard at Handshake 1 (the point of creation of a valid purchase request) of Contract Vendor Pay by September 30, 2025.	> or = 75%	93.2%
Achieve 75 percent implementation of the Procurement Data Standard at Handshake 3 (the point of creation of a valid contract award or modification, delivery of the standard, and acceptance of the standard) of Contract Vendor Pay by September 30, 2025.	> or = 75%	96.9%
Key: Goal Met or Exceeded • Goal Not Met • Data Pending		

Note: Status as reported represents mid-year progress at a single point of time. Final year-end results will not be known until the end of the audit cycle in November.

Audit Remediation

Accomplishments

- The DON significantly reduced aged accounts receivable and payable. In the Working Capital Fund, the DON reduced aged accounts receivable (over 60 days) by 52 percent, a decrease of \$101 million. The DON also decreased aged accounts payable (over 60 days) by 59 percent in the General Fund (reducing the total by \$1.1 billion) and by 58 percent in the Working Capital Fund (reducing the total by \$3.9 billion).
- Since implementing born-on pricing for Naval Supply Systems Command sales orders in October 2024, the Navy has avoided 12,694 unmatched transactions as of Quarter 2 of FY 2025, representing a net value of \$68 million and an absolute value of \$162 million. With zero unmatched transactions since implementation, commands can now redirect labor previously used to clear these transactions. Born-on pricing provides budget stability and improves the buying power by eliminating the need to reserve funds for price changes.
- DON robotic process automations (RPAs) helped prevent \$1.5 billion in unsupported accounts payable journal vouchers and \$18.5 billion in abnormal accounts payable conditions in FY 2024.
- The DON has cleared over 4,500 aged General Fund intragovernmental transactions and over 7,500 Working Capital Fund aged intragovernmental transactions in FY 2025 to date.
- DARPA implemented the Enterprise Contract Writing System for Federal Acquisition Regulation-based contracts and are on target to complete non-Federal Acquisition Regulation-based by the end of the fiscal year.

Conclusion

III. Conclusion

Changes being made to correct and sustain financial statement audit findings are critical to modernizing and securing DoD systems and business operations, as well as advancing data analytics capabilities. Tools initially developed to support the audits, such as Advana, are now expanding support to other areas of DoD operations. These efforts result in greater financial integrity, increased transparency, and ultimately, a better supported warfighter.

Audit Costs

Audit, audit support, and audit remediation costs were estimated at \$1.577 billion for FY 2024. Approximately \$401 million was paid to the independent public accounting firms conducting the audits and examinations and spent in audit support, such as responding to auditor requests for information. Another \$1.177 billion went to remediating audit findings. The Department relies on continued congressional support to ensure adequate and consistent funding for financial system modernization and audit support and remediation.

The reporting entities report audit resources as follows:

- Audit Services and Support are the costs of the audits and SSAE No. 18 examinations performed by independent public accounting firms, plus government and contractor costs for supporting the audits and responding to auditor requests.
- Audit Remediation includes government and contractor costs for correcting findings and the costs of achieving and sustaining an auditable systems environment, not including Enterprise Resource Planning system deployment or maintenance costs.

Table 8. FY 2024 Audit Costs

	FY 2024 \$ in Millions		
	Audit Services and Support	Audit Remediation	Total
Army	\$61	\$219	\$280
Navy	\$85	\$285	\$370
Marine Corps	\$13	\$91	\$104
Air Force	\$50	\$274	\$324
Other Reporting Entities	\$191	\$309	\$500
DoD Total	\$401	\$1,177	\$1,577

Note: Numbers may not sum due to rounding.

The value derived from the audits, through increased efficiencies and cost avoidance, surpasses the costs. Beyond the accomplishments already highlighted in this report, automations are streamlining manual processes, enabling staff to address critical challenges, and reducing costs. Coupled with new training and certifications, the audits are fostering a modernized DoD financial management workforce, vital for sustaining progress and advancing business operations. Examples of workforce modernization results, include:

- The Army continues to improve audit training for financial management personnel. In FY 2024, the Army held multiple training events, developed 14 microlearning videos, and launched 2 online courses via the Army Training Information System. In FY 2025, the Army expanded its training opportunities, reaching more than 4,500 personnel at various events to enhance knowledge, address issues, and share best practices.
- The Army automated the classification of process exceptions by root causes (such as, missing documentation or inadequate reporting). This enables targeted fixes, helps prevent recurring issues, and improves audit readiness by providing immediate insights and freeing up staff to focus on solving problems.

Conclusion

- The DON's Citizen Developer program and software licensing program have significantly improved efficiency and accuracy. To date, 218 RPAs have been deployed, refocusing over 230,000 hours of work. These RPAs have corrected more than \$200 million in unmatched transactions across the DON. Furthermore, 20 DON personnel have completed the Citizen Developer program (deploying 11 RPAs that saved over 15,000 hours), with 15 more personnel starting the program, and 28 DON personnel have also earned their Naval Post Graduate School Data Analytics certification for Defense Management.
- The DAF deployed an IT control assessment workflow to its enterprise Governance, Risk, and Compliance (eGRC) solution. This central, unified platform replaced manual workbooks for assessing over 2,700 IT risks and controls, and saved thousands of processing hours while improving accuracy and efficiency.
- DLA has deployed 164 RPAs, projected to save more than 290,000 hours annually.
- Defense Contract Management Agency held an Audit Stand-Down Day, a mandatory, agency-wide event focused on audit basics, roles and responsibilities, and priority topics such as operational findings, contracts and property, and IT system access controls.

Value of Partnership

Partnerships are crucial in helping the Department to navigate the complexities of its annual financial statement audit and sustain improvements for long-term success. Strategic initiatives and investments that provide the necessary tools and framework to resolve the most challenging issues require continued DoD leadership and responsive targeted support from DoD partners and stakeholders.

Department-wide Commitment

Tone-at-the-top is the most effective differentiator. Starting with the Secretary of Defense, Department leaders are committed to collaborating and delivering a unified message of audit success to those under their command. Leaders of the Military Departments,

other Defense organizations, and service providers as well as the Principal Staff Assistants are prioritizing the financial statement audits and holding others accountable. However, the Department cannot achieve an unmodified opinion without support from other stakeholders.

Congressional Support

The Department needs continued congressional support and a willingness to make bold and focused investments, such as ensuring adequate and consistent funding by requiring top-line level budget authority for financial system modernization, audit support, and remediation efforts. This is critical to advancing the Department's audit progress and achieving an unmodified audit opinion by December 31, 2028, as required by section 1005 of the National Defense Authorization Act for Fiscal Year 2024.

Office of Management and Budget and U.S. Department of the Treasury Support

The Department also requires support from the Office of Management and Budget and U.S. Department of the Treasury support to resolve long-standing accounting and related issues, including:

- Working with the Federal Accounting Standards Advisory Board and the independent public accounting community to provide actionable guidance, where needed.
- Providing greater flexibility for the Department's audit reporting timelines, such as the two-year audit cycle that was granted to the Marine Corps and extending DoD's reporting beyond the November 15 reporting deadline.
- Providing guidance and assistance on Treasury Index-97 funds disaggregation efforts in support of downgrading the Department's Fund Balance with Treasury material weakness.

Conclusion

Auditor Community

The independent public accounting firms and the audit community will need to be prepared to complete the audits in accordance with the Department's accelerated audit timelines. The Department will continue to rely on the Government Accountability Office and the DoD OIG for granularity and visibility into its challenges and successes.

Additional Information

For more information on the results of the DoD FY 2024 financial statement audit, including the independent auditor's report certifying the results, please see the [DoD Agency Financial Report for FY 2024](#).

Appendix A: Audit Priority Metrics

Table 9. Audit Priority Metrics as of March 31, 2025

		Army General Fund	Army Working Capital Fund	Navy General Fund	DON Working Capital Fund	DAF General Fund	DAF Working Capital Fund	DLA Working Capital Fund	DoD-Wide
Fund Balance with Treasury	Goal I	0.0%	1.1%	Remediated	Remediated	Remediated	Remediated	0.2%	0.5%
	Goal II	53.6%	11.1%	Remediated	Remediated	Remediated	Remediated	53.8%	62.9%
Strengthen Systems Control Environment	Privileged Access Controls	78.0%	100.0%	51.0%	43.0%	25.0%	38.0%	100.0%	52.0%
	ICAM Metric 1	No Scheduled Deployments	No Scheduled Deployments	No Scheduled Deployments	No Scheduled Deployments	0.0%	0.0%	No Scheduled Deployments	25.0%
	ICAM Metric 2	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD
	ICAM Metric 3	66.7%	66.7%	50.0%	50.0%	50.0%	50.0%	No Scheduled Deployments	69.2%
Advance the Universe of Transactions	Goal I	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	95.0%
	Goal II	86.0%	97.6%	32.3%	92.6%	99.3%	0.0%	89.4%	52.6%
Optimize Asset Valuation	PIPOC Goal I	33.3%	33.3%	0.0%	0.0%	33.3%	33.3%	0.0%	3.0%
	PIPOC Goal II	33.3%	33.3%	0.0%	0.0%	33.3%	33.3%	0.0%	3.0%
	JSF Goal I	N/A	N/A	N/A	N/A	N/A	N/A	N/A	75.0%
	JSF Goal II	N/A	N/A	N/A	N/A	N/A	N/A	N/A	60.0%
	JSF Goal III	N/A	N/A	N/A	N/A	N/A	N/A	N/A	28.4%
	JSF Goal IV	N/A	N/A	N/A	N/A	N/A	N/A	N/A	41.5%
	JSF Goal V	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0.0%

Note: Status as reported represents mid-year progress at a single point of time. Final year-end results will not be known until the end of the audit cycle in November. Reporting entities with no Fund Balance with Treasury material weakness or significant deficiency were directed to prioritize the sustainment of their control environments and were not required to report against these metrics. Metrics used to track integration of procure-to-pay at the system level are not included.

Appendix B: Acronyms and Abbreviations

Acronyms and Abbreviations

A

APSR	Accountable Property System of Record
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C

CUEC	Complementary User Entity Control
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D

DAF	Department of the Air Force
DARPA	Defense Advanced Research Projects Agency
DFAS	Defense Finance and Accounting Service
DISA	Defense Information Systems Agency
DLA	Defense Logistics Agency
DoD	Department of Defense
DoDI	Department of Defense Instruction
DoD OIG	Department of Defense Office of Inspector General
DON	Department of the Navy
DTRA	Defense Threat Reduction Agency

F

FM&C	Financial Management and Comptroller
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FY	Fiscal Year
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G

GFP	Government Furnished Property
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GPP&E	General Property, Plant, and Equipment
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I

ICAM	Identity, Credential, and Access Management
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ICOR-FR	Internal Controls Over Reporting – Financial Reporting
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ICOR-FS	Internal Controls Over Reporting – Financial Systems
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IMMS	Integrated Material Management Systems
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IT	Information Technology
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Appendix B: Acronyms and Abbreviations

J

JSF	Joint Strike Fighter
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N

Navy ERP	Navy Enterprise Resource Planning System
NDSTF	National Defense Stockpile Transaction Fund
NFR	Notice of Findings and Recommendations
NGA	National Geospatial-Intelligence Agency
NIS	Naval Identity Services

O

OUSD(A&S)	Office of the Under Secretary of Defense (Acquisition and Sustainment)
OUSD(C)	Office of the Under Secretary of Defense (Comptroller)

P

PIPOC	Property in the Possession of Contractors
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R

RPAs	Robotic Process Automations
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S

SecDef	Secretary of Defense
SSAE	Statement on Standards for Attestation Engagements

T

TBD	To Be Determined
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U

U.S.	United States
USTRANSCOM	United States Transportation Command

