U.S. DEPARTMENT OF DEFENSE
Financial Improvement and Audit Remediation (FIAR) Report

Office of the Under Secretary of Defense (Comptroller)
June 2021
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The Financial Improvement and Audit Remediation Report was prepared in accordance with section 240b of Title 10, United States Code.

Preparation of this report cost the Department of Defense approximately $141,000.
Message from the Under Secretary of Defense (Comptroller)/Chief Financial Officer

I am honored to return to the Department of Defense (DoD) and humbled to have the opportunity to serve alongside the fine people here. We started this audit journey many years ago, focused first on preparing our systems and processes for audit. Three years ago, the Department moved from readiness to remediation when independent auditors completed 27 standalone audits of DoD reporting entities, and the DoD Inspector General completed the first audit of the DoD consolidated financial statements. This set us on an irreversible course of using findings from the annual audits to identify areas for improvement and drive the cultural changes necessary to sustain those improvements.

Today, nine reporting entities representing 35 percent of DoD’s $3.1 trillion in total assets received clean audit opinions in fiscal year 2020 as part of the DoD consolidated audit, and one additional reporting entity not included in the consolidated audit holds a clean opinion. Despite the challenges the COVID-19 pandemic presented to our personnel and auditors, every entity that achieved a clean opinion in fiscal year 2019 sustained that opinion, and one reporting entity regained its clean opinion. If we include the qualified opinion held by the Medicare-Eligible Retiree Health Care Fund, nearly 45 percent of DoD assets are under a positive opinion. Although the remaining reporting entities and the DoD consolidated audit resulted in disclaimers of opinions, meaningful progress is being made.

We receive both quantifiable and non-quantifiable benefits from the audit in the form of improved visibility of our assets to optimize the warfighter’s posture; improved visibility of our financial resources to support decision-making, to include investment decisions; and streamlined business processes that support more compliant systems and lead to cost avoidance and operational efficiency. One of the biggest DoD-wide benefits of audits is the improvement of our data, which collectively is one of our most valuable, strategic assets. System improvements and consolidation are giving decision-makers real-time insights, metrics, analytics, and a common operating picture from which to lead. Advana, our data platform created first to support the audit, is now being used to provide easy and timely access to large volumes of comprehensive data—not just financial data—including the information needed to fulfill DoD’s role in our Nation’s response to the COVID-19 pandemic and vaccine rollout.

The annual financial statement audits and the benefits derived from remediating findings are our best tool for fostering lasting cultural changes needed to achieve our business reform goals and modernize the Department. We are committed to integrating audit remediation and sustainment into our daily business operations, corporate culture, and policies in support of the warfighter.

I am rejoining this effort at an exciting time. Both the DoD Inspector General and Government Accountability Office have recognized our strong tone at the top, and I am committed to moving the Department from a disclaimer to a qualified audit opinion, and finally to a sustained unmodified audit opinion. I am grateful for the continued support of Congress and our stakeholders, and their willingness to share feedback and best practices that advance our stewardship for the benefit of the American people.

Michael McCord
Executive Summary

Financial managers and leaders throughout the Department of Defense (DoD) are embracing their audit responsibilities and working to increase transparency in how the Department manages its resources. The financial improvement and audit remediation (FIAR) strategy and governance structure is supported by leaders at every level who welcome the scrutiny and understand the value of audit. A strong tone-at-the-top reinforces the importance of accountability in support of the DoD mission, strategy, policy, people, and resources.

Audit Results

The Department completed its third annual consolidated financial statement audit in fiscal year (FY) 2020 and continues to make progress not just toward an audit opinion but, more importantly, toward improved financial management and data integrity for decision-making. The DoD annual financial statement audit comprises 27 standalone audits conducted by private sector independent public accounting firms (IPAs). The DoD Office of Inspector General (DoD OIG) oversees the work of these auditors and issues the consolidated audit opinion. In FY 2020, these audits required more than 1,400 auditors, over 100 in-person site visits, and 530 virtual site visits to review DoD business processes and activities during a global pandemic.

Nine DoD reporting entities received unmodified (or clean) opinions in the FY 2020 consolidated audit. One reporting entity not included in the consolidated audit also holds a clean opinion. Every entity that achieved a clean opinion in FY 2019 sustained that opinion in FY 2020, and the Defense Information Systems Agency (DISA) Working Capital Fund regained a clean opinion. This was the 13th consecutive unmodified opinion for the Army Corps of Engineers (Civil Works), the 21st for the Defense Finance and Accounting Service (DFAS) Working Capital Fund, and the 28th for the Military Retirement Fund. The Medicare-Eligible Retiree Health Care Fund again achieved a qualified opinion, which means the data was right with some exceptions. All other reporting entities received a disclaimer of opinion, meaning auditors did not have enough evidence to form an opinion.

The DoD OIG identified 26 Department-wide material weaknesses, found no new material weaknesses at the Department-level, and downgraded two material weaknesses—Legal Contingencies and Reconciliation of Net Cost of Operations to Outlays. Auditors issued 3,482 notices of findings and recommendations, or NFRs, during the FY 2020 audits. This includes 2,606 modified or re-issued findings from the prior year. Figure ES-1 shows the FY 2020 DoD-wide material weaknesses and associated findings.

What's At Stake:
- Nearly 3 million Service Members and civilian employees operating in all domains—air, land, sea, space, and cyberspace
- 9 million people supported by the DoD healthcare system
- More than 600,000 Real Property assets located on 4,600 sites in more than 160 countries
- Approximately 17,400 aircraft and nearly 300 battle force ships
- $310 billion in inventory

Secretary of Defense Lloyd J. Austin III speaks with a Michigan National Guardsman during a visit to the Capitol building in Washington, D.C., Jan. 29, 2021. (Photo By: Air Force Staff Sgt. Brittany Chase)
Figure ES-1: FY 2020 DoD-Wide Material Weaknesses and Associated NFRs

Note: Information represented here is as of June 15, 2021. This information may vary from reports published on other dates. Blue bars indicate FY 2019 audit results. Yellow circle indicates FY 2019 NFRs closed and CAPs validated. Green bars indicate FY 2020 audit results. Red circle indicates FY 2020 NFRs closed and CAPs validated. Figure ES-1 and other figures throughout the report were created in the DCFO NFR Database, an enterprise repository that includes modern analytic and visual display capabilities.
Corrective Actions

The Department uses material weaknesses to prioritize corrective actions, improve operational value, and strategically move closer to an unmodified opinion. For FY 2021, the Department continued its focus on existing audit priorities to maintain momentum:

- Real Property
- Inventory and Operating Materials and Supplies
- Government Property in the Possession of Contractors
- Information Technology (IT) Access Controls
- Fund Balance with Treasury
- Financial Reporting Internal Controls
- Joint Strike Fighter
- Audit opinion progression, as an indicator of progress

Each reporting entity under standalone audit with a disclaimer of opinion maintains an audit roadmap. The Department uses these audit roadmaps to align material weakness remediation strategies across the Department, identify timelines, prioritize focus areas, and ensure progress and resources are monitored. The audit roadmaps detail corrective action completion dates by fiscal year and financial statement line-item or audit focus area.

Findings that directly align with a material weakness are identified in the Deputy Chief Financial Officer (DCFO) NFR Database. This allows the Department to quickly identify, consolidate, and report on findings associated with material weaknesses to better monitor progress.

Components develop corrective action plans to address findings. These plans provide information on root-cause analysis, establish milestones, assign responsibilities for completing the milestones, and project a completion date for the action. Corrective actions resulted in the closure of 24 percent of FY 2019 NFRs, a pace consistent with past years despite the limitations stemming from the COVID-19 pandemic. To address FY 2020 audit findings, the Components have thus far developed 2,827 corrective action plans and are in the process of implementing those plans to remediate problems.

[A clean audit] will continue to be our goal. ... I have been away from the process for a while, but there is more to be done. And you have my commitment that we will lean into this and continue to push to make sure that we can get that clean audit in the not-too-distant future.

Secretary of Defense Lloyd J. Austin III
January 19, 2021
Confirmation Hearing, U.S. Senate Committee on Armed Forces

Value of Audit

Audit, audit support, and audit remediation costs, including financial system fixes, totaled $926 million for FY 2020. Approximately $184 million was paid to the IPAs conducting the audits and examinations, less than 1 percent of total annual budgetary resources. Another $223 million went to audit support, such as responding to auditor requests for information; and $518 million went toward remediating audit findings. Arguably, much of this work would need to be completed regardless of whether the annual financial statement audits were required, and the audits are driving efficiencies that reduce administrative costs, improve inventory management, and generate other benefits.

The Army confirmed the value of 312,909 real property assets in FY 2021 and developed automated tools to update more than 60,000 asset records as of May 2021. The Navy launched a campaign to locate
untracked or excess material, and Navy commands identified more than $3.3 billion in material not visible to the organization that is now available for redeployment. The Department of the Air Force (DAF) developed and deployed the innovative Theater Integrated Combat Munitions System (TICMS). In addition to reducing the DAF’s overall IT footprint and driving modernization by migrating eight disparate systems into one, TICMS is boosting operational readiness through enhanced accountability of munitions-related assets. This system will save system maintenance dollars while better tracking the location and quantity of its munitions.

**Better Data. Improved Visibility**

Perhaps no better example of the benefit of audit exists than in the improvements in the Department’s data, which, second to our people, may be DoD’s most valuable and strategic asset. The audits demand IT system improvements and data consolidation that is arming decision-makers with real-time, Department-wide views, and advanced data analytic capabilities. Leaders are now able to use dashboards, metrics, and analytics to support efficiencies, sustain improvements, and harness the power of data for better decision-making.

**Strengthened Controls. Enhanced National Security.**

The audit is also driving improved national security. Auditors test DoD processes and procedures for controlling who has access, what levels of access they have, what procedures they can perform, and who can access system coding and configuration capabilities. The audits test IT controls and provide direct and specific feedback on where system owners must improve security and controls to help prevent hacks and cyberattacks, both foreign and domestic.

**Streamlined Processes. Greater Efficiencies.**

Robotic Process Automation, RPA or “bots,” provide timely and complete responses to auditors in areas that would have been nearly impossible to do manually and without this technology. Over the past year, the Department saw a marked increase in the use of bots across all of DoD business lines. As of March 2021, DoD had 323 bots deployed, 60 percent of which aligned to financial management processes, with 16 percent directly supporting compliance or audit response activities. Processes, such as quarterly reconciliations, can be done by a bot in a fraction of the time it would take a person to complete the task, freeing up valuable personnel resources for other, more complex tasks.

The Department is also exploring possible uses of Artificial Intelligence (AI) to support financial management improvements and how the audits can be used to attract more AI talent to the Department. In partnership with the Defense Innovation Unit and the Joint Artificial Intelligence Center, both OUSD(C) and Army are piloting efforts that use AI and machine learning to predict the corrective actions necessary for the timely clearing of unmatched disbursements. Bots can then be employed to automate the steps to clear the unmatched transactions. Over time, these pilot programs should provide insight into root causes, accelerate remediation work, and reduce unmatched disbursements.

**Increased Transparency. Improved Public Confidence.**

The audit is not just an accounting exercise. It is a top-down and bottom-up review of the DoD enterprise and its ability to accurately and timely account for defense resources. The audit is giving taxpayers improved accountability for the assets entrusted to the Department, transparency into the use of these assets, and is pushing the DoD and the U.S. Government closer to a clean opinion. In addition to an increasing number of reporting entities holding an opinion, material weakness reductions, and NFR closures, the
Department’s collective efforts resulted in an improved rating for “DoD Financial Management” in the Government Accountability Office (GAO) 2021 High Risk List. The return on investment will continue to grow as audits mature, root causes to problems are addressed, and data are made more reliable and timely.

This Report

This report and its contents are required by section 240b of Title 10, United States Code. The report gives readers an overview of DoD’s enterprise-wide status and is organized around audit priority areas that align to the DoD-wide material weaknesses.

Section I, “Auditing the Department of Defense,” focuses on FY 2020 audit results and the Department’s plan for managing corrective actions and measuring progress. This includes examples of how corrective action plans are supporting the National Defense Strategy, as required by the National Defense Authorization Act (NDAA) for FY 2020. The section also provides the audit timeline, resources, and benefits of audit.


Appendix 1, “Independent Auditor’s Report,” includes the results of the DoD Inspector General’s (IG) FY 2020 audit, as required by the NDAA for FY 2018.

Appendix 2, “Acronyms and Abbreviations,” defines acronyms and abbreviations used in this report.

Conclusion

The audit is all encompassing. It acts as a catalyst to drive reform and innovation to best support DoD’s mission readiness and lethality. It reinforces accountability to taxpayers, and generates detailed findings and recommendations to further guide corrective actions. The output of this hard work is a clean audit opinion, but its effects are even greater—better systems, better data, financial management excellence, a more analytical workforce, and improved transparency enabling faster insights that support focused, sustainable, solutions for the Department’s complex problems.
I. Auditing the Department of Defense

Auditing the Department of Defense is an enormous undertaking. The sheer size and global footprint of the Department dwarfs other federal agencies as well as most private sector companies. The DoD employs nearly 3 million service members and civilians. It runs one of the largest healthcare systems in the country, supporting more than 9 million people, and manages one of the federal government’s largest real property portfolios, with assets (buildings, structures, and linear structures) located on 4,800 sites in more than 160 countries. The DoD Military bases operate like small cities, with law enforcement, hospitals, grocery stores, schools, transportation systems, and housing. And while a typical commercial airline manages between 300 and 1,600 aircraft, the Military Services operate roughly 17,400 aircraft—and nearly 300 Battle Force ships.

FY 2020 Audit Results

The FY 2020 audit covered the Department’s $3.1 trillion total assets. The DoD OIG performed the consolidated audit, and independent public accounting firms conducted standalone audits of the financial statements of 27 DoD reporting entities. Approximately 1,400 auditors reviewed transactions from the more than 1,700 active accounts the Department manages. Auditors made over 100 in-person site visits, despite limitations stemming from the COVID-19 pandemic, and approximately 530 virtual site visits to review DoD business processes and activities. Sensitive activities were audited within the classified environment.

The COVID-19 pandemic presented unexpected challenges to completing the audits, including competing priorities related to supporting the nation’s pandemic response. However, there were no effects to the audit opinions. Figure I-1 shows 10 reporting entities received unmodified opinions on their financial statement audits. DISA – Working Capital Fund moved up to an unmodified opinion in FY 2020. This was the 12th consecutive unmodified opinion for the National Reconnaissance Office, the 13th consecutive opinion for the Army Corps of Engineers (Civil Works), the 21st consecutive unmodified opinion for the DFAS Working Capital Fund, and the 28th consecutive unmodified opinion for the Military Retirement Fund. The Military Retirement Fund’s nearly $980 billion in total assets represents more than 30 percent of total DoD assets. The Medicare-Eligible Retiree Health Care Fund (MERHCF) received a qualified opinion, which means its financial statements are accurate with some exceptions.

Figure I-1: FY 2020 Audit Opinions

<table>
<thead>
<tr>
<th>Unmodified Audit Opinions</th>
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</thead>
<tbody>
<tr>
<td>Military Retirement Fund</td>
</tr>
<tr>
<td>U. S. Army Corps of Engineers – Civil Works</td>
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<tr>
<td>Defense Health Agency – Contract Resource Management</td>
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<tr>
<td>Defense Information Systems Agency – Working Capital Fund</td>
</tr>
<tr>
<td>Defense Commissary Agency – Working Capital Fund</td>
</tr>
<tr>
<td>Defense Commissary Agency – General Fund</td>
</tr>
<tr>
<td>Defense Finance and Accounting Service – Working Capital Fund</td>
</tr>
<tr>
<td>Defense Contract Audit Agency</td>
</tr>
<tr>
<td>Department of Defense Office of Inspector General</td>
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<tr>
<td>National Reconnaissance Office (DoD Classified)</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Qualified Audit Opinions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medicare-Eligible Retiree Health Care Fund</td>
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</tbody>
</table>

Note: Past FIAR Reports listed the Defense Commissary Agency as one reporting entity. The National Reconnaissance Office (DoD Classified) holds an unmodified audit opinion but is not included in the DoD consolidated audit. All other reporting entities are in order of total FY 2020 assets.

Figure I-2 shows the resulting opinion or disclaimer of opinion for each reporting entity included in the consolidated audit in FY 2020.
Figure I-2: FY 2020 Audit Opinions and Disclaimers of Opinion

| Fiscal Year 2020 DoD-Wide Consolidated Audit Performed by DoD Office of Inspector General (DoD OIG) |
|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| **Standalone Audits**         |                              | **Included in the Consolidated Audit** |
| 95% Budget, 97% Assets        | 5% Budget, 3% Assets          | 5% Budget, 3% Assets          |
| DoD OIG (as the Consolidated Auditor) considers the opinions of each Component auditor (performed by an independent public accounting firm) in forming its opinion. |

| DoD OIG \(\text{as the Consolidated Auditor}\) considers the opinions of each Component auditor (performed by an independent public accounting firm) in forming its opinion. |

<table>
<thead>
<tr>
<th>Component</th>
<th>Financial Statement</th>
<th>Auditing Entity</th>
</tr>
</thead>
<tbody>
<tr>
<td>WHS</td>
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<td>DoD OIG</td>
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<tr>
<td>MDA</td>
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<td>DoD OIG</td>
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<tr>
<td>DSCA</td>
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<td>DoD OIG</td>
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<tr>
<td>DoDEA</td>
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<tr>
<td>DARPA</td>
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<td>DCMA</td>
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<td>DTRA</td>
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<tr>
<td>CBDP</td>
<td></td>
<td>DoD OIG</td>
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<td>JCS (incl. NDU)</td>
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<td>DHRA</td>
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<td>DCSA</td>
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<td>DoD OIG</td>
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<td>DFAS GF</td>
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<td>DoD OIG</td>
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<td>MHPI</td>
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<tr>
<td>Other TI-97 Funds Provided to Army by OSD</td>
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<td>DoD OIG</td>
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<tr>
<td>Other TI-97 Funds Provided to Navy by OSD</td>
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<tr>
<td>Other TI-97 Funds Provided to Air Force by OSD</td>
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<td>Burden Sharing Account by Foreign Allies, Defense</td>
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<td>Support for U.S. Relocation to Guam Activities, Defense</td>
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<td>Host Nation Support for U.S. Relocation Activities, Defense</td>
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<td>DoD Education Benefits Fund</td>
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<td>Emergency Response Fund, Defense</td>
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<td>Homeowners Assistance Fund, Defense</td>
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<td>Defense Cooperation Account</td>
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<td>Defense Gift Fund</td>
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<tr>
<td>National Security Education Trust Fund</td>
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<td>DoD OIG</td>
</tr>
</tbody>
</table>

Note: DoD classified reporting entities are ordered by year established. All other reporting entities under standalone audit are listed in order of total FY 2020 assets. Prior versions of this chart combined the financial statements of DeCA Working Capital Fund and DeCA General Fund into one reporting entity.
All other reporting entities received disclaimers of opinions, which means the auditors did not have enough evidence to provide an opinion on the reliability of the financial statements. These results were expected and consistent with other federal agencies undergoing early financial statement audits.

Audit findings, coupled with the cultural changes being driven by them, are the biggest benefit of the audits. They help the Department identify vulnerabilities in cybersecurity, improve inventory management, and provide better data for decision-making. The Department’s collective efforts resulted in an improved rating for “DoD Financial Management” in the GAO 2021 High Risk List.

Material Weaknesses

The DoD OIG identified 26 Department-wide material weaknesses during the FY 2020 audits, a net increase of one from the FY 2019 audits. A material weakness is a deficiency that presents a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected.


The FY 2020 DoD-wide material weaknesses are:

- Legacy Systems*
- Configuration Management and Security Management*
- Access Controls*
- Segregation of Duties*
- Universe of Transactions
- Fund Balance with Treasury
- Suspense Accounts
- Inventory and Related Property
- Operating Materials and Supplies
- General Property, Plant, and Equipment
- Real Property
- Government Property in the Possession of Contractors
- Joint Strike Fighter Program
- Military Housing Privatization Initiative
- Accounts Payable
- Environmental and Disposal Liabilities
- Beginning Balances
- Unsupported Accounting Adjustments
- Intradepartmental Eliminations and Intragovernmental Transactions
- Gross Costs
- Earned Revenue
- Budgetary Resources
- Service Providers
- Entity-Level Controls
- DoD-wide Oversight and Monitoring
- Component-Level Oversight and Monitoring

* Broken out in FY 2020.
The DoD OIG noted Department-wide improvements in financial management that resulted in the reduction or downgrading of DoD-wide and reporting-entity-level material weaknesses. The Department of the Navy (DON) Working Capital Fund, Navy General Fund, Marine Corps General Fund, Defense Health Program General Fund, and DLA General Fund and Working Capital Fund all had reporting-entity-level FY 2019 material weaknesses either downgraded or resolved.

Notices of Findings and Recommendations

The FY 2020 audits resulted in 3,482 Notices of Findings and Recommendations, or NFRs. Auditors sent more than 36,000 requests for documentation, and tested more than 76,000 sample items. In addition, auditors tested more than 1,000 outstanding prior-year NFRs. If testing showed the problem was addressed, auditors validated that finding as closed. If the problem persisted at the time of testing, auditors reissued that finding in the new audit report. In the FY 2020 audit, auditors closed 24 percent of prior-year NFRs, reissued 2,606 prior-year NFRs, and issued 876 new findings.

Figure I-3 shows the number of FY 2019 NFRs issued and closed.

Figure I-3: FY 2019 NFRs Issued and Closed

<table>
<thead>
<tr>
<th>Component</th>
<th>FY 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>NFRs Issued</td>
</tr>
<tr>
<td>Army</td>
<td>394</td>
</tr>
<tr>
<td>Navy</td>
<td>1,020</td>
</tr>
<tr>
<td>Marine Corps</td>
<td>169</td>
</tr>
<tr>
<td>Air Force</td>
<td>468</td>
</tr>
<tr>
<td>Other Reporting Entities and DoD Consol</td>
<td>1,369</td>
</tr>
<tr>
<td>Total DoD</td>
<td>3,420</td>
</tr>
</tbody>
</table>

Figure I-4 shows the number of FY 2019 NFRs reissued in FY 2020 and the number of new FY 2020 NFRs.

Figure I-4: FY 2020 NFRs Issued and Closed

<table>
<thead>
<tr>
<th>Component</th>
<th>FY 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>New NFRs</td>
</tr>
<tr>
<td>Army</td>
<td>141</td>
</tr>
<tr>
<td>Navy</td>
<td>285</td>
</tr>
<tr>
<td>Marine Corps</td>
<td>6</td>
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<tr>
<td>Air Force</td>
<td>167</td>
</tr>
<tr>
<td>Other Reporting Entities and DoD Consol</td>
<td>277</td>
</tr>
<tr>
<td>Total DoD</td>
<td>876</td>
</tr>
</tbody>
</table>

Note: Reissued FY 2019 NFRs includes a number of FY 2019 NFRs that were not reissued verbatim and were modified, for example, the NFR was split into two NFRs or multiple NFRs were combined into one NFR.

Findings from DoD Service Provider Examinations

Service providers are DoD Components that provide common services to other entities, such as processing civilian and military pay. Auditors examine service provider system and process controls in accordance with the Statement on Standards for Attestation Engagements (SSAE) No. 18. Auditors issue findings and render an opinion in a System and Organization Controls Report, or SOC 1 Report. Auditors of other reporting entities (the service provider customers) use the results of these examinations as evidence the service provider's controls are designed and operating effectively. This reduces redundant testing by auditors of other reporting entities, saving both time and money.

The Department is also working to maximize the use of commercial and cloud service providers. As they can with DoD service providers, DoD auditors can rely on SOC 1 Reports from outside providers with
unmodified opinions, such as the Department of Treasury, Department of Labor, and private company providers.

In FY 2020, DoD auditors completed 25 SSAE No. 18 examinations, resulting in 12 unmodified opinions. Those with unmodified opinions, including standard disbursing services and civilian-, military-, and contract-pay, accounted for nearly 71 percent of disbursements made by DFAS. Nine examinations resulted in qualified opinions, and four resulted in adverse opinions. An adverse opinion means there were pervasive misstatements in management’s descriptions of the system, design of controls, and/or failures in the operating effectiveness of controls that were both material and pervasive.

These opinions cover 42 DoD systems, and 2 DISA data center hosting services, in addition to business processes. DFAS Civilian Pay has received eight consecutive clean opinions. In addition to auditors from other DoD reporting entities, other federal agencies, such as the Department of Energy and Department of Veterans Affairs, rely on this report. DFAS Contract Pay has received seven consecutive unmodified opinions, and the Defense Contract Management Agency (DCMA) Contract Pay has received seven consecutive positive opinions. The Department defines a positive opinion as either an unmodified or a qualified opinion. In FY 2021, auditors plan to complete 27 SSAE No. 18 examinations.

Corrective Actions

The Department uses a combination of tools to consolidate findings, establish milestones for corrective actions, monitor progress at the reporting-entity level, and give DoD leaders Department-wide audit visibility. More information on how the Department is using data analytics to improve financial management follows this section.

The DCFO NFR Database and Dashboards

The DCFO NFR Database provides accurate, real-time, independent information on the progress of the DoD financial statement audits. Annual audit findings are uploaded into the DCFO NFR Database, a centralized database and single authoritative source for monitoring remediation progress. The database stores findings from each standalone financial statement audit (unclassified), the DoD Consolidated Audit, and service provider SSAE No. 18 examinations as well as corresponding corrective action plans. Limited access rights protect the integrity of the data.

Senior leaders use customized dashboards to track NFRs, conditions, and corrective action plans. These dashboards show, in real-time, which reporting entity has the most validated and the most overdue plans. The database team is continually developing new dashboards and methods for measuring progress and identifying Department-wide issues. These enhancements assist leadership in identifying any Department-wide issues and trends and streamline remediation efforts. Managers use database reports to identify best practices and facilitate Department-wide solutions. The wide visibility of this tool gives DoD leaders a strategic view of pervasive issues and visibility into progress, and helps reduce duplication of efforts and maintain accountability.

Audit Roadmaps

The Department uses audit roadmaps to align material weakness remediation strategies across the Department, identify timelines, prioritize focus areas, and ensure progress and resources are monitored. Each reporting entity under standalone audit with a disclaimer of opinion maintains an audit roadmap. The audit roadmaps detail corrective action completion dates by fiscal year and financial statement line-item or audit focus area.
Each DoD Component reports status against its audit roadmap quarterly to the OUSD(C). The Department is in the process of refreshing its strategy to better standardize the audit roadmaps and link priority areas to financial statement materiality.

**Financial Management Executive Dashboard**

OUSD(C) leadership also oversees and monitors financial transactions through a summary-level executive dashboard that displays financial management performance indicators, by Component, across fifteen key metrics.

**Deputy’s Management Action Group Metrics**

The Deputy’s Management Action Group business health metrics support executive-level tracking of the integrity of financial reporting, progress on corrective actions, and the stewardship of the Department’s resources, including budgetary resources (e.g., appropriations) and financial assets (e.g., tanks, planes, ships, and buildings). The metrics primarily focus on whether corrective action plans that tie to a material weakness are on-track with established deadlines.

**FIAR Governance**

The goal of the governance structure is to ensure financial management leadership and functional experts have the information and support they need to continue making progress.

The FIAR Governance Board provides vision, leadership, direction, oversight, and accountability in support of moving toward an unmodified audit opinion. It prioritizes Department-wide corrective actions that provide the greatest value to the warfighter.

**Functional Councils** address three high-profile and pivotal audit issues: Financial Reporting and Fund Balance with Treasury; Property; and IT. Councils meet quarterly to review remediation status and develop solutions that may involve changes to DoD policy and procedures.

The FIAR Committee advises the FIAR Governance Board on ways to optimize financial management improvement and audit remediation.

The Defense Audit Remediation Working Group interprets policy and accounting standards, and provides guidance on technical issues. It may, as needed, convene experts from the Department of Treasury, GAO, and the Federal Accounting Standards Advisory Board to help resolve issues.

In addition to these Departmental-level governance elements, each Component maintains its own governance structure.

**Harnessing Data**

The audits demand IT system improvements and data consolidation that is arming decision-makers with real-time Department-wide views and advanced data analytics capabilities that support efficiencies and sustain improvements.

**Advana**

The Department’s Advanced Analytics platform, Advana, expands the boundaries of a standard data warehouse by arming military and business decision-makers with large data sets for analytics, visualization products, and data tools. Advana began when the ODCFO and DFAS started building a universe of transactions to support the DoD full financial statement audit. At the same time, the ODCFO was working with the Office of the Chief Management Officer to construct data models for cost management across a variety of DoD business lines. Both efforts explored the use of modern data platforms and analytic tools, and in order to reduce costs and accelerate outcomes, the two missions converged into a
comprehensive DoD-wide data platform and the official DoD common enterprise data repository.

Today, Advana has more than 19,000 users and spans all Services. It has ingested billions of transactions from more than 160 data sets and is standardizing the data using a common data model. As of June 2021, Advana provided all General Ledger to Trial Balance reconciliations for reporting entities within the scope of the DoD Consolidated Audit, and completed almost half of the total feeder reconciliations for reporting entities not under standalone audit. Further, the Advana team worked with DFAS to refine connections between reporting entities’ Trial Balances in the Defense Departmental Reporting System (DDRS). This work helps financial managers identify, explain, and resolve reconciling differences originating in DDRS. Advana has also been able to provide a universe of transactions to support the audits in one central location. The Navy estimates this helps them avoid roughly $3 million annually in support costs.

OUSD(C) and DFAS are piloting the use of Advana to ingest feeder systems, accounting systems, reporting systems, and the Central Accounting and Reporting System (CARS) used by Treasury. This system infrastructure will allow reconciliations from the DoD financial statements and CARS to the detailed voucher-level transactions. Users from DFAS will be able to examine transactions that are in-transit (disbursed, collected, but not posted) or unmatched (disbursed, paid, but not matched to a source transaction). This will advance the Department’s Fund Balance with Treasury, helping to resolve issues with aggregating sensitive data.

Advana exemplifies how leveraging a foundation built on the premise of audit has the potential to develop into much more. Data captured once is managed centrally and available enterprise-wide for multiple purposes. For example, the same data used for audits is used to report information technology line of business, non-labor costs. Advana continues to help resolve some of the DoD’s largest financial statement audit challenges with custom tools that are purpose-built to drive audit success in one of the world’s most complex entities.

**Bots and Artificial Intelligence**

Robotic Process Automation, RPA or “bots,” is being used to provide timely and complete responses to auditors in areas that would have been nearly impossible to do manually and without this technology. For example, in FY 2018, DISA received over 12,000 audit sample requests, resulting in approximately 90,000 artifacts being provided to auditors. In one of the Department’s first uses of RPA, DISA was able to automate the pulling and packaging of more than 10,000 of their FY 2018 audit artifacts. Over the past year, the Department saw a marked increase in the use of bots across all of DoD business lines. As of March 2021, DoD had 323 bots deployed, 60 percent of which aligned to financial management processes, with 16 percent directly supporting compliance or audit response activities.

The Department is also exploring possible uses of AI to support financial management improvements and the audits and attract more AI talent to the Department. In partnership with the Defense Innovation Unit and the Joint Artificial Intelligence Center, both OUSD(C) and Army are piloting efforts that use AI and machine learning to predict the corrective actions necessary for the timely clearing of unmatched disbursements. Bots can then be employed to automate the steps to clear the unmatched transactions. Over time, these pilot programs should provide insight into root causes, accelerate remediation work, and reduce unmatched disbursements.

A number of DoD initiatives are helping expand the use of this technology across the Department, which benefits the financial management community, such as:

- The DAF recently announced its next “Digital Airmen and Guardians RPA challenge,” a build-a-bot contest that challenges groups to think about and identify automation opportunities while
supporting the “rise of the digital wingman” and developers through training and mentorship opportunities.

- Advana provides a shared RPA platform giving groups better management and oversight of automation programs while providing a center of excellence for DoD RPA programs to mature and expand. Through March 2021, the Department has connected 22 DoD groups to Advana, avoiding more than $5 million in infrastructure and management costs they would have spent to standup and manage their own RPA platforms.

- OUSD(C)’s RPA program, which also manages the Advana RPA shared service platform, deployed over 40 automations to a variety of DoD Components, resulting in 17,800 annual labor hours redirected, or $930,000 in annual labor costs redirected.

Supporting the National Defense Strategy

Secretary Austin’s March 4, 2021, message to the Force committed to ensuring the Department develops the right people, priorities, and purpose of mission to continue to defend the Nation from enemies both foreign and domestic. He named Defend the Nation, Succeed through Teamwork, and Take Care of Our People as his top three priorities for guiding efforts to align priorities and capabilities to a changing and dynamic threat landscape.

The National Defense Strategy issued in 2018 cited Department objectives and established three distinct lines of effort in support of DoD’s enduring mission:

1. Build a more lethal force
2. Strengthen alliances and attract new partners
3. Reform the Department for greater performance and affordability

The NDAA for FY 2020 requires the Department to identify how the corrective action plans of each Component support the National Defense Strategy. The following sections details how the Components not already holding a positive audit opinion are advancing the National Defense Strategy.

For those enemies and adversaries outside the ranks and around the world, we need resources to match strategy, and strategy matched to policy, and policy matched to the will of the American people.

– Secretary of Defense Lloyd J. Austin III
January 19, 2021
Confirmation Hearing, U.S. Senate Committee on Armed Forces

Military Departments

The Army used lessons learned from previous audits to refresh its audit strategy. The Army’s updated audit roadmap includes details on the estimated completion dates for remediating material weaknesses, and the Army is using an integrated project plan and metrics to monitor progress and hold commands accountable. A new approach to transformation using technology is accelerating improvements.

Achieving an opinion for the Army Working Capital Fund remains a top priority. The Army is focusing on data cleanup activities and existence, completeness, and valuation of Inventory and Property, Plant, and Equipment. The Army General Fund is holding workshops to prioritize remediation activities focused on material account balances; Property, Plant and Equipment; Fund Balance with Treasury; and Operating Materials and Supplies. The Army is also prioritizing remediation efforts for the Procure-to-Pay process that will support fixes across many account balances. Remediation activities around payroll, both Military Pay and Civilian Pay, are yielding strong results. Army is able to support Military Pay dollars tested with little to no exceptions and expects Civilian Pay to demonstrate improvements as well. With the rollout of the Integrated
Personnel and Pay System-Army (IPPS-A), Army will also continue to eliminate many of the Military Pay internal control findings.

The Army is continuing to invest in tools, technology, and other innovation to remediate long-standing findings. For example, the Army used business process management technology to support installation readiness. As of May 2021, Army’s Installation Management Command (IMCOM) updated more than 60,000 Real Property assets and saved 150,000 labor hours. Army continues to remediate the most IT NFRs across all DoD organizations, achieving a 23 percent reduction in IT findings in FY 2020. Additional investments to remediate findings with financial system posting logic will improve compliance with DoD and Treasury data standards, directives, and policies, and reduce future auditor findings. Army is also investing in a system modernization effort, Enterprise Business Systems-Convergence (EBS-C), to replace redundant systems and drive an audit-compliant environment that will also satisfy operational requirements.

The Department of the Navy (DON) shows steady audit progress and has closed the most material weaknesses of the Military Departments. The Marine Corps General Fund is seeking its first positive financial statement audit opinion in FY 2021. To build on this momentum, the DON continues to execute its multiyear audit roadmap, which focuses on consolidating IT systems, optimizing business processes, and demonstrating accountability and proper accounting of assets and liabilities. It is further committed to developing a financial management workforce ready to take advantage of a more digital and technology-focused future to sustain this transformation.

One of its largest audit focus areas is tangible assets, with DON responsible for just over half of DoD’s assets. The DON is completing a comprehensive inventory of its holdings, with 100 percent accountability of its ships, aircraft, satellites, real property, and Navy-held ordnance already completed. Since October 2019, the Navy Material Accountability Campaign has identified $913 million in locally managed material not previously visible in the DON’s global logistics system, improving parts management and the readiness of operational equipment. Real Property clean-up efforts freed an additional $29 million in maintenance funding for reinvestment on mission-critical requirements.

A key catalyst for success is the deployment of data analytic tools to improve transparency, progress tracking, and decision-making. The DON established a data strategy office and an RPA center of excellence, which has deployed 29 RPA bots, with another 81 in development. These bots enabled the DON to reprioritize 70,000 labor hours, shifting resources from low-value data gathering to high-value data analytics. DON also used Advana (adopted as Jupiter at the DON) to deploy a number of dashboards for real-time analytics, improving data transparency and empowering decision-making, particularly for budget planning and execution. For example, in FY 2020, the Process to Improve Expenditure Efficiency initiative allowed the Navy to identify and reapply $687 million in budget authority to waiting critical requirements, buying power that would otherwise have expired unused. This initiative projects preserving $3.4 billion in total buying power from FY 2019 through FY 2023.

A critical component in the DON’s long-term success is to optimize the financial and business systems environment, with the goal of a single unclassified accounting system for each Service. The Marine Corps will migrate to Defense Agencies Initiative (DAI) in October 2021, and the Navy will migrate its remaining components on vulnerable systems to the Navy Enterprise Resource Planning system in October 2022. These moves will decommission four vulnerable systems, and will streamline and strengthen the financial reporting environment while avoiding an estimated $19 million in maintenance costs from FY 2020 to FY 2023. To complement the financial management improvements, DON is pursuing business system modernizations that will provide enhanced operational benefits along
with more complete and auditable financial data, supporting decision makers and simplifying the audit process for the fleet.

The Department of the Air Force (DAF) continues to identify and fix audit findings. In FY 2020, in partnership with DFAS, the DAF continued working to downgrade its Fund Balance with Treasury material weakness. In addition to attaining a 99 percent reduction in the Statement of Differences, in FY 2021 the DAF executed the first-ever, quarterly accrual using a historical trend analysis assessment. The first quarter entry had a budgetary impact of $550 million, which increased the accuracy of the DAF financial statements and fully supported undistributed journal vouchers. Ultimately, these efforts help the DAF be better stewards of taxpayer resources by improving transparency into where and how it spends its appropriations.

The DAF successfully reconciled 100 percent of its $102.5 billion in Military Equipment assets and financial transaction activity between its accounting and logistics systems, established approximately $83 billion in existing aircraft cost, and captured 100 percent of aircraft and satellites cost currently under construction. During FY 2020, DAF implemented end-to-end reconciliations and analytics that improved the overall accuracy of DAF’s existing Military Equipment asset values and established, for the first time, its financial balances for all aircraft and satellites in production. Program Management Offices are incorporating the standard valuation methodology as part of their routine business processes and identifying costs early in the acquisition process. The implementation will provide accurate insights into full aircraft procurement costs and greater visibility and accountability into the financial statement impact of day-to-day transactions.

In addition, to prevent Working Capital Fund cash from dropping to unacceptably low levels, DAF developed a cash-flow dashboard and modeling capability that increased the speed of data delivery by one week. This automated tool provides real-time data to help end-users quickly observe cash-flow behaviors and better predict potential problems, which has improved Working Capital Fund cash solvency and mission support abilities.

DAF is implementing new tools to maintain traction and increase visibility of audit efforts. The Secretary of the Air Force signed a “Tone at the Top” memo that established the audit as a DAF-wide priority and outlined the plan to hold organizations accountable. An Integrated Master Schedule will be used to track real-time progress via on-demand, objective metrics that focus leadership’s attention on major risk areas. Using this approach, DAF is tracking toward overall audit opinion timelines and positioning four material weaknesses for downgrade over the next 18 months, including Fund Balance with Treasury and Military Equipment, which together make up 70 percent of DAF’s General Fund total assets.

Other Reporting Entities

The Defense Finance and Accounting Service (DFAS) has sustained an unmodified opinion on its financial statements for 21 consecutive years but works closely with all DoD customers under audit that rely on DFAS to explain DFAS processes, provide documentation, and remediate audit findings. Many DFAS initiatives support the Department’s audit efforts, including initiatives related to Fund Balance with Treasury, reducing journal vouchers, and establishing a universe of transactions. Additionally, DFAS remains committed to remediating and reducing IT access control audit findings and continues to engage with DISA on functional and audit requirements to drive standard, efficient, and effective controls for DFAS systems onboarding the DoD Identity, Credential, and Access Management system or ICAM. DFAS provided access control requirements for the first system to pilot the DoD-wide solution, which have become the benchmark for additional pilot system engagement.
The Defense Health Agency’s (DHA) corrective actions align with its goals to assist with the integration of operational readiness and healthcare delivery, including increased readiness, better health, better care, and lower cost. Although the FY 2020 audit resulted in a disclaimer of opinion and 11 material weaknesses (a net decrease of 2), these results were expected. The auditor findings and recommendations continue to provide invaluable information that help DHA target and prioritize corrective actions to improve the quality of its financial information and reporting process and data.

DHA continues to consolidate military medical treatment facilities and rollout of the Military Health System electronic health record, MHS GENESIS. MHS GENESIS connects medical and dental information across the continuum of care, from the point of injury to the military medical treatment facility. Once fully deployed, it will provide a single health record for use by both medical professionals and financial managers. This new electronic health record will assist with the accurate reporting of healthcare activities and support establishing an audit trail. The Military Health System is also continuing its transition toward a single accounting system, GFEBS, and is currently assessing deploying GFEBS to the Air Force Medical Service. GFEBS will facilitate accrual-based, patient-level cost accounting data across DHA.

The Defense Information Systems Agency (DISA) achieved an unmodified opinion for the Working Capital Fund in FY 2020. The DISA General Fund is working toward a positive opinion in FY 2021. DISA is on the leading edge of deploying, operating, and sustaining cyber tools, capabilities, and expertise to maximize DoD information network operations. It ensures secure, available, and reliable services and capabilities, and implements artificial intelligence and machine learning, to support cyber defenders and improve and automate financial and contractual transactions. DISA contributes to the Department’s IT reform work by supporting network and data center optimization, automating continuous endpoint monitoring, streamlining IT commodity purchases, providing enterprise collaboration suites, and consolidating cyber and IT responsibilities.

The Defense Intelligence Community is held to the same standards of audit, but audit work is performed in the classified environment by auditors with appropriate security clearances. The National Reconnaissance Office (NRO) has maintained 12 consecutive unmodified opinions and prioritizes financial stewardship and the Department’s reform efforts. The Defense Intelligence Agency (DIA) is addressing weaknesses in its financial reporting and business systems through a comprehensive internal controls program and support to DoD’s Real Property reform work. The National Geospatial-Intelligence Agency (NGA) is working to achieve an opinion on its FY 2023 financial statements by resolving its four material weaknesses. The National Security Agency (NSA) has resolved six material weaknesses and is working to address the remaining five. Of the five remaining material weaknesses, eight significant components noted within the weaknesses were remediated and removed by the IPA in the FY 2020 audit.

The Defense Logistics Agency’s (DLA) strategic plan establishes auditability as an imperative and sets priorities that align with DoD audit priorities. The agency is establishing clear and measurable performance standards on audit sustainment in its performance plans, and is expanding audit recruiting, training, and communication programs. DLA’s corrective action plans, particularly those related to its priority areas of Transaction Fund, Service-Owned Items in DLA Custody; Inventory and Related Property; Fund Balance with Treasury, IT Access Controls and Segregation of Duties; Financial Reporting Internal Controls, and Government Property in the Possession of Contractors, align to the Department’s agenda.

DLA downgraded two material weaknesses and established an audit roadmap for remediating its remaining material weaknesses by fund. DLA made significant progress in remediating IT findings. The
agency is also developing a Warehouse Management System to more efficiently and cost effectively support inventory management.

U.S. Special Operations Command’s (USSOCOM) strategy focuses on remediating disclaimer items and continuing to improve internal controls throughout the enterprise. Modernization and standardization of asset management procedures are optimizing the redistribution of assets and realizing savings. IT improvements are narrowing security risks and supporting better management decision-making. USSOCOM continues to make strides in compiling a complete and accurate universe of transactions, which is a significant hurdle to resolving its disclaimer of opinion.

U.S. Transportation Command (USTRANSCOM) is committed to achieving an unmodified opinion. USTRANSCOM implemented a governance board (TRANSCOM Governance Board) in FY 2020 to strengthen organizational structure for addressing audit priorities. USTRANSCOM’s audit roadmap details the steps necessary to achieving auditability across USTRANSCOM and its components.

USTRANSCOM aligned its audit remediation work to Department priorities and is focused on downgrading and eliminating material weaknesses and aligning corrective action plans to the National Defense Strategy. USTRANSCOM successfully remediated 60 of its 219 FY 2020 NFRs, and is on track to remediate 30 additional NFRS in FY 2021. Additionally, USTRANSCOM’s audit management team established procedures to monitor corrective action plan execution by tracking and managing progress from the inception of an NFR through remediation. Once auditors validate a finding has been remediated, USTRANSCOM continues sustainment testing to ensure the process continues to operate effectively.

**Annual Audit Timeline**

Unlike the Department’s many ad hoc compliance and program audits, each annual, standalone financial statement audit focuses on a single set of financial statements that represents the entire entity being audited and gives on-going visibility into DoD’s overall status. The Department estimates it will achieve a positive audit opinion in the FY 2028 consolidated audit. As required by the NDAA for FY 2018, Figure I-5 shows the financial statement annual audit timeline.
Figure I-5: Annual Financial Statement Audit Timeline and Reporting Cycle
Audit Resources

Audit, audit support, and audit remediation costs, including financial system fixes, totaled $926 million. These costs are relatively consistent with past audit expenditures, and much of this work is needed to modernize the Department regardless of whether the annual financial statement audits are required.

Approximately $184 million was paid to the IPAs conducting the audits and SSAE No. 18 examinations. Another $223 million went to audit support, such as responding to auditor requests for information; and $518 million went toward remediating audit findings. As the audits mature and more organizations begin to achieve unmodified opinions, auditors will be able to rely more heavily on internal controls, which should lower costs. Figures I-6 through I-11 show FY 2020 costs for the Military Services and other reporting entities using the following definitions:

Audit Services and Support are the costs of the audits and SSAE No. 18 examinations performed by IPAs, 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. These costs do not include Enterprise Resource Planning (ERP) system deployment or maintenance costs.

Figure I-6: Total DoD Resources

<table>
<thead>
<tr>
<th>Total DoD</th>
<th>FY 2020 (In Millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Audit Services and Support</td>
<td>$407</td>
</tr>
<tr>
<td>Audit Remediation</td>
<td>$519</td>
</tr>
<tr>
<td><strong>Total Resources</strong></td>
<td><strong>$926</strong></td>
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</tbody>
</table>

Note: Numbers may not sum due to rounding.

Figure I-7: Army Resources

<table>
<thead>
<tr>
<th>Army</th>
<th>FY 2020 (In Millions)</th>
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</thead>
<tbody>
<tr>
<td>Audit Services and Support</td>
<td>$55</td>
</tr>
<tr>
<td>Audit Remediation</td>
<td>$90</td>
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<tr>
<td><strong>Total Resources</strong></td>
<td><strong>$145</strong></td>
</tr>
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</table>

Note: Numbers may not sum due to rounding. Includes U.S. Army Corps of Engineers.
### Figure I-8: Navy Resources

<table>
<thead>
<tr>
<th>Navy</th>
<th>FY 2020 (In Millions)</th>
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<tbody>
<tr>
<td>Audit Services and Support</td>
<td>$80</td>
</tr>
<tr>
<td>Audit Remediation</td>
<td>$140</td>
</tr>
<tr>
<td><strong>Total Resources</strong></td>
<td><strong>$220</strong></td>
</tr>
</tbody>
</table>

Note: Numbers may not sum due to rounding. Navy resources are proportionally higher than the other Services, because Navy holds 50% of the Department’s Property, Plant, and Equipment, net; and 38% of the Department’s Inventory and Related Property, net; and requires additional resources to establish opening balances.

### Figure I-9: Marine Corps Resources

<table>
<thead>
<tr>
<th>Marine Corps</th>
<th>FY 2020 (In Millions)</th>
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</thead>
<tbody>
<tr>
<td>Audit Services and Support</td>
<td>$4</td>
</tr>
<tr>
<td>Audit Remediation</td>
<td>$52</td>
</tr>
<tr>
<td><strong>Total Resources</strong></td>
<td><strong>$56</strong></td>
</tr>
</tbody>
</table>

Note: Numbers may not sum due to rounding.

### Figure I-10: Department of the Air Force Resources

<table>
<thead>
<tr>
<th>Air Force</th>
<th>FY 2020 (In Millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Audit Services and Support</td>
<td>$69</td>
</tr>
<tr>
<td>Audit Remediation</td>
<td>$71</td>
</tr>
<tr>
<td><strong>Total Resources</strong></td>
<td><strong>$140</strong></td>
</tr>
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</table>

Note: Numbers may not sum due to rounding.

### Figure I-11: Other Reporting Entities Resources

<table>
<thead>
<tr>
<th>Other Reporting Entities</th>
<th>FY 2020 (In Millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Audit Services and Support</td>
<td>$197</td>
</tr>
<tr>
<td>Audit Remediation</td>
<td>$168</td>
</tr>
<tr>
<td><strong>Total Resources</strong></td>
<td><strong>$365</strong></td>
</tr>
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</table>

Note: Numbers may not sum due to rounding. Includes costs incurred by Defense Agencies and other reporting entities not included in the Military Services; and the cost of the DoD consolidated audit.
Benefits of Audit

Leadership commitment to business reform supported by the Department’s annual audit regimen has put the DoD and its Components on an irreversible course to modernize and transform financial management and business operations. Audit results and insights into DoD operations are reshaping how Department leaders establish priorities, apply solutions, and track and manage progress. Value is being realized at many levels in the form of more reliable information for decision-making, improved inventory management, and cybersecurity.

In addition to the examples of savings and cost avoidance cited in other sections of this report, the Army Aviation and Missile Command identified nearly $50 million of unused funding that could be used for mission support. In FY 2020, the Navy saved $2 million in recurring maintenance costs for legacy systems as part of effort to consolidate IT systems to reduce complexity, improve data flow and improve internal controls. The auditor of the U.S. Marine Corps observed significant progress in responsiveness and auditability over military payroll, and the Marine Corps made great strides in improving accountability of operating materials and supplies at the transaction level, a pre-requisite for making that a fully auditable business process. The Department of the Air Force developed and deployed the innovative TICMS, migrating eight disparate systems into one and boosting operational readiness through enhanced accountability of munitions-related assets. This system saves system maintenance dollars while better tracking the location and quantity of munitions.

Benefits extend beyond the Military Departments and are reaching deep into DoD’s culture, operations, and resources. The return on investment will continue to increase as the audits mature. The Department is already realizing these benefits while laying the foundation for benefits that will be realized over time, such as:

**Improved visibility of assets and financial resources:**
- Optimize the warfighter’s posture and improves readiness, such as improving timeliness of getting supplies to our warfighters
- Enhance DoD decision-making by having more accurate data in DoD systems

**Strengthened risk management and internal controls:**
- Spotlight risks and help management respond before auditors identify issues
- Help prevent fraud, waste, and abuse
- Improve cybersecurity
- Enhance national security

**Streamlined business processes:**
- Lead to cost avoidance and increased buying power
- Increase operational efficiencies
- Reduce Component silos and audit complexity

**Increased transparency and accountability:**
- Provide an independent assessment of DoD’s business processes
- Improve public confidence in DoD operations
- Send an implicit message to the public that the Department takes the use of taxpayer dollars seriously and hold itself accountable for their efficient use
Status of Corrective Actions

Each year the auditors go deeper, expand testing in areas previously tested, and test new areas. During the FY 2020 audits, auditors tested more than 76,000 sample items and performed follow-up testing on more than 1,000 of 3,509 outstanding prior-year findings to determine whether NFRs could be closed. As the scope of the audits expand, so, too, does the number of findings. More findings is a sign of progress derived from a more mature audit process. With each new finding, stakeholders gain insights into their business process challenges and become better able to address root causes.

The findings from these audits provide visibility into our vulnerabilities and help us understand where we need to target resources to achieve our financial stewardship goals. … It is essential we build on the hard work of the past while refining an attainable and coordinated path forward.

— Secretary of Defense Lloyd J. Austin
May 14, 2021

Financial Statement Audits and Priorities

Audit findings increased from 2,377 findings in FY 2018 to 3,248 in FY 2019 to 3,482 in FY 2020. Roughly 43 percent of FY 2020 audit findings related to financial management systems and IT, and system migrations and modernization remain high priorities. Strengthening IT systems controls, such as access controls and segregation of duties, directly support auditability and support national security. The DoD Chief Information Officer (CIO) reports status toward achieving the IT target environment in the Defense Business Systems Audit Remediation Plan annual report to Congress.
**Fund Balance with Treasury**

Fund Balance with Treasury is an asset account maintained by the Department of the Treasury that shows funds available. The balance in the fund increases with receipts and collections and decreases with disbursements, much like a personal checking account. Each reporting entity must be able to perform a detailed, monthly reconciliation between its records and the Department of Treasury’s records.

The auditors continued to find weakness in the Components’ reconciliation processes and noted several deficiencies in the design and operation of internal controls resulting in a DoD-wide material weakness. However, auditors noted significant progress in resolving unreconciled transactions. The Department is targeting FY 2022 for downgrading or correcting the Fund Balance with Treasury material weakness.

**Progress to Date:** DFAS is leading efforts to reconcile the DoD fund balance to the Department of Treasury records. It established strategic goals to drive customer and service provider engagement, collaboration, and monitoring that enabled significant achievements. DFAS leveraged cross-federal government partnerships, expanded financial statement measures, created extensive plans and hundreds of milestones, and built transaction reconciliations (universe of transactions) to monitor and resolve both aged and overall Fund Balance with Treasury variances. These efforts reduced overall balances in FY 2020 for Suspense Accounts, Statement of Differences, and the Cash Management Report by 94 percent from $57.3 billion to $3.8 billion, and aged balances by 99 percent from $50.5 billion to $664.3 million. These reductions also result in fewer resources required to work these areas, allowing these resources to focus on other priorities. DFAS also recently progressed from producing 56 Fund Balance with Treasury universes of transactions in nearly 10 months to producing 119 in fewer than 55 days, resulting in more frequent and timely testing for auditors.

DISA and DFAS made progress supporting DISA’s cash balance. It reduced unmatched transactions for its general fund from over $200 million to $29 million with minimal balances aged at the end of FY 2020. Auditors determined 98 percent of suspense accounts and 100 percent of statement of differences transactions were fully supported for DISAs Working Capital Fund. These significant improvements helped DISA Working Capital Fund regain its clean audit opinion in FY 2020.

**Work Remaining:** The intensive actions taken over the past year have positively affected the Department’s overall auditability. To mitigate remaining issues, the Department is developing and maintaining key reconciliations, detailed universes of transactions, and management analyses. It will continue to work to sustain overall and overaged balances at immaterial levels. Efforts will continue on building a materiality methodology and processes to review Fund Balance with Treasury risk areas for financial statement disclosures. Further, the Department is adopting effective internal controls, business processes, and process narratives to detect and prevent significant risk. Success in these areas is essential to downgrading this material weakness.

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The Army collaborated with the DFAS to clear $100 million of variances between accounting records and Treasury and avoided the expenditure of $14 million of budget authority, which allowed the Army to execute this funding for high-priority operational requirements.

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Figure II-2 shows the Department’s status in addressing FY 2020 findings related to the Fund Balance with Treasury priority area.
Figure II-2: Status of FY 2020 NFRs for DoD-wide Fund Balance with Treasury

Note: As of June 15, 2021.
Includes NFRs from all reporting entities under a standalone audit and NFRs from the DoD consolidated audit.
Does not include NFRs from SSAE No. 18 examinations.
Financial Reporting Internal Controls

The Department identified Financial Reporting Compilation—the ability to compile and present the financial statements—as an overarching weakness comprising the OIG-identified material weaknesses of Beginning Balances; Unsupported Accounting Adjustments, or journal vouchers; Gross Costs; Earned Revenue; and Service Provider material weaknesses. Auditors found management was unable to provide historical data to support, and lacked adequate procedures and controls for recording or assuring, the reliability of the DoD financial statements. In FY 2019, the Department named Financial Reporting Internal Controls a priority focus area. The Department is targeting FY 2028 for downgrading or correcting the OIG-identified material weaknesses related to Financial Reporting Compilation and financial reporting internal controls.

Progress to Date: In FY 2020, the Department established five financial reporting internal control metrics to verify the effectiveness of internal controls around financial statement compilation: risk assessment, tie point analysis, abnormal balances, variance analysis, and complementary user entity controls implementation. The OUSD(C) developed an automated tool to monitor progress against these metrics and ensure effective internal controls are placed around the financial statement compilation process.

On March 26, 2021, the OUSD(C) issued its annual Statement of Assurance Execution Handbook that provides guidance on the FY 2021 Risk Management Internal Controls program, including the Secretary’s audit priorities; Coronavirus Aid, Relief, and Economic Security Act; material weaknesses and risk assessment process; and templates that standardize Department-wide compilation and compliance. A centralized SharePoint site facilitates Component risk assessment submissions.

The Department continues to enhance entity-level controls and stress their importance through the tone-at-the-top. The March 1, 2021, memorandum from Secretary Austin to all personnel, “Reaffirming Our Values and Ethical Conduct,” emphasizes the Department’s continued commitment to managing risk through the Risk Management Internal Control program. The OUSD(C) continues to assess DoD-wide work processes and the effectiveness of current internal control in preventing fraud, waste, and abuse.

Work Remaining: The Department is working to establish effective controls and policies over manual accounting adjustments, or journal vouchers and entity-level controls, which are essential to remediating issues with financial reporting. The OUSD(C) is piloting an integrated risk management platform as a potential solution to automating targeted areas of manual interventions within the risk and internal control assessment processes. Results from the pilot will be used in determining OUSD(C) future investment in integrated risk management platforms.

The National Security Agency implemented a system interface to automate data entry of financial transactions reducing manual processes by 1,500 man hours per year. Similarly, an automated report to document the traceability of assessments to the annual Agency’s Statement of Assurance saving approximately 500 man hours per year.

The National Geospatial-Intelligence Agency continues to refine its Dormant Account Review-Quarterly internal controls to improve funds management and execution monitoring. Through these reviews, the NGA identified more than $113 million of obligations that could be de-obligated, of which $20 million pertains to unexpired funding.

Figure II-3 shows the Department’s status in addressing FY 2020 findings related to the financial reporting internal controls priority area.
Figure II-3: Status of FY 2020 NFRs for DoD-wide Financial Reporting Internal Controls

Note: As of June 15, 2021.
Includes NFRs from all reporting entities under a standalone audit and NFRs from the DoD consolidated audit.
Does not include NFRs from SSAE No. 18 examinations.
Joint Strike Fighter Program

The Joint Strike Fighter program comprises three variants of the F-35 aircraft across the Navy, Air Force, and Marine Corps and focuses on reducing development, production, and ownership costs for the various F-35 aircraft. The Department maintains visibility over all F-35 aircraft and F135 turbofan engines delivered to the government. However, auditors noted a material weakness because of the Department’s inability to financially report the global spare pools (e.g., wheel assemblies, canopies, engines) and the support equipment (e.g., generators, wing stanchions) for F-35 aircraft and F135 turbofan engines. This limits operational capabilities and risks deploying aircraft into combat operations with mismatched or incompatible parts. The Department is targeting FY 2023 for downgrading or correcting the Joint Strike Fighter material weakness.

Progress to Date: The Joint Strike Fighter Program Office is completing physical inventories of government owned spare parts and support equipment. COVID-19 travel limitations, local restrictions, and community spikes in infection rates affected the inventory timeline. Additionally, the inventory team must take care not to impede production operations, such as completing these inventories during the night or third shifts, which can also affect the timeline.

As of May 14, inventories at 140 sites had been completed with approximately 90 percent of assets validated. These physical inventories lay the ground work for establishing accurate records in the government’s accountable property system of record and for proper accounting in the government’s general ledger. They also give financial managers improved visibility into these assets.

Work Remaining:

Contractor records indicate the Joint Strike Fighter program encompasses more than 12 million pieces of property valued at $7.6 billion. The Joint Strike Fighter Program Office is working to complete the remaining physical inventories for program pooled-assets, primarily at Lockheed Martin and Pratt & Whitney sites. The Department is evaluating reporting options for developing accounting and financial reporting solutions in accordance with generally accepted accounting principles and working to migrate program asset data into the Defense Property Accountability System (DPAS). The Department will also review valuation methodologies for the program pooled-assets.

The Department is tracking three NFRs for the Joint Strike Fighter program. One NFR ties to government-furnished equipment, and the other two tie to Operating Materials and Supplies.
Real Property

Real Property includes such things as land, administrative buildings, runways, warehouses, water supply systems, aircraft hangars, and medical treatment facilities. Auditors must be able to test for accuracy and completeness of records and validate right of occupancy or ownership. Processes and controls must ensure real property is recorded timely and accurately, and consistently reported in the financial statements. The Department is targeting FY 2025 for downgrading or correcting the Real Property material weakness.

Progress to Date: In FY 2020, the Defense Health Program closed its Real Property material weakness, and other reporting entities are making progress. Component teams worked to transfer more than $6.6 billion of unaudited real property assets to the installation hosts, amassing to over 16,000 individual asset records. An installation host is the DoD Component that owns or operates the installation where the real property is located, i.e. one of the Military Services or the Washington Headquarters Services (WHS). The teams are confirming that no individual building is double reported as the Military Services reconcile the data between themselves.

Two new manuals that help to build a framework for managing and reporting real property data have been approved for implementation, and a Department-wide instruction for verifying existence and completeness will soon be issued and integrated into the operating orders and procedures of the Military Services and WHS.

The Departments of the Army, the Navy (which includes the U.S. Marine Corps), and the Air Force (which includes the U.S. Space Force) completed their real property existence and completeness assessments for buildings and structures. These assessments look to see that the physical inventory matches the inventory records (floor-to-book) and all the inventory listed in the records actually exists (book-to-floor).

Work Remaining: The Department is working toward being able to provide a universe of transactions for Real Property. Components are developing and implementing corrective action plans to establish SFFAS No. 50 compliant valuation methodologies, and generate and reconcile populations of real property to balances reported in their financial statements.

The Army General Fund detected and corrected a $2.3 billion overstatement in which the Army and other Defense agencies double reported Real Property in their FY 2019 financial statements.

Additionally, the Navy performed a 100 percent wall-to-wall inventory of its real property. This effort resulted in about 16,000 real property records being corrected enabling re-investment of $29 million in FY 2020 for maintenance and replacement dollars.

Figure II-4 shows the Department’s status in addressing FY 2020 findings related to the Real Property priority area.
Figure II-4: Status of FY 2020 NFRs for DoD-wide Real Property

Total # of 2020 NFRs: 111

Total # of 2020 NFRs Covered by CAPs: 99

# of 2020 NFRs to complete remediation by 6/30/21: 20

Note: As of June 15, 2021.
Includes NFRs from all reporting entities under a standalone audit and NFRs from the DoD consolidated audit.
Does not include NFRs from SSAE No. 18 examinations.
Inventory, and Operating Materials and Supplies

The Department cannot validate that all existing Inventory and Operating Materials and Supplies (OM&S) assets are recorded in asset accountability systems or that the assets recorded in the systems exist and have adequate supporting documentation. Inventory consists of items such as component parts for production or spare parts that are sold by the Department’s service providers to repair combat vehicles or other equipment. OM&S consists of similar items that have been purchased and are consumed by the Department’s operational entities, such as ammunition and tactile missiles. Problems arise for both inventory and OM&S when the Department incorrectly believes it is low on spare parts for a combat vehicle and orders additional parts. This wastes time, money, and storage space. Problems also arise when the Department inaccurately believes it has a sufficient quantity of spare parts for a combat vehicle, resulting in an inoperable vehicle waiting for parts. The Department is targeting FY 2026 for downgrading or correcting Inventory as well as OM&S.

Progress to Date: COVID-19 travel restrictions and social distancing requirements significantly affected planned audit testing of Inventory and OM&S. Site visits were postponed and some ultimately cancelled in order to ensure the safety and health of DoD personnel and the auditors. Still, Department-wide progress was made.

The Components completed book-to-floor and floor-to-book physical inventories for 88 percent of Working Capital Fund inventories; 99 percent of General Fund munitions/ordnance; and 100 percent of spare engine inventories through August 2020. DLA continues to complete a 100 percent physical count of inventory National Item Identification Numbers in DLA’s custody.

Work Remaining: Components need to fully develop policies, procedures, and controls to substantiate inventory reported in financial statements. For OM&S, the Department needs to perform a proper valuation in accordance with SFFAS No. 3, as amended by SFFAS No. 48.

The Navy’s auditors reported significantly improved results in their testing of Inventory in FY 2020. Working Capital Fund Inventory accuracy rates increased from 85 percent to 99 percent. These results point to continuing improvements in Inventory visibility and management, bolstered by the Department of the Navy’s rapid pivot in the COVID-19 environment from physical hands-on testing to virtual testing procedures. In FY 2020, the Navy embarked on a Navy Material Accountability Campaign to locate untracked/excess material. Navy commands have thus far identified $936 million in material not previously globally visible to the organization that are now available for redeployment, improving tracking and Navy-wide visibility and supporting increased warfighter readiness. From FY 2018 to the time of this report, Navy commands identified more than $3.3 billion added to supply or newly tracked material.

Figure II-5 shows the Department’s status in addressing FY 2020 findings related to the Inventory, and Operating Materials and Supplies priority areas.
Figure II-5: Status of FY 2020 NFRs for DoD-wide Inventory and Operating Materials and Supplies

Note: As of June 15, 2021.
Includes NFRs from all reporting entities under a standalone audit and NFRs from the DoD consolidated audit.
Does not include NFRs from SSAE No. 18 examinations.
Government Property in the Possession of Contractors

The Department lacks the policies, controls, oversight, and documentation to accurately record property in the possession of contractors. Contractors may hold government property that is directly acquired by them or furnished by the government to complete production or services on behalf of the Department. Types of this property include special tooling, test equipment, laptop computers, IT networking equipment, and government property used in the production or repair of weapons systems. Without accurate records, the Department could understate its property held by contractors and potentially buy more than it needs, or vice versa and not be prepared to meet future needs. The Department is targeting FY 2026 for downgrading or correcting the Government Property in the Possession of Contractors material weakness.

Progress to Date: The Department established a Material Weakness Working Group for Government Property in the Possession of Contractors to identify commonalities on root-cause issues and create Department-wide solutions. The Components are continuing to make progress in this area and are:

- Reviewing and validating contracts, averaging to 40 percent of the total population of contracts.
- Reconciling contractor inventory data with DoD component property records, averaging to 48 percent of the known population of contracts with Government Property in the Possession of Contractors.
- Establishing baselines, averaging to 32 percent of the known population of contracts with Government Property in the Possession of Contractors.

Work Remaining: The Components are completing these actions on the remaining population of contracts by first ensuring all sustainment contracts (i.e., contracts for the sustainment or logistics support required for major weapons systems, sub-systems, or components) have been identified and establishing a complete baseline of assets for these contracts. Moving forward all contracts will be reviewed to ensure they have incorporated the correct Defense Federal Acquisition Regulation Supplement clauses associated with maintaining government property. Implementation and adoption of an automated solution for reporting this property and modifying accountable property systems of record will facilitate the Components’ abilities to capture, reconcile, and report contractor inventory data with Component property records.

Figure II-6 shows the Department’s status in addressing FY 2020 findings related to the Government Property in the Possession of Contractors priority area.
Figure II-6: Status of FY 2020 NFRs for DoD-wide Government Property in the Possession of Contractors

Note: As of June 15, 2021.
   Includes NFRs from all reporting entities under a standalone audit and NFRs from the DoD consolidated audit.
   Does not include NFRs from SSAE No. 18 examinations.
Access Controls for IT Systems

The Department is working to improve how it restricts user access and monitors user activity to safeguard sensitive data from unauthorized use. In FY 2020, auditors issued 1,619 IT-related NFRs findings from audits and SSAE No. 18 examinations for 163 of the 252 DoD-owned systems relevant to internal controls over financial reporting. More than half of the IT NFRs related to user access. The CIO and USD(C)/Chief Financial Officer lead the Department’s corrective action strategy. The Department is targeting FY 2027 for downgrading or correcting the Access Controls material weakness.

Progress to Date: Components use conditions in IT-related NFRs that present the highest risk to the financial statement audits and operational security to prioritize corrective actions. Figure II-7 shows the Components closed 27 percent of the FY 2019 high-risk conditions. Conditions not closed in a fiscal year may be re-identified the following year. The FY 2020 audits resulted in 858 high-risk conditions in IT-related NFRs. Work to address these conditions is ongoing.

Figure II-7: FY 2019 IT NFR High-Risk Conditions

<table>
<thead>
<tr>
<th>High-Risk Conditions</th>
<th>FY 2019</th>
<th>FY 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Received</td>
<td>Closed</td>
</tr>
<tr>
<td>Shared administrative accounts</td>
<td>11</td>
<td>4</td>
</tr>
<tr>
<td>Privileged Users and High-Risk Transactions</td>
<td>72</td>
<td>8</td>
</tr>
<tr>
<td>Privileged Access Assigned Unnecessarily</td>
<td>53</td>
<td>18</td>
</tr>
<tr>
<td>User Assigned Conflicting Roles and Duties*</td>
<td>648</td>
<td>181</td>
</tr>
<tr>
<td>Developer Access to Production-Ready Code Files</td>
<td>51</td>
<td>13</td>
</tr>
<tr>
<td>Developer Access to Production Programs and Files</td>
<td>24</td>
<td>3</td>
</tr>
<tr>
<td>Total</td>
<td>859</td>
<td>227</td>
</tr>
</tbody>
</table>

* Includes users with approved conflicting access; and segregation of duties.

The DoD Risk Management Framework is essential to the Department’s ability to self-identify issues and sustain improvements. The CIO has reviewed 38 security control assessments to determine reasons for divergence between auditor-identified deficiencies and framework assessment results that indicated compliant controls. The CIO is summarizing the results and developing a plan to close the gaps.

Work Remaining: The Department is continuing to implement at the enterprise level an ICAM solution to facilitate provisioning, review, modification, and removal of user access DoD-wide. ICAM combines information from DoD personnel systems with access-related information from DoD business systems to create a central repository. This gives visibility into user access rights within and across systems.

The Department is currently on-boarding nine pilot systems to the enterprise ICAM solution. From FY 2022 to FY 2027, the Department plans to on-board approximately 160 financial management systems into enterprise ICAM solution. Leadership is reviewing the business cases supporting the use of Component-level ICAM solutions.

Twenty-five DoD-owned Service Provider systems received favorable opinions in FY 2020, including controls related to access. DISA received two unmodified opinions, including access controls, for conventional hosting services and MilCloud, covering the infrastructure used to host 101 DoD applications. Furthermore, commercial cloud service providers currently used by DoD to host 20 applications relevant to financial reporting have all received unmodified opinions, including controls related to access.

Figure II-8 shows the Department’s status in addressing FY 2020 NFRs related to the Access Controls priority area.
**Figure II-8: Status of FY 2020 NFRs for Access Controls**

- **Total # of 2020 NFRs**: 668
- **Total # of 2020 NFRs Covered by CAPs**: 577
- **# of 2020 NFRs to complete remediation by 6/30/21**: 218

*Note:* As of June 15, 2021. Includes NFRs from all reporting entities under a standalone audit and NFRs from the DoD consolidated audit. Does not include NFRs from SSAE No. 18 examinations.
Conclusion

The annual audit regimen has set the Department on an irreversible course in support of business reform, reinforcing accountability to taxpayers, and directly contributing to enhanced military readiness. Ultimately, success is in the hands of the DoD workforce, and Department personnel is already realizing the importance and benefits of these audits. By continuing to equip the workforce with the resources and tools it needs to respond to auditor requests and remediate audit findings, the Department will achieve its audit goals of business excellence, and sustain an improved level of business proficiency for the benefit of the warfighter and the American people.

Please visit the Office of the Deputy Chief Financial Officer website at: https://comptroller.defense.gov/ODCFO/ to download a copy of the FIAR Report and other public resources.
Appendix 1. Independent Auditor’s Report

The NDAA for FY 2018 requires that this report include a certification of the results of the audit of the financial statements of the Department performed for the preceding fiscal year, and a statement summarizing, based on such results, the current condition of the financial statements. The November 15, 2020, Independent Auditor’s Report, issued by the DoD Inspector General and initially provided in the DoD FY 2020 Agency Financial Report, follows. The full FY 2020 Agency Financial Report, including the Department’s FY 2020 financial statements, may be downloaded at:

MEMORANDUM FOR SECRETARY OF DEFENSE
UNDER SECRETARY OF DEFENSE (COMPTROLLER)/
CHIEF FINANCIAL OFFICER, DOD

SUBJECT: Independent Auditor’s Report on the Department of Defense FY 2020 and
FY 2019 Basic Financial Statements (Project No. D2020-D000FE-0050.000,
Report No. DODIG-2021-028)

We are providing the subject report to be published in the FY 2020 Agency Financial
Report in conjunction with the FY 2020 and FY 2019 basic financial statements. On
December 11, 2020, DoD management notified us that they would need to restate the
FY 2020 basic financial statements that were published in the FY 2020 Agency Financial
updated “preliminary final” version of the FY 2020 Agency Financial Report which
included the restated basic financial statements. The “preliminary final” version was
used to re-perform our reviews of financial statements and disclosures impacted by the
restatement. The impacted statements and disclosures included:

- the Statement of Net Cost,
- the Statement of Changes in Net Position,
- Note 19,
- Note 20,
- Note 24,
- Note 28,
- Note 30, and
- Note 31.

We have amended our Independent Auditor’s report to include a dual date and to
indicate that a supplementary review was performed.¹ Our review did not change any
of the conclusions previously reached or used in forming our opinion on the basic

¹ The auditor should dual date the audit report when subsequently discovered facts become known to the auditor after the
report date to indicate that the auditor’s procedures subsequent to the original report date is limited solely to the revision of
the basic financial statements.
financial statements that were published on November 16, 2020. As a result, the audit report includes our disclaimer of opinion on the basic financial statements and our required Reports on Internal Control Over Financial Reporting and Compliance With Provisions of Applicable Laws and Regulations, Contracts, and Grant Agreements. We are issuing our disclaimer of opinion to accompany the DoD FY 2020 and FY 2019 basic financial statements; therefore, this audit report should not be disseminated separately from those statements.

We appreciate the cooperation and assistance received during the audit. Please direct questions to me.

Lorin T. Venable, CPA
Assistant Inspector General for Audit
Financial Management and Reporting
November 16, 2020, except for restatements, as to which the date is December 18, 2020\(^1\)

MEMORANDUM FOR SECRETARY OF DEFENSE
UNDER SECRETARY OF DEFENSE (COMPTROLLER)/
CHIEF FINANCIAL OFFICER, DOD


**Report on the Basic Financial Statements**

The Chief Financial Officers Act of 1990, as amended, requires the DoD Inspector General to audit the DoD Agency-Wide consolidated balance sheet, consolidated statement of net cost, consolidated statement of changes in net position, combined statement of budgetary resources, and related note disclosures as of September 30, 2020, and September 30, 2019.\(^2\) These statements are referred to as the basic financial statements in this report. The basic financial statements are included in the Agency Financial Report.

**Management’s Responsibility for the Agency Financial Report**

DoD management is responsible for the Agency Financial Report. Specifically, management is responsible for: (1) preparing basic financial statements that conform with accounting principles generally accepted in the United States (GAAP); (2) establishing, maintaining, and assessing internal controls to provide reasonable assurance that the controls met the broad control objectives of the Federal Managers’ Financial Integrity Act of 1982 (FMFIA); (3) ensuring that financial management systems substantially comply with Federal Financial Management Improvement Act

\(^1\) DoD management restated the Statement of Net Cost, the Statement of Changes in Net Position, Note 19, Note 20, Note 24, Note 28, Note 30, and Note 31 as a result of an adjustment processed on December 11, 2020. We performed reviews of these restatements, and these reviews did not impact the conclusions previously presented in this report.

of 1996 (FFMIA) requirements; and (4) complying with provisions of applicable laws and regulations.3

**Auditor’s Responsibility**

The DoD Office of Inspector General is responsible for auditing and expressing an opinion on the basic financial statements. We conducted the audit in accordance with generally accepted government auditing standards (GAGAS) and Office of Management and Budget (OMB) Bulletin No. 19-03.4 However, because of the matters described in the “Basis for Disclaimer of Opinion” section of this report, we were unable to obtain sufficient, appropriate audit evidence to provide a basis for an audit opinion.

**Basis for Disclaimer of Opinion**

OMB Bulletin No. 19-03 identifies DoD components that are required to undergo financial statement audits. Auditors issued disclaimers of opinion on the following components’ financial statements that were required to undergo audit.

- Department of the Army General Fund
- U.S. Marine Corps General Fund
- U.S. Navy General Fund
- Department of the Air Force General Fund
- Department of the Army Working Capital Fund
- Department of the Navy Working Capital Fund
- Department of the Air Force Working Capital Fund

In addition to these required components, auditors issued disclaimers of opinion on the following component financial statements.

- Defense Health Program General Fund
- Defense Information Systems Agency General Fund

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- U.S. Special Operations Command General Fund
- U.S. Transportation Command Transportation Working Capital Fund

When combined, the components which received disclaimers of opinion on their financial statements, to include the required reporting components and the additional components listed above, are material to the basic financial statements. As a result, we were unable to obtain sufficient, appropriate audit evidence to provide a basis for an audit opinion on the basic financial statements.

We performed audit procedures at the agency-wide level, reviewed Notices of Finding and Recommendation, and considered the results of component audits to identify material weaknesses and significant deficiencies in internal control over financial reporting that affected the DoD as a whole. These material weaknesses and significant deficiencies limited the DoD's ability to produce reliable basic financial statements and contributed to our audit opinion.

We considered the disclaimers of opinion on the component financial statements a scope limitation in forming our conclusions on the basic financial statements. Accordingly, we did not perform all the auditing procedures required by GAGAS and OMB Bulletin No. 19-03 to determine whether material amounts on the basic financial statements were presented fairly. Therefore, our work may not have identified all issues that could affect the basic financial statements.

**Disclaimer of Opinion**
Because of the significance of matters described in the "Basis for Disclaimer of Opinion" section, we could not obtain sufficient, appropriate evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the basic financial statements. Thus, the basic financial statements may contain undetected misstatements that are both material and pervasive.

**Emphasis of Matter**
The Security Assistance Accounts (SAAs) include balances from the security assistance programs for which the DoD has responsibility, including Foreign Military Sales, the Special Defense Acquisition Fund, Foreign Military Financing, and International Military Education and Training. The Defense Security Cooperation Agency is responsible for issuing the SAA basic financial statements, which are consolidated into the
Government-wide Financial Statements. DoD management included the SAA basic financial statements in an appendix to the Agency Financial Report and included disclosures within the DoD Agency-Wide Basic Financial Statements to describe the relationship between the DoD and the SAAs. However, DoD management did not represent that the SAA information was complete and accurate. In addition, the SAA financial statements are not scheduled to undergo a full financial statement audit until FY 2022. Therefore, we did not perform audit procedures to determine if the disclosures were appropriate or review the SAA basic financial statements included in the Agency Financial Report. As a result, we did not consider this information when forming our audit opinion.

In addition, DoD management provided a “preliminary final” Agency Financial Report on November 16, 2020. Previous versions of the Agency Financial Report were substantially incomplete. The timing of receiving the preliminary final Agency Financial Report limited our ability to complete its thorough review. However, during our review of the basic financial statements included in the preliminary final Agency Financial Report, we noted instances of non-compliances between the basic financial statements and applicable sections of OMB Circular No. A-136. Specifically, Note 9, Note 13, Note 15, Note 19, Note 25, Note 26, and Note 29 did not contain required disclosures in accordance with OMB Circular No. A-136.

In Note 28, DoD management restated the FY 2019 basic financial statements to correct errors in General Property, Plant and Equipment (net), Operating Materials and Supplies, Accounts Payable, Unexpended Appropriations, Cumulative Results of Operations – Other Funds, and Budgetary Resources. We considered these restatements during our audit; however, the restatements did not affect the overall disclaimer of opinion on the FY 2020 or FY 2019 basic financial statements. As a result, we did not modify our audit opinion.

Finally, in the Agency Financial Report, DoD management referenced information on websites or other forms of interactive data. We did not subject any of these websites or interactive data to auditing procedures, and accordingly, we do not express an opinion or provide any assurance on them.

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Independent Auditor’s Report
Other Information in the Agency Financial Report

In addition to the basic financial statements, DoD management presented Management’s Discussion and Analysis, Required Supplementary Information, and Other Information for additional analysis as part of its Agency Financial Report. We performed our audit to form an opinion on the basic financial statements as a whole. Therefore, we do not express an opinion or provide any assurance on the other information presented in the Agency Financial Report. However, based on our limited review, we did not find any material inconsistencies between the information presented in these sections and the basic financial statements.

Report on Compliance With Provisions of Applicable Laws and Regulations, Contracts, and Grant Agreements

We limited our audit to determining compliance with provisions of applicable laws and regulations, contracts, and grant agreements that have a direct and material effect on the basic financial statements and compliance with OMB regulations and audit requirements for financial reporting. We compiled the results from the audits of the components to determine whether the DoD complied with provisions of applicable laws and regulations, contracts, and grant agreements.

However, it was not our objective to provide an opinion on compliance with provisions of applicable laws and regulations, contracts, and grant agreements. Accordingly, we do not express such an opinion.

See the Attachment for additional details on internal control over financial reporting and compliance with provisions of applicable laws and regulations, contracts, and grant agreements.

Agency Comments and Our Evaluation

We provided a draft of this report to the Office of the Under Secretary of Defense (Comptroller)/Chief Financial Officer. Its personnel provided technical comments that we incorporated, as appropriate.

This report will be made publicly available under section 8M, paragraph (b)(1)(A), of the Inspector General Act of 1978. However, this report is intended solely for the information and use of Congress; the OMB; the Government Accountability Office; the Office of the Under Secretary of Defense (Comptroller)/Chief Financial Officer; DoD management; and the DoD Office of Inspector General. This report is not intended for, and should not be used by, any other audience.
We appreciate the cooperation and assistance received during the audit. Please direct questions to me.

Lorin T. Venable, CPA
Assistant Inspector General for Audit
Financial Management and Reporting

Attachment:
As stated
Report on Internal Control Over Financial Reporting

Internal Control Compliance
In planning our audit, we considered the internal control over financial reporting to determine appropriate auditing procedures for expressing an opinion on the basic financial statements, but not for expressing an opinion on the effectiveness of the internal control. Accordingly, we do not express an opinion on the internal control over financial reporting.

Management Responsibilities
DoD management is responsible for implementing and maintaining effective internal control, including providing reasonable assurance that DoD personnel recorded, processed, and summarized accounting data properly; met the requirements of provisions of applicable laws and regulations, contracts, and grant agreements; and safeguarded assets against misappropriation and abuse.

Auditor’s Responsibilities
The purpose of our audit was not to express an opinion on internal control over financial reporting, and we do not express such an opinion. However, we identified 26 material weaknesses and four significant deficiencies by performing audit procedures at the agency-wide level, reviewing auditor-issued Notices of Finding and Recommendation, and considering component audit results. These material weaknesses and significant deficiencies could adversely affect DoD financial operations.

Identified Material Weaknesses
A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting that results in a reasonable possibility that management will not prevent, or detect and correct, a material misstatement in the basic financial statements in a timely manner. The following is a description of each of the 26 material weaknesses we identified.

Legacy Systems. DoD management defines legacy systems as systems that are scheduled for retirement within 36 months. The FFMIA requires that the DoD implement and maintain financial management systems that substantially comply with Federal financial management systems requirements, applicable Federal accounting standards, and the United States Standard General Ledger at the transactional...
level. The DoD owns and utilizes over 250 systems that DoD management defines as audit-relevant, which include over 30 legacy systems. However, multiple components identified systems as legacy systems that were not categorized as such by DoD management; therefore, DoD management and components did not identify legacy systems consistently. In addition, multiple components used legacy systems during FY 2020 that did not comply with the FFMA. For example, components used multiple systems that did not capture transaction-level detail. In an effort to mitigate the risk of using legacy systems, DoD management stated that it had implemented a plan to aggressively retire and replace the legacy systems. However, during FY 2020, DoD management extended the retirement date for five systems. Additionally, some systems used did not comply with the FFMA, and these systems will not be retired until at least FY 2030. The continued use of FFMA non-compliant systems inhibits the DoD’s ability to produce auditable basic financial statements.

Configuration Management and Security Management. National Institute of Standards and Technology (NIST) Special Publication (SP) 800-53, and the Government Accountability Office Green Book, hereinafter referred to as "Green Book," require the DoD to design and implement configuration management and security management controls. These controls focus on establishing and maintaining the integrity of information systems, and require the development, documentation, and implementation of configuration management and security management policies, procedures, and plans. However, multiple components lacked effective configuration management and security management controls for key financial systems. In addition, multiple components did not have formalized and comprehensive policies and procedures for configuration management and security management. The lack of effective controls and formalized policies and procedures increases the risk of unauthorized usage, modification, or disclosure of DoD information systems, which could result in inaccurate financial data within the basic financial statements. As a result, there is an increased risk that balances presented in the basic financial statements may be materially misstated.

Access Controls. NIST SP 800-53 and the Green Book require the DoD to design and implement access controls. Access controls provide reasonable assurance that only authorized individuals have access to computer resources such as data, equipment, and facilities. Access controls also ensure that roles for authorized users are reasonable.

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However, multiple components did not design and implement effective access controls for various key financial systems, and they did not identify all relevant risks or have documented procedures to ensure proper access controls. Additionally, DoD management did not develop an overarching policy or an authoritative list to identify and remove terminated or transferred users. Without proper access controls over key financial systems, the DoD could compromise the confidentiality, integrity, or availability of financially relevant data, which increases the risk that amounts presented in the basic financial statements may be materially misstated.

**Segregation of Duties.** NIST SP 800-53 and the Green Book require the DoD to design and implement controls to provide reasonable assurance that incompatible duties are segregated. However, multiple components did not design and implement effective segregation of duties controls for various key financial applications. Specifically, the components did not develop a process to properly identify conflicting roles or segregate key function roles. Additionally, the components either identified segregation of duties controls as low risk or did not collaborate with all stakeholders to ensure effective segregation of duties controls were implemented. The lack of effective segregation of duties controls could increase the risk of inappropriate access to systems to process transactions, which could result in inaccurate financial data, expose the systems to security risks, or allow for fraudulent activity. The inability to effectively implement segregation of duties controls increased the risk that line item balances in the basic financial statements may be materially misstated.

**Universe of Transactions.** OMB Bulletin No. 19-03 states that internal control over financial reporting includes ensuring that transactions are properly recorded, processed, and summarized to permit the preparation of reliable financial statements. However, multiple components were unable to provide transaction-level populations supporting material financial statement line items. Additionally, the Defense Finance and Accounting Service (DFAS) and the components were unable to reconcile the information presented within the trial balances to underlying transaction-level detail. Specifically, multiple components performed reconciliations at a summary level, rather than the transaction-level, and did not always perform these reconciliations in a timely manner. Without a complete universe of transactions, the DoD and its components could not verify the completeness and accuracy of data reported on their respective basic financial statements.
**Fund Balance With Treasury.** For FY 2020, the DoD reported a Fund Balance With Treasury balance of $637.2 billion. Statement of Federal Financial Accounting Standards (SFFAS) No. 1 requires the DoD to record Fund Balance With Treasury as the aggregate amount of funds in the DoD’s accounts with Treasury for which the DoD is authorized to make expenditures and pay liabilities. SFFAS No. 1 and the Treasury Financial Manual (TFM) require the DoD to reconcile its Fund Balance With Treasury and explain any discrepancies between balances reported by the DoD and the U.S. Treasury to ensure the integrity and accuracy of the DoD and Government-wide Financial Statements. However, the DoD and its components did not have effective processes and controls for reconciling their Fund Balance With Treasury. As a result, the DoD was unable to ensure the completeness and accuracy of its Fund Balance With Treasury. The lack of effective controls over Fund Balance With Treasury increased the risk that balances in the basic financial statements may be materially misstated.

**Suspense Accounts.** The TFM defines suspense accounts as accounts used to temporarily hold transactions that belong to the Government while waiting for information that will allow the transactions to be matched to a specific receipt or expenditure account. The DoD Financial Management Regulation (FMR), volume 12, chapter 1, states that suspense accounts may be used in accordance with Treasury guidance if transactions are reclassified to the correct line of accounting and properly reported in the accounting system within 60 days of the transaction entering a suspense account. The DoD FMR, volume 3, chapter 11 also states that agencies may request to discontinue transaction research if certain criteria are met and properly approved by the funds holder, Military Department Assistant Secretaries Financial Management and Comptroller, or Defense Agency Comptroller. However, DFAS and the components lacked the controls necessary to sufficiently monitor funds in suspense accounts and to research these transactions to clear account variances in accordance with the 60-day requirement. In addition, DFAS was unable to properly attribute suspense account transactions to the appropriate component because multiple components shared the

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9 Treasury Financial Manual, volume 1, part 2, chapter 5100, "TFMW.
10 TFM, volume 1, part 2, chapter 1500, "Description of Accounts Relating to Financial Operations."
11 DoD Regulation 7000.14-R, "DoD Financial Management Regulation (DoD FMR)" volume 12, chapter 1, "Funds."
12 DoD FMR, volume 9, chapter 11, "Unmatched Disbursements, Negative Unliquidated Obligations, and In-transit Disbursements."
same suspense accounts. DFAS lacked the appropriate authorizing regulation or guidance to approve the discontinuation of research and write offs of suspense transactions. These control deficiencies could result in an increased risk that the balance of the DoD’s suspense accounts in the basic financial statements may be materially misstated.

**Inventory and Related Property.** For FY 2020, the DoD reported an Inventory and Related Property balance of $310.2 billion. SFFAS No. 3 requires the DoD to value its inventory on the basis of historical cost or on a basis that reasonably approximates historical cost.\(^\text{13}\) SFFAS No. 48 amends SFFAS No. 3, and allows the DoD to use a one-time alternative valuation method for establishing the opening balances of Inventory and Related Property.\(^\text{14}\) However, multiple components did not account for Inventory and Related Property according to SFFAS No. 3, or the alternative valuation methods allowed by SFFAS No. 48, and components could not produce documentation supporting the valuation of their inventory. In addition, multiple components were unable to substantiate the existence and completeness of Inventory and Related Property reported on their basic financial statements. Specifically, they did not have controls and procedures for inventory counts, movement of inventory, or in-transit inventory. As a result, the DoD was unable to support a material portion of its inventory and Related Property balance, and there is an increased risk that the balances presented in the basic financial statements may be materially misstated.

**Operating Materials and Supplies (OM&S).** For FY 2020, the DoD reported an OM&S balance of $200.5 billion. SFFAS No. 3 requires the DoD to value its OM&S on the basis of historical cost or on a basis that reasonably approximates historical cost. SFFAS No. 48 amends SFFAS No. 3, and allows the DoD to use a one-time alternative valuation method for establishing the opening balances of OM&S. However, multiple components did not account for OM&S according to SFFAS No. 3, or the alternative valuation methods allowed by SFFAS No. 48. In addition, SFFAS No. 3 requires that OM&S be categorized as (1) OM&S held for use, (2) OM&S held in reserve for future use, or (3) excess, obsolete, and unserviceable. However, multiple components did not have procedures to accurately identify and value the excess, obsolete, and unserviceable material reported on their basic financial statements. Overall, the components did not design, document, or implement policies and procedures to identify and properly value...

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OM&S inventory, including excess, obsolete, and unserviceable material, in accordance with SFFAS standards. In addition, multiple components were unable to substantiate the existence and completeness of OM&S reported on their basic financial statements. As a result, there is an increased risk that the OM&S balances in the basic financial statements may be materially misstated.

**General Property, Plant, and Equipment (PP&E).** For FY 2020, the DoD reported a General PP&E balance of $790.5 billion. SFFAS No. 6 requires the DoD to value its General PP&E on the basis of historical cost or on a basis that reasonably approximates historical cost. SFFAS No. 50 amends SFFAS No. 6, and allows the DoD to use a one-time alternative valuation method for establishing the opening balances of General PP&E in the same reporting period in which the reporting entity makes an unreserved assertion that its financial statements are presented in accordance with GAAP. However, as of September 30, 2020, the DoD had not completed its implementation of SFFAS No. 50 to establish opening balances of its General PP&E, and did not have sufficient procedures to account for its General PP&E in accordance with SFFAS No. 6. In addition, multiple components were unable to substantiate the existence and completeness of General PP&E reported on their basic financial statements. Because the DoD and its components cannot accurately value or account for its General PP&E, there is an increased risk that the General PP&E balances in the basic financial statements may be materially misstated.

**Real Property.** The DoD FMR, volume 4, chapter 24, requires that components properly recognize, account for, and report their real property and accumulated depreciation on the appropriate financial statements. In FY 2020, DoD management required that all real property be reported on the basic financial statements of the military department or Washington Headquarters Services (installation host) that owns or operates the installation where a real property asset is located. However, not all components were able to fully transfer financial responsibility for their real property assets to the installation hosts by September 30, 2020, as required. In addition, multiple components made transfers without resolving outstanding audit findings that directly related to unsupported valuations and incomplete listings of real property assets. As a result, there is a risk that the real property balances transferred to

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17 DoD FMR, volume 4, chapter 24, "Real Property."
installation hosts were unsupported, incomplete, or incorrectly valued. These unresolved audit findings impact the ability of the installation hosts to properly account for these assets. Unsupported real property balances increased the risk that the real property balance in the basic financial statements may be materially misstated.

**Government Property in the Possession of Contractors.** SFFAS No. 6 requires that property and equipment in the possession of contractors, or acquired on behalf of the Government for use in accomplishing a contract, be considered Government property. The DoD must account for this property, regardless of who has possession. However, the DoD lacked policies, procedures, and supporting documentation for the acquisition, disposal, and inventory processes related to Government property in the possession of contractors. For example, not all DoD contract terms and conditions incorporated standard inventory management policies, procedures, and metrics. In addition, multiple components were unable to substantiate the existence and completeness of Government property in possession of contractors reported on their basic financial statements. As a result, there is an increased risk that the balances of Government property in the possession of contractors in the basic financial statements may be materially misstated.

**Joint Strike Fighter Program.** The Joint Strike Fighter is a multiservice and multinational acquisition to develop and field next-generation strike fighter aircraft for the Navy, Air Force, Marine Corps, and international partners. However, the DoD did not account for and manage Joint Strike Fighter Program Government property, or record the property in an accountable property system of record. As a result, the DoD did not report Joint Strike Fighter Program assets on its basic financial statements. The omission of the Joint Strike Fighter program from the basic financial statements and inability to provide documentation supporting the value of the program indicate that there are material failures within internal control for recording joint programs within the DoD. As a result, there is an increased risk that the balances in the basic financial statements may be materially misstated.

**Military Housing Privatization Initiative (MHPI).** In FY 2020, the DoD reported an MHPI-related Other Investments balance of $3.5 billion in cash invested. The Financial Accounting Standards Board requires the DoD to report real property ownership transfers to MHPI private entities as increases to Other Investments, and private entity profits and losses allocated to the DoD as changes to Other Investments. However,

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17 Accounting Standards Board, Accounting Standards Codification 323, as updated through November 2020.
the DoD did not report an estimated $8.8 billion of real property transferred to MHPI private entities as increases to Other Investments, or reduce Other Investments by cumulative annual profits and losses allocated to the DoD based on its ownership interest. Additionally, SFFAS No. 47 requires the DoD to determine whether each MHPI private entity should be reported as a consolidated entity, disclosure entity, or related party, and SFFAS No. 49 requires certain disclosures for MHPI private entities. However, the DoD has not completed its analysis to determine the appropriate reporting of MHPI under SFFAS No. 47 and did not provide complete and accurate information as required under SFFAS No. 49. Overall, the DoD lacked GAAP-compliant policies and procedures to account for and report the MHPI program. Ineffective controls over MHPI increase the risk that balances in the basic financial statements may be materially misstated.

**Accounts Payable.** For FY 2020, the DoD reported a non-Federal Accounts Payable balance of $36.1 billion. SFFAS No. 1 states that accounts payable are amounts the DoD owes to other entities for receipt of goods and services, progress in contract performance, or rent. However, components did not have sufficient documentation to support the existence and completeness of their Accounts Payable balances. These components did not have sufficient policies, procedures, and control over their methodology for accruing payables, which increases the risk of unsupported transactions. As a result, there is an increased risk that the Accounts Payable balance in the basic financial statements may be materially misstated.

**Environmental and Disposal Liabilities.** For FY 2020, the DoD reported an Environmental and Disposal Liabilities balance of $75.0 billion. SFFAS No. 5 defines “liability” as a probable future outflow or other sacrifice of resources as a result of past transactions or events. Federal Financial Accounting and Auditing Technical Release 2 requires the DoD to recognize liabilities for environmental cleanup costs. However, the DoD lacked formal policies, procedures, and supporting documentation to substantiate the completeness and accuracy of its Environmental and Disposal Liabilities. As a result, there is an increased risk that the Environmental and Disposal Liabilities balances in the basic financial statements may be materially misstated.

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Beginning Balances. SFFAS No. 48 defines beginning balances as account balances that exist at the beginning of the reporting period. These beginning balances are based on the closing balances of the prior period and reflect the effects of transactions that occurred, and accounting policies applied in prior periods. Multiple components did not have complete and accurate beginning balances on their basic financial statements. This occurred because components did not have historical data to support beginning balances on their basic financial statements or the ability to reconcile beginning balances to closing balances at the end of the reporting period. Without support to confirm the completeness and accuracy of beginning balances, there is an increased risk that the basic financial statements may be materially misstated.

Unsupported Accounting Adjustments. The Green Book requires that transactions are promptly and accurately recorded. Additionally, the DoD FMR, volume 4, chapter 2, states that DoD components must ensure that all adjustments are researched and traceable to supporting documents as instructed in the TFM, 2-5100. Supporting documentation is necessary to provide an audit trail. However, the DoD did not have effective controls to provide reasonable assurance that accounting adjustments were valid, complete, and accurately recorded in its accounting and general ledger systems. For example, in the last two quarters of FY 2020, the DoD recorded more than 1,900 accounting adjustments totaling over $293 billion that lacked supporting documentation. In addition, components recorded manual and system-generated accounting adjustments that lacked appropriate approvals. Without effective controls over the recording of accounting adjustments, the DoD could not provide reasonable assurance that material misstatements were prevented, or detected and corrected, in the basic financial statements in a timely manner. As a result, there is an increased risk that balances in the basic financial statements may be materially misstated.

Intradepartmental Eliminations and Intragovernmental Transactions. According to the TFM, intragovernmental transactions result from business activities conducted between two Federal government entities, such as the DoD and Department of State. The entities conducting business are called trading partners. The TFM further defines intradepartmental transactions as those occurring between two trading partners within the same entity; for example, the Army and Defense Logistics Agency are both DoD components. In order to properly present the balances on the basic financial statements, intradepartmental and intragovernmental transactions must be eliminated.

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during the financial statement preparation process. For proper eliminations to occur, it is essential that accurate DoD trading partner data is captured for intradepartmental and intragovernmental activity and balances. Specifically, the DoD must report its three-digit agency identifier and its trading partners' three-digit agency identifier on all intradepartmental and intragovernmental transactions. However, multiple DoD accounting systems were unable to capture the trading partner data required to eliminate intradepartmental and intragovernmental transactions. Without the proper elimination of trading partner transactions in the basic financial statements, there is a risk that the basic financial statements may be materially misstated.

**Gross Costs.** For FY 2020, the DoD reported a Gross Costs balance of $817.2 billion. SFAS No. 4 states that the DoD should report the full costs of outputs in general purpose financial reports and reliable information on the costs of Federal programs and activities is crucial for effective management of Government operations.\(^\text{23}\) Statement of Federal Financial Accounting Concepts (SFFAC) No. 2 provides guidance regarding the reporting of gross and net cost information on the Statement of Net Cost.\(^\text{24}\) Specifically, it advises that the statement should present the amounts paid, the consumption of other assets, and the incurrence of liabilities as a result of rendering services, delivering or producing goods, or carrying out other operating activities by programs or organizations. However, multiple components had material deficiencies related to the Gross Costs line item. These deficiencies included, but were not limited to, noncompliance with GAAP, inaccurate reporting of transactions, and inadequate controls for recording Gross Costs. Therefore, DoD management did not have reliable financial information to effectively manage and understand gross costs. As a result, there is an increased risk that the Gross Costs balance in the basic financial statements may be materially misstated.

**Earned Revenue.** For FY 2020, the DoD reported an Earned Revenue balance of $81.2 billion. SFAS No. 7 states that earned revenues arise when the DoD provides goods and services to the public or to another Federal entity for a price.\(^\text{25}\) However, multiple components had material deficiencies related to the Earned Revenue line item. These deficiencies included, but were not limited to, noncompliance with GAAP.

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inability to substantiate revenue-related transactions, and inadequate controls for recording Earned Revenue. As a result, there is an increased risk that Earned Revenue balance in the basic financial statements may be materially misstated.

**Budgetary Resources.** SSFA No. 7 requires the DoD to present material budgetary information that comes wholly or in part from the budget in its Statement of Budgetary Resources. The material budgetary information includes total budgetary resources available to the DoD during the period, status of those resources, and outlays of those resources. The balances presented on the DoD components' Statement of Budgetary Resources may not be complete, accurate, or supported. Therefore, the DoD components, and the DoD as a whole, may not have been able to accurately determine and monitor the total budgetary resources available during the reporting period, or the status of those resources. The inability to monitor the status of budgetary resources created the potential for violations of the Antideficiency Act (ADA) and increased the risk that Statement of Budgetary Resources balances in the basic financial statements may be materially misstated.

**Service Providers.** A service provider is a third party that performs activities for many agencies. OMB Circular No. A-123 states that service providers are responsible for providing assurance to their customers and assisting those customers in understanding the relationship between the service provider’s controls and the customer’s user controls.26 DoD service providers perform critical activities across the DoD such as managing inventory and preparing financial statements. However, many of the service providers had not designed or implemented reliable controls to provide the required assurance to their customers. While component management retains responsibility for the performance of processes assigned to service providers, service provider control deficiencies decrease the reliability and accuracy of the basic financial statements. As a result, there is an increased risk that balances in the basic financial statements may be materially misstated.

**Entity-Level Controls.** The FMFIA requires the DoD to establish internal control and the Green Book defines the standards for internal control in the Government. Green Book principle 10, “Design Control Activities,” states that entity-level controls are controls that have a pervasive effect on an entity’s internal control system and may pertain to multiple components. This principle also states that management should design entity-level control activities depending on the level of precision needed for

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the entity to meet its objectives and addresses related risks. However, multiple components did not design, document, and implement effective entity-level controls. Specifically, these components lacked sufficient internal control to achieve the objectives of reliable financial reporting, operating efficiency and effectiveness, and GAAP compliance. A lack of effective entity-level controls increased the risk that the balances in the basic financial statements may be materially misstated.

**DoD-Wide Oversight and Monitoring.** OMB Circular No. A-123 defines management’s responsibility for internal control. Specifically, it requires that the DoD establish and integrate internal control into the entity’s operations in a risk-based and cost-beneficial manner, which helps to provide reasonable assurance that the DoD’s internal control over operations, reporting, and compliance is operating effectively. The Office of the Under Secretary of Defense (Comptroller)/Chief Financial Officer [OUSD(C)] and DFAS are responsible for consolidating component-level information to produce documents such as the Agency Financial Report. However, this component-level information is incomplete, inaccurate, and not GAAP compliant. OUSD(C) did not perform effective oversight and monitoring over this consolidation or have adequate time to perform verification of the component-level information prior to publishing agency-wide information. For example, OUSD(C) failed to issue a policy to record Defense Working Capital Fund appropriations received from the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) until October 2020, this resulted in components improperly recording these appropriations within their accounting systems.\(^2\) Additionally, at the conclusion of the audit there were some corrective action plans for DoD-wide audit findings that had not been developed. Without proper controls over the consolidation of agency-wide information, OUSD(C) is unable to ensure that component information is presented consistently, or that appropriate adjustments can be made at the agency-wide level. As a result, there is an increased risk that information presented in the basic financial statements is not complete or accurate.

**Component-Level Oversight and Monitoring.** OMB Circular No. A-123 requires component management to continuously monitor, assess, and improve the effectiveness of internal control as part of their risk profile. In addition, it requires component management to evaluate and document internal control deficiencies and determine appropriate corrective actions for those deficiencies on a timely basis. However, components did not implement oversight and monitoring activities in sufficient time to identify and resolve deficiencies that could impact their basic financial statement.

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balances and related disclosures. In addition, multiple components were unable to sign Management Representation Letters on time, and therefore, audit opinions could not be issued by the required date. Consequently, the components could not provide reasonable assurance that internal controls over financial reporting are effective. As a result, there is an increased risk that the basic financial statements may be misstated.

**Identified Significant Deficiencies**

A significant deficiency in internal control is a deficiency, or a combination of deficiencies, that is less severe than a material weakness yet important enough to merit the attention of those charged with governance. The following is a description of each of the four significant deficiencies we identified.

**Transition to Risk Management Framework (RMF).** The Federal Information Security Modernization Act of 2014 (FISMA) requires agencies to provide information security controls commensurate with the risk of not having those controls in place.\(^2\) NIST SP 800-37 provides standards and guidance for the transition to the RMF in an effort to comply with FISMA.\(^2\) Additionally, DoD Instruction 8510.01, "RMF for DoD Information Technology," requires that the RMF satisfy the requirements of the FISMA.\(^2\) The DoD Chief Information Officer (CIO) oversees implementation of DoD Instruction 8510.01, which directs the cybersecurity risk management of DoD information technology, distributes RMF information standards and sharing requirements, and manages the transition from the DIACAP to the RMF. However, multiple components have not fully completed their transition from the DIACAP to the RMF for various key financial systems. For example, some components' financial systems do not have authority to operate in compliance with the RMF. In addition, the DoD CIO has not effectively monitored the components to ensure they have fully transitioned financially significant systems to the RMF. Components that have not transitioned financially significant systems to the RMF could expose the DoD's financial data to unidentified security risks. Additionally, the completeness, accuracy, confidentiality, integrity, and availability of financial data are negatively impacted by continuing to use systems that have not transitioned to the RMF, increasing the risk that balances in the basic financial statements may be misstated.


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Accounts Receivable. For FY 2020, the DoD reported a non-Federal Accounts Receivable balance of $5.1 billion. SFFAS No. 1 requires that the DoD recognize a receivable when it establishes a claim to cash or other assets against other entities, either based on legal provisions, such as a payment due date, or goods or services provided. However, the components do not have sufficient documentation to ensure the completeness and accuracy of non-Federal Accounts Receivable transactions. For example, one component did not reduce receivables in the accounting records when cash was collected in prior accounting periods. Additionally, the components had not developed or implemented effective controls to prevent or detect misstatements of non-Federal accounts receivable balances. As a result, there is an increased risk that balances in the basic financial statements may be misstated.

Legal Contingencies. The TFM requires that an entity's General Counsel prepare a Legal Representation Letter, which summarizes legal actions against the entity. The Legal Representation Letter must be accompanied by a Management Schedule that summarizes the content of the Legal Representation Letter. The Management Schedule is used to support disclosures in the basic financial statements. Components prepare Legal Representation Letters and Management Schedules for consolidation and presentation at the agency-wide level. However, there were control failures that affected the presentation and calculation of total legal contingencies at the agency-wide level. Specifically, DoD Management updated the interim agency-wide Management Schedule because of auditor-identified errors. Additionally, components did not record their legal contingencies using a consistent methodology and as a result, the components posted adjustments to reconcile their basic financial statement balances to their Management Schedule. Lack of controls over the process for preparing the Management Schedules, and the lack of consistent methodology for reporting component legal contingencies increased the risk that balances in the basic financial statements may be misstated.

Reconciliation of Net Cost of Operations to Outlays. SFFAS No. 7 requires the DoD to perform a reconciliation of its budgetary and proprietary data. OMB Circular No. A-136 requires the DoD to include this reconciliation in the notes to the basic financial statements. However, components were unable to support adjustments made to reconcile budgetary and proprietary data on their basic financial statements, and as a result, the DoD reported a $4.5 billion reconciling difference between the budgetary and proprietary accounts. This occurred because the components did not design
and implement controls to research and resolve variances between budgetary and proprietary data throughout the reporting period. Therefore, the basic financial statements do not accurately reflect the financial position of the DoD, and as a result, there is an increased risk of that balances in the basic financial statements may be misstated.

**Report on Compliance With Provisions of Applicable Laws and Regulations, Contracts, and Grant Agreements**

GAGAS and OMB guidance require auditors to report on an entity’s compliance with provisions of applicable laws and regulations, contracts, and grant agreements. Management is responsible for compliance with existing laws and regulations, contracts, and grant agreements related to financial reporting. We determined that the DoD was not compliant with certain provisions of applicable laws and regulations, contracts, and grant agreements that could have a direct and material effect on the basic financial statements. Specifically, the DoD did not comply with certain provisions of the ADA; FFMA; FMFIA; FISMA, Debt Collection Improvement Act; Prompt Payment Act; and CARES Act. However, our objective was not to express, and we do not express, an opinion on compliance with provisions of applicable laws and regulations, contracts, and grant agreements. Additionally, because of the significance of the matters described in the “Basis for Disclaimer of Opinion” section of our Independent Auditor’s Report, we performed limited audit procedures and therefore we may not have identified all instances of noncompliance.

**Compliance With the Antideficiency Act**

The ADA limits the DoD and its agents to making or authorizing expenditures or obligations that do not exceed the available appropriations or funds. Additionally, it states that the DoD or its agents may not contract or obligate for the payment of money before an appropriation is made available for that contract or obligation unless otherwise authorized by law. Additionally, it states that the DoD and its agents are prohibited from making or authorizing expenditures of obligations exceeding an apportionment or the amount permitted by prescribed regulations and specifies that if an officer or employee of an executive agency violates the ADA, the head of the

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agency must immediately report to the President and Congress all relevant facts and a statement of actions taken. During FY 2020, the DoD reported multiple ADA violations within one completed case.

DoD FMR, volume 14, chapter 3 establishes timeframes for identifying and reporting ADA violations. The regulation states that the formal investigation and reporting on ADA violations should take no more than 15 months. As of September 30, 2020, the DoD had seven on-going investigations related to potential ADA violations. One of the ongoing investigations had been open for more than 15 months.

**Compliance With the Federal Financial Management Improvement Act**

The FFMIA requires DoD management to establish and maintain financial management systems that comply substantially with Federal financial management systems requirements, applicable Federal accounting standards, and the U.S. Standard General Ledger (USSGL) at the transaction-level. For areas in which an agency is not in compliance, OMB Circular No. A-136 requires the agency to identify remediation activities planned or underway to bring the systems into substantial compliance with the FFMIA within its Agency Financial Report.

For FY 2020, the DoD did not substantially comply with the FFMIA. DoD management represented that its financial management and feeder systems did not substantially comply with Federal financial management systems requirements, Federal accounting standards, or the USSGL at the transaction-level as of September 30, 2020. In addition, we identified instances of non-compliance with the USSGL and identified that the components did not substantially comply with the FFMIA.

**Compliance With the Federal Managers’ Financial Integrity Act**

The FMFIA requires DoD management to perform ongoing evaluations and report on the adequacy of DoD systems of internal accounting and administrative control. OMB Circular No. A-123, which implemented the FMFIA, requires DoD management to establish and maintain internal controls to achieve the objectives of effective and efficient operations, reliable financial reporting, and compliance with provisions of applicable laws and regulations.

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DoD FMR, volume 14, chapter 3, “Antideficiency Act Violation Process.”

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For FY 2020, the DoD did not substantially comply with the FMFIA. DoD management represented that the internal control over financial reporting was not effective because of the material weaknesses reported in the FY 2020 Agency Financial Report. In addition, we identified that components did not substantially comply with the FMFIA.

**Compliance With the Federal Information Security Modernization Act**

The FISMA requires agencies to provide information security controls commensurate with the risk of not having those controls in place. NIST publishes standards and guidelines for Federal entities to implement for non-national security systems. Deviations from these standards and guidelines represent departures from FISMA requirements. We identified that the components did not comply with certain aspects of the FISMA standards and guidelines.

**Compliance With the Debt Collection Improvement Act**

The Debt Collection Improvement Act of 1996, as amended by the Digital Accountability and Transparency Act of 2014, requires that any non-tax debts or claims owed to the U.S. Government that are over 120 days delinquent be reported to the Treasury for the purpose of administrative offset. We identified that a component did not transfer all outstanding eligible debt in accordance with these requirements and therefore, did not comply with Debt Collection Improvement Act requirements.

**Compliance with the Prompt Payment Act**

The Prompt Payment Act states that the head of an agency acquiring property or services who does not pay for each complete delivered item of property or service by the required payment date will pay an interest penalty on the amount of the payment due. It also states that the head of an agency will pay this interest penalty out of amounts made available to carry out the program for which the penalty occurred. We identified that a component did not pay interest from the appropriate Treasury Account Symbol and therefore, did not comply with the Prompt Payment Act.

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**Compliance with the Coronavirus Aid, Relief, and Economic Security Act**

Congress enacted the CARES Act in response to the societal and economic impacts of coronavirus disease–2019. The CARES Act appropriated funds for the fiscal year ending September 30, 2020, to the DoD for multiple purposes. In addition, the CARES Act requires the DoD to report certain obligations and expenditures to the OMB, Treasury, and Congress. DoD management represented that they did not have the mechanisms within their financial reporting systems to track CARES Act related transactions and separately report the impact on the DoD’s assets, liabilities, costs, revenues, and net position. As a result, the DoD did not comply with the related provisions of the CARES Act.

**Recommendations**

This report does not include recommendations to correct the material weaknesses; significant deficiencies; or instances of noncompliance with provisions of applicable laws and regulations, contracts, and grant agreements. Auditors provided Notices of Finding and Recommendation to DoD and component management to address reported material weaknesses, significant deficiencies, and instances of noncompliance with certain or specific provisions of applicable laws and regulations, contracts, and grant agreements, when appropriate. In addition, auditors of the components financial statements included recommendations within their Independent Auditor’s Report on Internal Control over Financial Reporting.
# Appendix 2. Acronyms and Abbreviations

<table>
<thead>
<tr>
<th>Acronym</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>ADA</td>
<td>Antideficiency Act</td>
</tr>
<tr>
<td>AI</td>
<td>Artificial Intelligence</td>
</tr>
<tr>
<td>ATAAPS</td>
<td>Automated Time Attendance and Production System</td>
</tr>
<tr>
<td>C</td>
<td>Comptroller</td>
</tr>
<tr>
<td>CAP</td>
<td>Corrective Action Plan</td>
</tr>
<tr>
<td>CAPS-W</td>
<td>Computerized Accounts Payable System-Windows</td>
</tr>
<tr>
<td>CARES Act</td>
<td>Coronavirus Aid, Relief, and Economic Security Act</td>
</tr>
<tr>
<td>CBDP</td>
<td>Chemical and Biological Defense Program</td>
</tr>
<tr>
<td>CFO</td>
<td>Chief Financial Officer</td>
</tr>
<tr>
<td>CIO</td>
<td>Chief Information Officer</td>
</tr>
<tr>
<td>COVID-19</td>
<td>Coronavirus Disease - 2019</td>
</tr>
<tr>
<td>CPA</td>
<td>Certified Public Accountant</td>
</tr>
<tr>
<td>CRM</td>
<td>Contract Resource Management</td>
</tr>
<tr>
<td>DAAS</td>
<td>Defense Automatic Addressing System</td>
</tr>
<tr>
<td>DAF</td>
<td>Department of the Air Force</td>
</tr>
<tr>
<td>DAI</td>
<td>Defense Agencies Initiative</td>
</tr>
<tr>
<td>DAU</td>
<td>Defense Acquisition University</td>
</tr>
<tr>
<td>DARPA</td>
<td>Defense Advanced Research Projects Agency</td>
</tr>
<tr>
<td>DARWG</td>
<td>Defense Audit Remediation Working Group</td>
</tr>
<tr>
<td>DCAA</td>
<td>Defense Contract Audit Agency</td>
</tr>
<tr>
<td>DCAS</td>
<td>Defense Cash Accountability System</td>
</tr>
<tr>
<td>DCFO</td>
<td>Deputy Chief Financial Officer</td>
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<tr>
<td>DCMA</td>
<td>Defense Contract Management Agency</td>
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<tr>
<td>DCPDS</td>
<td>Defense Civilian Personnel Data System</td>
</tr>
<tr>
<td>DCSA</td>
<td>Defense Counterintelligence and Security Agency</td>
</tr>
<tr>
<td>DEAMS</td>
<td>Defense Enterprise Accounting and Management System</td>
</tr>
<tr>
<td>DeCA</td>
<td>Defense Commissary Agency</td>
</tr>
<tr>
<td>DFAS</td>
<td>Defense Finance and Accounting Service</td>
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</tbody>
</table>
**DFAS GF**
Defense Finance and Accounting Service General Fund

**DHA**
Defense Health Agency

**DHA-CRM**
Defense Health Agency – Contract Resource Management

**DHP**
Defense Health Program

**DHRA**
Defense Human Resources Activity

**DIA**
Defense Intelligence Agency

**DIACAP**
DoD Information Assurance Certification and Accreditation Process

**DISA**
Defense Information Systems Agency

**DLA**
Defense Logistics Agency

**DMA**
Defense Media Activity

**DoD**
Department of Defense

**DoDEA**
Department of Defense Education Activity

**DoD OIG**
Department of Defense Office of Inspector General

**DON**
Department of the Navy

**DOTE**
Director, Operational Test and Evaluation

**DPAA**
Defense POW/MIA Accounting Agency

**DPAS**
Defense Property Accountability System

**DSCA**
Defense Security Cooperation Agency

**DTIC**
Defense Technical Information Center

**DTRA**
Defense Threat Reduction Agency

**DTS**
Defense Travel System

**DTSA**
Defense Technology Security Administration

**E**

**EBS-C**
Enterprise Business Systems-Convergence

**ECS**
Enterprise Computing Services

**eGRC**
Enterprise Governance, Risk, and Compliance

**ELAN**
Enterprise Local Area Network

**ERP**
Enterprise Resource Planning System

**ES**
Executive Summary

**F**

**FFMIA**
Federal Financial Management Improvement Act

**FIAR**
Financial Improvement and Audit Remediation

**FISMA**
Federal Information Security Modernization Act

**FMR**
Financial Management Regulation

**FY**
Fiscal Year
<table>
<thead>
<tr>
<th>Acronym</th>
<th>Description</th>
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<tbody>
<tr>
<td>GAAP</td>
<td>Generally Accepted Accounting Principles</td>
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<tr>
<td>GAGAS</td>
<td>Generally Accepted Government Auditing Standards</td>
</tr>
<tr>
<td>GAO</td>
<td>Government Accountability Office</td>
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<tr>
<td>GF</td>
<td>General Fund</td>
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<tr>
<td>GFEBS</td>
<td>General Fund Enterprise Business System</td>
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<tr>
<td>IAPS</td>
<td>Integrated Accounts Payable System</td>
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<tr>
<td>ICAM</td>
<td>Identify, Credential, and Access Management</td>
</tr>
<tr>
<td>IG</td>
<td>Inspector General</td>
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<tr>
<td>IMCOM</td>
<td>Installation Management Command</td>
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<tr>
<td>IPA</td>
<td>Independent Public Accountant or Independent Public Accounting firm</td>
</tr>
<tr>
<td>IPPS-Army</td>
<td>Integrated Personnel and Pay System-Army</td>
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<tr>
<td>IT</td>
<td>Information Technology</td>
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<tr>
<td>JSF</td>
<td>Joint Strike Fighter</td>
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<tr>
<td>MDA</td>
<td>Missile Defense Agency</td>
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<tr>
<td>MERHCF</td>
<td>Medicare-Eligible Retiree Health Care Fund</td>
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<tr>
<td>MHPI</td>
<td>Military Housing Privatization Initiative</td>
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<tr>
<td>MW</td>
<td>Material Weakness</td>
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<tr>
<td>NDAA</td>
<td>National Defense Authorization Act</td>
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<td>NDU</td>
<td>National Defense University</td>
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<tr>
<td>NFR</td>
<td>Notice of Findings and Recommendations</td>
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<tr>
<td>NGA</td>
<td>National Geospatial-Intelligence Agency</td>
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<td>NIST</td>
<td>National Institute of Standards and Technology</td>
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<td>NRO</td>
<td>National Reconnaissance Office</td>
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<td>NSA</td>
<td>National Security Agency</td>
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<tr>
<td>OIG</td>
<td>Office of Inspector General</td>
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<tr>
<td>Acronym</td>
<td>Description</td>
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<tr>
<td>ODCFO</td>
<td>Office of the Deputy Chief Financial Officer</td>
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<td>OEA</td>
<td>Office of Economic Adjustment</td>
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<td>OMB</td>
<td>Office of Management and Budget</td>
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<td>OM&amp;S</td>
<td>Operating Materials and Supplies</td>
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<td>OUSD(C)</td>
<td>Office of the Under Secretary of Defense (Comptroller)</td>
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<tr>
<td>SOC</td>
<td>System and Organization Controls</td>
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<tr>
<td>SOIDC</td>
<td>Service-Owned Items in DLA’s Custody</td>
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<tr>
<td>SP</td>
<td>Special Publication</td>
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<tr>
<td>SSAE</td>
<td>Statement on Standards for Attestation Engagements</td>
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<td>T</td>
<td>Treasury Financial Manual</td>
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<td>TFM</td>
<td>Treasury Index</td>
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<td>TI</td>
<td>Theater Integrated Combat Munitions System</td>
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<td>US</td>
<td>United States</td>
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<tr>
<td>USD(C)</td>
<td>Under Secretary of Defense (Comptroller)</td>
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<td>USMC</td>
<td>United States Marine Corps</td>
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<td>USSGL</td>
<td>United States Special Operations Command</td>
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<td>USSOCOM</td>
<td>United States Transportation Command</td>
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<td>SAA</td>
<td>Security Assistance Accounts</td>
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<td>SFFAC</td>
<td>Statement of Federal Financial Accounting Concepts</td>
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<td>SFFAS</td>
<td>Statement of Federal Financial Accounting Standards</td>
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<td>Acronym</td>
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<tr>
<td>WAWF</td>
<td>Wide Area Work Flow</td>
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<td>WHS</td>
<td>Washington Headquarters Services</td>
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