F-35 PROGRAM
DOD Needs to Strengthen Oversight of Tens of Billions of Dollars in Parts

Report to Congressional Committees

November 2026

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GAO Highlights

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November 2026
A report to congressional committees
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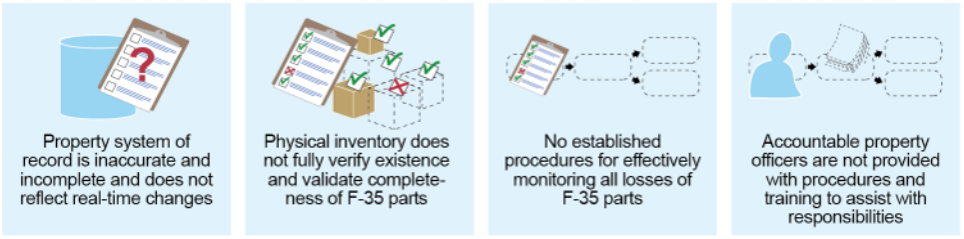
What GAO Found

The Department of Defense (DOD) continues to face challenges in accounting for F-35 parts, such as engines and tires. The F-35 program includes approximately 26 million F-35 parts, valued at approximately $31 billion and held at over 700 contractor- and government-managed facilities around the world. Although these are DOD-owned parts, DOD does not maintain complete records of the parts.

Specifically, GAO found that DOD has not established procedures that ensure its own records will be sufficient to account for and financially report on the parts (see figure). For instance, records of F-35 parts in the F-35 program's accountable property system of record (APSR) remain unreliable, since they do not reflect real-time changes and are inaccurate and incomplete. Also, the F-35 Joint Program Office (JPO) has not fully developed procedures to validate the accuracy of data it enters into the APSR. GAO has an open recommendation addressing this issue (GAO-22-105002). GAO also found that F-35 JPO's physical inventory procedures did not adequately verify the existence and validate the completeness of F-35 parts. Without accurate data in its APSR and properly executed inventory procedures for F-35 parts, DOD management will not have the information it needs to support warfighter readiness and reliable financial reporting.

Further, as of March 2026, F-35 JPO did not know the status of lost F-35 parts valued at over $85 million that GAO reported on in 2023. Also, F-35 JPO has not established procedures for effectively reviewing losses reported at government-managed facilities. Unless it implements procedures for monitoring losses, F-35 JPO will not know the full extent of losses of F-35 parts, and its ability to mitigate losses in the future will be decreased, reducing its ability to detect fraud, waste, or theft.

Records of F-35 Parts Are Not Reliable for Asset Accountability or Financial Reporting



Source: GAO analysis of Department of Defense information. | GAO-27-108713

F-35 JPO has not established a mature, fully functioning property accountability program that would provide its accountable property officers with program-specific procedures and training to help them carry out their responsibilities. This limits the effectiveness of F-35 JPO's oversight of asset accountability for F-35 parts, which, combined with the issues identified above, will affect warfighter readiness. Also, DOD is taking steps toward

including F-35 parts on its financial statements, such as developing procedures to value parts with missing cost information. These procedures and others are under review.

Why GAO Did This Study

The F-35 aircraft is DOD's most costly weapon system in history, with overall costs for the F-35 program estimated to be more than $1.9 trillion over its life cycle. However, as GAO and DOD auditors have previously reported, DOD has long-standing and ongoing deficiencies related to the accountability and financial reporting of F-35 parts.

Title 31 of the U.S. Code includes a provision in statute for GAO to audit the U.S. government's consolidated financial statements. This report, developed in connection with fulfilling that mandate, examines the extent to which DOD has (1) established and implemented procedures to account for F-35 parts and (2) made progress in including these parts on its agencywide financial statements.

GAO reviewed, among other things, relevant reports, accounting standards, supporting documentation, and DOD policies and procedures. GAO also interviewed DOD officials and conducted site visits.

What GAO Recommends

GAO is making four recommendations, including for DOD to develop, document, and implement F-35 program-specific procedures for monitoring losses of F-35 parts and procedures and training for accountable property officers to carry out their responsibilities. DOD concurred with all four recommendations and cited actions it is taking to address them.

Contents

GAO Highlights ii

What GAO Found ii

Why GAO Did This Study iii

What GAO Recommends iii

Letter 1

Background 3

Pervasive Problems Continue to Impede DOD's Ability to Account for F-35 Parts 7

DOD Is Taking Steps Toward Inclusion of F-35 Parts on Its Agencywide Financial Statements 15

Conclusions 16

Recommendations for Executive Action 16

Agency Comments 16

Appendix I Objectives, Scope, and Methodology 18

Appendix II Comments from the Department of Defense 20

Appendix III GAO Contact and Staff Acknowledgments 26

Figures

Records of F-35 Parts Are Not Reliable for Asset Accountability or Financial Reporting ii

Figure 1: F-35 Program Asset Categories 4

Figure 2: Identification, Investigation, and Adjudication of F-35 Part Losses at Contractor-Managed and Government-Managed Facilities 5

Figure 3: Accountable Property System of Record's (APSR) Role in DOD's Financial Reporting 6

Abbreviations

APO	accountable property officer
APSR	accountable property system of record
CDRL	contract data requirements list
CPL	component property lead
DCMA	Defense Contract Management Agency
DOD	Department of Defense
ELMS	Enterprise Logistics Management System
GFP	government furnished property
JPO	Joint Program Office
OIG	Office of Inspector General
OUSD	Office of the Under Secretary of Defense

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November 9, 2026

Congressional Committees

The F-35 Lightning II aircraft is the Department of Defense's (DOD) most costly weapon system in history, with overall costs for the F-35 program estimated to be more than $1.9 trillion over its life cycle.[1] The program participants are the Department of the Air Force, Department of the Navy, and U.S. Marine Corps, along with seven international partners and other foreign military sales customers.[2] The program is designed so that its participants share a common pool of F-35 parts, such as engines, tires, support equipment, bolts, and screws. As of March 2026, DOD estimates that the F-35 program includes approximately 26 million of these parts, with a total value of approximately $31 billion.[3]

However, as we and DOD auditors have previously reported, DOD has long-standing and ongoing deficiencies related to the accountability and financial reporting of F-35 parts.[4] Since fiscal year 2019, DOD auditors have reported a material weakness related to the F-35 program.[5] In fiscal year 2025, DOD auditors reported that DOD did not account for or report certain F-35 parts in its financial statements or accurately record them in an accountable property system of record (APSR).[6] DOD auditors also reported that the omission of these F-35 parts has resulted in a material misstatement in the financial statements that could not be quantified, due to DOD's inability to provide or obtain accurate and reliable data to verify its records of F-35 parts. The operational readiness of the DOD warfighter also depends on the accuracy of the information in these records, including asset location, quantity, and condition.

[1]The $1.9 trillion overall cost comprises approximately $542 billion in DOD's planned acquisition costs and DOD's estimated $1.4 trillion in costs to operate and support the F-35 aircraft through the end of program operations, in year 2088. The overall cost also reflects the effects of projected inflation or escalation (then-year dollars).

[2]The U.S. Army, U.S. Space Force, and U.S. Coast Guard do not operate the F-35 aircraft. Seven partner nations—Australia, Canada, Denmark, Italy, the Netherlands, Norway, and the United Kingdom—contribute to F-35 development, production, and sustainment. As of September 2026, 12 other nations compose the program's foreign military sales customers: Belgium, Czech Republic, Finland, Germany, Greece, Israel, Japan, Poland, Romania, Singapore, South Korea, and Switzerland. According to program officials, additional countries are at various stages of consideration for foreign military sales.

[3]F-35 Joint Program Office Chief Financial Officer officials estimated these amounts based on the known totals of F-35 parts as of March 2026. However, according to these officials, these values are likely higher due to excluded or missing F-35 parts.

[4]GAO, *DOD Financial Management: Additional Actions Would Improve Reporting of Joint Strike Fighter Assets*, GAO-22-105002 (Washington, D.C.: May 5, 2022). Department of Defense, *United States Department of Defense Agency Financial Report Fiscal Year 2025* (Washington, D.C.: Dec. 18, 2025).

[5]A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis.

[6]Department of Defense, *United States Department of Defense Agency Financial Report Fiscal Year 2025*.

The F-35 program's material weakness has contributed to DOD's inability to receive an unmodified audit opinion on its financial statements.[7] DOD has received a disclaimer of opinion each of the 8 fiscal years (2018 through 2025) that it has undergone a full financial statement audit.[8] The National Defense Authorization Act for Fiscal Year 2024 requires the Secretary of Defense to ensure that DOD has received an unqualified opinion on its financial statements by December 31, 2028.[9]

As we have previously reported, the F-35 program's material weakness may affect DOD's ability to resolve other DOD material weaknesses because of the department's lack of accountability over the F-35 parts and the sheer volume of them.[10] Such material weaknesses may include those related to operating materials and supplies and government property in the possession of contractors. Additionally, we reported that because of their significance, ongoing issues with reporting the F-35 parts will continue to contribute to the disclaimer of opinion on DOD's agencywide financial statements until the F-35 program material misstatement and material weakness have been addressed.

We developed this report in connection with fulfilling our mandate to audit the U.S. government's consolidated financial statements.[11] This report examines the extent to which DOD has (1) established and implemented procedures to account for F-35 parts and (2) made progress in including these parts on its agencywide financial statements.

To address our first objective, we reviewed DOD documentation, such as policies and guidance, and prior GAO and DOD Office of Inspector General (OIG) reports, and we interviewed officials from relevant DOD components to gain an understanding of the (1) methods used to record F-35 parts in the Enterprise Logistics Management System (ELMS), the APSR for the F-35 program, and (2) processes and controls DOD has established and implemented to account for these parts. These components include the Office of the Under Secretary of Defense (OUSD) for Acquisition and Sustainment, F-35 Joint Program Office (JPO), Air Force, Navy, Marine Corps, Defense Logistics Agency, and Defense Contract Management Agency (DCMA). Also, to observe controls over the receipt, storage, and inventory procedures for F-35 parts at contractor-managed and government-managed facilities, we conducted site visits at Edwards Air Force Base, California; Hill Air Force Base, Utah; and Marine Corps Air Station Cherry Point, North Carolina.

To address our second objective, we reviewed DOD policies and procedures and applicable federal standards and interviewed officials from OUSD (Comptroller) and F-35 JPO Chief Financial Officer to gain an

[7]According to the American Institute of Certified Public Accountants' *Forming an Opinion and Reporting on Financial Statements* (AU-C Section 700), effective for audits of financial statements for periods ending on or after December 15, 2012, an unmodified opinion states that the financial statements are presented fairly, in all material respects, in accordance with the applicable accounting principles. For periods ending before December 15, 2012, an unmodified opinion was known as an unqualified opinion. For the purposes of this report, unmodified opinion and unqualified opinion have the same meaning.

[8]A disclaimer of opinion arises when the auditor is unable to obtain sufficient, appropriate audit evidence to provide a basis for an audit opinion. The auditor concludes that the possible effects on the financial statements of undetected misstatements, if any, could be both material and pervasive, and accordingly does not express an opinion on the financial statements.

[9]Pub. L. No. 118-31, div. A, tit. X, § 1005, 137 Stat. 136, 379 (Dec. 22, 2023), *reprinted in* 10 U.S.C. §240a note.

[10]GAO-22-105002.

[11]31 U.S.C. § 331(e)(2).

understanding of the progress made in including F-35 parts in DOD's agencywide financial statements. For a detailed description of our scope and methodology, see appendix I.

We conducted this performance audit from September 2025 to November 2026 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

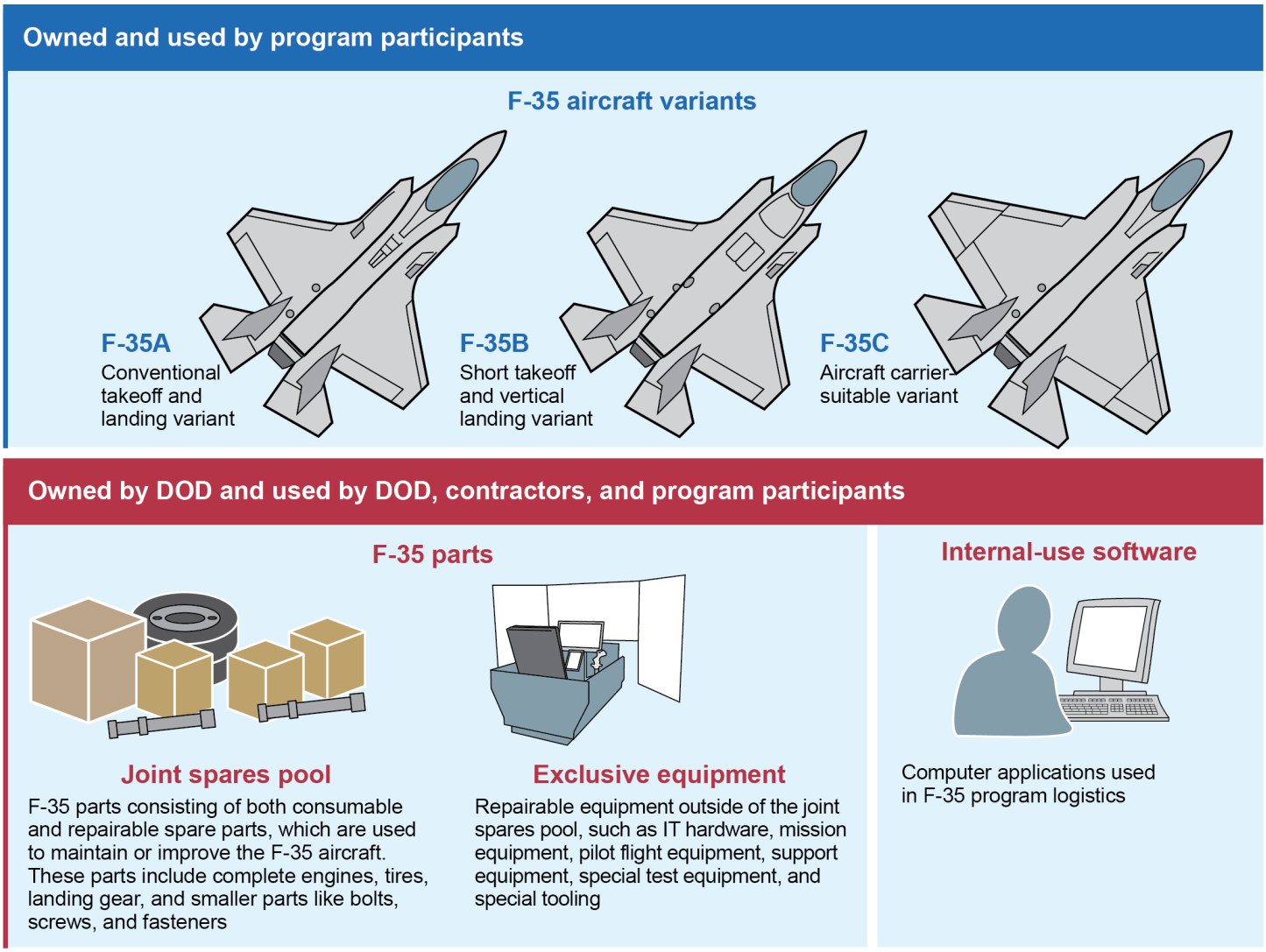
Background

F-35 Program

Initiated in November 1996, the F-35 program is a joint, multinational acquisition program intended to develop and field a family of F-35 aircraft for its program participants. F-35 JPO, which manages the F-35 program, is responsible for establishing the requirements, managing the funding, developing the contracts, and providing the directions for and overseeing the execution of the program. The F-35 program's two prime contractors, Lockheed Martin and Pratt & Whitney, are responsible for supporting the aircraft and engines, respectively. This includes developing, repairing, and managing parts and equipment, as well as allocating these parts and equipment to the F-35 locations, based on contractual requirements.

As seen in figure 1, F-35 program property is grouped into three major asset categories: (1) F-35 aircraft; (2) F-35 parts, which includes the joint spares pool and exclusive equipment; and (3) internal-use software. The F-35 supply chain is structurally unique in that all program participants have access to the DOD-owned F-35 parts. Program participants do not purchase these parts directly but instead pay for access based on projected use, which is estimated based on how many F-35 aircraft they own and the number of flight hours they plan to fly, among other factors. This feature of the F-35 supply chain was intended to aid program participants by easing the logistical burden and providing economies of scale.

Figure 1: F-35 Program Asset Categories



Source: GAO analysis of Department of Defense (DOD) information. | GAO-27-108713

Oversight and Management of F-35 Parts

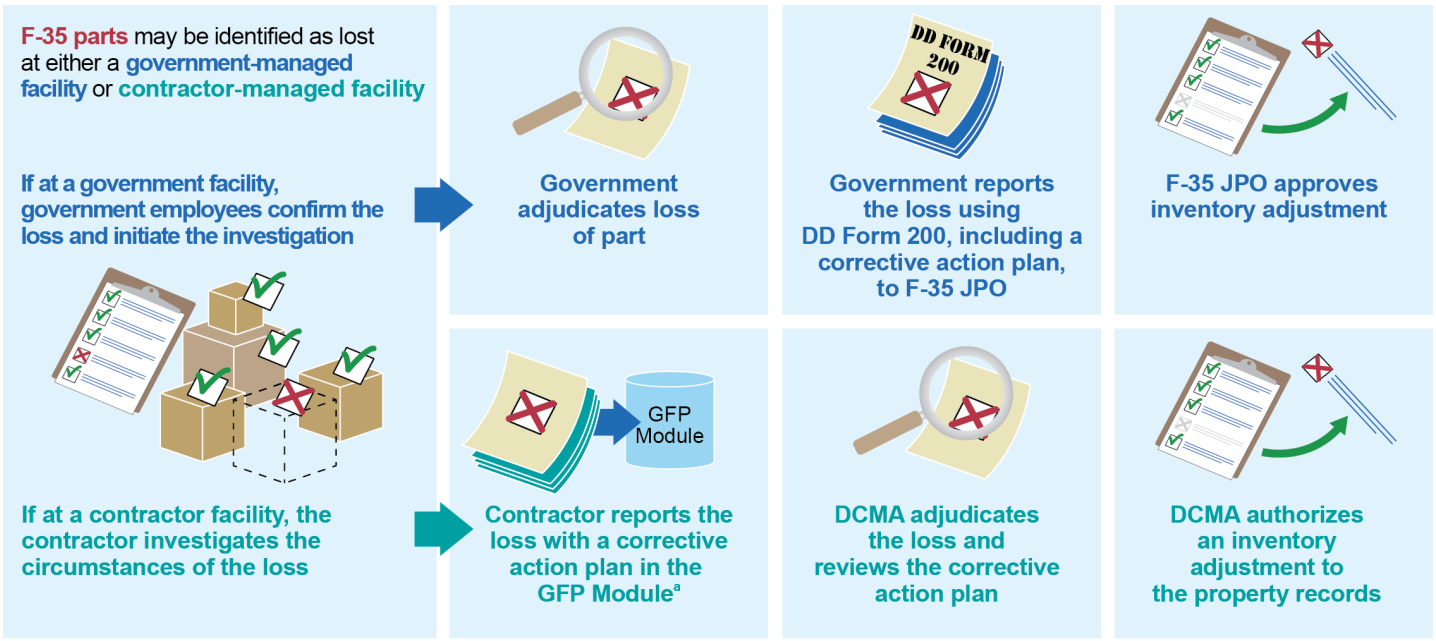
Millions of F-35 parts worth billions of dollars are located domestically and internationally at over 700 contractor-managed and government-managed facilities. Contractor-managed facilities, which hold about 30 percent of parts, include prime contractor, subcontractor, sub-subcontractor, and vendor facilities in the F-35 program's supply chain. According to DOD officials, the oversight and management of parts held at contractor-managed facilities are based on contractual requirements.[12] Government-managed facilities, which hold the remaining 70 percent of parts, include facilities such as DOD installations and Defense Logistics Agency warehouses. The oversight and property management for these parts is assumed by the government and

[12]For this report, "DOD officials" refers to officials who are outside of F-35 JPO.

conducted in accordance with DOD agencywide, component-level, and F-35 JPO guidance, such as the *F-35 Supply Sustainment Operations Policy*.[13]

As seen in figure 2, the responsibility for reporting and oversight of losses of F-35 parts also differs depending on whether the parts are located at contractor-managed or government-managed facilities. For example, according to DOD officials, losses of parts held at contractor-managed facilities should be reported in the Government Furnished Property (GFP) Module and adjudicated by DCMA.[14] In contrast, losses identified at government-managed facilities are investigated and adjudicated by the facility and the loss is reported to F-35 JPO using the *Financial Liability Investigation of Property Loss* form (DD Form 200).[15]

Figure 2: Identification, Investigation, and Adjudication of F-35 Part Losses at Contractor-Managed and Government-Managed Facilities



DD Form 200 - Financial Liability Investigation of Property Loss DCMA - Defense Contract Management Agency GFP - Government furnished property

Source: GAO analysis of Department of Defense information. | GAO-27-108713

[13]Department of Defense, F-35 Joint Program Office, *F-35 Supply Sustainment Operations Policy*, F-35 Sustainment Operating Instruction 1511.02 IC-1 (Oct. 29, 2025).

[14]Adjudication of losses is the process through which DOD reviews the circumstances of a reported loss, determines who is liable—the contractor or the government—and ensures that the responsible party is accurately identifying root causes and mitigating potential future losses appropriately. DOD developed the GFP Module to provide end-to-end accountability within a single integrated system for all GFP transactions. DOD and contractor personnel use the GFP Module to track processes such as shipment, receipt, losses, and disposition of F-35 parts.

[15]The DD Form 200 is used to aid financial liability officers in determining who is responsible for lost, damaged, or destroyed government property that occurs at government-managed facilities. To determine responsibility, the facts contributing to the loss, damage, destruction, or theft are investigated and documented on the DD Form 200. When completed, the DD Form 200 is the official document to support the establishment of debts, relief from accountability, and adjustment of accountable property records, supply system stock, and financial records.

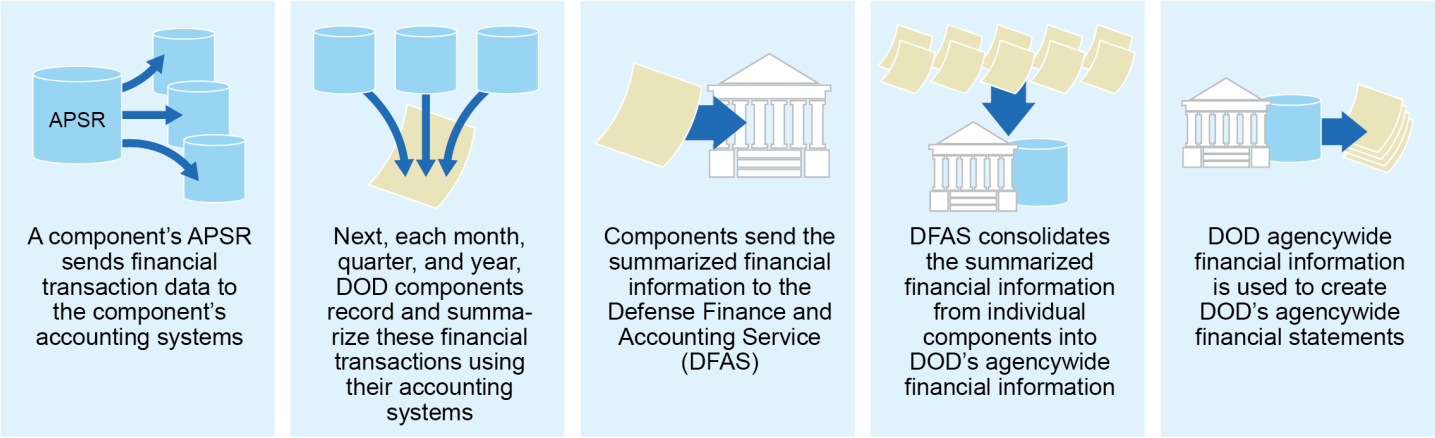
[a]The Department of Defense (DOD) developed the GFP Module to provide end-to-end accountability within a single integrated system for all GFP transactions. DOD and contractor personnel use the GFP Module to track processes such as shipment, receipt, losses, and disposition of F-35 parts.

Role of APSRs in Asset Accountability and Financial Reporting at DOD

A DOD component's APSR contains the official DOD records that form the basis for asset accountability. An APSR is populated with accountable property records, which DOD staff create upon receipt or acceptance of assets and include information on the assets, such as name, serial number, National Stock Number, and quantity.[16] DOD maintains asset accountability throughout an asset's life cycle—from receipt to disposition—in these records through updates to, for example, the asset's current location and condition.

APSR asset records also include information necessary for financial reporting, such as acquisition cost, placed-in-service date, and useful life. As seen in figure 3, a component's APSR sends financial transaction data to the component's accounting systems. Next, DOD components record and summarize these transactions using their accounting systems. The components then send the summarized financial information to the Defense Finance and Accounting Service, the DOD agency that provides accounting support for DOD. Finally, the Defense Finance and Accounting Service uses DOD's core financial reporting system to consolidate the summarized financial information from individual components into DOD's agencywide financial information, which is then used to create DOD's agencywide financial statements.[17] The reliability of DOD's financial statements depends on the accuracy of financial information in the components' accounting systems.

Figure 3: Accountable Property System of Record's (APSR) Role in DOD's Financial Reporting



Source: GAO analysis of Department of Defense (DOD) information. | GAO-27-108713

[16]A National Stock Number is a unique, item-identifying series of numbers. When a National Stock Number is assigned to an item of supply, data are assembled to describe the item, including the item name, manufacturer's reference number, unit price, and physical and performance characteristics. National Stock Numbers are an essential part of the military logistics supply chain used in managing, moving, storing, and disposing of material and are used to identify and manage almost every imaginable item—from aircraft parts to toilet paper or from space vehicles to nuts and bolts.

[17]The one exception at DOD is the U.S. Army Corps of Engineers, which prepares its own financial statements using core DOD processes and, with Defense Finance and Accounting Service support as needed, submits its financial information for DOD consolidation purposes.

Recent Reviews of the F-35 Program

Since fiscal year 2019, GAO has issued three reports and a total of 17 recommendations related to DOD's financial management of the F-35 program.[18] For example, in 2022, we found that F-35 JPO did not have procedures for conducting periodic inventories, leading to an increased risk that F-35 JPO will not be able to execute an inventory in accordance with DOD policy. Conducting periodic inventories is necessary to ensure that, among other things, F-35 JPO has accurate records of F-35 parts, preventing management from purchasing parts that are already on hand. We recommended that DOD develop procedures for performing periodic physical inventories once the initial inventory count has been completed. As of August 2026, this recommendation remained open.

Similarly, the DOD OIG has issued two reports and a total of 17 recommendations related to DOD's financial management of the F-35 program.[19] For example, in 2023, DOD OIG reported that DOD did not have controls to verify the existence and completeness of F-35 parts. Accountability of these parts supports mission readiness and efficiency by providing management with information such as where parts are, who is responsible for them, and what condition they are in. DOD OIG recommended that F-35 JPO coordinate with its prime contractors to ensure that the U.S. government has access to a complete and accurate population of F-35 parts necessary to meet operational and financial reporting requirements. As of August 2026, this recommendation remained open. In total, 26 of the 34 recommendations issued by GAO and DOD OIG remained open.

Pervasive Problems Continue to Impede DOD's Ability to Account for F-35 Parts

F-35 JPO Still Cannot Rely on Its Records of F-35 Parts for Asset Accountability or Financial Reporting

In 2022, we reported that F-35 JPO's records of F-35 parts in ELMS were not reliable for asset accountability and financial reporting due to timeliness and data quality issues.[20] For this report, we found that these issues continue as of August 2026.

Records of F-35 Parts Do Not Reflect Real-Time Changes

F-35 JPO cannot take advantage of ELMS's capability to capture real-time changes to records, such as the relocation or use of an F-35 part, according to DOD officials. This is because ELMS does not currently

[18]GAO, *F-35 Program: DOD Needs Better Accountability for Global Spare Parts and Reporting of Losses Worth Millions,* GAO-23-106098 (Washington, D.C.: May 23, 2023); GAO-22-105002; and *F-35 Aircraft Sustainment: DOD Needs to Address Substantial Supply Chain Challenges,* GAO-19-321 (Washington, D.C.: Apr. 25, 2019).

[19]Department of Defense, Office of Inspector General, *Management Advisory: DOD's Ability to Financially Report Joint Strike Fighter Inventory,* DODIG-2023-096 (Alexandria, Va.: July 21, 2023), and *Audit of Management of Government-Owned Property Supporting the F-35 Program,* DODIG-2019-062 (Alexandria, Va.: Mar. 13, 2019).

[20]In our prior report, we referred to the F-35 program's APSR as the Defense Property Accountability System. In 2025, the Defense Property Accountability System was renamed ELMS. GAO-22-105002.

interface with the two prime contractors' property management systems. Therefore, F-35 JPO updates records of F-35 parts in ELMS using data from multiple sources. Specifically, F-35 JPO generally uploads data from the Lightning II Support Equipment Management System (support equipment) and the Alternate Mission Equipment Tracking System (aircraft armament equipment) into ELMS when it receives the daily change reports from these systems.[21] For parts in the joint spares pool, however, F-35 JPO uses contract data requirements lists (CDRL), which are provided by the prime contractors quarterly.[22] Consequently, joint spares pool data in ELMS may be more than 3 months old.

We reported in 2022 that F-35 JPO was in the planning phase of developing interfaces between ELMS and the two prime contractors' property management systems.[23] These interfaces would allow ELMS to be updated with changes to its records of F-35 parts in real time. According to DOD officials, as of July 2026, F-35 JPO is testing the interface for F-35 part transactions submitted from one of its prime contractors and expects to establish a live connection between the contractor's system and ELMS in September 2026.[24]

F-35 JPO Has Not Fully Developed Procedures to Validate the Accuracy of Contractor Data

According to F-35 JPO officials, F-35 JPO has not fully developed and implemented procedures for validating the accuracy of data, such as cost or National Stock Numbers, received from prime contractors prior to uploading the data into ELMS. Because the F-35 program does not have its own complete records of F-35 parts, the prime contractors' records continue to be the only source of data available. However, we identified that some of the data entered in ELMS are either incomplete or inaccurate. For example:

- As of March 2026, F-35 JPO had not entered approximately 17,000 parts into ELMS that were in a maintenance or repair status and had a total value of about $1.3 billion. DOD officials stated that this value may be as high as $2.5 billion when taking into account that the total did not include costs for all of the parts and those parts with costs may not have included what DOD paid to acquire assets for the government, including transportation and overhead costs (i.e., burden costs). According to these officials, there could also be parts in a maintenance or repair status that were not included in the source document, resulting in an incomplete population of parts in ELMS.
- Only 29 percent of records of F-35 parts in a December 2025 CDRL contained serial numbers and 43 percent contained National Stock Numbers, indicating a possible data quality error.
- Almost 6 percent of records of F-35 parts, also from the December 2025 CDRL, showed an acquisition cost of $0.01 or less, also indicating a possible data quality error.

F-35 JPO officials stated that while F-35 JPO performs some procedures to validate the data, such as requesting documentation for decreases in quantity from one CDRL to the next, it still needs to ensure that its

[21]According to F-35 JPO officials, the Lightning II Support Equipment Management System and the Alternate Mission Equipment Tracking System are manually populated primarily using data from the Autonomic Logistics Information System, which serves as the primary logistics tool to support F-35 operations, mission planning, and sustainment.

[22]CDRLs are included in all F-35 contracts and identify data elements (e.g., serial number, National Stock Number, and acquisition cost) that the contractor is required to deliver to F-35 JPO.

[23]GAO-22-105002.

[24]The Defense Automatic Addressing System will be used to connect the contractor system and ELMS. According to DOD officials, the other prime contractor plans to submit two proposals, and F-35 JPO expects, at the earliest, to award the corresponding contracts in September and October 2026.

reviews are also scrutinizing data received from the prime contractors and entered into ELMS for usability and reliability. F-35 JPO officials stated that they have ongoing efforts with the prime contractors to reduce incomplete and inaccurate data; however, some of these efforts are hampered when the prime contractors request contract modifications from F-35 JPO to provide needed information.

Given that data on F-35 parts that are entered into ELMS do not reflect real-time changes and have quality issues, the data are not reliable for asset accountability or financial reporting. Timely and accurate data on F-35 parts are also important to ensure that the F-35 program is positioned to meet the needs of the warfighter. Until the interfaces with contractors' systems are established and effective validation procedures to ensure data quality are implemented, DOD will not have accurate information about where its F-35 parts are located, what their value is, and how many there are. Nonetheless, data quality issues may continue even after the implementation of an interface because the data will still be provided by the prime contractors.

In 2022, we reported that F-35 JPO officials acknowledged that overwriting existing records of F-35 parts with more recent data was only a temporary solution because they lacked procedures to capture and validate the data from contractors' and DOD sources more frequently until an interface could be fully implemented.[25] We recommended that F-35 JPO develop procedures outlining steps to periodically capture and verify the accuracy of data from contractors and DOD sources to be recorded in ELMS until a direct interface with the prime contractors' systems has been established. F-35 JPO agreed with our recommendation but has not yet taken action to fully address it. We will continue to monitor DOD's implementation of this recommendation.

F-35 JPO's Physical Inventories Continue to Be Unreliable for Asset Accountability or Financial Reporting

We found that in fiscal year 2025, F-35 JPO was still performing physical inventories that did not fully capture all F-35 parts, findings that are similar to what we previously reported.[26] Since fiscal year 2020, F-35 JPO has spent at least $17 million conducting physical inventories of F-35 parts held at contractor-managed and government-managed facilities.[27] According to F-35 JPO officials, the purpose of the most recent inventory was to verify the existence and validate the completeness of the parts in facilities' property management systems in order to assess if the records of F-35 parts are reliable enough to establish a baseline in ELMS that could support both asset accountability and financial reporting.[28] However, we found that the records of F-35 parts were still not reliable for establishing a baseline because the physical inventories did not fully verify the existence or validate the completeness of the parts.

[25]GAO-22-105002.

[26]GAO-22-105002.

[27]The $17 million total includes approximately $12 million for the 2019 inventory and $5.5 million for the 2025 inventory, both of which were out-of-cycle inventories performed on an ad hoc basis. In-cycle inventories, on the other hand, are conducted on a regular basis, such as annually, by contractors at contractor-managed facilities and government officials at government-managed facilities in accordance with contracts and DOD guidance, respectively.

[28]According to F-35 JPO officials, facilities' property management systems are used at the facility level, such as DOD depots, to capture day-to-day operations and do not have a direct connection to ELMS. Staff at the facilities use these systems to prepare the lists of F-35 parts for F-35 JPO's inventories.

Physical Inventory Has Not Fully Verified Existence of Parts

F-35 JPO's recent physical inventory of F-35 parts did not fully verify existence, which ensures that every F-35 part listed in property records is physically present at the designated facility. This is because the records F-35 JPO used to perform its inventory are not reliable. For example:

- **Some prime contractor data may be inaccurate.** In fiscal year 2025, F-35 JPO conducted its physical inventory using data from a prime contractor whose property management system had received a "disapproved" rating from DCMA.[29] A "disapproved" rating indicates that the contractor's property management system does not comply with contract requirements. In part, the rating was due to the prime contractor's failure to document relocation of parts and maintain auditable records of government property throughout its life cycle, preventing a complete and accurate accounting of government property.[30] According to DOD officials, based on the "disapproved" rating, the risk is high that the information on F-35 parts that the prime contractor is providing to F-35 JPO is inaccurate.
- **The locations of some F-35 parts are unknown.** DOD and its prime contractors do not know the location of some sub-subcontractor facilities that hold F-35 parts. According to F-35 JPO officials, this is because the prime contractors do not have visibility of parts held beyond the subcontractor level, such as those held at sub-subcontractor facilities. As a result, a prime contractor's property management system may show an incorrect location. Consequently, F-35 JPO could not conduct physical inventories to verify the existence of the parts at those facilities. According to F-35 JPO officials, they have requested a list of sub-subcontractor facility locations that hold F-35 parts from the prime contractors; however, as of August 2026, these officials did not know when the prime contractors would provide the listing.
- **Some F-35 parts in transit may not be included in physical inventories.** Parts that are sent for repair or are in transit through commercial shippers may not be tracked in either a contractor-managed or a government-managed system. As a result, these parts may not be included in the inventory records that F-35 JPO uses for conducting physical inventories.

Inventory Procedures Have Not Validated Completeness of Parts

Further, we found that F-35 JPO's inventory procedures still did not validate completeness of F-35 parts, which ensures that every F-35 part that is physically present at the designated facility is in the records (also referred to as wall-to-wall verification).[31] Without procedures for validating completeness, an F-35 part that exists in a

[29]As part of its contractor oversight function, DCMA analyzes and assesses contractors' property management systems. Specifically, DCMA's property administrator reviews the contractor's property management system to ensure that the contractor is maintaining property records; conducting inventories; and adhering to contract requirements regarding acquisition, maintenance, and accountability of GFP.

[30]The F-35 joint spares pool was not included in the analysis because of (1) ongoing discussions about whether the F-35 parts in the pool are GFP and, therefore, subject to DCMA's analysis and (2) a request from the prime contractor, and approved by F-35 JPO, to be temporarily relieved from establishing and maintaining an acceptable property management system. According to DOD officials, because the same property management system is used to manage the joint spares pool, the issues identified in the analysis also apply to the pool.

[31]In a wall-to-wall inventory, the entire inventory of a location is counted at one time. This type of inventory supports financial reporting at a point in time and is primarily used to validate the amount of reported inventory.

warehouse but is not reflected in that facility's property records system may not be captured in the inventory and could continue to be excluded from the system.

We previously recommended that F-35 JPO develop and document a plan for verifying the completeness of records of F-35 parts, including conducting an analysis and documenting the results on the feasibility of performing a wall-to-wall inventory to capture all F-35 parts.[32] In February 2025, we closed this recommendation because F-35 JPO provided documentation showing how it would verify completeness and that it had elected to perform a 100 percent wall-to-wall physical inventory of F-35 parts and, therefore, forewent the feasibility analysis. However, as previously noted, the recent inventory performed by F-35 JPO did not include a wall-to-wall verification. F-35 JPO officials stated that performing a wall-to-wall inventory is not feasible due to limitations such as not being able to pause production at a warehouse to perform a full inventory and a lack of resources to visit all 700-plus facilities that hold F-35 parts.

Although F-35 JPO did not verify completeness through a wall-to-wall physical inventory, to verify both existence and completeness and to meet asset accountability and financial reporting objectives, in March 2026, OUSD (Comptroller) requested that the Defense Contract Audit Agency assist with establishing an auditable baseline of F-35 parts. According to OUSD (Comptroller) officials, as of June 2026, the Defense Contract Audit Agency was in the early stages of developing an inventory plan and has a target completion date of March 2027 for its first full inventory.

Since DOD's physical inventories do not fully capture and verify the existence or validate the completeness of F-35 parts, it cannot be sure that its inventories have resulted in a complete or accurate baseline of all F-35 parts. This deficiency jeopardizes the government's ability to effectively oversee its property, ensure asset accountability, and support financial reporting. Without a sustained effort to remedy these challenges, DOD will be unable to ensure that the F-35 program is positioned to meet the needs of the warfighter. As we have previously reported, DOD is implementing the Global Support Solution Reset strategy, which calls for an increased investment of about $13.7 billion to meet F-35 program performance objectives, including bringing the supply of F-35 parts to needed levels.[33] However, based on the challenges explained above, DOD may not be able to identify what parts it needs and in what quantities nor will it be able to demonstrate accountability for additional parts that will be purchased as part of the Global Support Solution Reset.

F-35 JPO Remains Unable to Account for Lost F-35 Parts

F-35 JPO has not established and implemented effective procedures for monitoring all losses of F-35 parts.[34] Specifically, we found that F-35 JPO does not know the status and has not maintained documentation of previously identified losses, nor has it established procedures to review losses identified at government-managed facilities or to analyze these losses for trends.

[32]GAO-22-105002.

[33]GAO, *F-35 Sustainment: Actions Needed to Ensure Updated Strategy Improves Persistent Readiness Challenges*, GAO-26-108113 (Washington, D.C.: June 11, 2026).

[34]For the purposes of this report, loss means unintended, unforeseen, or accidental loss, damage, or destruction of government property.

F-35 JPO Does Not Know the Status of Previously Identified Losses

F-35 JPO did not maintain records of previously identified losses at contractor-managed facilities and therefore does not know whether these losses were reported by the prime contractor or adjudicated. We reported in 2023 that from May 2018 through October 2022, one prime contractor incurred losses of over 1 million F-35 parts valued at over $85 million.[35] Of those total losses, the prime contractor had yet to report for adjudication approximately 940,000 parts valued at over $66 million. In June 2025, DCMA authorized a onetime bulk reporting process allowing the prime contractor to submit all outstanding losses as of January 2026, with documentation supporting the circumstances of the losses and the corrective actions taken, for adjudication in the GFP Module.

As of March 2026, the prime contractor had submitted approximately $28 million in losses of F-35 parts that were incurred from 2012 through 2025. This process did not relieve the contractor of its financial liability for these losses. In fact, DCMA has so far determined that the prime contractor should be held financially liable for approximately $6 million of the $28 million reported, highlighting the critical need for proper adjudication to ensure that appropriate liability is determined. However, because F-35 JPO did not keep a record of outstanding losses, it is unable to determine whether this $28 million in losses included any of the $85 million in losses we previously reported on, according to F-35 JPO officials.

Additionally, F-35 JPO does not have complete visibility of losses of F-35 parts reported on the DD Form 200 prior to September 2025. Specifically, F-35 JPO does not know the quantity, dollar value, location, reason for the losses, or how or if the losses were adjudicated. According to F-35 JPO officials, these records were not maintained. As of June 2026, F-35 JPO had started drafting oversight procedures but had not identified an expected completion date.

F-35 JPO Has Not Established Effective Procedures for Reviewing and Analyzing Loss Documentation

As previously noted, F-35 JPO does not have its own complete records of F-35 parts, so it faces several compounding operational and financial risks. Specifically, it must rely on staff at contractor-managed and government-managed facilities to identify, report, and track the quantity of losses of F-35 parts. Without a reliable baseline and ongoing periodic inventories, F-35 JPO lacks a basis to verify reported losses. We found that F-35 JPO approved inventory adjustments[36] for losses of F-35 parts without performing further follow-up even though some of the DD Form 200s were missing information or were not submitted in compliance with guidance.[37] In September 2025, F-35 JPO began tracking losses in an ad hoc spreadsheet that captures

[35]As we have previously reported, F-35 JPO does not have an independent record of F-35 parts, and the values of the lost parts are not the fully burdened cost, so the $85 million of identified losses by the prime contractor may not accurately represent the full quantity and value of lost parts. GAO-23-106098.

[36]Inventory adjustments are changes made to the accountable property record when the record and a physical count do not agree. The adjustments bring inventory and financial records into balance. These changes require approval and documentation to support the adjustment, normally to include the results of reconciliation efforts to determine and resolve the cause of such disagreement, or a completed evaluation and investigation for lost, damaged, destroyed, or stolen property.

[37]Department of Defense, F-35 Joint Program Office, *F-35 Supply Sustainment Operations Policy*.

information reported on the DD Form 200, such as the date the loss was discovered and the unit cost. As of April 2026, this spreadsheet included 57 reported loss cases of F-35 parts. For example:

- Seven cases were missing the unit cost, which is important because, according to DOD guidance, the DD Form 200 is the official document to support the establishment of debts, relief from accountability, and adjustment of financial records.[38]
- Twenty-four cases, with a total value of almost $400,000, were reported more than 1 year after discovery, although F-35 JPO guidance requires submission of the DD Form 200 within 30 days of discovery of the loss.[39]
- Two cases, with a total value of about $2,400, were incorrectly reported by an international subcontractor facility on a DD Form 200 rather than in the GFP Module.

F-35 JPO officials stated that because the losses submitted on DD Form 200s have already been investigated and adjudicated at their respective government-managed facilities, F-35 JPO's role in the process is primarily to provide approval for inventory adjustments. Additionally, although F-35 JPO is tracking losses of F-35 parts, it is neither monitoring the submission of loss information by, for instance, following up on incomplete or inaccurate forms, nor is it performing analyses on the losses. Such analyses could identify trends for potential problem areas, such as losses that are frequently reported at certain facilities, or under what circumstances the losses occurred. F-35 JPO officials stated that their primary focus has been on performing physical inventories and obtaining data for financial reporting. They acknowledged the need to develop procedures both to monitor the submission of loss information and to conduct analyses of reported losses of F-35 parts.

DOD's guidance requires it to oversee and manage an effective system of internal controls to ensure accountability of property to prevent loss, damage, theft, or waste.[40] Further, this guidance requires that circumstances of a loss must be promptly investigated to determine responsibility and liability for the lost parts. Without procedures for monitoring and analyzing submitted loss information, F-35 JPO will not know the full extent of losses of F-35 parts or why the losses occurred and it will be less able to mitigate future losses. Further, by not monitoring its losses, F-35 JPO reduces its visibility of the parts it has on hand; reduces its ability to detect fraud, waste, or theft; and increases the risk of material misstatement when the F-35 parts are ultimately recorded or disclosed in DOD's agencywide financial statements.

F-35 JPO Has Not Developed and Implemented Accountability Roles to Improve Oversight of F-35 Parts

F-35 JPO has not established and implemented a mature, fully functioning property accountability program that encompasses internal control activities, such as development of procedures, to establish oversight of F-35 parts throughout their life cycle. To execute a property accountability program, DOD guidance outlines a tiered governance structure that consists of (1) a component property lead (CPL), who provides oversight and develops procedures, and (2) accountable property officers (APO), who have direct responsibility for executing procedures, such as maintaining accurate records in an APSR, coordinating physical inventories, reconciling

[38]DOD Financial Management Regulation, vol. 12, ch. 7, *Financial Liability for Government Property Lost, Damaged, Destroyed, or Stolen* (July 2025).

[39]Department of Defense, F-35 Joint Program Office, *F-35 Supply Sustainment Operations Policy*.

[40]DOD Instruction 5000.64.

inventory results to property records, and evaluating property losses.[41] Although F-35 JPO appointed a CPL in 2021, the CPL has not provided sufficient oversight and direction to the APOs to fulfill the general responsibilities outlined in their appointment letters. For example:

- **F-35 program-specific procedures.** According to F-35 JPO officials, they have not developed and implemented F-35 program-specific procedures for APOs to carry out their responsibilities. Some APOs said it would be helpful to have procedures that translate general APO responsibilities, such as maintaining accurate records in an APSR and reconciling inventory results to property records, into F-35 program-specific actionable duties and tasks that they could use to fulfill their responsibilities. To address this issue, one F-35 APO stated that they have developed their own procedures for tasks such as conducting physical inventories for their accountable area.[42]
- **F-35 program-specific training.** According to DOD officials, F-35 JPO requires APOs to take some general training related to ELMS. However, according to some APOs, program-specific training, on topics such as the step-by-step process of managing an F-35 part throughout its life cycle, would better enable them to carry out the responsibilities identified in their appointment letters.

Further, the CPL has not ensured the appointment of needed APOs, such as an APO to oversee the reporting of lost F-35 parts. In December 2025, F-35 JPO identified an individual to oversee this process; however, according to the individual, as of June 2026, they had not been appointed in writing as an APO or been provided with specific responsibilities. Therefore, they had not yet begun performing the role of APO or executing any responsibilities related to their intended role.

We also found that there is a lack of consensus among DOD and F-35 JPO officials about how to structure the F-35 APO program. Specifically:

- **Location and number of APOs.** Some DOD officials suggested that the F-35 APO program should consist of a centrally located team of about 40 APOs. Such a team could provide backup when needed, such as when an APO leaves the program. According to F-35 JPO officials, however, the program needs about 12 APOs spread among the various contract property locations, with additional APOs possibly needed for contracts with higher volumes of government property.
- **Time commitment.** According to DOD officials, the F-35 program needs full-time APOs. This is because F-35 JPO, unlike other DOD components, does not yet have (1) accountable property records for all F-35 parts in ELMS, (2) inventory information that is reported timely, or (3) supporting documentation for property accountability. Further, the large volume of F-35 parts necessitates full-time APOs. According to these officials, full-time APOs could help resolve long-standing issues with managing ELMS, performing physical inventories, and monitoring the submission of loss information. According to F-35 JPO officials, however, F-35 JPO is consistent with other DOD components in assigning the APO role as an ancillary duty.

According to some F-35 JPO officials, from 2024 through 2025, the CPL appointed six APOs; however, the appointments were primarily administrative actions to fill the positions as required by DOD guidance. These

[41]DOD Instruction 5000.64.

[42]An accountable area is the organizational, functional, or geographic boundary within which an APO holds responsibility for specified government property. Established through the APO's written appointment letter, the accountable area defines the specific scope of assets under the APO's purview.

officials stated that the uniqueness of the F-35 program, with its millions of individual parts dispersed across contractor-managed and government-managed facilities, has made it difficult to determine what duties these APOs can perform and how to structure an APO program. These officials concurred that F-35 program-specific procedures and training are needed, though they stated that expected start and completion dates for these tasks have not been identified. Further, both F-35 JPO and DOD officials stated that to have a fully functioning APO program, consensus has to be reached on whether the program should have a centrally located team, how many APOs are needed, and if the APOs should be full- or part-time.

According to DOD guidance, F-35 JPO should establish and maintain a controlled environment for property accountability and an effective system of internal controls to ensure accountability and appropriate financial reporting.[43] Without procedures for program-specific APO responsibilities and training and a clearly defined program structure that includes the location, number of APOs, and time commitment for the role, F-35 JPO will be unable to fully ensure accountability over F-35 parts, including performance of physical inventories that verify existence and completeness and oversight of lost F-35 parts.

DOD Is Taking Steps Toward Inclusion of F-35 Parts on Its Agencywide Financial Statements

F-35 JPO's inability to establish a complete and accurate baseline of F-35 parts in ELMS, as previously noted, has negatively affected DOD's ability to include these parts on its agencywide financial statements. The F-35 JPO Chief Financial Officer is developing procedures to address the issues affecting F-35 JPO's establishment of a baseline, including using the deemed cost method to determine the value of F-35 parts with missing or erroneous cost information, in accordance with federal financial reporting requirements.[44] These procedures and others are under review by OUSD (Comptroller). Once these procedures are approved, F-35 JPO's Chief Financial Officer will prepare two listings of F-35 parts, one for operating materials and supplies and one for equipment. OUSD (Comptroller) will use these to report the F-35 parts on DOD's agencywide general fund financial statements with an accompanying note disclosure.[45]

[43]DOD Instruction 5000.64.

[44]Deemed cost may be used to establish beginning balances for the first time in the year in which the reporting entity makes an unreserved assertion that its financial statements or one or more line items are presented fairly in accordance with generally accepted accounting principles. An unreserved assertion is an unconditional statement that one or more line items are presented fairly in accordance with generally accepted accounting principles. Federal Accounting Standards Advisory Board, *Opening Balances for Inventory, Operating Materials and Supplies, and Stockpile Materials*, Statement of Federal Financial Accounting Standards (SFFAS) No. 48 (Washington, D.C.: Jan. 27, 2016), describes alternate valuation methods that can be used for opening balances of operating materials and supplies, such as fair value, latest acquisition cost, replacement cost, and estimated or actual historical cost (initial amount). Federal Accounting Standards Advisory Board, *Establishing Opening Balances for General Property, Plant, and Equipment*, SFFAS No. 50 (Washington, D.C.: Aug. 4, 2016), describes alternate valuation methods that can be used for opening balances of property, plant, and equipment, such as replacement cost, estimated historical cost (initial amount), and fair value.

[45]Notes to financial statements are detailed disclosures attached to an entity's financial statements. They explain the assumptions, methodologies, and specific details behind the numbers presented in the financial statements. While the financial statements provide quantitative data, the notes provide the qualitative context required to fully understand the entity's financial position and risks. According to OUSD (Comptroller) officials, DOD will continue to disclose in its annual agencywide general fund financial statements that because it has not fully implemented the systems necessary to account for historical cost for Inventory, Related Property, and General Property, Plant, and Equipment, DOD is not making an unreserved assertion with respect to those line items. See Federal Accounting Standards Advisory Board, *Accounting for Inventory and Related Property*, SFFAS No. 3 (Washington, D.C.: Oct. 27, 1993), and *Accounting for Property, Plant, and Equipment*, SFFAS No. 6 (Washington, D.C.: Nov. 30, 1995), respectively.

Conclusions

DOD has made minimal progress in attaining and maintaining accountability for F-35 parts. Neither records of F-35 parts in ELMS nor F-35 JPO's inventory results are reliable for the purpose of asset accountability or financial reporting, impeding DOD's ability to include these parts on its financial statements. Further, F-35 JPO does not monitor the submission of loss information for F-35 parts, including analyzing losses to identify responsibility and prevent future losses, increasing the risk of material misstatement when the F-35 parts are ultimately recorded or disclosed in DOD's agencywide financial statements. DOD could improve many of these issues if it leveraged the role of the APO to manage asset accountability, but DOD has not developed a program that would enable APOs to fully perform those functions, such as by providing program-specific procedures and training. Unless it takes steps to address the identified issues, DOD will continue to struggle with accountability of F-35 parts, which will affect warfighter readiness and DOD's ability to report reliable information in its financial statements.

Recommendations for Executive Action

We are making the following four recommendations to DOD:

The Secretary of Defense should ensure that the Office of the Under Secretary of Defense for Acquisition and Sustainment, in conjunction with the F-35 Program Executive Officer and the Defense Contract Management Agency, develops, documents, and implements procedures for monitoring submission of loss information of F-35 parts, including procedures for performing trend analyses that would enable mitigation of future losses. (Recommendation 1)

The Secretary of Defense should ensure that the Under Secretary of Defense for Acquisition and Sustainment, in conjunction with the F-35 Program Executive Officer, develops, documents, and implements F-35 program-specific procedures for APOs to carry out their responsibilities. (Recommendation 2)

The Secretary of Defense should ensure that the Under Secretary of Defense for Acquisition and Sustainment, in conjunction with the F-35 Program Executive Officer, develops, documents, and implements F-35 program-specific training for APOs to carry out their responsibilities. (Recommendation 3)

The Secretary of Defense should ensure that the Under Secretary of Defense for Acquisition and Sustainment, in conjunction with the F-35 Program Executive Officer, clarifies and documents the structure of the F-35 APO program, including determining the number of APOs needed, their locations, and the time commitment necessary to perform APO duties. (Recommendation 4)

Agency Comments

We provided a draft of this report to DOD for review and comment. In its written comments, reproduced in appendix II, DOD concurred with all four of our recommendations. Regarding our first recommendation, DOD stated that it is taking action to enhance accountability and mitigate losses of F-35 parts. Regarding recommendations two through four, which all relate to APOs, DOD stated that F-35 JPO is developing

program-specific procedures and training, as well as a detailed plan for the APO program. We believe that if implemented effectively, these actions should address our recommendations.

We are sending copies of this report to the appropriate congressional committees, the Secretary of Defense, the Under Secretary of Defense (Comptroller), the Under Secretary of Defense for Acquisition and Sustainment, and other interested parties. In addition, the report is available at no charge on the GAO website at https://www.gao.gov.

If you or your staff have any questions about this report, please contact me at khana@gao.gov. Contact points for our Offices of Congressional Relations and Media Relations may be found on the last page of this report. GAO staff who made key contributions to this report are listed in appendix III.

//SIGNED//

Asif A. Khan
Director, Financial Management and Assurance

List of Committees

The Honorable Roger Wicker
Chairman
The Honorable Jack Reed
Ranking Member
Committee on Armed Services
United States Senate

The Honorable Rand Paul, M.D.
Chairman
The Honorable Gary C. Peters
Ranking Member
Committee on Homeland Security and Governmental Affairs
United States Senate

The Honorable Mike Rogers
Chairman
The Honorable Adam Smith
Ranking Member
Committee on Armed Services
House of Representatives

The Honorable James Comer
Chairman
The Honorable Robert Garcia
Ranking Member
Committee on Oversight and Government Reform
House of Representatives

Appendix I: Objectives, Scope, and Methodology

This report examines the extent to which the Department of Defense (DOD) has (1) established and implemented procedures to account for F-35 parts and (2) made progress in including these parts on its agencywide financial statements. The DOD components relevant to our study included the Office of the Under Secretary of Defense (OUSD) for Acquisition and Sustainment, OUSD (Comptroller), F-35 Joint Program Office (JPO), Department of the Air Force, Department of the Navy, U.S. Marine Corps, Defense Logistics Agency, and Defense Contract Management Agency.

For both objectives, we reviewed (1) GAO and DOD Office of Inspector General reports issued from fiscal years 2021 through 2026 and (2) DOD agencywide financial reports and associated findings, recommendations, and corrective action plans for fiscal year 2025, to gain an understanding of the issues related to DOD's oversight and financial management of F-35 parts.

To address our first objective, we reviewed DOD agencywide and F-35 program-specific policies and guidance, such as the *F-35 Supply Sustainment Operations Policy*, to obtain information related to asset accountability.[1] Additionally, we interviewed officials from relevant DOD components to gain an understanding of the following:

- The methods used, progress made, and challenges encountered in recording and validating the baseline of all F-35 parts in the Enterprise Logistics Management System (ELMS).
- The processes and related controls that DOD has established and implemented for conducting physical inventories to verify both existence and completeness of F-35 parts and reconciling the results to property records in ELMS.
- The processes and related controls that DOD has established and implemented for reporting, investigating, and adjudicating losses of F-35 parts identified at contractor-managed and government-managed facilities.

We compared the procedures described by DOD officials during interviews and site visit observations to DOD's documented policies and procedures. For any differences identified, we followed up with DOD officials to confirm our understanding and determine the reasons for the differences identified. Additionally, to observe controls over the receipt, storage, and inventory procedures for F-35 parts at contractor-managed and government-managed facilities, we conducted site visits at Edwards Air Force Base, California; Hill Air Force Base, Utah; and Marine Corps Air Station Cherry Point, North Carolina.

To address our second objective, we reviewed DOD agencywide and F-35 program-specific policies and procedures, such as OUSD (Comptroller)'s *Joint Strike Fighter Accounting Policy*, and relevant Statements of Federal Financial Accounting Standards to obtain information on the financial management of the F-35

[1]Department of Defense, F-35 Joint Program Office, *F-35 Supply Sustainment Operations Policy*, F-35 Sustainment Operating Instruction 1511.02 IC-1 (Oct. 29, 2025).

program.[2] Additionally, we interviewed officials from OUSD (Comptroller) and the F-35 JPO Chief Financial Officer to gain an understanding of the following:

- The processes the OUSD (Comptroller) and the F-35 JPO Chief Financial Officer have developed, impediments encountered, and progress made in including F-35 parts in DOD's agencywide financial statements. Specifically, we reviewed the F-35 JPO Chief Financial Officer's alternative valuation approach for F-35 parts currently under review by the OUSD (Comptroller).
- The estimated time frame for recording F-35 parts on DOD's agencywide financial statements.

We conducted this performance audit from September 2025 to November 2026 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

[2]Department of Defense, Office of the Under Secretary of Defense (Comptroller), *Joint Strike Fighter Accounting Policy* (Washington, D.C.: Dec. 22, 2025).

Appendix II: Comments from the Department of Defense

UNCLASSIFIED

OFFICE OF THE UNDER SECRETARY OF WAR
3000 DEFENSE PENTAGON
WASHINGTON, DC 20301-3000

ACQUISITION AND SUSTAINMENT

26 October 2026

Mr. Asif Khan
Director, Financial Management and Assurance
U.S. Government Accountability Office
441 G Street, NW
Washington DC 20548

Dear Mr. Khan,

This letter serves as the Department of War (DoW) response to the Government Accountability Office (GAO) Draft Report GAO-26-108713, "F-35 Program: DOD Needs to Strengthen Oversight of Tens of Billions of Dollars in Parts" dated September 14, 2026 (GAO Code 108713).

Enclosed is the DoW's formal response to the subject report. For further information, please contact Daryl A. Hanchock, who may be reached at Daryl.a.hanchock.civ@mail.mil or (703)697-0696.

Sincerely,

LEE.NICHOLAS.A.1270118280 Digitally signed by LEE.NICHOLAS.A.1270118280 Date: 2026.10.26 06:57:36 -04'00'

//FOR//
E. H. Plath
Deputy Assistant Secretary of War
for Logistics

UNCLASSIFIED

GAO DRAFT REPORT DATED SEPTEMBER 14, 2026
GAO-26-108713 (GAO CODE 108713)
DOD Needs to Strenghten Oversight of Tens of Billions of Dollars in Parts

DEPARTMENT OF WAR COMMENTS
TO THE GAO RECOMMENDATIONS

RECOMMENDATION 1: The GAO recommends that the Secretary of War should ensure that the Office of the Under Secretary of War for Acquisition and Sustainment, in conjunction with the F-35 Program Executive Officer and the Defense Contract Management Agency, develop, document, and implement procedures for monitoring submission of loss information of F-35 parts, including procedures for performing trend analyses that would enable mitigation of future losses.

DoW RESPONSE: The DoW Concurs with Comment: The Department is taking decisive, multi-pronged action to enhance the visibility, accountability, and oversight of F-35 parts and mitigate losses. Our strategy is centered on establishing an authoritative and complete inventory baseline, which is foundational to accurately tracking and analyzing loss data.

RECOMMENDATION 2: The GAO recommends that the Secretary of War should ensure that the Office of the Under Secretary of War for Acquisition and Sustainment, in conjunction with the F-35 Program Executive Officer, develop, document, and implement F-35 program-specifically procedures for APOs to carry out their responsibilities.

DoW RESPONSE: The DoW Concurs with Comment: The Department acknowledges the need for F-35 program-specific procedures for Accountable Property Officers (APOs) and has initiated actions to address this. As noted in recent F-35 Acquisition and Sustainment Team Executive Steering Committee (FAST ESC) & Audit In Process Review (IPR) meetings, the JPO is actively maturing the APO program. The Department has held multiple engagements with the JPO to clarify APO responsibilities and structure.

The JPO has been tasked to provide recurring quarterly updates on the maturation of the APO program, which includes the development and implementation of standardized, F-35-specific procedures. These procedures will translate general property management responsibilities into actionable, daily tasks tailored to the unique complexities of the F-35 supply chain, ensuring APOs can effectively execute their oversight duties. This effort is being tracked and reviewed at the executive level to ensure timely completion.

RECOMMENDATION 3: The GAO recommends that the Secretary of War should ensure that the Office of the Under Secretary of War for Acquisition and Sustainment, in conjunction with the F-35 Program Executive Officer, develop, document, and implement F-35 program-specifically training for APOs to carry out their responsibilities.

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DoW RESPONSE: The DoW Concurs with Comment: The Department agrees that robust training is critical for APOs to effectively carry out their oversight responsibilities. To achieve this efficiently and comprehensively, the F-35 JPO will leverage DoW-level APO training to establish and enhance core competencies in property management.

By utilizing these existing Department-level educational resources, the JPO will establish a strong baseline of foundational knowledge for all appointed personnel. To supplement this core curriculum, the JPO is developing targeted, F-35 program-specific training.

This combined training approach ensures that APOs possess both the high-level regulatory competencies mandated by the DoW and the practical, localized skills required for the F-35 program.

RECOMMENDATION 4: The GAO recommends that the Secretary of War should ensure that the Office of the Under Secretary of War for Acquisition and Sustainment, in conjunction with the F-35 Program Executive Officer, clarify and document the structure of the F-35 APO program, including a determination of the number of APOs needed, their locations, and the time commitment necessary to perform APO duties.

DoW RESPONSE: The DoW Concurs with Comment: The Department concurs and has had direct engagement with the JPO on this specific issue. The JPO has been developing a detailed plan for the APO program, which will incorporate DoW requirements regarding the program's final structure.

Accessible Text for Appendix II: Comments from the Department of Defense

UNCLASSIFIED

OFFICE OF THE UNDER SECRETARY OF WAR
3000 DEFENSE PENTAGON
WASHINGTON, DC 20301-3000

ACQUISITION AND SUSTAINMENT 26 October 2026

Mr. Asif Khan
Director, Financial Management and Assurance
U.S. Government Accountability Office
441 G Street, NW
Washington DC 20548

Dear Mr. Khan,

This letter serves as the Department of War (DoW) response to the Government Accountability Office (GAO) Draft Report GAO-26-108713, "F-35 Program: DOD Needs to Strengthen Oversight of Tens of Billions of Dollars in Parts" dated September 14, 2026 (GAO Code 108713).

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Sincerely,

//FOR//
E. H. Plath
Deputy Assistant Secretary of War
for Logistics

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GAO DRAFT REPORT DATED SEPTEMBER 14, 2026 GAO-26-108713 (GAO CODE 108713)
DOD Needs to Strenghten Oversight of Tens of Billions of Dollars in Parts

DEPARTMENT OF WAR COMMENTS TO THE GAO RECOMMENDATIONS

RECOMMENDATION 1: The GAO recommends that the Secretary of War should ensure that the Office of the Under Secretary of War for Acquisition and Sustainment, in conjunction with the F-35 Program Executive Officer and the Defense Contract Management Agency, develop, document, and implement procedures for monitoring submission of loss information of F-35 parts, including procedures for performing trend analyses that would enable mitigation of future losses.

DoW RESPONSE: The DoW Concurs with Comment: The Department is taking decisive, multi-pronged action to enhance the visibility, accountability, and oversight of F-35 parts and mitigate losses. Our strategy is centered on establishing an authoritative and complete inventory baseline, which is foundational to accurately tracking and analyzing loss data.

RECOMMENDATION 2: The GAO recommends that the Secretary of War should ensure that the Office of the Under Secretary of War for Acquisition and Sustainment, in conjunction with the F-35 Program Executive Officer, develop, document, and implement F-35 program-specifically procedures for APOs to carry out their responsibilities.

DoW RESPONSE: The DoW Concurs with Comment: The Department acknowledges the need for F-35 program-specific procedures for Accountable Property Officers (APOs) and has initiated actions to address this. As noted in recent F-35 Acquisition and Sustainment Team Executive Steering Committee (FAST ESC) & Audit In Process Review (IPR) meetings, the JPO is actively maturing the APO program. The Department has held multiple engagements with the JPO to clarify APO responsibilities and structure.

The JPO has been tasked to provide recurring quarterly updates on the maturation of the APO program, which includes the development and implementation of standardized, F-35-specific procedures. These procedures will translate general property management responsibilities into actionable, daily tasks tailored to the unique complexities of the F-35 supply chain, ensuring APOs can effectively execute their oversight duties. This effort is being tracked and reviewed at the executive level to ensure timely completion.

RECOMMENDATION 3: The GAO recommends that the Secretary of War should ensure that the Office of the Under Secretary of War for Acquisition and Sustainment, in conjunction with the F-35 Program Executive Officer, develop, document, and implement F-35 program-specifically training for APOs to carry out their responsibilities.

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DoW RESPONSE: The DoW Concurs with Comment: The Department agrees that robust training is critical for APOs to effectively carry out their oversight responsibilities. To achieve this efficiently and comprehensively, the F-35 JPO will leverage DoW-level APO training to establish and enhance core competencies in property management.

By utilizing these existing Department-level educational resources, the JPO will establish a strong baseline of foundational knowledge for all appointed personnel. To supplement this core curriculum, the JPO is developing targeted, F-35 program-specific training.

This combined training approach ensures that APOs possess both the high-level regulatory competencies mandated by the DoW and the practical, localized skills required for the F-35 program.

RECOMMENDATION 4: The GAO recommends that the Secretary of War should ensure that the Office of the Under Secretary of War for Acquisition and Sustainment, in conjunction with the F-35 Program Executive Officer, clarify and document the structure of the F-35 APO program, including a determination of the number of APOs needed, their locations, and the time commitment necessary to perform APO duties.

DoW RESPONSE: The DoW Concurs with Comment: The Department concurs and has had direct engagement with the JPO on this specific issue. The JPO has been developing a detailed plan for the APO program, which will incorporate DoW requirements regarding the program's final structure.

Appendix III: GAO Contact and Staff Acknowledgments

GAO Contact

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Staff Acknowledgments

In addition to the contact named above, Rathi Bose (Assistant Director), Seth Brewington, John Craig, Hayden Distefano, Edgar Fletes, Jason Kelly, Diana Lee, Jordan Morgan, and Dacia Stewart made key contributions to this report.

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