

GAO Highlights

Highlights of [GAO-22-105002](#), a report to congressional committees

Why GAO Did This Study

In fiscal year 2019, DOD auditors identified a material weakness related to the JSF program. The JSF is DOD's most costly weapon system in history, with overall costs estimated to be more than \$1.7 trillion over the program's life cycle. Auditors reported that DOD did not report certain JSF program's assets on its financial statements. This omission, as well as DOD's inability to provide supporting documentation for the value of the assets, indicated material failures in controls for recording joint programs at DOD.

This report, developed in connection with fulfilling GAO's mandate to audit the U.S. government's consolidated financial statements, examines the extent to which DOD (1) has developed and implemented procedures for addressing the material weakness and (2) tracks and records information about its joint programs.

GAO reviewed, among other things, relevant reports and accounting standards, JSF documents, and DOD policies and procedures; interviewed DOD officials; and conducted site visits at three contractors' locations.

What GAO Recommends

GAO is making 12 recommendations, including for DOD to develop and document a strategy to address the material weakness and plans to verify the completeness of JSF asset records, and to determine whether information on joint programs is sufficiently maintained for reporting purposes. DOD concurred with 10 and partially concurred with two of GAO's recommendations. GAO continues to believe that all the recommendations are warranted.

View [GAO-22-105002](#). For more information, contact Kristen Kocielek at (202) 512-2989 or kocielekk@gao.gov.

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DOD FINANCIAL MANAGEMENT

Additional Actions Would Improve Reporting of Joint Strike Fighter Assets

What GAO Found

The Department of Defense (DOD) has taken steps to address the material weakness that auditors identified related to the F-35 Joint Strike Fighter (JSF) program, including establishing milestone dates for addressing underlying issues. However, GAO found that because it lacks a fully developed strategy, DOD has not met and subsequently revised the milestone dates. Without a documented strategy that includes detailed procedures for addressing the material weakness, DOD is at an increased risk that its effort to remediate the JSF financial reporting issues will not meet milestone target dates and will not be effective.

Further, GAO found that DOD designed inventory count procedures to verify the physical existence of certain JSF assets such as support equipment held at contractor facilities and included in property records; however, DOD did not verify the completeness of assets, as directed by DOD guidance (see figure).

DOD Inventory Count Procedures of Joint Strike Fighter Assets

Inventory count procedures are designed so that staff verify the physical existence of Joint Strike Fighter (JSF) assets included on contractors' property records, but they do not verify completeness or that these records contain all JSF assets that are physically present

Performed

Book-to-floor (existence) verification

All JSF assets listed on contractor's property records are located, and selected data elements (e.g., description, quantity, and location) are validated



Not performed

Wall-to-wall (completeness) verification

All JSF assets located by inventory staff are compared to existing contractor's property records and validated for inclusion and accuracy



Source: GAO analysis of Department of Defense (DOD) information. | GAO-22-105002

Because DOD had never previously maintained its own complete JSF property records, it relied on contractor records to perform the inventory, but these sometimes were inaccurate. For example, DOD was unable to verify approximately \$16 million of JSF assets listed on contractor records. DOD officials said that these errors are likely to be significantly higher. Without properly executed inventory procedures that verify both the physical existence of the assets and the completeness of the records, DOD management will not have the information needed for reliable financial statement reporting and may not be able to identify if assets have been lost or stolen.

DOD was unable to provide complete and consistent information about the universe of DOD joint programs. This limited GAO's ability to fully examine and determine the extent to which DOD tracks and records information about its joint programs. GAO found inconsistencies in DOD's reported data about its joint programs and in how DOD offices define and identify joint programs. This increases the risk that financial data used for managing and reporting joint programs will not be consistent, complete, or accurate.