

# GAO Highlights

Highlights of [GAO-23-105198](#), a report to congressional committees

## Why GAO Did This Study

DOD's lack of accountability over government property in the possession of contractors has been reported by auditors for decades. This long-standing issue affects the accounting and reporting of GFP and is one of the reasons DOD is unable to produce auditable financial statements. DOD estimated the value of its GFP at over \$220 billion; however, that amount is likely significantly understated.

This report, developed in connection with fulfilling GAO's mandate to audit the U.S. government's consolidated financial statements, examines the (1) challenges DOD has encountered in department-wide efforts to address weaknesses related to its accounting for GFP and (2) extent to which DOD has developed a department-wide strategy to address the GFP-related material weakness.

GAO reviewed relevant audit reports, memorandums issued by DOD management, DOD strategy documents, and Council meeting documents; interviewed officials; and analyzed military department reports.

## What GAO Recommends

GAO is making three recommendations, specifically, for DOD to (1) document and implement a process for memorandum distribution and for reviewing components' compliance, (2) document procedures for how the Council and related oversight groups will function, and (3) develop a comprehensive strategy to clearly articulate the detailed DOD-wide efforts to address the GFP material weakness. DOD concurred with one and partially concurred with two of GAO's recommendations.

View [GAO-23-105198](#). For more information, contact Kristen A. Kocielek at (202) 512-2989 or [kocielekk@gao.gov](mailto:kocielekk@gao.gov).

January 2023

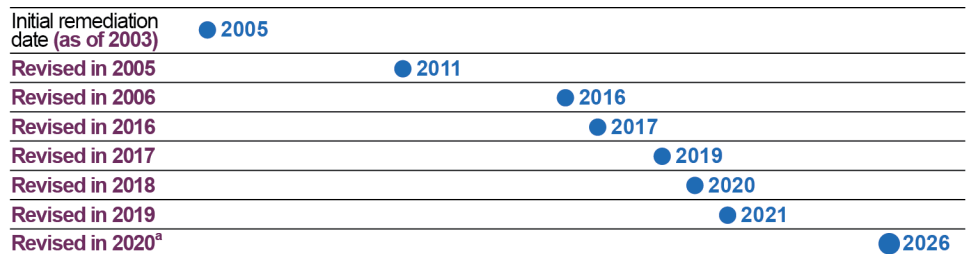
# DOD FINANCIAL MANAGEMENT

## Greater Attention and Accountability Needed over Government-Furnished Property

### What GAO Found

For years, the Department of Defense (DOD) has struggled to accurately account for government property in the possession of contractors, known as government-furnished property (GFP). DOD has repeatedly revised its planned dates to address a GFP-related material weakness since auditors first reported it in 2001.

**Department of Defense's Revisions to Remediation Dates for Addressing the Government-Furnished Property (GFP) Material Weakness**



Source: GAO analysis of Department of Defense (DOD) information. | GAO-23-105198

DOD management has issued multiple memorandums to remediate the long-standing GFP-related material weakness, including a May 2019 memorandum that directed DOD components to establish a baseline of GFP assets. However, GAO found that DOD did not achieve its stated objective for the May 2019 memorandum as a result of challenges with (1) an inefficient and incomplete initial memorandum distribution process, (2) confusion among department officials over memorandum terminology, (3) components' logistical struggles to identify and provide requested data, and (4) a lack of effective management review of the components' progress. Additionally, GAO identified challenges with the Property Functional Council (Council), which DOD established in part to oversee efforts to address the material weakness. For example, the Council did not routinely discuss GFP or the May 2019 memorandum, and did not consistently meet or include all key participants when it did. Without documented processes and procedures for GFP-related memorandum guidance and the Council's operations, DOD increases the risk that it will continue to encounter challenges with its efforts to remediate the GFP-related material weakness.

While DOD has taken steps to address the GFP-related material weakness, GAO found that department-wide efforts have not been comprehensive and sufficiently detailed. Developing a comprehensive department-wide strategy, separate from DOD's overarching financial management strategy, would assist the department in identifying root causes of deficiencies with common solutions across the departments, and clearly defining detailed procedures for achieving tasks and meeting target dates. Without such a strategy, DOD is at an increased risk that its efforts to remediate the GFP material weakness will continue to be insufficient and that it will continue to miss or push back target remediation dates.