



# DOD Financial Management: Status of Remediation Efforts to Meet Audit Mandate

GAO-25-107427

Q&A Report to Congressional Committees

September 16, 2025

## Why This Matters

The Department of Defense (DOD) is responsible for about half of the federal government's discretionary spending and about 82 percent of the reported total physical assets. As of fiscal year 2024, DOD remains the only major federal agency that has never achieved an unmodified ("clean") audit opinion on its financial statements. In response to the statutory mandate requiring a clean audit opinion by December 31, 2028, DOD reported taking actions to improve audit readiness and to support the timely achievement of a clean audit opinion by the mandated deadline.

Having reliable, useful, and timely financial information is important for day-to-day management and decision-making and for demonstrating accountability over DOD's extensive resources. Financial statement audits have value far beyond the audit opinion: they identify vulnerabilities, improve operations, increase transparency and visibility of financial management issues, and provide a positive return on investment.

We performed this audit in connection with the statutory requirement for GAO to audit the U.S. government's consolidated financial statements, which cover all accounts and associated activities of executive branch agencies, including DOD. This report provides information on audit approaches the independent public accountants (IPA) took, the results of DOD's and the military services' fiscal year 2024 financial statement audits, as well as DOD's planned timelines for addressing key audit findings.

## Key Takeaways

- Better financial management is critical to DOD's mission readiness, and it is important to demonstrating that DOD's financial statements and underlying financial information are reliable for decision-making.
- DOD has realized many benefits from its financial statement audits. For example, the DOD Office of Inspector General (OIG) reported that DOD's fiscal year 2024 remediation plans included the retirement of 89 outdated information systems and that this would help DOD progress toward compliance and will result in savings of at least \$760 million annually through fiscal year 2029.
- DOD still needs to make substantial progress in remediating its pervasive deficiencies, which auditors call material weaknesses, reported for fiscal year 2024. DOD OIG reported that some of these material weaknesses, if not resolved, could continue to impede DOD's and its component reporting entities' ability to achieve a clean audit opinion.

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## Why are financial statement audits important?

Financial statement audits are an important tool to help ensure sound financial management practices that produce reliable, useful, and timely financial information. For DOD, obtaining a clean audit opinion is essential to demonstrating that its financial statements and underlying financial information are reliable for day-to-day management, decision-making and efficient and effective operations, and accountability over its extensive resources. Reliable financial data and asset accountability are critical to help ensure mission readiness. Ultimately, the primary purpose of these audits is to provide an independent opinion on the reliability of DOD's financial statements.

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## Does DOD undergo annual financial statement audits?

Yes. Federal law has required DOD to undergo annual full-scope, agencywide financial statement audits since fiscal year 2018.<sup>1</sup> For executive agencies like DOD, either the agency's inspector general or IPAs perform the audits.<sup>2</sup> However, DOD and many of its component reporting entities' fiscal years 2018 through 2024 financial statement audits resulted in disclaimers of opinion.<sup>3</sup> Though, it should be noted, the Marine Corps received a clean audit opinion on its fiscal year 2023 financial statements, becoming the first military service to ever do so, and again receiving a clean audit opinion for fiscal year 2024.<sup>4</sup> Pervasive weaknesses have adversely affected DOD's ability to prepare auditable financial statements. This is one of three major impediments preventing GAO from expressing an audit opinion on the U.S. government's consolidated financial statements.<sup>5</sup>

An audit that results in a clean audit opinion is one in which auditors conclude that financial statements are presented fairly, in all material respects, in accordance with generally accepted accounting principles. An audit that results in a disclaimer of opinion is one in which auditors could not express an audit opinion on the financial statements, because the auditors were unable to obtain sufficient, appropriate audit evidence to provide a basis for an opinion and the possible effect of undetected misstatements was material and pervasive.

In its report, *Part 2. Understanding the Results of the Audit of the FY 2024 DOD Financial Statements*, DOD OIG noted that material weaknesses identified at DOD and some of its component reporting entities prevented auditors from performing the necessary procedures to conclude on the reliability of the financial statements.

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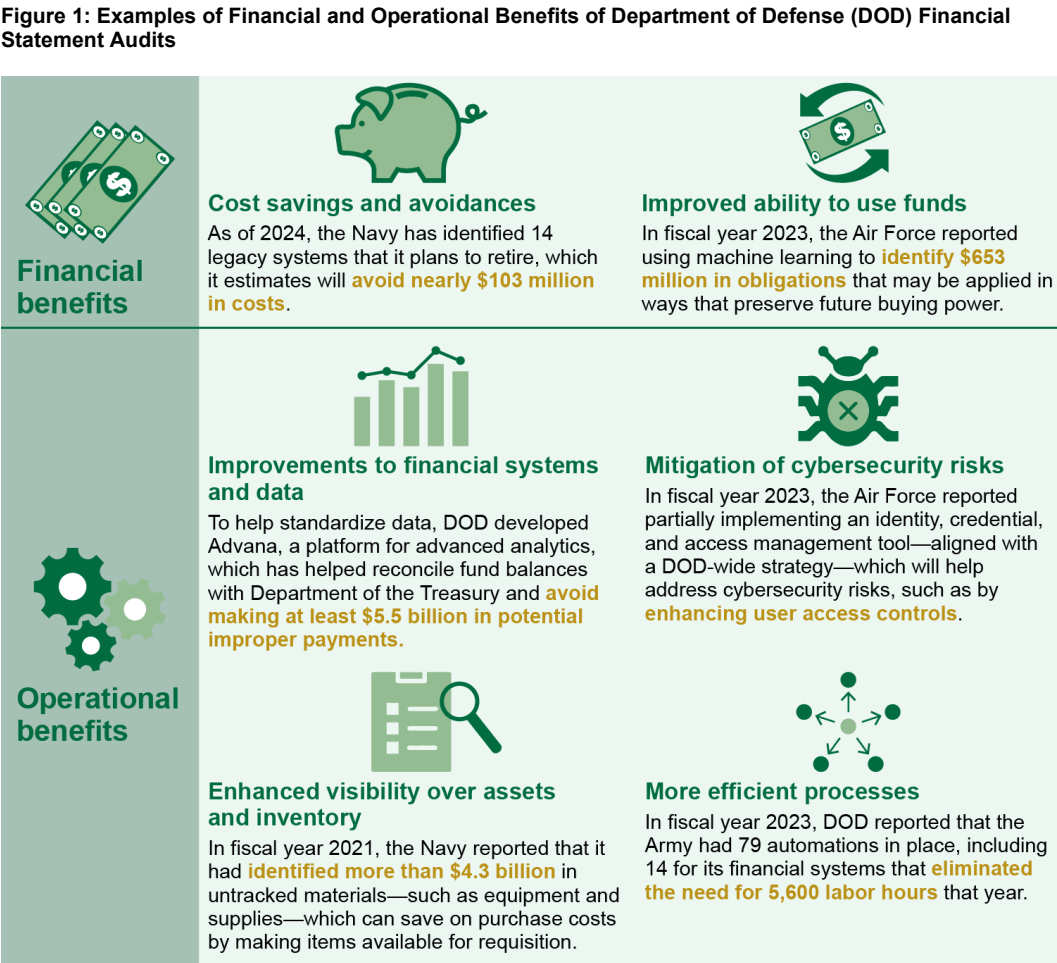
## What benefits has DOD seen from financial statement audits?

A financial statement audit has value by helping identify vulnerabilities and ways to improve operations. We previously reported that financial statement audits have resulted in short- and long-term benefits, including increased transparency and visibility of financial management issues, and are providing a positive return on investment.<sup>6</sup> For example, DOD OIG reported that DOD's fiscal year 2024 remediation plans included the retirement of 89 outdated information systems. It reported that this would help DOD progress toward compliance and result in savings of at least \$760 million each year through fiscal year 2029.<sup>7</sup>

These audit insights help DOD to assess what is performing well and what areas still need improvement. For example, DOD OIG reported that DOD addressing its asset accountability challenges will provide leadership with more accurate information to assist in making operational decisions. The OIG noted that accurate asset data enable informed decisions about maintenance, replacement, and disposal, leading to better resource allocation and long-term planning. This in turn improves operations and helps better ensure optimum use of resources to support warfighter priorities.

These financial statement audits have resulted in a range of financial and operational benefits, including cost savings and avoidances, improved ability to

use funds, improvements to financial systems and data, mitigation of cybersecurity risks, enhanced visibility over assets and inventory, and more efficient processes even when auditors have reported a disclaimer of opinion (see fig. 1).<sup>8</sup>



Source: GAO analysis of DOD information and GAO (icons). | GAO-25-107427

**What has prevented DOD from obtaining a clean audit opinion?**

Material weaknesses are a major obstacle to DOD achieving a clean audit opinion.<sup>9</sup> A material weakness in financial reporting 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. This may mean that the entity’s deficiencies in internal controls are so significant that they could prevent its management from detecting and correcting a material misstatement in the financial statements in a timely manner.

According to DOD OIG, material weaknesses associated with IT are material weaknesses that continue to hinder audit progress for DOD and its component reporting entities. Specifically, the OIG reported that the lack of effective internal controls over financial management systems limits the auditor’s ability to rely on the information produced by those systems and used to support the DOD agencywide financial statements. These weaknesses not only hinder audit progress but also increase the risk of DOD making ill-informed enterprise-wide business decisions, which could have a direct impact on DOD’s mission to ensure the security of our nation.

DOD OIG reported that many of DOD's financial management systems were outdated and required various work-arounds due to limitations and shortcomings of the systems environments. The OIG noted that, when the Marine Corps relied more heavily on modern Enterprise Resource Planning systems, the Marine Corps reduced the amount of unmatched disbursements by tens of millions of dollars.<sup>10</sup> DOD OIG also reported that a significant hurdle to making progress on financial statement auditability is DOD's inability to produce a complete, accurate, and reconcilable universe of transactions, which is a complete list of detailed transactions to support financial statement balances. Without this, auditors cannot determine if financial statement balances are complete and accurate.

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**What effect do NFRs have on DOD's efforts to obtain a clean audit opinion?**

DOD's remediation of notices of findings and recommendations (NFR) plays a significant role in its attempt to obtain a clean audit opinion. Auditors provide direct, actionable feedback through NFRs that describe weaknesses in DOD's business processes, IT systems, and financial reporting that require remediation. These NFRs support individual deficiencies or combinations of deficiencies making up material weaknesses.

According to Office of the Under Secretary of Defense (Comptroller) (OUSD(C)) officials, DOD measures and tracks its NFR remediation rate (also called NFR closure rate), a key performance indicator, to manage risks associated with unresolved findings and accelerate DOD's remediation efforts to address material weaknesses.<sup>11</sup>

DOD confers with its auditors on the prioritization of NFRs to determine those DOD must remediate to get a material weakness downgrade or closure.<sup>12</sup> To do so, DOD must conduct and document root-cause analyses on identified deficiencies, then design and implement strategies to correct them.

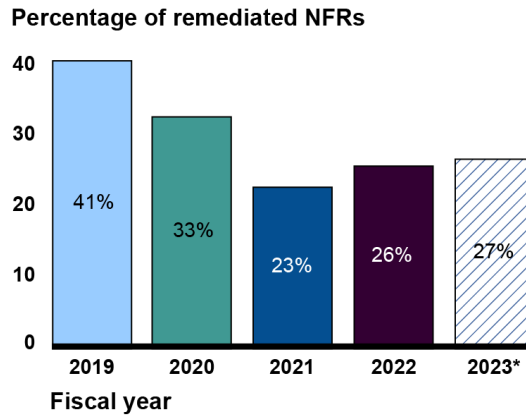
At the beginning of the fiscal year 2024 financial statement audits, DOD OIG noted that DOD and its component reporting entities had a total of 3,277 open NFRs.<sup>13</sup> And at the end of the fiscal year 2024 financial statement audits, it noted that auditors closed 952 of the 3,277 NFRs and issued or reissued 2,912 NFRs in fiscal year 2024.<sup>14</sup> Appendix I provides further details on the NFR breakout.

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**Over time, what has been DOD's NFR remediation rate?**

The rate at which DOD remediated NFRs agencywide has been lower in recent years as compared with earlier years. Figure 2 shows the percentage of DOD's remediated NFRs for fiscal years 2019 through 2023.

**Figure 2: Percentage of Notice of Findings and Recommendations (NFR) Remediated During Fiscal Years 2019 Through 2023**



\*Information for fiscal year 2023 is as of January 28, 2025

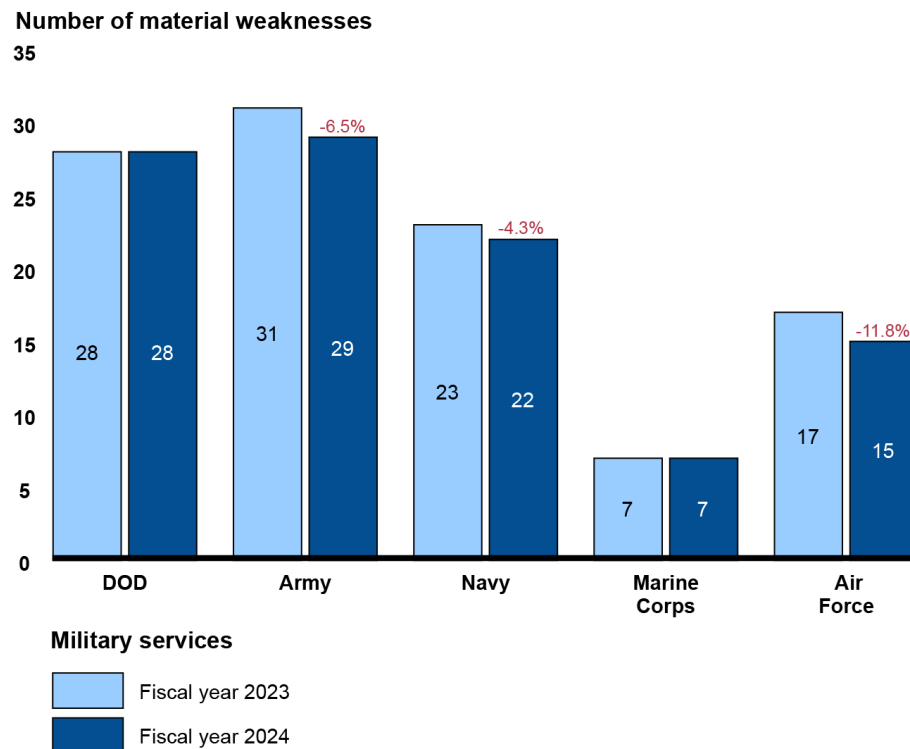
Source: GAO analysis of Department of Defense information. | GAO-25-107427

According to DOD, the higher remediation rates in the earlier years were due to the department remediating simpler issues during that time. However, the remaining problems are more complex, involving internal and external dependencies that require collaboration across multiple functional areas.

### Did the number of DOD's material weaknesses change in fiscal year 2024 audits?

No, the auditors reported 28 material weaknesses for DOD at the agencywide level in both fiscal years 2024 and 2023. They downgraded one material weakness related to contingent legal liabilities but identified a new one related to DOD's reporting of leases, resulting in no net change for fiscal year 2024. For the military services, the number of material weaknesses auditors reported generally decreased in the same period (see the fig. 3).

**Figure 3: Department of Defense's (DOD) and the Military Services' Material Weaknesses for Fiscal Years 2023 and 2024**

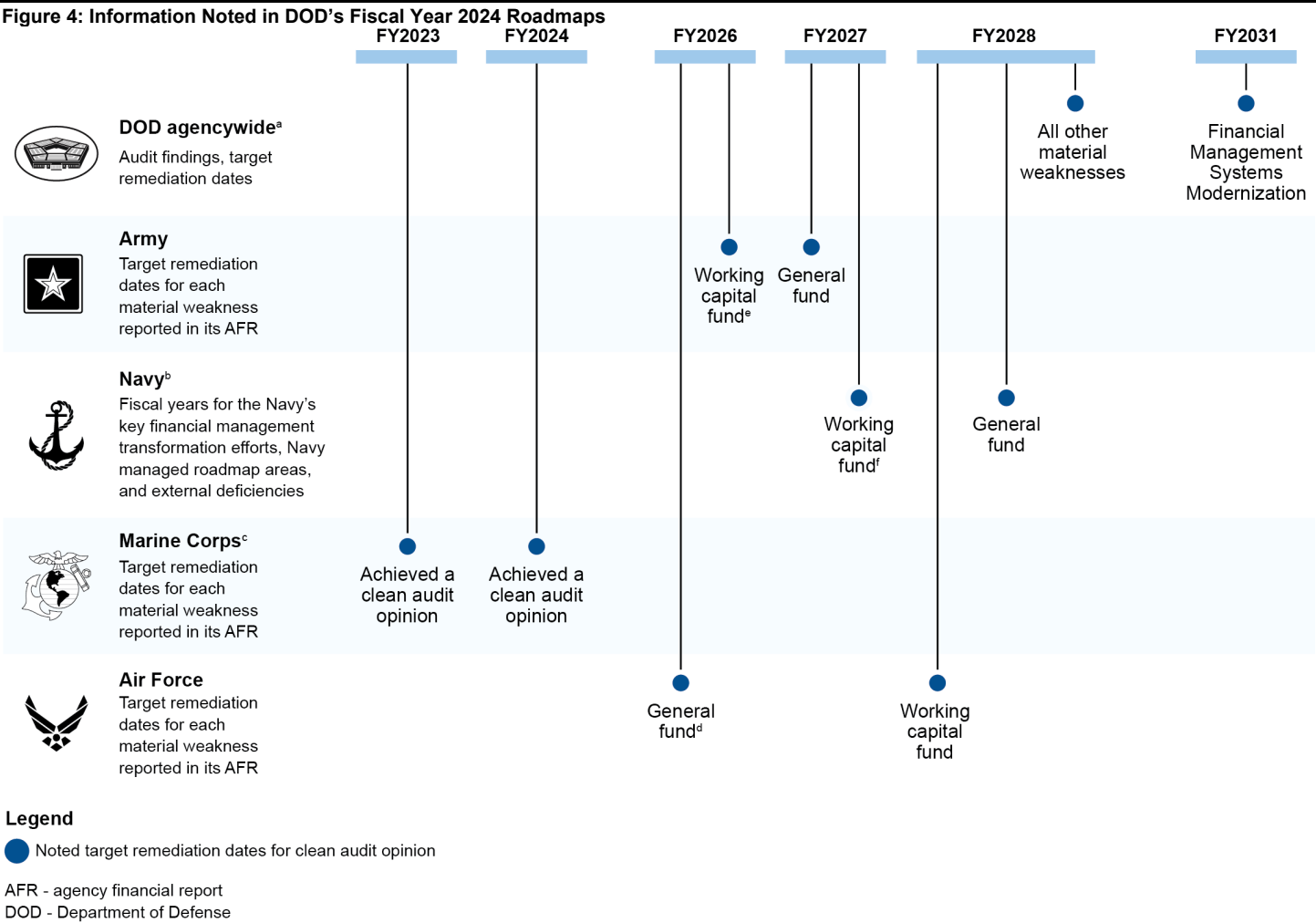


Source: GAO analysis of DOD information. | GAO-25-107427

What are DOD’s and the military services’ remediation plans?

DOD and the military services use audit roadmaps to document high-level plans for remediating material weaknesses. The audit roadmaps guide DOD’s implementation of corrective measures and establish milestones against which entities can measure progress toward getting clean audit opinions. These roadmaps generally include target remediation dates for their auditor-identified material weaknesses. DOD and the military services have reinforced their commitment to achieving clean audit opinions by the end of 2028, as the National Defense Authorization Act for Fiscal Year 2024 mandates.<sup>15</sup> As a result of the mandate, DOD reported in fiscal year 2024 that it realigned each reporting entities’ roadmap to accelerate audit progress.

However, DOD and the military services have long-standing material weaknesses, including with IT, that could make achieving that deadline challenging. Figure 4 shows information captured on DOD’s and the military services’ audit roadmaps as well as target remediation dates to facilitate achieving clean audit opinions by fiscal year 2028.



Source: GAO analysis of DOD information and GAO (icons). | GAO-25-107427

<sup>a</sup>DOD’s fiscal year 2024 AFR contained updated fiscal year 2024 target remediation dates compared with its roadmap, so we used the information in the AFR.

<sup>b</sup>The Navy’s audit roadmap did not include all its independent public accountant-identified material weaknesses or their target remediation dates. Instead, the Navy used its Deficiency Tracking Tool

to track each material weakness reported in its AFR, develop corrective action plans, set target remediation dates, and monitor implementation progress.

<sup>c</sup>The Marine Corps also used the Navy's Deficiency Tracking Tool to develop corrective action plans, set target remediation dates, and monitor implementation progress.

<sup>d</sup>DOD's general funds are used for collections not earmarked by law for specific purposes, the proceeds of general borrowing, and the expenditure of these moneys. The general fund appropriations cover costs including personnel, operations and maintenance, research and development, procurement, and military construction.

<sup>e</sup>DOD's working capital funds conduct business-like activities and receive funding to establish an initial corpus through an appropriation or a transfer of resources from existing appropriations or funds. The corpus finances operations and transactions flowing through the fund. Each working capital fund obtains the goods and services sold to customers on a reimbursable basis and maintains the corpus. Reimbursable receipts fund future operations and generally are available in their entirety for use without further congressional action.

<sup>f</sup>The Navy's fiscal year 2025's audit roadmap indicated that the Navy would achieve a clean audit opinion on its working capital fund by fiscal year 2027. However, in August 2025, Navy officials stated that they changed their strategies to accelerate their plans and achieve a clean audit opinion on the Navy's working capital fund by fiscal year 2026.

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### How do DOD's and the military services' annual audits affect their roadmaps?

DOD and the military services use annual audits to update, as appropriate, their remediation milestones and, in some cases, their roadmaps' target remediation dates. OUSD(C) officials told us remediation dates in DOD's audit roadmaps are informed by DOD component level remediation activity.

OUSD(C) officials stated that they review DOD's agency financial report (AFR) to identify new deficiencies. They then update the agencywide roadmap with changes to the data elements and target remediation dates.

Military services officials stated that they add IPA-identified deficiencies (NFR) to their respective NFR tracking systems, and they develop corrective action plans for them. For those NFRs and corrective action plans the military services identify as having an effect on their material weaknesses, they adjust (if necessary) the target remediation dates to match those in their corrective action plans.

DOD noted that it reviews each roadmap annually, and deviations require approval from the Deputy Secretary of Defense and Under Secretary of Defense (Comptroller)/Chief Financial Officer.

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### Have DOD or the military services extended remediation milestones?

Yes, DOD and the relevant military services have extended milestone dates for audit remediation on several occasions.

- **DOD.** DOD's fiscal year 2024 AFR showed that eight of its 28 material weaknesses had updated target remediation dates that were extended from those listed in its fiscal year 2023 audit roadmap. Also, DOD accelerated four material weaknesses' target remediation dates.<sup>16</sup>
- **Army.** The Army's fiscal year 2024 audit roadmap showed that two of its 17 general fund material weaknesses and two of its 14 working capital fund material weaknesses had updated target remediation dates that were extended from those listed in its fiscal year 2023 audit roadmap. Also, the Army accelerated the target remediation date of one general fund material weakness.
- **Navy.** The Navy's fiscal year 2024 AFR showed that six of its 16 general fund material weaknesses and three of its 12 working capital fund material weaknesses had updated target remediation dates that were extended from those listed in its fiscal year 2023 AFR. Also, the Navy accelerated the target remediation date of one general fund material weakness.<sup>17</sup>

- **Air Force.** The Air Force’s fiscal year 2024 audit roadmap showed that two of its nine general fund material weaknesses had updated target remediation dates that were extended from those listed in its fiscal year 2023 audit roadmap.

The Marine Corps did not extend any milestone dates; it underwent a 2-year audit and achieved a clean audit opinion for fiscal year 2023. Therefore, it had only one audit roadmap as of the time we issued our report.

**Did DOD and the military services prioritize their remediation efforts?**

Yes, officials from OUSD(C) and the military services said they used the Secretary of Defense’s *Fiscal Year 2024 Financial Statement Audit Priorities* memorandum to prioritize the material weaknesses on which to focus their remediation efforts for fiscal year 2024. OUSD(C) officials added that for the agencywide audit, they also used the DOD OIG report *Understanding the Results of the Audit of the FY 2023 DOD Financial Statements*.<sup>18</sup>

Table 1 shows these audit priority areas and the related material weaknesses noted in DOD OIG’s report for the fiscal year 2023 audit.

Table 1: Secretary of Defense’s Fiscal Year 2024 Audit Priority Areas and Related Material Weaknesses Noted in the Department of Defense (DOD) Office of Inspector General’s (OIG) Report for the Fiscal Year 2023’s Audit	
Secretary of Defense fiscal year 2024 audit priority	Related material weaknesses noted in DOD OIG’s report for the fiscal year 2023 audit
Improve fund balance with Treasury	Fund balance with Treasury
Strengthen internal control environment	Access controls Configuration management Segregation of duties
Create a universe of transactions	Universe of transactions
Optimize asset valuations	General property, plant, and equipment Joint Strike Fighter Program Government property in the possession of contractors Inventory and stockpile materials Operating materials and supplies

Source: GAO analysis of DOD information. | GAO-25-107427

DOD did not make substantial progress in remediating its material weaknesses for fiscal year 2024. Although DOD’s auditors downgraded one material weakness related to contingent legal liabilities, they identified a new one related to DOD’s reporting of leases, resulting in no net change to the number of material weaknesses identified in DOD’s fiscal year 2024 AFR compared with its fiscal year 2023 AFR. And all the material weaknesses related to the Secretary of Defense’s fiscal year 2024 audit priorities were still present.

**What contributed to the Marine Corps obtaining a clean opinion?**

Three factors contributed to the Marine Corps obtaining a clean audit opinion in fiscal years 2023 and 2024: a new financial management system, a substantive-based testing approach, and a 2-year audit cycle.

- **Migration to new financial management system.** In fiscal year 2020, the Marine Corps began planning to transition from using the legacy general

ledger Standard Accounting Budgeting and Reporting System (SABRS) to Defense Agencies Initiative (DAI) as its general ledger accounting system; it officially began transitioning in fiscal year 2022.<sup>19</sup> The Marine Corps stated that its primary objective in the transition to the DAI platform was to improve its financial management. This ultimately helped it to achieve a clean audit opinion by, for example, improving the accuracy and efficiency of its financial reporting capabilities and resolving some of its material weaknesses.

- **Substantive-based testing approach.** Marine Corps' auditors used a substantive-based testing approach for the fiscal year 2023 audit and repeated it for the fiscal year 2024 audit. Using this approach to conduct the audit was labor intensive for both the auditor and the Marine Corps because the auditors were unable to rely on the Marine Corps' internal controls over financial reporting. This resulted in an increase in detailed testing and required the Marine Corps to produce a large volume of information for auditors to test, which supported transactions, account balances, and other adjustments made while preparing financial statements.

In addition, this approach required the auditors to physically count military equipment, ammunition, and other property more extensively. The Marine Corps' IPAs undertook this approach to obtain adequate audit evidence to support a clean audit opinion.

- **Two-year audit cycle.** Rather than plan for two annual financial statement audits in fiscal years 2022 and 2023, the Marine Corps did not issue audited financial statements in fiscal year 2022 and instead underwent a single 2-year audit for its fiscal year 2023 financial statements. According to DOD, modifying the Marine Corps' financial statement audits this way allowed the Marine Corps to significantly invest more time in executing corrective actions to address errors and inaccuracies in its financial data and records to allow the auditor to test transactions and balances.

The Office of Management and Budget granted extensions for fiscal year 2023 and again in fiscal year 2024, which allowed auditors to move the issuance dates of the final audit reports from November to February, and to test year-end transactions and journal entries.

While the Marine Corps was able to achieve a clean audit opinion, auditors identified seven material weaknesses that remain open. The Marine Corps still needs to remediate its open material weaknesses by improving its IT and financial operations, which are essential for implementing sustainable business processes.

It is unclear how successfully the other large DOD component reporting entities could employ this approach, with auditors using substantive testing procedures, and not relying on controls. It may pose significant challenges for them to successfully complete an audit. Specifically, the challenges include the following:

- **Size.** The Army, Navy, and Air Force are much larger and more complex organizations than the Marine Corps. As of fiscal year 2024, Army, Navy, and Air Force assets were 15 percent, 49 percent, and 23 percent, respectively, of DOD's total assets (excluding intragovernmental assets). The Marine Corps' assets were 2 percent.
- **Volume of transactions.** High volumes of transactions for the Army, Navy, and Air Force could make it difficult to test transaction details and account balances solely through substantive procedures. This would require the services to provide sufficient, appropriate audit evidence for large sample sizes, which would be time consuming for the services to gather and for the IPAs to test in order to draw their audit conclusions.

## What will DOD need to do to receive a clean audit opinion by fiscal year 2028?

DOD OIG reported that for DOD to receive a clean audit opinion, it will need to remediate many of the 28 material weaknesses that DOD OIG identified in fiscal year 2024. Long-standing material weaknesses are significant roadblocks to DOD's auditability goals and are preventing it from establishing an efficient and effective financial management environment.<sup>20</sup>

Actions DOD needs to take to remediate its material weaknesses include the following:

- **Implement effective financial management systems and IT controls.** DOD's business systems modernization efforts have been on GAO's High-Risk List since 1995. Also, the OIG has identified DOD's financial management systems and IT environment as material weaknesses in all seven of its full DOD financial statement audits. In addition, as of fiscal year 2024, DOD OIG identified six IT-related material weaknesses, for which auditors issued 1,127 IT NFRs.

DOD OIG reported that DOD's plans to improve its system environment allowed it to maintain too many outdated and noncompliant systems for far too long. For example, DOD's plans as of fiscal year 2023 were to operate more than 100 financial management feeder systems beyond fiscal year 2028, including three significantly outdated accounting systems through fiscal year 2031. The OIG concluded that DOD must reduce its reliance on outdated systems that do not comply with federal requirements and accounting standards. Otherwise, it will likely continue to struggle with ensuring that its systems comply with law, which could continue to impede its ability to achieve a clean audit opinion and increase its risk of making ill-informed business decisions that directly affect its mission to ensure the security of the United States.<sup>21</sup>

- **Implement audit roadmaps.** As noted earlier, DOD's and the military services' audit roadmaps all aim to remediate their material weaknesses by fiscal year 2028, except for DOD's Financial Management Systems Modernization material weakness (one of DOD's IT-related material weaknesses).

DOD must have its corrective actions for material weaknesses in place with enough time for auditors to complete audit procedures before they may render an audit opinion.<sup>22</sup> DOD OIG noted that, DOD has historically required about 2 years of targeted audit work and remediation effort to fully close material weaknesses after DOD presented corrective actions and asserted that the deficiencies had been resolved.

We reported that in fiscal year 2022, DOD consistently missed target remediation dates provided in its roadmap, and DOD's plans lacked detailed procedures for addressing material weaknesses, which is important to achieving a clean audit opinion. We also issued five recommendations related to DOD taking steps to improve its audit roadmaps, including considering dependencies that component reporting entities identified, analyzing the feasibility of estimated target remediation dates, and reassessing actions as needed.<sup>23</sup> These recommendations are still open as September 2025.

According to DOD officials, a remediation timeline generally encompasses the period required for auditors to evaluate and test the effectiveness of corrective actions. Therefore, the timelines noted are DOD's current target remediation dates for DOD OIG to close or downgrade the material weaknesses after it evaluates and tests the effectiveness of DOD's corrective actions.

Considering DOD's path to producing reliable financial statements, OUSD(C) officials noted that it is critical for DOD and the military services to consider the risk that more material weaknesses may be identified as auditors test additional areas. OUSD(C) officials stated that to mitigate this risk, DOD and the military services have enhanced collaboration by fostering material weakness working group sessions, conducting training, and holding governance meetings. These activities are intended to address audit issues, share best practices for resolving root causes, and improve audit remediation so that DOD could timely remediate any new issues.

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## Agency Comments

We provided a draft of this report to DOD for review and comment. DOD provided technical comments, which we incorporated as appropriate.

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## How GAO Did This Study

To describe financial statement audits and the major obstacles DOD has in obtaining a clean audit opinion, we reviewed our past reports on the consolidated financial statements of the U.S. government and DOD financial management. We also reviewed past DOD OIG and military service IPA audit reports related to DOD and the military services.

To describe DOD's and the military services' deficiencies and their effects on DOD's efforts to obtain a clean audit opinion, we reviewed fiscal year 2024 DOD OIG and military service IPA audit documentation, audit contract deliverables, and audit reports. We also interviewed DOD and DOD OIG officials to get the fiscal year 2024 NFR and material weakness counts as well as obtain information on DOD's progress in remediating identified deficiencies.

To describe DOD OIG and military service IPA audit approaches, we reviewed the OIG's fiscal year 2024 fieldwork guide and the respective military service IPAs' contracts with the OIG.

To describe DOD's and the military services' remediation plans and how they prioritized their fiscal year 2024 remediation efforts, we reviewed the law mandating that DOD ensures it receives a clean audit opinion on its financial statements by December 31, 2028. We reviewed DOD's and the military services' fiscal years 2024 and 2023 AFRs. We reviewed the Secretary of Defense's fiscal year 2024 financial statement audit priorities as well as DOD OIG's report for its fiscal year 2023 audit, *Understanding the Results of the Audit of the FY 2023 DOD Financial Statements*, and its October 2024 presentation to Congress on DOD's material weaknesses.

In addition, we reviewed DOD's and the military services' 2023, 2024, and 2025 roadmaps as well as the detailed military service project plans. These included milestones aimed to address the related NFRs for the material weaknesses we selected to examine: access controls, configuration management, segregation of duties, general property, plant, and equipment, Joint Strike Fighter Program, government property in possession of contractors, inventory and stockpile materials, and operating materials and supplies. Further, we conducted interviews with officials from DOD, DOD OIG, the military services, and the military services' IPAs to obtain information on DOD's and the military services' remediation plans. We also attended and participated in status update meetings for the audits, corrective action review meetings, and working group meetings with DOD officials, DOD OIG officials, and IPA representatives.

We conducted this performance audit from February 2024 to September 2025 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.

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## List of Addressees

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

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

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

We are sending copies of this report to the appropriate congressional committees, the Secretary of Defense, and other interested parties. In addition, the report will be available at no charge on the GAO website at <https://www.gao.gov>.

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## Appendix I: DOD's and the Military Services' Fiscal Year 2024 NFR Counts

**Table 2: Fiscal Year 2024 New and Closed Notices of Findings and Recommendations (NFR)**

Reporting entity	Total beginning balance	Total closed in fiscal year 2024	Total new NFRs in fiscal year 2024	Total reissued NFRs in fiscal year 2024	Combined total NFRs issued in fiscal year 2024
Agencywide	64	16	7	48	55
Army	679	231	149	439	588
Marine Corps	84	40	22	44	66
Navy	945	227	96	718	814
Air Force	441	143	119	324	443
<b>Subtotal</b>	<b>2,213</b>	<b>657</b>	<b>393</b>	<b>1,573</b>	<b>1,966</b>
Other DOD	1,064	295	174	772	946
<b>Total</b>	<b>3,277</b>	<b>952</b>	<b>567</b>	<b>2,345</b>	<b>2,912</b>

Source: GAO analysis of Department of Defense (DOD) information. | GAO-25-107427

## Endnotes

<sup>1</sup>31 U.S.C. § 3515, 31 U.S.C. § 3521(e), and 10 U.S.C. § 240a. A full audit of DOD's consolidated financial statements was first required for fiscal year 1996, under the Government Management Reform Act of 1994 (GMRA), Pub. L. No. 103-356, § 405, 108 Stat. 3410, 3415. However, the National Defense Authorization Act for Fiscal Year 2002, Pub. L. No. 107-107, § 1008, 115 Stat. 1012, 1204 (2001), limited the audit procedures to be performed on statements that DOD has determined to be unreliable. This limitation was repealed in 2017. National Defense Authorization Act for Fiscal Year 2018, Pub. L. No. 115-91, § 1003(h), 131 Stat. 1283, 1542 (2017).

<sup>2</sup>31 U.S.C. § 3521(e).

<sup>3</sup>A DOD component is a military department, defense agency, DOD field activity, a combatant command, or other organizational entity within DOD.

<sup>4</sup>The military services are the Army, Navy, Marine Corps, Air Force, and Space Force. However, the Space Force does not currently have a stand-alone audit, so it is outside the scope of this engagement.

<sup>5</sup>GMRA, added a requirement for financial statements covering the executive branch of the federal government, beginning with fiscal year 1997, to be prepared by the Secretary of the Treasury, in coordination with the Director of the Office of Management and Budget and audited by GAO. See 31 U.S.C. § 331(e).

<sup>6</sup>GAO, *DOD Financial Management: Additional Actions Needed to Achieve a Clean Audit Opinion on DOD's Financial Statements*, [GAO-23-105784](#) (Washington, D.C.: May 15, 2023).

<sup>7</sup>Department of Defense, Office of Inspector General, *Part 2. Understanding the Results of the Audit of the FY 2024 DOD Financial Statements* (Alexandria, Va.: June 17, 2025).

<sup>8</sup>GAO, *Financial Management: DOD Has Identified Benefits of Financial Statement Audits and Could Expand Its Monitoring*, [GAO-24-106890](#) (Washington, D.C.: Sept. 24, 2024).

<sup>9</sup>[GAO-23-105784](#).

<sup>10</sup>Department of Defense, Office of Inspector General, *Understanding the Results of the Audit of the FY 2023 DOD Financial Statements* (Alexandria, Va.: Aug. 8, 2024).

<sup>11</sup>Per OUSD(C) officials, the NFR closure rate is the percentage of NFRs closed out of the total NFRs issued at a given time.

<sup>12</sup>According to OUSD(C) officials, DOD OIG does not currently identify agencywide NFRs as critical or noncritical. However, OUSD(C) identifies corrective actions for the remediation of some of its material weaknesses as critical.

<sup>13</sup>Per DOD OIG, the reported NFR counts associated with DOD's fiscal year 2024 financial statements did not include NFRs issued to the Defense Security Cooperation Agency - Security Assistance Accounts, DOD OIG financial management, or NFRs resulting from audits that the DOD OIG did not oversee.

<sup>14</sup>Per OUSD(C) officials, not all NFRs are prepared consistently. OUSD(C) noted that some NFRs report a single deficiency, while others may report multiple deficiencies. Some NFRs have different levels of detail from others, as they are prepared by different IPA firms. Thus, the number of NFRs closed or remaining may not be indicative of how much progress has been made to resolve DOD's associated material weakness. However, it does show if DOD is making progress resolving its individual NFRs.

<sup>15</sup>The National Defense Authorization Act for Fiscal Year 2024, Pub. L. No. 118-31, § 1005, 137 STAT. 136, 379 (2023), reprinted at 10 U.S.C. § 240a note, mandates that the Secretary of Defense ensure that DOD receives a clean audit opinion on the financial statements of the department by not later than December 31, 2028.

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<sup>16</sup>For DOD's target remediation date comparison, we compared the dates noted in its fiscal year 2024 AFR with the fiscal year 2023 roadmap. As noted earlier, DOD's fiscal year 2024 AFR contained updated fiscal year 2024 target remediation dates for its material weaknesses compared with its August 2024 roadmap.

<sup>17</sup>For the Navy's target remediation date comparison, we compared the Navy's fiscal year 2024 AFR to its fiscal year 2023 AFR. As noted earlier, the Navy's audit roadmaps did not include all of its IPA-identified material weaknesses or their target remediation dates.

<sup>18</sup>Department of Defense, Office of Inspector General, *Understanding the Results of the Audit of the FY 2023 DOD Financial Statements*.

<sup>19</sup>A legacy general ledger system is an agency's core financial management system that has become outdated or obsolete. The general ledger is the highest level of financial summarization for an agency and maintains account balances. DAI is intended to serve as an enterprise resource planning system, which is an automated system using commercially available, off-the-shelf (i.e., without significant modifications) software. DAI consists of multiple, integrated functional modules that perform a variety of business-related tasks, such as general ledger accounting, payroll, and supply chain management. DAI is also intended to help address audit findings and meet financial and regulatory standards.

<sup>20</sup>Subsequent to the fiscal year 2024 audit, Navy working capital fund and Air Force officials stated in August 2025 that they changed their strategies to accelerate progress toward a clean audit opinion before DOD's 2028 statutory mandate. The Navy working capital fund and the Air Force noted changing their audit strategies from focusing on remediating their material weaknesses to substantiating transactions, account balances, and other adjustments. The Navy further added that it will apply a 2-year audit cycle for its working capital fund.

<sup>21</sup>Department of Defense, Office of Inspector General, *Understanding the Results of the Audit of the FY 2023 DOD Financial Statements*, and Department of Defense, *United States Department of Defense Agency Financial Report for Fiscal Year 2024* (Arlington, Va.: Nov. 15, 2024).

<sup>22</sup>Department of Defense, Office of Inspector General, *Agency-wide Material Weaknesses Presentation to the Under Secretary of Defense Comptroller/Chief Financial Officer* (Alexandria, Va.: October 2024).

<sup>23</sup>[GAO-23-105784](#).