

Insights into the Auditability of DOD's Fiscal Year 2024 Balance Sheet

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A report to congressional committees.

For more information, contact: Asif A. Khan at khana@gao.gov.

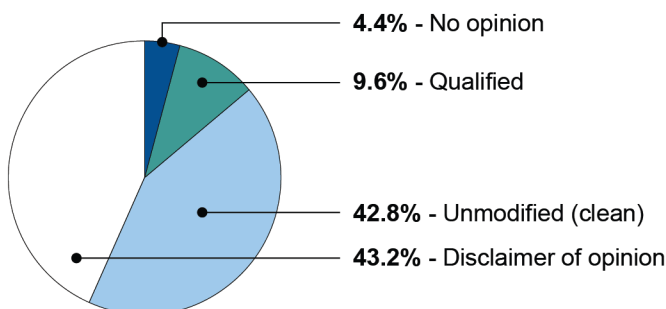
What GAO Found

For the seventh consecutive year since the Department of Defense (DOD) was required to undergo full-scope audits, DOD received a disclaimer of opinion on its financial statement audit in fiscal year 2024, meaning DOD could not provide auditors with sufficient, appropriate evidence needed to support information in its financial statements due to ineffective systems and processes. The National Defense Authorization Act for Fiscal Year 2024 requires DOD to receive an unmodified (clean) audit opinion by December 31, 2028.

DOD's balance sheet, a principal financial statement, is a snapshot of its financial position at a point in time—showing its assets (what it owns) and liabilities (what it owes). Reliable balance sheet data support informed decision-making and improve mission operations. In fiscal year 2024, DOD's balance sheet included information from 67 DOD components, making consolidation a complex process.

Although DOD received a disclaimer of opinion on its DOD-wide financial statements in fiscal year 2024, 11 DOD components received clean audit opinions. These components contributed \$1.8 trillion of DOD's total reported assets (42.8 percent) and \$3.1 trillion of its reported liabilities (72.2 percent). However, nearly all of DOD's total reported assets attributable to components with clean opinions related to the Military Retirement Fund. Similarly, nearly all assets attributable to components that received disclaimers of opinion related to the Army, Navy, and Air Force.

Percentage of DOD's Total Reported Assets Related to Each Type of Audit Opinion at the Component Level, Fiscal Year 2024



Source: GAO analysis of Department of Defense (DOD) and DOD component data. | GAO-25-108052

Additionally, in fiscal year 2024, DOD's Office of Inspector General identified 28 DOD-wide material weaknesses, which hinder sustainable business processes and a functioning internal control environment for its financial management operations. GAO's analysis showed that several identified DOD-wide material weaknesses directly affected \$2.1 trillion (50.3 percent) of DOD's reported assets and \$146.9 billion (3.4 percent) of its reported liabilities, indicating that there is an increased risk that these amounts are materially misstated. However, pervasive material weaknesses may affect all balance sheet data.

Why GAO Did This Study

DOD reported over \$4.1 trillion in assets on its balance sheet as of September 30, 2024. DOD's assets represent a significant portion of the federal government's reported total assets. The ability to properly account for and report these assets would improve DOD's ability to successfully carry out its mission and is critical to achieve an unmodified (clean) audit opinion.

However, DOD remains the only major federal agency that has yet to receive a clean audit opinion on its financial statements. This not only impedes DOD's financial transparency but that of the U.S. government as a whole.

DOD's financial statement audits promote accountability and transparency in how DOD manages its money and help identify financial and operational issues. DOD obtaining a clean audit opinion is important to ensure that information in its financial statements is reliable for informed decision-making.

This report, developed in connection with our mandate to audit the U.S. government's consolidated financial statements, provides insight on the auditability of DOD's balance sheet as of September 30, 2024. This report presents information on (1) component audit opinions as they relate to DOD's reported total assets and liabilities and (2) DOD-wide identified material weaknesses as they relate to reported total assets and liabilities.

GAO reviewed the fiscal year 2024 agency financial reports for DOD and its components to determine which audit opinions each received and what identified material weaknesses were present DOD-wide and at the component level. GAO analyzed the amounts (1) related to each type of audit opinion at the component level and (2) directly affected by identified material weaknesses.