

GAO Highlights

Highlights of [GAO-24-106890](#), a report to congressional addressees

Why GAO Did This Study

DOD is responsible for about half of the federal government’s discretionary spending. Since fiscal year 2018, DOD has undergone annual full, department-wide financial statement audits, as required by law. While DOD remains the only major federal agency that has never been able to achieve a clean audit opinion, it has made progress toward this goal. In fiscal year 2023, 10 of 29 DOD components or funds received a clean audit opinion, including the Marine Corps, which received a clean audit opinion for the first time. The financial statement audit has value beyond the audit opinion, helping DOD save money, improve inventory management, and provide better data for decision-making.

This report examines (1) financial and operational outcomes that have resulted or are anticipated to result from DOD’s financial statement audits and related remediation efforts, and (2) the extent to which DOD has taken steps to identify outcomes of its financial statement audits and related remediation efforts.

GAO reviewed DOD publications and other documentation; interviewed DOD, Inspector General, and independent public accounting firm officials; analyzed the results of DOD data calls from fiscal years 2019–2023; and performed case studies of selected audit outcomes.

What GAO Recommends

GAO recommends DOD consider opportunities to collect and share additional information on financial and operational outcomes and lessons learned resulting from audit remediation efforts. DOD concurred with GAO’s recommendation.

View [GAO-24-106890](#). For more information, contact Cathleen A. Berrick at (202) 512-3404 or berrickc@gao.gov or Asif A. Khan at (202) 512-9869 or khana@gao.gov.

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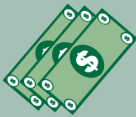







FINANCIAL MANAGEMENT

DOD Has Identified Benefits of Financial Statement Audits and Could Expand Its Monitoring

What GAO Found

Department of Defense (DOD) financial statement audits have resulted in a range of financial and operational outcomes, and additional outcomes are anticipated. According to DOD information, DOD’s audit remediation efforts have resulted in financial benefits, including cost savings and avoidances, and improved ability to use funds. GAO also found that DOD’s efforts have resulted in operational benefits, including improvements to financial systems and data, mitigation of cybersecurity risks, enhanced visibility over assets and inventory, and more efficient processes (see figure).

Examples of Financial and Operational Benefits of DOD Financial Statement Audits

 <p>Financial benefits</p>	 <p>Cost savings and avoidances As of 2024, the Navy has identified fourteen legacy systems that it plans to retire, which it estimates will avoid nearly \$103 million in costs.</p>	 <p>Improved ability to use funds In fiscal year 2023, the Air Force reported using machine learning to identify \$653 million in obligations that may be applied in ways that preserve future buying power.</p>
 <p>Operational benefits</p>	 <p>Improvements to financial systems and data To help standardize data, DOD developed Advana, a platform for advanced analytics, which has helped reconcile fund balances with Treasury and avoid making at least \$5.5 billion in potential improper payments.</p>	 <p>Mitigation of cybersecurity risks In fiscal year 2023, the Air Force reported partially implementing an identity, credential, and access management tool—aligned with a DOD-wide strategy—which will help address cybersecurity risks, such as by enhancing user access controls.</p>
	 <p>Enhanced visibility over assets and inventory In fiscal year 2021, the Navy reported that it had identified more than \$4.3 billion in untracked materials—such as equipment and supplies—which can save on purchase costs by making items available for requisition.</p>	 <p>More efficient processes In fiscal year 2023, DOD reported that the Army had 79 automations in place, including 14 for its financial systems that eliminated the need for 5,600 labor hours that year.</p>

Source: GAO analysis of Department of Defense (DOD) information. | GAO-24-106890

DOD has taken some steps to collect examples of outcomes resulting from the financial statement audit, but these efforts are limited. For example, since 2019 DOD has conducted data calls to identify audit outcomes, but the data calls request three to five positive outcomes from only selected DOD components and do not collect negative or neutral outcomes. DOD also has not considered all opportunities—such as use of an existing database field—to expand its information collection efforts. By considering opportunities to collect additional information on audit outcomes, DOD could enhance its ability to determine the effectiveness of its corrective actions and share lessons learned across the department.