

GAO Highlights

Highlights of [GAO-24-107593](#), a testimony before the Subcommittee on Government Operations and the Federal Workforce, Committee on Oversight and Accountability, House of Representatives

Why GAO Did This Study

DOD is responsible for about half of the federal government’s discretionary spending and about 15 percent of its total spending. It is important for DOD to obtain a clean audit opinion to demonstrate that its financial statements and underlying financial management information are reliable for decision-making. DOD’s financial management and IT systems are both on GAO’s High Risk List because of pervasive weaknesses in the agency’s business operations, finances, and acquisition management.

To help DOD improve its financial management, DOD’s auditors have issued thousands of notices of findings and recommendations and 28 material weaknesses. In response, DOD has identified priority areas and developed a strategy, plans, and roadmaps. These actions are important steps, but DOD has faced challenges in meeting target remediation dates, and DOD’s use of aging legacy financial systems continues to hinder its efforts.

This testimony discusses (1) DOD’s financial management systems, (2) the financial and operational benefits of audits, and (3) DOD’s progress in responding to the deficiencies identified through those audits.

This testimony is based on GAO work from 2020 through 2024 related to DOD’s financial management. Details on GAO’s methodology can be found in each of the reports cited in this statement.

View [GAO-24-107593](#). For more information, contact Asif A. Khan at (202) 512-9869 or khana@gao.gov or Vijay A. D’Souza at (202) 512-7650 or dsouzav@gao.gov.

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DOD FINANCIAL MANAGEMENT





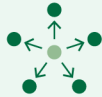
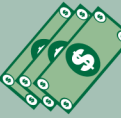


Benefits to Date of Financial Statement Audits and Need to Improve Financial Management Systems

What GAO Found

Several Department of Defense (DOD) components have achieved an unmodified (clean) audit opinion, including most recently the Marine Corps. However, as of fiscal year 2023, DOD remains the only agency to have never received a department-wide clean audit opinion. DOD must overcome challenges related to its financial management systems to achieve this goal.

To date, audits have provided valuable insight into improving the organization’s financial management and accountability over its resources. According to DOD, audits have resulted in both operational and financial benefits (see figure).

Examples of Operational and Financial Benefits of DOD Financial Statement Audits

 <p>Operational benefits</p>	 <p>Improvements to financial systems and data</p> <p>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</p> <p>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</p> <p>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</p> <p>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>
 <p>Financial benefits</p>	 <p>Cost savings and avoidances</p> <p>As of 2024, the Navy has identified 14 legacy systems that it plans to retire, which it estimates will avoid nearly \$103 million in costs.</p>	 <p>Improved ability to use funds</p> <p>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>

Source: GAO analysis of Department of Defense (DOD) information. | GAO-24-107593

To make greater progress DOD needs to take steps to address GAO’s 29 open recommendations associated with challenges DOD faces in meeting target remediation dates, addressing auditor-identified deficiencies, improving system transitions, and addressing its planning, oversight, and data limitations. Addressing these recommendations will help DOD track audit remediation efforts, avoid system transition delays, modernize its financial systems, and achieve a clean audit opinion.