

# Congress of the United States

## House of Representatives

COMMITTEE ON OVERSIGHT AND ACCOUNTABILITY

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**Ranking Member Kweisi Mfume**  
**House Committee on Oversight and Accountability**  
**Subcommittee on Government Operations and the Federal Workforce**  
**“Tracking Progress: Examining the Department of Defense’s**  
**Financial Management Practices”**  
**September 24, 2024**

Thank you, Chairman Sessions, and thank you to all of our witnesses for being here today.

Last July, we gathered in this committee room and held a hearing to address financial accountability in the Department of Defense. We are back today to continue that conversation, in light of the Department of Defense’s most recent inability to pass a clean audit for Fiscal Year 2023.

In Fiscal Year 2018, the Department of Defense (DOD), began its first attempt to pass a department-wide audit.

The FY2018 audit, covering \$2.7 trillion in assets and \$2.6 trillion in liabilities, was likely the largest audit any of us have ever conceptualized. As expected for such a large organization, the first audit attempt revealed severe material weaknesses where the DOD could not provide an accurate accounting of their finances.

There have been five (5) additional audit attempts after the FY2018 audit, and yet, most of the Department of Defense still has not produced a clean audit.

To be clear, I support our troops, and I know Congress has a duty to ensure our nation is protected from the growing threats at home and abroad.

I also know we have a duty to maintain accountability for the billions of dollars that make up Defense spending - about half of the federal government's total discretionary spending and nearly \$3.8 trillion in total assets.

In Fiscal Year 2024 alone, U.S. taxpayers provided the Department of Defense \$851.7 billion dollars. This figure represents one of the largest investments in the Department of Defense in our nations’ history.

While we continue to provide the DOD with escalating sums of money, only 11 out of the 29 DOD components achieved clean audits. The 18 components that failed—including the Army, Navy, and Air Force—comprise 90% of the DOD's assets by dollar amount.

Standing in the way of a clean audit for these components is the wide prevalence of “material weaknesses,” or in other words, areas in which the Department of Defense lacks internal controls over financial reporting.

In Fiscal Year 2023, these “material weaknesses” included an inability to track government property in the possession of contractors, an inability to manage and properly report inventory in the \$1.7 trillion Joint Strike Fighter Program, and an inability to properly account for its own property and assets on its consolidated balance sheet.

Altogether, these material weaknesses cause the Department of Defense to be the only major federal agency unable to receive a clean audit opinion.

In the past, I've supported amendments to the National Defense Authorization Act to cut the excessive billions of dollars directed to the Pentagon in part because I have unease that these and other longstanding issues are the latest manifestation of a history of pervasive deficiencies in the DOD's financial management systems, business processes, internal controls, and financial reporting.

Until the Department can restore full faith and accountability for these critical dollars, it is difficult for me to justify increasing their budget even further, especially in light of the pressing need for funds in so many other areas of our overall spending.

It must be said that while the DOD continues to struggle with the audit process, the importance of its work cannot be overstated. The DOD is our largest federal agency, employing more than 1.4 million active-duty service members, more than 770,000 civilian employees, and an additional 1.1 million citizens who serve in the National Guard and Reserve forces.

I am grateful for the sacrifices that these hardworking Americans make for this nation every day. In their effort to keep our nation safe, we must ensure our servicemembers have the most sophisticated, modernized technology and systems to eliminate financial errors, streamline data entry, and obtain the most effective national security possible for the dollars we invest.

I look forward to discussing how Congress can assist the Department of Defense in modernizing its financial management systems, and how we can incentivize the Department of Defense to improve its acquisition and management practices.

Congress cannot allow another failed audit to go by without pushing for reforms to address this issue. I would like to thank the Government Accountability Office, the Department of Defense Office of Inspector General, and Department of Defense leadership for their work since our last hearing, and continue to implore everyone involved to do their utmost to provide real transparency into where our military spending really goes.

The security of this nation remains of paramount concern, and accountability measures across the Department of Defense must be efficient, effective, and informative. I look forward to hearing your testimonies.

Thank you, Chairman. I yield back.

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