



INSPECTOR GENERAL

U.S. Department of Defense

FISCAL YEAR 2023

AGENCY FINANCIAL REPORT



INTEGRITY ★ INDEPENDENCE ★ EXCELLENCE



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**INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
4800 MARK CENTER DRIVE
ALEXANDRIA, VIRGINIA 22350-1500**



I am pleased to present the Department of Defense Office of Inspector General (DoD OIG) Fiscal Year (FY) 2023 Agency Financial Report (AFR). The report provides information on the DoD OIG's financial performance, an overview of our operations, and information on how we used taxpayer dollars to execute our mission in accordance with the Inspector General Act of 1978, as amended.

On November 30, 2022, I was honored to be confirmed as the first presidentially appointed, Senate-confirmed Inspector General at the DoD in almost 7 years. Since coming on board in December, I have been pleased to work with the dedicated team of auditors, evaluators, investigators, special agents and other oversight and administrative professionals at the DoD OIG in conducting robust, independent oversight of the programs, operations, and personnel of the DoD.

In FY 2023, the DoD OIG issued 119 audit and evaluation reports and management advisories, which identified \$1.7 billion in questioned costs and \$20.1 million in funds put to better use and that made 422 recommendations to the DoD for improvements in a wide range of areas. In addition to our programmatic reviews, we completed eight senior official misconduct, whistleblower reprisal, and Service member restriction investigations during this reporting period, and conducted oversight of an additional 1,054 such investigations completed by the Military Service and Defense Agency OIGs. The FY 2023 Compendium of Open Office of Inspector General Recommendations to the DoD identified 1,354 open recommendations as of March 31, 2023, a decrease of 71 open recommendations from 1,425. Of the remaining open recommendations, 40 have identified potential monetary benefits totaling \$5.9 billion.

During this reporting period, the DoD OIG continued to prioritize comprehensive oversight of all aspects of U.S. security assistance to Ukraine. The Chair of the Council of the Inspectors General on Integrity and Efficiency (CIGIE) announced my selection as the Lead Inspector General (Lead IG) for Operation Atlantic Resolve (OAR) effective October 18, 2023. In that capacity, I will continue to work closely with the other Lead IG partner oversight offices—the Department of State and U.S. Agency for International Development OIGs – as well as other oversight entities—to deliver comprehensive and effective oversight over the full scope of the U.S. response to Russia's full-scale invasion of Ukraine. In addition to OAR, I continue to serve as the Lead IG for Operation Inherent Resolve (OIR), regarding Iraq and Syria, and Operation Enduring Sentinel (OES), regarding Afghanistan, as the DoD OIG led comprehensive whole-of-government oversight planning and issued quarterly reports on those operations.

The DoD OIG's criminal investigative arm, the Defense Criminal Investigative Service (DCIS), completed 433 criminal investigations this year, some jointly with our law enforcement partners, which resulted in 200 arrests, 202 criminal charges, 210 criminal convictions, \$768.5 million in civil judgments and settlements, and \$887.7 million in criminal fines, penalties, and restitution ordered. In addition to its ongoing investigative work related to U.S. security assistance to Ukraine, the DCIS leveraged its significant experience conducting criminal investigations in conflicts situations around the world to inform and deliver Ukraine-focused fraud awareness briefings to thousands of attendees.

Finally, the DoD OIG's Diversity and Inclusion and Extremism in the Military (DIEM) component planned and conducted oversight of policies, programs, systems, and processes regarding diversity and inclusion in the DoD, and the prevention of and response to supremacist, extremist, and criminal gang activity in the Armed Forces. The DoD OIG issued eight reports related to the DIEM mission, and continued to engage with the Military Departments regarding the implementation of Service-specific policies for reporting prohibited activities.

RMA Associates, LLC (RMA), an independent public accounting firm, audited our FY 2023 financial statements. RMA issued the DoD OIG an unmodified opinion, expressing that our financial statements are presented, in all material respects, in accordance with generally accepted accounting principles. We have achieved this unmodified opinion for nine consecutive years, and we will continue to improve our financial management and reporting processes in FY 2024.

A handwritten signature in black ink, appearing to read "Robert P. Storch". The signature is fluid and cursive, with a large, rounded flourish at the end.

Robert P. Storch
Inspector General

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)





Management's Discussion and Analysis (Unaudited)

Background

The DoD Office of Inspector General (DoD OIG) is an independent and objective office that provides oversight of DoD programs and operations. The DoD OIG informs the Secretary of Defense, Congress, and the public about problems, deficiencies, and corrective actions within DoD programs and operations. The DoD IG also serves as the Lead Inspector General for specified overseas contingency operations, coordinating oversight activities and reporting quarterly to Congress and the public on each operation.

Mission Statement

The DoD OIG's mission is to detect and deter fraud, waste, and abuse in DoD programs and operations; promote the economy, efficiency, and effectiveness of the DoD; and help ensure ethical conduct throughout the DoD.

Vision Statement

Engaged Oversight Professionals Dedicated to Improving the DoD

The DoD OIG's vision is to help improve DoD programs and operations through timely, credible, relevant, impactful, and actionable oversight. Central to this vision is our people. We strive to be an employer of choice, ensuring our people are well-trained, well-equipped, and engaged. We are committed to a culture of performance, disciplined execution, and tangible results. We work together as One OIG to achieve results.

Our independence is key to fulfilling our mission. We align our work with the critical performance and management challenges facing the DoD. We focus on program efficiency, effectiveness, cost, and impact. We regularly follow up on our recommendations to monitor the DoD's implementation of these recommendations and provide assurance that the DoD is acting to address them. Implementing our recommendations, helps promote accountability and continuous improvement in the DoD.

We are agile. To remain relevant and impactful, we continually seek to improve our processes and our organization, and to operate more efficiently and effectively. We value innovation and use technology to help deliver timely results.

We seek to be a leader within the DoD and federal oversight community, collaboratively sharing information, data, and best practices with our oversight colleagues, to help improve oversight within the DoD and the Government as a whole.

Core Values

Our values define our organizational character and help guide the behaviors necessary to achieve our vision.

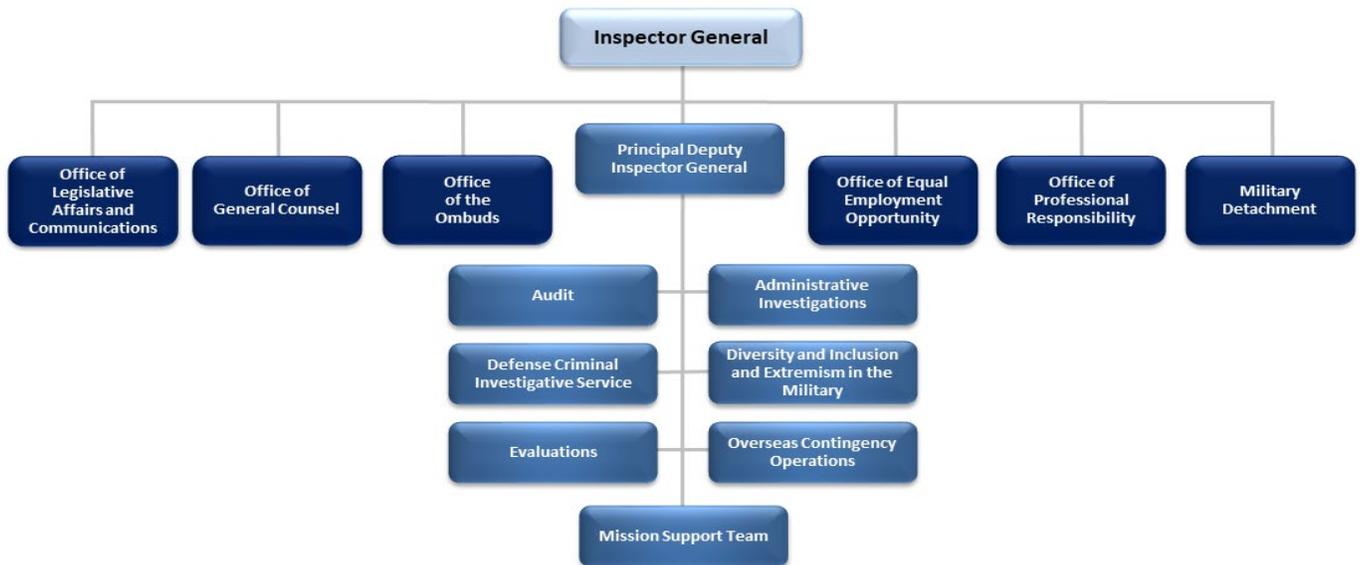
- Integrity
- Independence
- Excellence

Organization

The DoD OIG is headquartered in Alexandria, Virginia, and has more than 50 field offices located in the United States, Europe, Southwest Asia, and South Korea.

The DoD OIG carries out its mission with a workforce of approximately 1,900 auditors, evaluators, criminal and administrative investigators, attorneys, support staff, and contractors.

Figure 1. The DoD OIG organizational structure as of September 30, 2023



Audit

Audit conducts independent audits of DoD operations, systems, program, and functions. In the Audit Component:

- a. **The Acquisition, Contracting, and Sustainment (ACS) Directorate** performs audits of weapons systems and information technology acquisitions, spare parts procurement and pricing, and management of Government-owned inventory. ACS also performs audits of the DoD's ability to provide comprehensive and cost-effective health care.
- b. **The Readiness and Global Operations (RGO) Directorate** performs audits to help ensure that military forces are appropriately manned, trained, equipped and sustained for their assigned missions.
- c. **The Financial Management and Reporting (FMR) Directorate** performs audits and attestations, and conducts oversight of DoD financial statement audits. FMR also tracks and evaluates the status of the DoD's efforts to address corrective actions resulting from the prior year's financial statement audits.
- d. **The Cyberspace Operations (CSO) Directorate** performs audits of offensive and defensive cyber operations, and security controls that protect DoD information networks.
- e. **The Follow-up Division** determines whether DoD management implemented DoD OIG recommendations. The follow-up division regularly meets with senior DoD officials to discuss open recommendations and the actions required to close them.

Defense Criminal Investigative Service (DCIS)

DCIS conducts criminal investigations related to DoD programs and operations, focusing on procurement fraud, public corruption, product substitution, and financial crimes, health care fraud, illegal technology transfer, cyber-crimes, and computer network intrusions.

Administrative Investigations (AI)

AI investigates and oversees DoD Components' investigations of allegations of misconduct against senior DoD officials and allegations of whistleblower reprisal and restriction from communication with an IG or member of Congress. AI performs the DoD Whistleblower Protection Coordinator function, which is responsible for educating DoD employees on whistleblower statutory prohibitions and protections.

AI also manages the DoD Hotline for confidential reporting of fraud, waste, and abuse and for detecting and preventing threats and danger to the public health and safety related to DoD programs, operations, and employees. In the AI Component:

- a. **The Whistleblower Reprisal Investigations (WRI) Directorate** is responsible for the DoD Whistleblower Protection Program, which encourages personnel to report fraud, waste, and abuse to appropriate authorities, provides methods to address complaints of reprisal, and recommends remedies for whistleblowers who encounter reprisal.
- b. **The Investigations of Senior Officials (ISO) Directorate** investigates allegations of misconduct against general and flag officers, members of the Senior Executive Service, and Presidential Appointees and conducts over 28,000 name checks annually on individuals and senior DoD officials who are pending nomination by the Secretary of Defense and the President, and confirmation by the Senate.
- c. **The DoD Hotline** provides a confidential, reliable means to report violations of law, rule, or regulation; fraud, waste, and abuse; mismanagement; trafficking in persons, and serious security incidents that involve the DoD.
- d. **The Contractor Disclosure Program** enables DoD contractors to report certain violations of criminal law and the Civil False Claims Act discovered during self-policing activities; provides a framework for government verification of matters disclosed; and provides an additional means for a coordinated evaluation of appropriate administrative, civil, and criminal actions or remedies.

Evaluations (EVAL)

EVAL conducts independent reviews of DoD operations and activities.

In the EVAL Component:

- a. **The Program, Combatant Commands, & Overseas Contingency Operations Directorate** conducts evaluations related to overseas contingency operations, national security issues, and significant DoD programs and operations.
- b. **The Space, Intelligence, Engineering, & Oversight (SIE&O) Directorate** conducts evaluations related to intelligence and counterintelligence; special access programs; space, missile, and nuclear enterprises; and related security issues within the DoD. SIE&O also performs engineering assessments to identify areas for improvement in the acquisition, fielding, operation, and sustainment of weapon systems, facilities, and infrastructure. In addition, SIE&O provides policy guidance and oversight for the audit and criminal investigation functions within the DoD.

Diversity and Inclusion and Extremism in the Military (DIEM)

DIEM is responsible for oversight of policies, programs, systems, and processes regarding diversity and inclusion in the DoD, and the prevention of and response to supremacist, extremist, and criminal gang activity of a member of the Armed Forces.

Overseas Contingency Operations (OCO)

OCO coordinates comprehensive joint oversight and reporting on designated overseas contingency operations by the DoD OIG and other Federal OIGs, in fulfillment of the DoD IG's Lead Inspector General responsibilities.

Office of General Counsel (OGC)

OGC provides independent legal advice on matters relating to the missions, functions, responsibilities, and duties of the DoD OIG. OGC also operates the DoD OIG subpoena and Freedom of Information Act programs.

Mission Support Team (MST)

MST provides essential support services to the DoD OIG enterprise, both at DoD OIG headquarters and at field offices located throughout the world. These services include strategic planning, human capital management, financial management, acquisition support, logistics services, information management and information technology support, security management, enterprise risk management, data analytics support, and correspondence management.

MST centrally handles finances and other support for over 50 DoD OIG field offices worldwide, and all DoD OIG IT operations. MST also operates the Defense Case Activity Tracking System–Enterprise (D-CATSe) Program Management Office (PMO) aimed at establishing and sustaining a single DoD-wide system for the management of administrative investigation information, and the Criminal Investigative Management System (CRIMS) PMO that supports the criminal investigation case management system used by DCIS.

Performance Goals, Objectives, and Results

Strategic Goals

The DoD OIG has identified three strategic goals, and key objectives corresponding to those goals, in its Strategic Plan.

Goal 1: Be an employer of choice within the oversight community.

Strategic Objectives:

- 1.1 Foster a positive environment and organizational culture in which DoD OIG employees are valued, engaged, and high-performing, with an appropriate work-life balance.
- 1.2 Attract, develop and maintain a highly qualified and diverse team dedicated to improving the DoD.

Goal 2: Perform timely, high quality, and impactful oversight that improves DoD programs and operations.

Strategic Objectives:

- 2.1 Conduct audits, investigations, evaluations, and special reviews that are accurate, timely, impactful, and relevant.
- 2.2 Provide timely and thorough follow-up of recommendations that improve DoD programs and operations.
- 2.3 Be a leader in the oversight community by sharing information and best practices.

Goal 3: Strengthen OIG business operations.

Strategic Objectives:

- 3.1 Create a performance culture built on data-informed decisions and disciplined execution.
- 3.2 Adapt the organization and streamline processes to meet evolving challenges.
- 3.3 Ensure the independence, security, utility, and effectiveness of information management and technology.

Results

Audit

In FY 2023, Audit:

- issued 76 oversight products (64 reports and 12 management advisories) with over 249 recommendations in FY 2023. These reports identified \$1.7 billion in questioned costs and \$33.9 million in funds that could be put to better use.
- initiated projects providing oversight of the DoD's support to Ukraine and issued reports related to the effectiveness of the DoD's training of Ukrainian armed forces and issues that led to unanticipated maintenance, repairs, and extended lead times that affected the readiness of military equipment selected to support the Ukrainian Armed Forces.
- provided Congressional briefings addressing oversight of DoD cybersecurity, privatized housing, the audit of DoD financial statements, and price reasonableness. Audit conducted projects that addressed Congressional mandates, including: the Chief Financial Officers Act, Federal Information Security Management Act, Payment Integrity Information Act, and the DoD's implementation and oversight of the Controlled Unclassified Information Program.
- completed its fifth audit of the DoD financial statements. The DoD OIG issued a disclaimer of opinion on the DoD Agency-wide financial statements and identified 28 material weaknesses. Independent public accounting firms overseen by the DoD OIG, identified 139 material weaknesses at the component level. The DoD OIG, and the independent public accounting firms overseen by the DoD OIG, closed 633 prior-year notices of findings and recommendations (NFRs), reissued 2,505 NFRs, and issued 479 new NFRs for issues identified during this year's audit.
- issued its seventh compendium of open recommendations and, in an effort to improve transparency, listed the recommendations on the DoD OIG's website. The 2023 Compendium reported trends and statistics related to the 1,354 recommendations open as of March 31, 2023.

Defense Criminal Investigative Service (DCIS)

In FY 2023, DCIS:

- recovered over \$922.9 million from investigations impacting the DoD. DCIS leveraged its asset forfeiture capabilities to return \$7.4 million to victim agencies through final orders of forfeiture and monetary judgments.
- investigations related to Operation Inherent Resolve (OIR) and Operation Enduring Sentinel (OES) have resulted in one arrest, three criminal charges, one conviction, sentences of 141 months confinement and 36 months of probation, one debarment, and over \$1 million in monetary recoveries. DCIS closed 38 investigations and initiated 30 new investigations related to OIR and OES.
- doubled its presence in Europe to investigate allegations of fraud, waste, and abuse associated with U.S. security assistance to Ukraine. DCIS also stationed two senior criminal investigators in Poland who are dedicated to the Ukraine Response and working in conjunction with other Federal law enforcement agencies and the DoD.
- procured body-worn cameras and developed policy and training in accordance with Executive Order 14074, "Advancing Effective Accountable Policing and Criminal Justice Practices to Enhance Public Trust and Public Safety."
- increased its presence in the U.S. European Command (USEUCOM) area of responsibility to investigate allegations of fraud, waste, and abuse associated with the DoD's increased funding to support the Pacific Deterrence Initiative. DCIS also hosted a U.S. Indo-Pacific Command (USINDOPACOM) Fraud Working Group in South Korea to coordinate fraud investigations with International and U.S. investigative and prosecutorial partners in the region.
- finalized formal information sharing agreement with the NATO Support and Procurement Agency to coordinate fraud, waste, and abuse investigations in furtherance of the DoD OIG's oversight of U.S. security assistance to Ukraine.

Table 1. DCIS Performance Criteria and Evaluation Summary

DCIS: Performance Criteria and Evaluation Summary			
Performance Metrics	FY 2023	FY 2024	FY 2025
	Actual	Estimate	Estimate
	Dollars in Millions		
Criminal Charges	202	225	230
Criminal Convictions	210	222	227
Civil judgements and settlements, criminal fines penalized and restitutions	\$768.5	\$1.4	\$1.5
Recovered Government property and administrative recoveries	\$28.9	\$196.0	\$203.0
Suspension of contractors	69	79	81
Debarment of contractors	90	136	139

Administrative Investigations

In FY 2023, AI:

- WRI directorate published changes to DoD Directive 1401.03, DoD Non-appropriated Fund Instrumentality (NAFI) Employee Whistleblower Protection and DoD Instruction 5505.15, DoD Contractor Disclosure Program.
- ISO directorate closed four investigations; none were closed (0%) in 240 days or less. ISO's intake review team closed 921 intake cases, and of those, 234 intakes required additional investigative work to resolve. ISO also conducted oversight reviews of 125 component IG cases and completed 71 percent within the 30-day metric.
- WRI directorate closed four reprisal investigations, but none were closed in 180 days or less. The average days to conduct an investigation for military and contractor reprisal investigations increased to 357 days; however, the average age for an intelligence community, appropriated fund, and non-appropriated fund employee decreased to 217 days. WRI completed oversight review of 929 cases and completed 91 percent (841) within the 10- day metric. WRI resolved 32 whistleblower reprisal complaints through the Alternative Dispute Resolution Program.
- DoD Hotline group made 421 Priority 1 referrals related to life, health, safety concerns, 318 (76 percent) in one work day or less. The Hotline also reviewed 1,370 Hotline Completion Reports, of which 823 (60 percent) were reviewed with in the 10-day

metric. The Hotline hosted four virtual Hotline Working Groups that included over 530 attendees from 49 DoD Components and 21 other Federal agencies.

- Contractor Discloser Program received 433 contractor disclosures that identified over \$23 million of potential monetary recoveries for the Government.
- Whistleblower Protection Coordinator logged 209 events totaling 2,498 contacts through face-to-face, virtual, or telephonic venues to educate them on their whistleblower rights, the role of various organizations involved in whistleblower allegations, and the role of the whistleblower protection coordinator. There were numerous visits to whistleblower reprisal complaint, whistleblower protection coordinator and whistleblower investigation webpages designed to enhance the education of DoD employees on their whistleblower rights and protections.
- Whistleblower Protection Coordinator in coordination with DoD Hotline subject matter experts, produced a Public Service Announcement video to promote the DoD OIG Cash Award Program, which recognizes and rewards disclosure of suspected fraud, waste, or mismanagement that results in a significant cost savings to the DoD. This award may be granted to DoD civilian employees and non-appropriated fund instrumentality employees whose disclosures of fraud, waste, or mismanagement is not related to a matter within their official responsibilities.
- personnel assisted the D-CATSe PMO in deploying D-CATSe enhancements (version 4.0.2) to the Naval Inspector General Senior Official Investigations and the Department of Defense Education Activity OIG.

Table 2. AI: Performance Criteria and Evaluation Summary

AI: Performance Criteria and Evaluation Summary			
Performance Metrics	FY 2023	FY 2024	FY 2025
	Actual	Estimate	Estimate
Investigations of Senior Officials complaints received	1,100	1,116	1,350
Investigations of Senior Officials complaints closed	1,050	925	1,017
Whistleblower Reprisal Investigations complaints received	2,040	2,222	2,488
Whistleblower Reprisal Investigations complaints closed	2,148	2,301	2,439
DoD Hotline contacts received	23,134	24,863	27,306
DoD Hotline cases referred	11,028	15,288	19,126
Contractor disclosures received	433	398	416

Evaluations

In FY 2023, EVAL:

- issued 43 oversight products (38 reports and 5 management advisories) with over 184 recommendations in FY 2023. The reports identified over \$24 million in questioned costs.
- initiated projects providing oversight of the DoD's support to Ukraine and issued reports related to accountability controls for thousands of defense items transferred to the Ukrainian Armed Forces.
- issued five management advisories, noting urgent concerns that DoD personnel were not always physically present to conduct an initial 100 percent serial number inventory of all enhanced end-use monitoring designated articles before transfer to Ukraine. In addition, EVAL identified that the DoD did not include a regular and recurring requirement to review, update, and remove defense articles designated for enhanced end-use monitoring.
- provided Congressional briefings addressing oversight of DoD healthcare, oversight of assistance provided to the Ukraine, and privatized housing. EVAL issued the Federal Voting Assistance Program report within statutory requirements.
- completed five external peer reviews and two single audit quality control reviews and issues identified noncompliance with standards for planning, supervision, and reporting.

Diversity and Inclusion and Extremism in the Military

In FY 2023, DIEM:

- staff conducted outreach across the DoD to further develop working relationships across the diversity and inclusion, sexual assault, harassment, and prohibited activities portfolios. In addition, DIEM collaborated with the teams in other DoD OIG Components to coordinate oversight efforts.
- published two oversight products.
- issued two annual and two semiannual reports, required by Section 554 of Public Law 116-283, "William M. (Mac) Thornberry National Defense Authorization Act for Fiscal Year 2021."
- established quality control program in DIEM Component, including a handbook that outlines policies and procedures for conducting oversight work.
- conducted outreach with DoD and Military Service stakeholders in support of planned and ongoing work, as well as data mapping efforts.

- issued guidance to the Military Services regarding Section 554 reporting requirements, incorporating requirements outlined by the Deputy Secretary of Defense memorandum, issued in July 2022.
- established DIEM as a Business Unit in the D-CATSe Case Management System, to implement receipt and tracking of prohibited activity allegations received by Administrative Investigations, and continued monitoring of DIEM Special Interest Indicators (SII) for tracking.
- led a coordinated effort with seven Offices of Inspectors General on an effort by the CIGIE Diversity, Equity, Inclusion, and Accessibility (DEIA) Committee to develop an Equity Guide for Oversight Work, to be used by the Federal IG community to identify opportunities to include equity considerations in oversight work.

Overseas Contingency Operations

In FY 2023, OCO:

- coordinated with the other components to publish 11 oversight reports and management advisories related to the DoD's support to Ukraine. The findings and recommendations for improvement include areas such as accountability controls for equipment provided to Ukraine, training of Ukrainian Armed Forces, availability and condition of pre-positioned equipment, and military information support operations.
- oversaw the completion of 11 oversight projects related to Operation Inherent Resolve (OIR) (2) and Operation Enduring Sentinel (OES) (9). Investigations related to OIR and OES resulted in one arrest, three criminal charges, one conviction, sentencing of 141 months confinement and 36 months of probation, one debarment, and over \$1 million in monetary recoveries.
- issued the first Joint Strategic Oversight Plan-Ukraine Response, identifying 70 oversight projects related to the U.S. Government's response to the 2022 large scale invasion of Ukraine.

Mission Support Team

In FY 2023, MST:

- completed a pilot of Microsoft 365 (M365) and received approval to establish its own M365 environment to improve virtual collaboration capabilities, while maintaining the confidentiality and integrity of DoD OIG data.
- onboarded 188 external hires, increasing the organization's end strength by 40.

- transitioned the DoD OIG to the National Background Investigation Services (NBIS) System. The NBIS System will serve as the Federal Government's system for end-to-end personnel vetting.
- completed the eighth consecutive unmodified audit opinion on the DoD OIG's FY 2022 financial statements.
- coordinated with contracting entities to complete 120 contract awards worth \$72.4 million.
- effectively supported the expansion of field sites in Europe to support oversight of U.S. assistance to Ukraine in its response to Russia's full scale invasion.
- deployed D-CATSe to the Naval Inspector General Senior Official Investigations Division and DoD Education Activity Office of Inspector General.
- enhanced automation capabilities supporting correspondence control, asset management, property accountability, and support agreement management. Deployed four new capabilities in the DoD OIG's management information system.
- expanded visualization and dashboard capabilities supporting DoD OIG business operations related to personnel, finance, oversight projects, risk management, and internal controls.
- published the FY 2023 Top DoD Management Challenges and FY 2023 DoD OIG Annual Oversight Plan. Improved DoD OIG oversight project planning and development of the FY 2024 DoD Top Management and Performance Challenges by capitalizing on collaborative partnerships within the DoD and enhancing internal analytical tools.
- strengthened information governance to include policies, business rules, classification, and paper reduction in compliance with National Archives and Records Administration (NARA) requirements.
- transitioned to a new personnel notification system as part of the DoD OIG's Continuity of Operations capability.
- coordinated with the General Services Administration to conduct a complete review of the DoD OIG's footprint requirements, field sites, and space plan.

Financial Overview

The DoD OIG's annual appropriation for FY 2023 was \$493.0 million and subsequently reduced to \$492.0 million.

Limitations of the Financial Statements

The principal financial statements are prepared to report the financial position and results of operations of the DoD OIG, pursuant to the requirements of 31 U.S.C. 3515 (b). The financial statements and accompanying notes are prepared from the books and records of the DoD OIG in accordance with U.S. Generally Accepted Accounting Principles (U.S. GAAP) and the formats prescribed by the Office of Management and Budget (OMB). Reports used to monitor and control budgetary resources are prepared from the same books and records. The financial statements should be read with the realization that they are for a component of the U.S. Government.

Financial Highlights and Analysis

The principal financial statements include the:

- Balance Sheet
- Statement of Net Cost
- Statement of Changes in Net Position
- Combined Statement of Budgetary Resources

Balance Sheet (BS)

The Balance Sheet, which reports the DoD OIG's financial position as of September 30, 2023 and 2022 reports probable future economic benefits obtained or controlled by the DoD OIG (Assets), claims against those assets (Liabilities), and the difference between them (Net Position). The \$119.7 million in assets represents amounts that the DoD OIG owns and manages, and is comprised of Fund Balance with Treasury (FBwT), Accounts Receivable, and Other Assets. During FY 2023, assets increased by \$22.3 million (23 percent) and liabilities increased by \$7.8 million (16.5 percent) due to an increase in appropriated funds for FY 2023. (See Table 3).

Statement of Net Cost (SNC)

The SNC presents the net cost of all the DoD OIG's programs for the years ended September 30, 2023 and 2022. The statement reports total expenses incurred less revenue earned from external sources to finance those expenses. Generally, the resulting balance of net cost is equivalent to the outlays reported on the Combined Statement of Budgetary Resources (SBR), plus accrued liabilities. The differences

between reported outlays of budgetary resources and reported net cost are generally related to when expenses are recognized. The DoD OIG's cost incurred relate primarily to oversight operations and support activities. These costs were offset with earnings from reimbursed activities. The net cost of operations during FY 2023 was \$488.1 million.

The \$488.1 million net cost of operations represents a \$50.4 million increase (11.5%) from the FY 2022 reported net cost of operations. The \$50.4 million increase consists of a \$51.0 million of increase in the net cost for Operations, Maintenance and Support activities, a decrease of \$420.0 thousand for research, development, test and evaluation activities, and \$165.8 thousand decrease for procurement efforts.

Statement of Changes in Net Position (SCNP)

The SCNP presents the total cumulative results of operations since inception and unexpended appropriations for the years ended September 30, 2023 and 2022. The SCNP displays the components of net position separately to enable the user to better understand the nature of changes to net position as a whole. The statement focuses on how the net cost of operations is financed, as well as displaying the other items financing the DoD OIG's operations. The DoD OIG's ending net position increased by \$14.5 million (29.1 percent) during FY 2023 due to appropriated funds received in FY 2023.

Combined Statement of Budgetary Resources

The Combined SBR presents the DoD OIG's total budgetary resources, the status for the years ended September 30, 2023 and 2022, and the relationship between budgetary resources and the outlays made against them. In accordance with Federal statutes and implementing regulations, obligations may be incurred and payments made only to the extent that budgetary resources are available to cover such items. There was an overall net increase in Total Budgetary Resources in FY 2023 from FY 2022 of \$37.1 million (7.6 percent), due to an increase in the appropriation in FY 2023.

Financial Performance Summary

This table represents the DoD OIG's condensed financial position, results of operations, and budgetary resources, and includes comparisons of financial balances from the current year to the prior year.

Table 3. Comparisons of Financial balances for the current and prior fiscal years

Changes in Key Financial Measures	Dollars in Thousands			
	FY 2023	FY 2022	\$ Change	% change
NET COST				
Total Financing Sources	\$484,994.9	\$438,854.5	\$46,140.4	10.5%
Less: Net Cost of Operations	\$488,116.1	\$437,746.1	\$50,370.0	11.5%
Net Change of Cumulative Results of Operations	(\$3,121.2)	\$1,108.4	(\$4,229.6)	(381.6%)
NET POSITION				
Assets:				
Fund Balance w/Treasury	\$118,079.2	\$95,993.7	\$22,085.5	23.0%
Cash and Other Monetary Assets	\$146.9	\$149.9	(\$3.0)	(2.0%)
Accounts Receivable, Net	\$1,444.1	\$1,176.9	\$267.2	22.7%
Total Assets	\$119,670.2	\$97,320.5	\$22,349.7	23.0%
Liabilities:				
Accounts Payable	\$9,343.4	\$4,977.0	\$4,366.4	87.7%
Other Liabilities	\$7,729.5	\$7,430.4	\$299.1	4.0%
Federal Employee and Veterans Benefits Payable	\$38,054.2	\$34,916.8	\$3,137.4	9.0%
Total Liabilities	\$55,127.1	\$47,324.2	\$7,802.9	16.5%
Total Net Position (Assets Minus Liabilities)	\$64,543.1	\$49,996.3	\$14,546.8	29.1%

Systems, Controls, and Legal Compliance

Systems

The DoD OIG relies on a variety of DoD systems to record, summarize, and report its financial information. These include the following:

- Defense Agencies Initiative
- Defense Departmental Reporting System
- Defense Civilian Payroll System
- Mechanization of Contract Administration Services
- Defense Travel System
- Defense Cash Accountability System
- Computerized Accounts Payable System with Wide Area Workflow

Management Assurances

The DoD OIG conducted its assessment of risk and internal control in accordance with Office of Management and Budget (OMB) Circular No. A-123, Management's Responsibility for Enterprise Risk Management and Internal Control, and the Green Book, Government Accountability Office (GAO)-14-704G Standards for Internal Control in the Federal Government, as required by the Federal Manager's Financial Integrity Act (FMFIA) of 1982. This assessment evaluated the system of internal controls in effect during the fiscal year ended September 30, 2023, to determine whether the DoD OIG complied with standards prescribed by the Comptroller General.

The objectives of the system of internal control of the DoD OIG are to provide reasonable assurance of:

1. Effectiveness and efficiency of operations;
2. Reliability of financial and non-financial reporting;
3. Compliance with applicable laws and regulations; and
4. Financial information system compliance with the Federal Financial Management Improvement Act (FFMIA).

The DoD OIG can provide reasonable assurance, except for four material weaknesses, that internal controls over operations, reporting, and compliance are operating effectively for the fiscal year ended September 30, 2023.

FY23 Statement of Assurance Memorandum



PRINCIPAL DEPUTY INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
4800 MARK CENTER DRIVE
ALEXANDRIA, VIRGINIA 22350-1500

September 28, 2023

MEMORANDUM FOR UNDER SECRETARY OF DEFENSE (COMPTROLLER)/CHIEF
FINANCIAL OFFICER OF THE DEPARTMENT OF DEFENSE

SUBJECT: Annual Statement of Assurance Required Under the Federal Managers' Financial
Integrity Act for Fiscal Year 2023

I recognize that the Department of Defense Office of Inspector General (DoD OIG) is responsible for managing risks and maintaining effective internal control to meet the objectives of Sections 2 and 4 of the Federal Managers' Financial Integrity Act (FMFIA) of 1982. The DoD OIG conducted its assessment of risk and internal control in accordance with OMB Circular No. A-123, "Management's Responsibility for Enterprise Risk Management and Internal Control," and the Green Book, GAO-14-704G, "Standards for Internal Control in the Federal Government." Based on the results of the assessment, the DoD OIG can provide assurance, except for four material weaknesses (MWs) as reported in the attached, that internal controls over operations, reporting, and compliance are operating effectively as of September 30, 2023.

The DoD OIG conducted an assessment of entity-level controls including fraud controls in accordance with the Green Book, OMB Circular No. A-123, the Payment Integrity Information Act of 2019, and the GAO Fraud Risk Management Framework. Based on the results of the assessment, the DoD OIG can provide reasonable assurance that entity-level controls including fraud controls are operating effectively, as of September 30, 2023.

The DoD OIG is hereby reporting that no Anti-Deficiency Act violation was identified during our assessments of the applicable processes.

If you have any questions, my point of contact is Geneva L'Abbe, Director of Risk Management, at (703) 601-5981 or geneva.g.labbe.civ@dodig.mil.

A handwritten signature in black ink, appearing to read "Steven A. Stebbins", is positioned above the printed name.

Steven A. Stebbins

Attachment:
As stated

Forward-Looking Information

Since February 2022, Congress has appropriated over \$62 billion to the DoD to support security assistance requirements in Ukraine and operational mission requirements within the U.S. European Command area of responsibility.

Persistent oversight to ensure appropriate visibility of and accountability for defense items once they are transferred to Ukraine and used in Ukraine's defense remains a key DoD OIG priority

In September 2023, the Chair of the Council of the Inspectors General on Integrity and Efficiency (CIGIE) announced the selection of the Department of Defense Inspector General (DoD IG) as the Lead Inspector General (Lead IG) for Operation Atlantic Resolve (OAR). The DoD IG will work closely with the other Lead IG agencies—the Department of State (State) and U.S. Agency for International Development (USAID) OIGs—to deliver comprehensive and effective oversight of the wider U.S. response to Russia's full-scale invasion of Ukraine. The Lead IG designation took effect on October 18, 2023.

During FY 2023, the Lead IG for OAR, Inspector General Storch and his State and USAID OIG partners, have deployed oversight staff to Ukraine and throughout the region, and have to date issued 44 oversight reports related to the U.S. response to the full-scale invasion of Ukraine, with an additional 79 reports planned and ongoing. The oversight agencies are planning 96 projects for FY 2024 to continue to monitor, audit, and evaluate OAR, including U.S. Government activities related Ukraine response. Together, the three IGs will continue to coordinate and collaborate to provide comprehensive, whole-of-government oversight of the U.S. response, and will issue publicly available quarterly reports on the contingency operation to Congress.

Throughout FY 2024, the DoD OIG components plan to continue work in the following areas:

- Audit will continue focusing on oversight that addresses the DoD's top priorities; areas related to what the DoD OIG believes are the top management and performance challenges facing the DoD; oversight of assistance to Ukraine, and areas identified through outreach with senior DoD officials, Congressional requests, Hotline tips, and DoD OIG expertise. Focus areas will include:
 - the DoD's efforts to support Ukraine during its conflict with Russia;
 - operations in the USINDOPACOM area of responsibility;

- policies, programs, systems, and processes related to personnel readiness, including diversity and inclusion in the DoD and the prevention of and response to extremist, and criminal gang activity in the military;
- the DoD's Military Health System and health care; contracting; price reasonableness; acquisition, repair, and maintenance of weapon systems; DoD supply chain issues;
- DoD global operations; cyberspace operations; securing DoD systems, networks, and data;
- DoD financial management and budgeting; building resiliency to environmental stresses; and missile defense capabilities.
- Audit will provide oversight of independent public accounting firms performing DoD Component-level financial statement audits and conduct the DoD's agency-wide financial statements audit. Audit will also provide recommendations to standardize DoD business processes and improve the quality of financial data and reliability of the DoD's systems. In addition, Audit will follow up on outstanding Notices of Findings and Recommendations from the financial statement audits to determine if corrective actions have been implemented.
- DCIS anticipates an increase of DCIS agents assigned to existing DOJ Counterintelligence Task Forces across the country who work jointly with over 50 federal partners in a robust information sharing environment to address DoD Technology protection, product substitution, healthcare fraud and other fraud, waste and abuse activity.
- DCIS plans to place a criminal investigator at the U.S. Embassy in Ukraine and to formalize strategic partnerships with Ukrainian law enforcement and prosecutorial agencies to facilitate better information sharing and expedite criminal investigations related to U.S. security assistance to Ukraine.
- DCIS will host a European Fraud Working Group in Germany to coordinate fraud investigations with International and U.S. investigative and prosecutorial partners. DCIS will include Ukrainian oversight partners and emphasize investigations related to security assistance programs.
- DCIS will continue to proactively identify and investigate allegations of fraud as it relates to OIR and OES with law enforcement partners.
- AI will continue leading a high level-working group with the Military Services IG offices to identify and implement best practices and standardized investigative processes to improve the timeliness of senior official investigations.

- AI will continue to educate DoD employees on the whistleblower rights and protections afforded when reporting fraud, waste, and abuse. AI plans to use various educational platforms and technologies, such as a PODCAST, and develop a Whistleblower Protection Application for use with Android/Apple iPhone technology.
- AI will expand the Hotline Working Group and the DoD Hotline Worldwide Outreach seminars to include other Hotlines in the National Capital Region.
- AI will reinstitute the DoD Hotline Corrective Action Reviews of cases before case closure to ensure findings, corrective actions and other primary data are properly recorded in D-CATSe.
- EVAL will continue focusing on oversight that addresses the DoD's top priorities; areas related to what the DoD OIG believes are the top management and performance challenges facing the DoD; oversight of assistance to Ukraine, and areas identified through outreach with senior DoD officials, Congressional requests, Hotline tips, and DoD OIG expertise.
- EVAL plans to conduct oversight of assistance to Ukraine including:
 - space, missile and nuclear operational sustainment and continuity; healthcare;
 - sexual assault and harassment;
 - operations, readiness and training;
 - the Defense intelligence enterprise;
 - special access programs; acquisition, fielding, operation, and sustainment of DoD weapon systems, facilities, and infrastructure;
 - formulation and administration of DoD Audit, Inspection, and Evaluation policies; and
 - the formulation and oversight of DoD criminal investigation and law enforcement policies and organizations.
- DIEM will continue to identify and execute impactful oversight projects. Focus project planning and outreach efforts to align with DIEM portfolios, congressional requests, and other relevant topics identified through coordinated outreach efforts across the DoD.
- DIEM will continue coordinated efforts with Administrative Investigations to monitor and track DIEM-related matters using D-CATSe and DoD Hotline data.
- DIEM will continue comprehensive outreach across the DoD, Military Services, and Military Criminal Investigative Offices (MCIOs).

- OCO will maintain oversight presence at Embassy Kyiv, Ukraine and at other United States European Command locations, and in Bahrain, Kuwait, and Qatar.
- OCO will issue the Joint Strategic Oversight Plan - Ukraine Response and the Comprehensive Oversight Plan for Overseas Contingency Operations.
- OCO will convene 12 Ukraine Oversight Interagency Working Group coordination meetings with Federal and Military Services oversight agency representatives.
- OCO will publish 11 Lead IG unclassified quarterly reports with 8 classified appendices.
- MST will develop a robust recruitment and retention strategy and ensure the DoD OIG fully executes its FTE.
- MST will initiate transition of IT to the cloud and modernize the DoD OIG's IT Service Management tool.
- MST will improve overall governance processes to support efficient and effective business operations.
- MST will continue to mature the DoD OIG's data analytics platform and visualization capabilities on classified and unclassified networks.
- MST will publish the FY 2024 Top DoD Management and Performance Challenges, FY 2025 DoD OIG Annual Oversight Plan, and FY 2025 Annual DoD OIG Planning Guidance.
- MST will strengthen enterprise risk management and internal controls program by publishing new execution guidance, conducting training, and testing effectiveness of internal controls.
- MST will transition the agency to DoD Trusted Workforce (TW) 2.0. TW 2.0 involves continuous vetting of personnel and will reduce the time required to onboard new hires, enable mobility of the Federal workforce, and improve insider threat monitoring capabilities.
- MST will complete deployment of D-CATSe to the Naval Inspector General and several smaller agencies.
- MST will develop the DoD OIG office space plan, developed in collaboration with General Service Administration (GSA).

FINANCIAL SECTION



Financial Section

Principal Financial Statements and Notes

The principal financial statements and the accompanying notes are prepared pursuant to the requirements of the Chief Financial Officers (CFO) Act of 1990, expanded by the Government Management Reform Act (GMRA) of 1994 and other applicable legislation. The financial statements are prepared in accordance with U.S. GAAP promulgated by the Federal Accounting Standards Advisory Board (FASAB) and OMB Circular No. A-136, Financial Reporting Requirements. The responsibility for the integrity of the financial information included in these financial statements rests with the management of the DoD OIG.

Four Principal Financial Statements

The financial statements of the DoD OIG include the four principal statements. These financial statements reflect the aggregate financial position of the DoD OIG and include both the proprietary and budgetary resources of the DoD OIG.

Statement	What Information It Provides
Balance Sheet	Reflects the DoD OIG's financial position as of September 30, 2023 and 2022. The assets are the amounts of future economic benefits owned or managed by the DoD OIG. The liabilities are amounts owed by the DoD OIG to federal and non-federal entities. The net position is the difference between assets and liabilities.
Statement of Net Cost	Shows separately the components of the net cost of the DoD OIG's operations for the fiscal years 2023 and 2022. Net cost is equal to the gross cost incurred by the DoD OIG, less any exchange revenue earned from its activities.
Statement of Changes in Net Position	Presents the sum of the cumulative results of operations since inception and unexpended appropriations provided to the DoD OIG that remain unused at the end of the fiscal years 2023 and 2022. The statement focuses on how the net cost of operations is financed. The resulting financial position represents the difference between assets and liabilities, as shown on the balance sheet.
Combined Statement of Budgetary Resources	Provides information about how budgetary resources were made available, as well as their status at the end of the period. This statement is exclusively derived from the DoD OIG's budgetary general ledger, in accordance with budgetary accounting rules. The Combined Statement of Budgetary Resources is prepared on a combined versus consolidated basis. As such, all intra-entity transactions are included in the balances reported in the statement.

Office of Inspector General Financial Report for FY 2023

Department of Defense Office of Inspector General Balance Sheets As of September 30, 2023 and 2022	Dollars in Thousands	
	2023	2022
ASSETS (Note 2)		
Intragovernmental:		
Fund Balance with Treasury (Note 3)	\$118,079.2	\$95,993.7
Accounts Receivable, Net (Note 6)	\$1,281.6	\$1,150.2
Total Intragovernmental	\$119,360.8	\$97,143.9
Other Than Intragovernmental:		
Cash and Other Monetary Assets (Note 4)	\$146.9	\$149.9
Accounts Receivable, Net (Note 6)	\$162.5	\$26.7
Total Other Than Intragovernmental	\$309.4	\$176.6
Total Assets	\$119,670.2	\$97,320.5
Liabilities (Note 11)		
Intragovernmental:		
Accounts Payable	\$3,422.5	\$2,336.4
Other Liabilities (Notes 13 and 15)	\$3,225.5	\$3,219.8
Total Intragovernmental Liabilities	\$6,648.0	\$5,556.2
Other Than Intragovernmental:		
Accounts Payable	\$5,920.9	\$2,640.6
Federal Employee and Veterans Benefits Payable (Note 13)	\$38,054.2	\$34,916.8
Other Liabilities (Note 15)	\$4,504.0	\$4,210.6
Total Other Than Intragovernmental	\$48,479.1	\$41,768.0
Total Liabilities	\$55,127.1	\$47,324.2
Commitments and Contingencies (Note 17)		
Net Position		
Unexpended Appropriations-Funds Other than Dedicated Collections	\$103,058.3	\$85,390.3
Cumulative Results of Operations-Funds Other than Dedicated Collections	(\$38,515.2)	(\$35,394.0)
Total Net Position	\$64,543.1	\$49,996.3
Total Liabilities And Net Position	\$119,670.2	\$97,320.5

The accompanying Notes are an integral part of these Principal Financial Statements.

Office of Inspector General Financial Report for FY 2023

Department of Defense Office of Inspector General Statements of Net Cost For the Years Ended September 30, 2023 and 2022	Dollars in Thousands	
	2023	2022
Program Costs (Note 19)		
Gross Costs	\$488,946.2	\$439,295.5
Less: Earned Revenue	(\$830.1)	(\$1,549.4)
Net Program Costs	\$488,116.1	\$437,746.1
Net Cost of Operations	\$488,116.1	\$437,746.1

The accompanying Notes are an integral part of these Principal Financial Statements.

Department of Defense Office of Inspector General Statements of Changes in Net Position For the Years Ended September 30, 2023 and 2022	Dollars in Thousands	
	2023	2022
Unexpended Appropriations:		
Beginning Balances	\$85,390.3	\$76,852.5
Appropriation Received	\$493,359.0	\$438,363.0
Appropriations Transferred-In	(\$1,334.0)	\$97.0
Other Adjustments	(\$12,178.9)	(\$4,355.9)
Appropriations Used	(\$462,178.1)	(\$425,566.3)
Net Change in Unexpended Appropriations	\$17,668.0	\$8,537.8
Total Unexpended Appropriations, Ending Balance	\$103,058.3	\$85,390.3
Cumulative Results of Operations:		
Beginning Balances	(\$35,394.0)	(\$36,502.4)
Other Adjustments	\$0.0	\$5.8
Appropriations Used	\$462,178.1	\$425,566.3
Transfers In without Reimbursement	\$0.0	\$6.0
Imputed Financing	\$22,816.8	\$13,276.4
Total Financing Sources	\$484,994.9	\$438,854.5
Net Cost of Operations	\$488,116.1	\$437,746.1
Net Change in Cumulative Results of Operations	(\$3,121.2)	\$1,108.4
Cumulative Results of Operations, Ending Balance	(\$38,515.2)	(\$35,394.0)
Net Position	\$64,543.1	\$49,996.3

The accompanying Notes are an integral part of these Principal Financial Statements.

Office of Inspector General Financial Report for FY 2023

Department of Defense Office of Inspector General Combined Statements of Budgetary Resources For the Years Ended September 30, 2023 and 2022	Dollars in Thousands	
	2023	2022
Budgetary Resources:		
Unobligated Balance Brought Forward, Oct 1	\$32,091.8	\$49,604.4
Appropriations	\$492,025.0	\$438,460.0
Spending Authority from Offsetting Collections	\$2,132.7	\$1,103.3
Total Budgetary Resources	\$526,249.5	\$489,167.7
Status of Budgetary Resources:		
New Obligations and Upward Adjustments	\$504,294.6	\$459,270.0
Unobligated Balance, End of Year:		
Apportioned, Unexpired Accounts	\$6,016.6	\$4,927.9
Expired Unobligated Balance, End of Year	\$15,938.3	\$24,969.8
Total Unobligated Balance, End of Year	\$21,954.9	\$29,897.7
Total Budgetary Resources	\$526,249.5	\$489,167.7
Outlays, Net:		
Outlays, Net (Total)	\$457,760.6	\$435,602.7
Agency Outlays, Net	\$457,760.6	\$435,602.7

The accompanying Notes are an integral part of these Principal Financial Statements.

Office of Inspector General Financial Report for FY 2023

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Office of Inspector General Financial Report for FY 2023

Note 1. Summary of Significant Accounting Policies

1.A Mission of the Reporting Entity

The DoD OIG is an independent and objective office that conducts oversight of DoD programs and operations. The DoD OIG informs the Secretary of Defense, Congress, and the American Taxpayer about problems, deficiencies, and corrective actions within DoD programs and operations. The DoD IG also serves as the Lead Inspector General for specified Overseas Contingency Operations, coordinating oversight activities and reporting quarterly to Congress and the public on each operation.

1.B Basis of Presentation

The DoD OIG fiscal year ends September 30. The accompanying financial statements account for all resources for which DoD OIG is responsible. These financial statements present the financial position, results of operations, changes in net position, and the combined budgetary resources of the DoD OIG, as required by the CFO Act of 1990, expanded by the GMRA of 1994, and other applicable legislation. The financial statements are prepared from the books and records of the DoD OIG activities in accordance with U.S. GAAP promulgated by the FASAB and presented in the format prescribed by OMB Circular No. A-136.

Since FY 2020, the DoD OIG's notes follow the same note structure as the DoD Agency-wide financial statements. Some notes in the DoD Agency-wide financial statements are not applicable to the DoD OIG because the DoD OIG does not have these types of transactions, or these transactions are immaterial to the financial statements. In these instances, the note number and name is included, but is marked as "Not Applicable." This shared note structure provides efficiency in the preparation of the DoD Agency-wide financial statements and consistency among the DoD Agency-wide and stand-alone Component annual financial statements.

1.C Basis of Accounting

The DoD OIG financial statements reflect both accrual and budgetary accounting transactions. Under the accrual method of accounting, revenue is recognized when earned and expenses are recognized when incurred, without regard to the receipt or payment of cash.

Budgetary accounting is based on concepts set forth by OMB Circular No. A-11, Preparation, Submission, and Execution of the Budget, as amended, which provides instructions on budget execution. Budgetary accounting is designed to recognize

the budgetary resources and the related status of those budgetary resources, including the obligation and outlay of funds according to legal requirements, which in many cases is made prior to the occurrence of an accrual-based transaction. Budgetary accounting is essential for compliance with legal constraints and controls over the use of Federal funds.

1.D Pronouncements issued but Not Effective until FY 2024

For FY 2024 implementation, FASAB has issued the Statements of Federal Financial Accounting Standards (SFFAS) 54, Leases: an Amendment of SFFAS 5, Accounting for Liabilities of the Federal Government and SFFAS 6, Accounting of Property, Plant, and Equipment Accounting for Impairment of General Property, Plant, and Equipment, which may affect future financial presentation, as well as financial management practices and operations, of upon implementation.

DoD OIG is evaluating the effects of these pronouncements and will implement changes that these pronouncements will have on its financial position, results of operations, changes in net position, and budgetary activity in FY 2024.

1.E Appropriations and Funds

The DoD OIG receives congressional appropriations, including operations and maintenance, research, development, test and evaluation, and procurement as financing sources for general funds. These funds expire either annually or on a multi-year basis. When authorized by legislation, these appropriations are supplemented by reimbursable authority. The DoD OIG uses these funds to execute its missions and subsequently report on resource usage.

1.F Revenues and Other Financing Sources

The DoD OIG recognizes revenue as a result of costs incurred for goods and services provided to other federal agencies and the public. Full-cost pricing is the DoD OIG's standard policy for services provided, as required by OMB Circular No. A-25, User Charges.

The DoD OIG recognizes the following imputed cost and related imputed Financing: employee pension, post-retirement health, and life insurance benefits, and post-employment benefits for terminated and inactive employees to include unemployment and workers compensation under the Federal Employees' Compensation Act (FECA). In accordance with the SFFAS 55, Amending Inter-Entity Costs Provisions, unreimbursed costs of goods and services other than those identified above are not included in the DoD OIG's financial statements.

1.G Recognition of Expenses

For financial reporting purposes, the DoD OIG recognizes operating expenses in the period when incurred. For expenses incurred but not yet reported, the DoD OIG estimates major items such as accounts payable and payroll expenses.

1.H Accounting for Intragovernmental and Other than Intragovernmental Activities

SFFAS 1, Accounting for Selected Assets and Liabilities, distinguishes between Intragovernmental and Governmental assets and liabilities. Intragovernmental assets and liabilities arise from transactions among Federal entities. Intragovernmental assets are claims other Federal entities owe to the DoD OIG, whereas intragovernmental liabilities are claims DoD OIG owes to other Federal entities. Public assets and liabilities arise from transactions with public entities. Accounting standards require an entity to eliminate intra-entity activity and balances from consolidated financial statements to prevent overstating various account balances. Generally, seller entities within the DoD OIG provide summary seller-side balances for revenue, accounts receivable, and unearned revenue to the buyer-side internal accounting offices.

1.I Funds with the U.S. Treasury

The DoD OIG's monetary resources are maintained in U.S. Treasury accounts. The Defense Finance and Accounting Service (DFAS) processes the majority of the DoD OIG's cash collections, disbursements, and adjustments. DFAS prepares monthly reports to the U.S. Treasury on checks issued, electronic fund transfers, interagency transfers, and deposits. In addition, DFAS submits reports to the U.S. Treasury by appropriation on interagency transfers, collections received, and disbursements issued. The U.S. Treasury records these transactions to the applicable FBWT account. On a monthly basis, the DoD OIG personnel review and reconcile FBWT, as required, with the U.S. Treasury accounts.

1.J Cash and Other Monetary Assets

Cash is the total of cash resources under the control of the DoD OIG including coin, paper currency, negotiable instruments, and amounts held for deposit in banks and other financial institutions. All of cash is classified as "non-entity" and is restricted.

1.K Accounts Receivable, Net

Accounts receivable from other Federal entities or the public include accounts receivable, claims receivable, and refunds receivable. The DoD OIG calculates an allowance for uncollectible accounts due from the public, based upon an analysis of prior year collection experience. The DoD OIG does not recognize an allowance for estimated uncollectible amounts from other Federal agencies, as receivables from other Federal agencies inherently. The DoD OIG resolves claims from other Federal agencies for accounts receivable, in accordance with the Intragovernmental Business Rules published in the Treasury Financial Manual.

1.L Leases

The DoD OIG has operating leases and, as the lessee, receives the use and possession of leased property from a lessor in exchange for payment. An operating lease does not substantially transfer all the benefits and risks of ownership. Payments for operating leases are expensed over the lease term as they become payable. The DoD OIG has vehicle and office space leases. Office space leases are the largest component of operating leases and are based on costs incurred by existing leases, General Services Administration bills, and inter-service support agreements. The DoD OIG adjusts future year projections of lease cost using the Consumer Price Index.

1.M Contingencies and Other Liabilities

The SFFAS 5, Accounting for Liabilities of the Federal Government, as amended by SFFAS 12, Recognition of Contingent Liabilities Arising from Litigation, defines a contingency as an existing condition, situation, or set of circumstances involving an uncertainty as to possible gain or loss. The uncertainty will be resolved when one or more future events occur or fail to occur. The DoD OIG recognizes contingent liabilities when past events or exchange transactions occur, a future loss is probable, and the loss amount can be reasonably estimated.

The DoD OIG does not disclose or record contingent liabilities when the loss is considered remote. For matters where the DoD OIG Office of General Counsel is unable to express an opinion regarding the likely outcome of the case and an estimate of the potential liability cannot be made, the total amount claimed against the government is classified as “Reasonably Possible” and disclosed if available.

1.N Accrued Leave

The DoD OIG reports liabilities for accrued compensatory and annual leave for civilians. Sick leave for civilians is expensed when taken. These liabilities are based on current pay rates.

1.O Net Position

Net position consists of unexpended appropriations and cumulative results of operations. Unexpended appropriations consist of unobligated and undelivered order balances. Unobligated balances are amounts of remaining budgetary resources available for obligation, which have not been rescinded or withdrawn. Undelivered orders are the amount of obligations incurred for goods or services ordered, but not yet received. Cumulative results of operations is the net difference between expenses and losses, and financing sources (including appropriations, revenue, and gains), since inception.

1.P Classified Activities

Accounting standards require all reporting entities to disclose that accounting standards allow certain presentations and disclosures to be modified, if needed, to prevent the disclosure of classified information.

1.Q Use of Estimates

The DoD OIG management has made certain estimates and assumptions when reporting assets, liabilities, revenue, expenses, and disclosures in the notes. Uncertainties associated with these estimates exist and actual results may differ from these estimates; however, the DoD OIG estimates are based on historical data, current events, and other assumptions that the DoD OIG believes to be reasonable under the circumstances.

1.R Combined Statements of Budgetary Resources

The budgetary accounting concepts are recognized in the Combined Statements of Budgetary Resources. The Combined Statements of Budgetary Resources present:

1. Budgetary Resources, which include unobligated balances of resources from prior years and new resources, consisting of appropriations, and spending authority from offsetting collections;
2. Status of Budgetary Resources, which include obligated amounts and unobligated amounts for the fiscal year; and
3. Outlays, Net, which is comprised of Outlays, Gross less Actual Offsetting Collections.

1.S Liabilities

Liabilities represent probable and measurable future outflows of resources as a result of past transactions or events and are recognized when incurred, regardless of whether there are budgetary resources available to pay the liabilities. However, liabilities cannot be liquidated without legislation providing resources and legal authority.

Liabilities Not Covered by Budgetary Resources include the DoD OIG liabilities incurred for which revenue or other sources of funds necessary to pay the liabilities have not been made available through Congressional appropriations.

Liabilities Covered by Budgetary Resources include liabilities for which Congress appropriated funds and are otherwise available to pay amounts due as of the Balance Sheet dates.

Liabilities Not Requiring Budgetary Resources include liabilities that have not in the past required and will not in the future require the use of budgetary resources.

Additionally, beginning FY 2024, liabilities amount will include lease liabilities for which budgetary resources have not yet been provided.

1.T Federal Employees Compensation Act (FECA)

The actuarial liability for future workers' compensation benefits reported includes the projected liability for death, disability, medical and miscellaneous costs for approved cases and an estimate for those cases incurred but not reported. The actual liability is developed by the Department of Labor (DOL) Office of Workers' Compensation Programs to determine the liability using a method that utilizes historical benefit payment patterns to predict future payments and is provided to the DoD OIG. Actual results could differ from the estimated amounts.

Note 2. Non-Entity Assets

Non-Entity Assets As of September 30	Dollars in Thousands	
	2023	2022
Non-Entity Assets		
Cash and Other Monetary Assets	\$146.9	\$149.9
Total Non-Entity Assets	\$146.9	\$149.9
Total Entity Assets	\$119,523.3	\$97,170.6
Total Assets	\$119,670.2	\$97,320.5

Non-entity assets are not available for use in the DoD OIG's normal operations. The DoD OIG has stewardship accountability and reporting responsibility for non-entity assets. The DoD OIG reported \$146.9 thousand and \$149.9 thousand as of September 30, 2023 and 2022, respectively, of seized cash, as a result of DCIS operations. This amount is held by the DoD OIG pending court processing. Depending on the outcome of the trials, this money will either be returned to the original owner or deposited with the U.S. Treasury.

Note 3. Fund Balance with Treasury

Status of Fund Balance with Treasury As of September 30	Dollars in Thousands	
	2023	2022
Unobligated Balances		
Available	\$6,016.6	\$4,927.9
Unavailable	\$15,938.3	\$24,969.8
Obligated Balance not yet Disbursed	\$101,139.8	\$69,680.9
Non-FBwT Budgetary Accounts	(\$5,015.5)	(\$3,584.9)
Total FBwT	\$118,079.2	\$95,993.7

Available Unobligated Balance includes the cumulative amount of budgetary authority that has not been set aside to cover outstanding obligations and can be used for future obligations. Unavailable Unobligated Balance includes the cumulative amount of budget authority and funds not available for obligation from offsetting collections.

Obligated Balance Not yet Disbursed includes funds that have been obligated for goods and services not received by the DoD OIG and goods and services received but not yet paid.

Non-FBwT Budgetary Accounts represent unavailable receipts and clearing accounts that do not have budget authority and non-FBwT Budgetary such as unfilled customer orders without advances and receivables.

Other FBwT information includes the following tables summarizing the fund balance amount in the Department of Treasury's Central Accounting Reporting System Account Statement Expenditure Activity report and the DoD OIG's Balance Sheet as of September 30, 2023 and 2022, respectively.

Fund Balance with Treasury As of September 30	Dollars in Thousands	
	2023	2022
Fund Balance		
Appropriated Funds	\$118,079.2	\$95,993.7
Total Fund Balance	\$118,079.2	\$95,993.7
Fund Balance Per Treasury vs Agency		
Fund Balance Per Treasury	\$118,079.2	\$95,993.7
Less: Fund Balance Per Agency	\$118,079.2	\$95,993.7
Reconciling Amount	\$0.0	\$0.0

The U.S. Treasury maintains and reports fund balances at the Treasury Index appropriation level. Defense Agencies and the DoD OIG are aggregated in Treasury Index 97. This Treasury Index does not separate individual balances for each Defense Agency and the DoD OIG. However, the DoD OIG is a stand-alone account and can be identified by basic symbol 0107.

For FY 2023 and FY 2022, the DoD OIG used the FBwT amount reported in the Department of the Treasury's Central Accounting Reporting System Account Statement Expenditure Activity report as the Fund Balance per Treasury amount at \$118.1 million to reconcile with the amount of Fund Balance reported in the DoD OIG's Balance Sheet. The reconciling amount is at \$0.

Note 4. Cash and Other Monetary Assets

Cash and Other Monetary Assets As of September 30	Dollars in Thousands	
	2023	2022
Cash	\$146.9	\$149.9
Total Cash and Other Monetary Assets	\$146.9	\$149.9

The DoD OIG reported \$146.9 thousand and \$149.9 thousand as of September 30, 2023 and 2022, respectively, of seized cash as a result of DCIS operations. The seized amount of \$146.9 thousand consisted of \$149.9 thousand at the beginning of FY 2023 reduced by \$3.0 thousand due to cash returned to the U.S Treasury during FY 2023.

An equivalent liability is created because this amount is currently being held by the DoD OIG pending the outcome of court proceedings, at which time the money will either be returned to the original owner or deposited with the U.S. Treasury. The liability is reported in Note 15, Other Liabilities.

Note 5. Investments and Related Interest

Not Applicable.

Note 6. Accounts Receivable, Net

Accounts Receivable, Net As of September 30	Dollars in Thousands		
	2023		
	Gross Amount Due	Allowance for Est Uncollectible	Accounts Receivable, Net
Intragovernmental Receivables	\$1,281.6	\$0.0	\$1,281.6
Other Than Intragovernmental Receivables	\$163.7	(\$1.2)	\$162.5
Total Accounts Receivable, Net	\$1,445.3	(\$1.2)	\$1,444.1

Accounts Receivable, Net As of September 30	Dollars in Thousands		
	2022		
	Gross Amount Due	Allowance for Est Uncollectible	Accounts Receivable, Net
Intragovernmental Receivables	\$1,150.2	\$0.0	\$1,150.2
Other Than Intragovernmental Receivables	\$27.7	(\$1.0)	\$26.7
Total Accounts Receivable, Net	\$1,177.9	(\$1.0)	\$1,176.9

Note 7. Loans Receivable, Net and Loan Guarantees Liabilities

Not Applicable.

Note 8. Inventory and Related Property, Net

Not Applicable.

Note 9. General Property, Plant and Equipment (PP&E), Net

Not Applicable.

Note 10. Other Assets

Not Applicable.

Note 11. Liabilities Not Covered by Budgetary Resources

Liabilities Not Covered by Budgetary Resources As of September 30	Dollars in Thousands	
	2023	2022
Intragovernmental Liabilities		
Other—Unfunded FECA Liability	\$1,913.4	\$1,992.8
Total Intragovernmental Liabilities	\$1,913.4	\$1,992.8
Other Than Intragovernmental Liabilities		
Accounts Payable	\$1.1	\$10.4
Federal Employee and Veterans Benefits Payable	\$37,574.6	\$34,470.4
Total Other Than Intragovernmental Liabilities	\$37,575.7	\$34,480.8
Total Liabilities Not Covered by Budgetary Resources	\$39,489.1	\$36,473.6
Total Liabilities Not Requiring Budgetary Resources	\$146.9	\$149.9
Total Liabilities Covered by Budgetary Resources	\$15,491.1	\$10,700.7
Total Liabilities	\$55,127.1	\$47,324.2

Intragovernmental Other Liabilities consist primarily of unfunded liabilities for FECA, Unemployment Insurance, and the Judgment Fund. Total liabilities not requiring budgetary resources represent seized cash held by the DoD OIG pending court processing.

Note 12. Federal Debt and Interest Payable

Not Applicable.

Note 13. Federal Employee and Veterans Benefits Payable

Federal Employee and Veterans Benefits Payable As of September 30	Dollars in Thousands		
	2023		
	Liabilities	Less: Assets Available to Pay Benefits	Unfunded Liabilities
Benefits			
FECA	\$10,901.2	\$0.0	\$10,901.2
Other—Unfunded Leave	\$27,153.0	(\$479.6)	\$26,673.4
Federal Employee and Veterans Benefits Payable (presented separately on the Balance Sheet)	\$38,054.2	(\$479.6)	\$37,574.6
Other—Unfunded FECA Liability	\$3,225.5	(\$1,312.1)	\$1,913.4
Total Federal Employee and Veterans Benefits Payable	\$41,279.7	(\$1,791.7)	\$39,488.0

Federal Employee and Veterans Benefits Payable As of September 30	Dollars in Thousands		
	2022		
	Liabilities	Less: Assets Available to Pay Benefits	Unfunded Liabilities
Benefits			
FECA	\$9,027.3	\$0.0	\$9,027.3
Other—Unfunded Leave	\$25,889.5	(\$446.4)	\$25,443.1
Federal Employee and Veterans Benefits Payable (presented separately on the Balance Sheet)	\$34,916.8	(\$446.4)	\$34,470.4
Other—Unfunded FECA Liability	\$3,219.8	(\$1,227.0)	\$1,992.8
Total Federal Employment and Veterans Benefits Payable	\$38,136.6	(\$1,673.4)	\$36,463.2

Federal Employee and Veterans Benefits Payable primarily consists of unfunded leave and actuarial FECA liability. Other-Unfunded FECA Liability includes employer contributions and payroll taxes payable. The DoD OIG reconciles balances pertaining to FECA transactions with the DOL, and benefit program transactions with the Office of Personnel Management (OPM).

Note 14. Environmental and Disposal Liabilities

Not Applicable.

Note 15. Other Liabilities

Other Liabilities As of September 30	Dollars in Thousands		
	2023		
	Current Liability	Non-Current Liability	Total
Intragovernmental			
Other Liabilities Reported in Note 13, Federal Employee and Veterans Benefits Payable	\$2,165.9	\$1,059.6	\$3,225.5
Total Intragovernmental	\$2,165.9	\$1,059.6	\$3,225.5
Other Than Intragovernmental			
Accrued Funded Payroll and Benefits	\$4,357.1	\$0.0	\$4,357.1
Other Liabilities without Related Budgetary Obligations	\$146.9	\$0.0	\$146.9
Total Other Than Intragovernmental	\$4,504.0	\$0.0	\$4,504.0
Total Other Liabilities	\$6,669.9	\$1,059.6	\$7,729.5

Other Liabilities As of September 30	Dollars in Thousands		
	2022		
	Current Liability	Non-Current Liability	Total
Intragovernmental			
Other Liabilities Reported in Note 13, Federal Employee and Veterans Benefits Payable	\$2,158.1	\$1,061.7	\$3,219.8
Total Intragovernmental	\$2,158.1	\$1,061.7	\$3,219.8
Other Than Intragovernmental			
Accrued Funded Payroll and Benefits	\$4,060.7	\$0.0	\$4,060.7
Other Liabilities without Related Budgetary Obligations	\$149.9	\$0.0	\$149.9
Total Other Than Intragovernmental	\$4,210.6	\$0.0	\$4,210.6
Total Other Liabilities	\$6,368.7	\$1,061.7	\$7,430.4

Intragovernmental consists of other benefits related liabilities as reported on Note 13. Other Than Intragovernmental Liabilities primarily consists of accrued funded payroll and benefits.

Note 16. Leases

Other Disclosures As of September 30	Dollars in Thousands		
	2023 Asset Category		
	Buildings	Equipment	Total
Entity as Lessee—Operating Leases			
Future Payments Due			
Fiscal Year 2024	\$18,634.2	\$1,632.1	\$20,266.3
Fiscal Year 2025	\$18,318.9	\$1,170.9	\$19,489.8
Fiscal Year 2026	\$18,480.7	\$896.2	\$19,376.9
Fiscal Year 2027	\$18,025.2	\$488.2	\$18,513.4
Fiscal Year 2028	\$16,396.6	\$259.1	\$16,655.7
After 5 Years	\$74,661.1	\$98.5	\$74,759.6
Total Future Lease Payments Due	\$164,516.7	\$4,545.0	\$169,061.7

Operating leases do not transfer the benefits and risks of ownership. The DoD OIG expenses lease payments over the life of the lease. The DoD OIG projects future costs using the Consumer Price Index. Office space is the largest component of building leases. The DoD OIG also leases a fleet of approximately 372 vehicles, primarily used by DCIS for their investigative operations. The DoD OIG makes monthly lease payments for the basic lease amount, mileage, and optional equipment.

Note 17. Commitments and Contingencies

	Accrued Liabilities	Estimated Range of Loss	
		Lower End	Upper End
Current FY 2023			
Legal Contingencies:			
Probable		\$0.0	\$0.0
Reasonably Possible		\$20,000.0	\$280,000.0
Prior FY 2022			
Legal Contingencies:			
Probable		\$0.0	\$0.0
Reasonably Possible		\$0.0	\$0.0

For FY 2023, the DoD OIG has one contingent liability, a legal case related to employee matters for which the possibility of loss is considered reasonably possible. The chance of an unfavorable outcome is reasonably possible to exceed OIG's materiality threshold and an estimate of the amount or range of potential loss is \$20,000.0 to \$280,000.0.

In FY 2022, the DoD OIG had one contingent liability, a legal case related to employee matters for which the possibility of loss was considered reasonably possible. However, the estimated amount or range of potential loss was unknown.

Note 18. Funds from Dedicated Collections

Not Applicable.

Note 19. Disclosures Related to the Statement of Net Cost

Disclosures Related to the Statement of Net Cost For the Years Ended September 30	Dollars in Thousands	
	2023	2022
Operations, Maintenance & Support		
Gross Cost	\$487,614.1	\$437,377.0
Less: Earned Revenue	(\$830.1)	(\$1,549.4)
Net Cost	\$486,784.0	\$435,827.6
Procurement		
Gross Cost	\$7.0	\$172.9
Research, Development, Test & Evaluation		
Gross Cost	\$1,325.1	\$1,745.6
Consolidated		
Gross Cost	\$488,946.2	\$439,295.5
Less: Earned Revenue	(\$830.1)	(\$1,549.4)
Total Net Cost	\$488,116.1	\$437,746.1

Note 20. Disclosures Related to the Statement of Changes in Net Position

Not Applicable.

Note 21. Disclosures Related to the Statement of Budgetary Resources

Budgetary Resources Obligated for Undelivered Orders For the Years Ended September 30	Dollars in Thousands	
	2023	2022
Intragovernmental		
Unpaid	\$12,921.6	\$8,601.8
Total Intragovernmental	\$12,921.6	\$8,601.8
Other Than Intragovernmental		
Unpaid	\$72,727.0	\$50,378.5
Total Other Than Intragovernmental	\$72,727.0	\$50,378.5
Total Budgetary Resources Obligated for Undelivered Orders at the End of the Year	\$85,648.6	\$58,980.3

For years ending September 30 2022, payroll transactions were in disbursements in transit due to timing difference. These amounts cleared in the following period of FY22.

Apportionment Categories for Obligations Incurred

Apportionment Categories of Obligations Incurred For the Year Ended September 30	Dollars in Thousands			
	2023 Asset Category			
	Apportionment Category A	Apportionment Category B	Exempt from Apportionment	Total
Obligations Incurred–Direct	\$500,070.9	\$2,074.0	\$0.0	\$502,144.9
Obligations Incurred–Reimbursable	\$2,149.7	\$0.0	\$0.0	\$2,149.7
Total Obligations Incurred	\$502,220.6	\$2,074.0	\$0.0	\$504,294.6

Apportionment Categories of Obligations Incurred For the Year Ended September 30	Dollars in Thousands			
	2022 Asset Category			
	Apportionment Category A	Apportionment Category B	Exempt from Apportionment	Total
Obligations Incurred–Direct	\$454,766.4	\$3,312.7	\$0.0	\$458,079.1
Obligations Incurred–Reimbursable	\$1,190.8	\$0.0	\$0.0	\$1,190.8
Total Obligations Incurred	\$455,957.2	\$3,312.7	\$0.0	\$459,269.9

Apportionment categories are determined in accordance with OMB Circular No. A-11, Preparation Submission and Execution of the Budget. Category A relates to the DoD OIG appropriations for the current fiscal year plus unexpended balances of prior year appropriations. Category B relates to reimbursable authority. The DoD OIG reported the amounts of obligations listed above.

Net Adjustments to Unobligated Balance, Brought Forward, October 1

Net Adjustments to Unobligated Balance, Brought Forward, October 1, For the Years Ended September 30	Dollars in Thousands	
	2023	2022
Unobligated Balance, Brought Forward, October 1	\$32,091.8	\$49,604.4
Actual Recoveries of Prior Year Unpaid Obligations	(\$14,373.0)	(\$23,743.4)
Canceled Authority	\$12,178.9	\$4,350.0
Unobligated Balance From Prior Year Budget Authority, Net	\$29,897.7	\$30,211.0

The Unobligated Balance, Brought Forward, October 1, FY 2023 was adjusted during the period by: Recoveries of Prior Year Unpaid Obligations and Canceled Authority to reconcile to the FY 2022 Total Unobligated Balance at year-end.

Note 22. Disclosures Related to Incidental Custodial Collections

The DoD OIG reports seized assets in accordance with SFFAS 3, Accounting for Inventory and Related Property and OMB Circular No. A-136, Financial Reporting Requirements. DCIS' total seized cash was \$146.9 thousand and \$149.9 thousand, as of September 30, 2023 and 2022, respectively. The remaining seized property consists primarily of jewelry, and non-valued items mainly from investigations of procurement fraud, cyber-crimes, healthcare fraud, and public corruption. Refer to Note 2, Non-Entity Assets, for more details.

Seized assets also includes items seized from anti-terrorism operations and technology protection investigations (illegal transfer, theft, or diversion of DoD technologies and U.S. Munitions List items to prohibited nations and persons). This property is considered prohibited, defective or illegal and is held by the DoD OIG pending an outcome of court proceedings. The values assigned by the DoD OIG to the nonmonetary items of seized property are based on current market values for comparable property and are not reported on the face of the financial statements because the items are controlled by the Department of Justice and the DoD OIG will receive no future economic benefit from the asset.

Note 23. Fiduciary Activities

Not Applicable.

Note 24. Reconciliation of Net Cost to Net Outlays (Budget to Accrual Reconciliation)

Reconciliation of Net Cost to Net Outlays (Budget to Accrual Reconciliation) For the Year Ended September 30	Dollars in Thousands		
	2023		
	Intragovernmental	Other Than Intragovernmental	Total
Net Cost of Operations (SNC)	\$163,344.0	\$324,772.1	\$488,116.1
Components of Net Cost Not Part of Net Outlays:			
Increase/(Decrease) in Assets:			
Accounts Receivable, Net	\$131.4	\$135.8	\$267.2
Cash and Other Monetary Assets	\$0.0	(\$3.0)	(\$3.0)
(Increase)/Decrease in Liabilities:			
Accounts Payable	(\$1,086.2)	(\$3,280.2)	(\$4,366.4)
Federal Employee and Veterans Benefits Payable	\$0.0	(\$3,137.4)	(\$3,137.4)
Other Liabilities	(\$5.7)	(\$293.4)	(\$299.1)
Financing Sources:			
Imputed cost	(\$22,816.8)	\$0.0	(\$22,816.8)
Total Components of Net Cost Not Part of Net Budgetary Outlays	(\$23,777.3)	(\$6,578.2)	(\$30,355.5)
Miscellaneous Reconciling Items			
Transfers In Without Reimbursement	\$0.0	\$0.0	\$0.0
Total Miscellaneous Reconciling Items	\$0.0	\$0.0	\$0.0
Total Net Outlays	\$139,566.7	\$318,193.9	\$457,760.6
Outlays, Net (Statement of Budgetary Resources)			\$457,760.6
Reconciling Difference			\$0.0

Reconciliation of Net Cost to Net Outlays (Budget to Accrual Reconciliation) For the Year Ended September 30	Dollars in Thousands		
	2022		
	Intragovernmental	Other Than Intragovernmental	Total
Net Cost of Operations (SNC)	\$142,904.6	\$294,841.5	\$437,746.1
Components of Net Cost Not Part of Net Outlays:			
Increase/(Decrease) in Assets:			
Accounts Receivable, Net	(\$99.4)	(\$15.6)	(\$115.0)
Cash and Other Monetary Assets	\$0.0	(\$21.0)	(\$21.0)
(Increase)/Decrease in Liabilities:			
Accounts Payable	(\$557.1)	(\$61.0)	(\$618.1)
Federal Employee and Veterans Benefits Payable	\$0.0	\$1,580.0	\$1,580.0
Other Liabilities	\$2,208.6	\$8,104.5	\$10,313.1
Financing Sources:			
Imputed cost	(\$13,276.4)	\$0.0	(\$13,276.4)
Total Components of Net Cost Not Part of Net Budgetary Outlays	\$(11,724.3)	\$9,586.9	(\$2,137.4)
Miscellaneous Reconciling Items			
Transfers In Without Reimbursement	(\$6.0)	\$0.0	(\$6.0)
Total Miscellaneous Reconciling Items	(\$6.0)	\$0.0	(\$6.0)
Total Net Outlays	\$131,174.3	\$304,428.4	\$435,602.7
Outlays, Net (Statement of Budgetary Resources)			\$435,602.7
Reconciling Difference			\$0.0

Reconciliation of Net Cost to Net Outlays schedule reconciles the Net Cost (reported in the Statements of Net Cost) to the Net Outlays (reported in the Combined Statements of Budgetary Resources). The reconciliation clarifies the relationship between budgetary and proprietary accounting information. This reconciliation compares the net cost with net outlays on the Combined SBR. This comparison identifies a difference in balances reported in the U.S. Standard General Ledger accounts in Note 24 that have no budgetary impact and are not reflected on the Combined SBR. For FY 2023, the reconciling difference is \$0.

For FY 2023 and FY 2022, the key reconciling differences between the net cost and the net outlays for the DoD OIG are primarily due to a decrease in imputed cost.

Note 25. Public-Private Partnerships

Not Applicable.

Note 26. Disclosure Entities and Related Parties

Not Applicable.

Note 27. Security Assistance Accounts

Not Applicable.

Note 28. Restatements

Not Applicable.

Note 29. COVID-19 Activity

The DoD OIG did not receive COVID-19 funding for FY 2023 and 2022, and all prior years funding for COVID-19 were fully obligated as of September 30, 2021.

Note 30. Subsequent Events

Subsequent events have been evaluated from the balance sheet and management determined that there were no other items to disclose as of September 30, 2023.

Note 31. Reclassification of Financial Statement Line Items for Financial Report Compilation Process

Not Applicable.

Required Supplemental Information

Combining Statements of Budgetary Resources

The Combining Statements of Budgetary Resources combines the availability, status, and outlays of the DoD OIG budgetary resources. The tables below provide the Combining Statements of Budgetary Resources disaggregated by the DoD OIG programs for the years ended September 30, 2023 and 2022, respectively. As the Combining Statements of Budgetary Resources are prepared at the appropriation level, the DoD OIG presented the programs by appropriation.

Combining Statement of Budgetary Resources For the Year Ended September 30	Dollars in Thousands			
	2023			
	Operations, Maintenance & Support	Procurement	Research, Development, Test & Evaluation	Combined Total
Budgetary Resources:				
Unobligated Balance Brought Forward, Oct 1	\$30,000.6	\$1,271.3	\$819.9	\$32,091.8
Appropriations	\$488,637.0	\$1,524.0	\$1,864.0	\$492,025.0
Spending Authority from Offsetting Collections	\$2,132.7	\$0.0	\$0.0	\$2,132.7
Total Budgetary Resources	\$520,770.3	\$2,795.3	\$2,683.9	\$526,249.5
Status of Budgetary Resources:				
New Obligations and Upward Adjustments	\$502,151.4	\$800.5	\$1,342.7	\$504,294.6
Unobligated Balance, End of Year:				
Apportioned, Unexpired Accounts	\$3,088.4	\$1,656.1	\$1,272.1	\$6,016.6
Expired Unobligated Balance, End of Year	\$15,530.5	\$338.7	\$69.1	\$15,938.3
Total Unobligated Balance, End of Year	\$18,618.9	\$1,994.8	\$1,341.2	\$21,954.9
Total Budgetary Resources	\$520,770.3	\$2,795.3	\$2,683.9	\$526,249.5
Outlays, Net:				
Outlays, Net (Total)	\$456,428.5	\$7.0	\$1,325.1	\$457,760.6
Agency Outlays, Net	\$456,428.5	\$7.0	\$1,325.1	\$457,760.6

Combining Statement of Budgetary Resources For the Year Ended September 30	Dollars in Thousands			
	2022			
	Operations, Maintenance & Support	Procurement	Research, Development, Test & Evaluation	Combined Total
Budgetary Resources:				
Unobligated Balance Brought Forward, Oct 1	\$47,753.6	\$1,196.7	\$654.1	\$49,604.4
Appropriations	\$436,015.0	\$80.0	\$2,365.0	\$438,460.0
Spending Authority from Offsetting Collections	\$1,103.3	\$0.0	\$0.0	\$1,103.3
Total Budgetary Resources	\$484,871.9	\$1,276.7	\$3,019.1	\$489,167.7
Status of Budgetary Resources:				
New Obligations and Upward Adjustments	\$456,973.7	\$5.4	\$2,290.9	\$459,270.0
Unobligated Balance, End of Year:				
Apportioned, Unexpired Accounts	\$3,311.2	\$935.0	\$681.7	\$4,927.9
Expired Unobligated Balance, End of Year	\$24,587.0	\$336.3	\$46.5	\$24,969.8
Total Unobligated Balance, End of Year	\$27,898.2	\$1,271.3	\$728.2	\$29,897.7
Total Budgetary Resources	\$484,871.9	\$1,276.7	\$3,019.1	\$489,167.7
Outlays, Net:				
Outlays, Net (Total)	\$433,684.2	\$172.9	\$1,745.6	\$435,602.7
Agency Outlays, Net	\$433,684.2	\$172.9	\$1,745.6	\$435,602.7

Independent Auditor's Report



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Independent Auditor's Report

The Office of Inspector General of the
United States Department of Defense

Financial Statements

Opinion

We have audited the financial statements of the Department of Defense Office of Inspector General (DoD OIG), which comprise the consolidated balance sheets as of September 30, 2023 and 2022, the related consolidated statements of net cost and changes in net position, combined statements of budgetary resources for the years then ended, and the related notes (hereinafter referred to as 'consolidated financial statements').

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the DoD OIG as of September 30, 2023 and 2022, and its net cost, changes in net position, and budgetary resources for the years then ended, in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the Office of Management and Budget (OMB) Bulletin No. 24-01, *Audit Requirements for the Federal Financial Statements*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the DoD OIG and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with U.S. generally accepted accounting principles, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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Independent Auditor's Report (cont'd)



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Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and OMB Bulletin No. 24-01 will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and OMB Bulletin No. 24-01, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the DoD OIG's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis and Required Supplementary Information sections to be presented to supplement the basic consolidated financial statements. Such information is the responsibility of management and, although not a part of the basic consolidated financial statements, is required by the Federal Accounting Standards Advisory Board who considers it to be an essential part of financial reporting for placing the basic consolidated financial statements in an appropriate operational, economic, or historical context.

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We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic consolidated financial statements, and other knowledge we obtained during our audit of the basic consolidated financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Management is responsible for the other information included in the Agency's Financial Report. The other information comprises the *Summary of Financial Statement Audit and Management Assurances, Payment Integrity Information Act, and Enclosure-Fiscal Year 2024 Top DoD Management and Performance Challenges*, but does not include the consolidated financial statements and our auditor's report thereon. Our opinion on the basic consolidated financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the consolidated financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements as of and for the year ended September 30, 2023, we considered the DoD OIG's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the DoD OIG's internal control. Accordingly, we do not express an opinion on the effectiveness of the DoD OIG's internal control. We did not test all internal controls relevant to operating objectives as broadly defined by the *Federal Managers' Financial Integrity Act of 1982*.

Our consideration of internal control was for the limited purpose described in the preceding paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Exhibit I, *Material Weaknesses*, and Exhibit II, *Significant Deficiencies*, we identified certain deficiencies in internal control that we consider to be a material weakness and a significant deficiency.

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A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, 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. We consider the one deficiency described in the accompanying Exhibit I to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the one deficiency described in the accompanying Exhibit II to be a significant deficiency. The status of prior year findings can be found in Exhibit IV, *Status of Prior Year Recommendations*.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the DoD OIG's consolidated financial statements as of and for the year ended September 30, 2023, are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contract agreements, noncompliance with which could have a direct and material effect on the consolidated financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards* or OMB Bulletin No. 24-01.

We also performed tests of DoD OIG's compliance with certain provisions referred to in Section 803(a) of the *Federal Financial Management Improvement Act of 1996* (FFMIA). Providing an opinion on compliance with FFMIA was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances in which DoD OIG's financial management systems did not substantially comply with the (1) Federal financial management systems requirements, (2) applicable Federal accounting standards, and (3) the United States Government Standard General Ledger at the transaction level.

Management's Response to Audit Findings and Recommendations

Government Auditing Standards require the auditor to perform limited procedures on the DoD OIG's response to the findings identified in our audit and described in Exhibit III, *Management's Response to the Audit Findings*. The DoD OIG's response was not subject to the other auditing procedures applied in the audit of the consolidated financial statements and, accordingly, we express no opinion on the response.

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Purpose of the Other Reporting Required by *Government Auditing Standards*

The purpose of the communication described in the Report on Internal Control Over Financial Reporting and Report on Compliance and Other Matters sections of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the DoD OIG's internal control or compliance. These sections are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the DoD OIG's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

RMA Associates
Arlington, VA
December 18, 2023

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Exhibit I – Material Weaknesses

Documented and Implemented Internal Controls

DoD OIG continues to lack adequate documentation of its internal control system. A lack of internal control documentation and implementation does not support the foundation for control activities. Specifically, an absence of effective documentation elevates control risk to the level where there is a reasonable possibility a material misstatement will not be prevented, or detected and corrected, in a timely basis.

We recommend DoD OIG continue its remediation efforts detailed in its corrective action plan, which includes the following:

1. Develop a uniform financial reporting policy;
2. Finalize its documentation of the high and low-priority standard operating procedures (SOPs);
and
3. Further develop DoD OIG's financial reporting policies and procedures to designate primary and alternate(s) to attend functions listed in the Agency Advisory Role (AAR) SOP.

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Exhibit II – Significant Deficiencies

Service Provider Controls

DoD OIG has not developed an overall set of financial policies and procedures to document its processes for mitigating control deficiencies, including those of its service providers per Government Accountability Office's, *Standards for Internal Control in the Federal Government*. OIG relies on Defense Finance and Accounting Service (DFAS) and Defense Logistics Agency (DLA) for producing relevant and accurate financial statements. The SSAE18 examinations and associated reports are integral components that comprise the DoD OIG Financial Statement internal control systems environment. DFAS maintains the Defense Departmental Reporting System (DDRS) and Defense Finance and Accounting Service (DAI) Vendor Pay Service.

Recommendations: We recommend DoD OIG continue its remediation efforts detailed in its corrective action plan, which includes the following:

1. Assess the associated risk and impact of the DFAS Corrective Action Plans. The risk is that DFAS' control environment is not operating effectively to achieve the following control objective: "Controls provide reasonable assurance that general ledger trial balance data (both Standard Financial Information Structure (SFIS) and non-SFIS compliant), data call and adjustment information are received from authorized sources, and are input into DDRS (-B, AFS, -DCM) completely, accurately and timely." Once resolved, the new or revised system controls should be reviewed, monitored, evaluated, and tested.
2. Assess the associated risk and impact of the DFAS Corrective Action Plans. The risk is that DFAS' control environment is not operating effectively to achieve the following control objective: "Controls provide reasonable assurance that general ledger trial balance data (both SFIS and non-SFIS compliant), data call, and adjustment information are processed completely, accurately, and timely." Once resolved, the new or revised system controls should be reviewed, monitored, evaluated, and tested.
3. Assess the impact of the Defense Finance and Accounting Service Vendor Pay Service access controls that mitigate the risk of improper verification of a potential user's investigation before obtaining access. Once resolved, the new or revised system controls should be reviewed, monitored, evaluated, and tested.

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Exhibit III – Management's Response to the Audit Findings



OFFICE OF INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
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ALEXANDRIA, VIRGINIA 22350-1500

December 13, 2023

Debra-Ann Thomas, Engagement Partner
RMA Associates, LLC
1005 North Glebe Road, Suite 610
Arlington, VA 22201

Dear Ms. Thomas:

Below are the management responses to the Department of Defense Office of Inspector General (DoD OIG) FY 2023 Financial Statement audit findings.

Material Weakness: Documented and Implemented Internal Controls

The DoD OIG acknowledges the audit finding and recommendations. In FY 2023, the DoD OIG made significant progress finalizing standard operating procedures (SOPs) and key business process maps. The Financial Management Office (FMO) will continue its remediation efforts to further develop and finalize SOPs and map key business processes to strengthen its internal control over financial reporting. FMO will finalize the overarching DoD OIG financial management instruction.

Significant Deficiency: Service Provider Controls

The DoD OIG acknowledges the audit finding and recommendations. The FMO made noteworthy progress in improving the internal control systems to mitigate risks related to service providers. FMO will continue remediation efforts to assess risks and impact of service provider correction action plans.

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Date: 2023.12.13 17:36:35
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Althea K. Williams
Accounting Chief

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Date: 2023.12.13 17:52:08 -05'00'
Shantiki S. Sanders
Chief Financial Officer

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Exhibit IV – Status of Prior Year Recommendations

Fiscal Year	No.	Recommendation	Type	FY 2023 Status
FY 2022	1	<p>Continue its remediation efforts detailed in its corrective action plan (CAP), which includes the following:</p> <ul style="list-style-type: none"> • Develop a uniform financial reporting policy. • Further develop DoD OIG’s financial reporting policies and procedures to designate primary and alternate(s) to attend functions listed in the AAR SOP. 	Material Weakness A	Modified Repeat (Refer to FY 2023 Material Weakness)
FY 2022	2	Work with its service provider, DFAS, to understand the reasons for the significant delays and ensure processes are developed to ensure responses are provided timely	Material Weakness A	Remediated
FY 2022	3	Assess the associated risk and impact of the DFAS Corrective Action Plans (CAP) developed in response to the FY 22 SSAE 18 examination. Once the assessment is complete, DoD OIG should implement new or revised system controls to mitigate DFAS’s control deficiencies. Subsequently, DoD OIG should review, monitor, evaluate, and test these mitigating controls.	Material Weakness B	Modified Repeat (Refer to FY 2023 Significant Deficiency)
FY 2022	4	Assess the associated risk and impact of DLA’s WAWF CAP developed in response to the FY 22 SSAE 18 examination. Once the assessment is complete, DoD OIG should implement new or revised system controls to mitigate DLA’s control deficiencies. Subsequently, DoD OIG should review, monitor, evaluate, and test these mitigating controls.	Material Weakness B	Remediated

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Fiscal Year	No.	Recommendation	Type	FY 2023 Status
FY 2022	5	Assess the associated risk and impact of DFAS's Vendor Pay Service access controls CAP developed in response to the FY 22 SSAE 18 examination. Once the assessment is complete, DoD OIG should implement new or revised system controls to mitigate DFAS's control deficiencies. Subsequently, DoD OIG should review, monitor, evaluate, and test these mitigating controls.	Material Weakness B	Remediated
FY 2022	6	Establish and implement controls over financial reporting and AFR compilation review and approval process.	Material Weakness C	Remediated
FY 2022	7	Determine effective controls necessary to ensure: <ul style="list-style-type: none"> Accounting and financial reporting are in accordance with U.S. GAAP; Financial information is presented in compliance with OMB Circular A-136, <i>Financial Reporting Requirements</i>; Government Accountability Office (GAO) Disclosure Checklist is used to ensure completeness and accuracy of disclosure and reporting; Account balances are accurate as of and through the reporting period; and There is proper validation, review, and approval over financial reporting and AFR compilation. 	Material Weakness C	Remediated

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Fiscal Year	No.	Recommendation	Type	FY 2023 Status
FY 2022	8	Assess the training necessary to ensure learning objectives are met and required skills obtained to develop the proper reviews and ensure compliance with: <ul style="list-style-type: none"> • FASAB concept and accounting standards; • OMB A-136, <i>Financial Reporting Requirements</i>; and • GAO Disclosure checklist 	Material Weakness C	Remediated
FY 2022	9	Complete a detailed balance fluctuation analysis that is adequate to allow management to evaluate the reasonableness of balances and detect risk of material misstatement.	Material Weakness C	Remediated
FY 2022	10	Implement internal controls to ensure financial statements are carefully reviewed, approved, and validated by appropriate DoD OIG staff and account balances are accurate as of and through the reporting period.	Material Weakness C	Remediated
FY 2022	11	DoD OIG should develop, codify, and implement a process to be able to timely support and effectively communicate the methods used in preparing the information provided in the MD&A of its AFR.	Material Weakness C	Remediated
FY 2022	12	Implement oversight processes to document review and approval of the reconciliation between the FMS Treasury Report 224 and CMR file.	Significant Deficiency A	Remediated

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OTHER INFORMATION (UNAUDITED)



Summary of Financial Statement Audit and Management Assurances

Tables 4 and 5 provide a summary of the financial statement audit results and management assurances for FY 2023.

Table 4. Summary of Financial Statement Audit

Audit Opinion	Unmodified				
Restatement	No				
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Ending Balance
Documented and Implemented Internal Controls	1				1
Service Provider Controls	1		1		0
Agency Financial Report (AFR) Compilation and Preparation	1		1		0
Total Material Weaknesses	3		2		1

Table 5. Summary of Management Assurances

Effectiveness of Internal Control over Financial Reporting (FMFIA § 2)						
Statement of Assurance	Unmodified					
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Service Provider Controls	1		1			0
Total Material Weaknesses	1		1			0
Effectiveness of Internal Control over Operations (FMFIA § 2)						
Statement of Assurance	Unmodified					
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Documented and Implemented Internal Controls	1					1
IT Business Systems Modernization	1					1
Total Material Weaknesses	2					2

Payment Integrity Information Act

On March 2, 2020, the President signed into law the Payment Integrity Information Act (PIIA) of 2019, Public Law 116-117. The PIIA enhances the Administration's efforts to combat improper payments by consolidating prior improper payment legislation and reinforcing the payment reporting requirements by the Federal Government. The PIIA repeals and replaces the Improper Payments Information Act (IPIA) of 2002, the Improper Payments Elimination and Recovery Act (IPERA) of 2010, the Improper Payments Elimination and Recovery Improvement Act (IPERIA) of 2012, and the Fraud Reduction and Data Analytics Act (FRDAA) of 2015.

In accordance with the PIIA, and OMB Circular No. A-136, Financial Reporting Requirements; for information on DoD payment integrity, refer to the Other Information section of the consolidated DoD AFR at: <https://comptroller.defense.gov/ODCFO/afr2023>.

To identify programs and activities susceptible to significant improper payments, the DoD OIG relied on its monitoring controls relevant to internal control over compliance with the improper payment acts. In doing so, the DoD OIG did not identify any programs or activities susceptible to significant improper payments in FY 2023.

Enclosure. Fiscal Year 2024 Top DoD Management and Performance Challenges



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U.S. Department of Defense



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Mission

*To detect and deter fraud, waste, and abuse
in Department of Defense programs and operations;
Promote the economy, efficiency, and effectiveness of the DoD; and
Help ensure ethical conduct throughout the DoD*

Vision

*Engaged oversight professionals dedicated
to improving the DoD*



For more information about whistleblower protection, please see the inside back cover.



**INSPECTOR GENERAL
DEPARTMENT OF DEFENSE**
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November 13, 2023

The DoD Office of Inspector General (DoD OIG) is required by statute to prepare an annual statement on the most serious management and performance challenges facing the DoD, and on the DoD's progress to address those challenges. I am pleased to submit the FY 2024 Top DoD Management and Performance Challenges (TMPC) to fulfill this requirement.

This year, we have identified the same eight overarching challenges identified in FY 2023 due to their continued relevance and persistence. These challenges are complex and enduring, requiring sustained attention from the DoD. While we decided to carry the overall topics forward, the presentation and focus of the challenges differ significantly from prior years, as the discussions of the challenges this year focus heavily on findings independently established by the DoD OIG through our audits and evaluations.

The challenges are neither exhaustive nor listed in order of importance or severity. We identify some, but certainly not all, causes or contributing factors affecting management and performance in each area. In assessing the challenges, we considered completed oversight work by the DoD OIG and other agencies; the status of DoD OIG-issued recommendations, both addressed and unaddressed; the Department's strategic documents, such as the National Defense Strategy and Strategic Management Plan; and input on challenges from DoD officials.

As the TMPC reflects the OIG's assessment of the most significant challenges facing the DoD, it provides a valuable framework for organizing the audits and evaluations described in our forthcoming Annual Oversight Plan. Consistent with our obligations under the law, we remain committed to keeping the Department's leadership informed of issues identified through our oversight work so that DoD officials can take timely corrective actions.

We look forward to continuing to conduct independent and impactful oversight that detects and deters fraud, waste, and abuse; promotes the economy, efficiency, and effectiveness of DoD programs and operations; and helps ensure ethical conduct across the DoD.

A handwritten signature in black ink, appearing to read "Robert P. Storch".

Robert P. Storch
Inspector General





Summary of Management and Performance Challenges Facing the DoD Fiscal Year 2024



Executive Summary	1
Challenge 1: Building Enduring Advantages for Strategic Competition.....	5
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Executive Summary

Pursuant to the Reports Consolidation Act of 2000, the DoD Office of Inspector General (DoD OIG) is providing its annual statement summarizing the Department’s “most serious management and performance challenges.”¹ To fulfill this requirement, the DoD OIG analyzed recently completed oversight work, focusing on findings from our audits and evaluations; ongoing and planned DoD OIG oversight work; closed and open DoD OIG recommendations; notes from external outreach events; and the responses to the DoD OIG’s memorandum soliciting input from leaders across the DoD as to the top challenges facing the Department. The DoD OIG also considered the DoD’s strategic documents, priorities, and progress reports.

The overall number and general challenge topics remain unchanged from last year. The DoD OIG is presenting eight challenges that it considers the most pressing matters facing the DoD in the upcoming fiscal year and, for each challenge, highlights causes or contributing factors affecting management and performance.

These are the FY 2024 Top DoD Management and Performance Challenges (TMPC) and Challenge Highlights.

Challenges	Highlights
1. Building Enduring Advantages for Strategic Competition	<ul style="list-style-type: none">Challenges in consistently securing and accounting for defense materiel create hurdles in providing assistance to Ukraine.Inadequate contract execution and oversight, among other factors, affect readiness of prepositioned stocks.Personnel shortages in the U.S. Indo-Pacific Command contribute to schedule delays and increased costs.
2. Strengthening DoD Cyberspace Operations and Securing Systems, Networks, and Data	<ul style="list-style-type: none">Limited DoD controls over cybersecurity risk management activities increase risk to DoD information networks and systems.Insufficient assurance that contractors comply with cybersecurity requirements poses risks to contractors’ authority to operate.
3. Maintaining Superiority Through a Resilient and Modern Defense Industrial Base	<ul style="list-style-type: none">Current government regulations hinder contracting officers’ ability to negotiate fair and reasonable prices with defense contractors.Contracting officials’ misinterpretation of policy, or failure to follow it, expose the DoD to unnecessary risk from excessive costs and foreign counterfeit components.

¹ The Reports Consolidation Act of 2000, 31 U.S.C. § 3516(d).

The FY 2024 Top DoD Management and Performance Challenges and Challenge Highlights (cont'd)

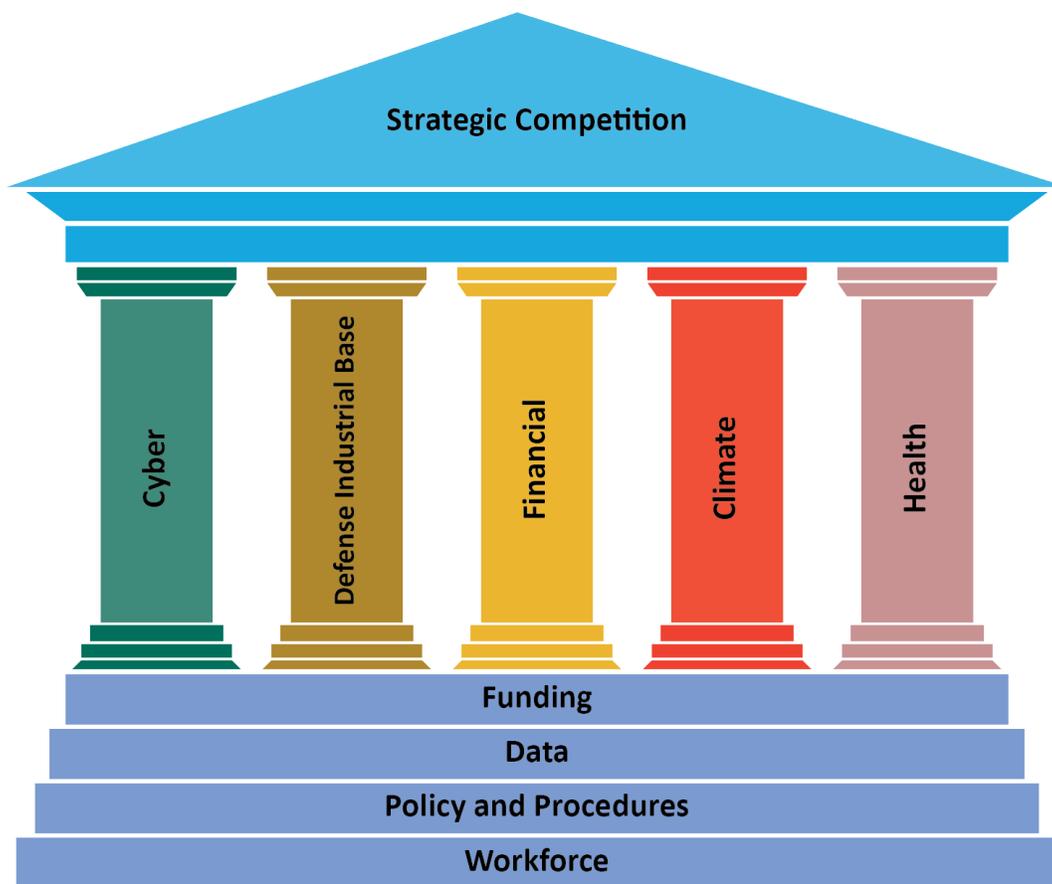
Challenges	Highlights
4. Improving DoD Financial Management and Budgeting	<ul style="list-style-type: none"> • Scope-limiting material weaknesses hamper auditors' abilities to perform procedures to draw a conclusion on the financial statements. • A lack of coordination among and across personnel, processes, and systems covering the DoD's diverse sub-entities hinders progress toward effective fiscal management. • Lack of clearly defined, established, and consistent identification of reporting entities negatively impacts financial management and audit planning.
5. Adapting to Climate Change and Accelerating Resilience	<ul style="list-style-type: none"> • Incomplete guidance increases the risk of not adequately assessing the impact of climate change on military installations and readiness. • Limited personnel and financial resources constrain long-term climate planning and action. • Hurdles must be overcome to ensure that equipment is designed and maintained to withstand climate change.
6. Protecting the Health and Wellness of Service Members and Their Families	<ul style="list-style-type: none"> • Medical personnel shortages impact the Military Health System's ability to meet the needs of Service members and DoD civilians. • Unclear health care policies negatively impact patient care. • Inaccurate or incomplete patient health care information poses risks to treatment and benefits.
7. Recruiting and Retaining a Diverse Workforce	<ul style="list-style-type: none"> • Lack of consistent, accurate personnel data hampers workforce planning. • Insufficient understanding of policies and procedures related to ideological extremism and talent management may impact recruiting and retention.
8. Accelerating the Transformation to a Data-Centric Organization	<ul style="list-style-type: none"> • DoD culture does not consistently regard data as a strategic asset and prioritize its management throughout the defense ecosystem. • Implementation of the DoD data strategy is limited by a lack of measurable action plans, management accountability, and funding.

The challenges are not listed in order of importance or severity. They affect the DoD’s ability to optimally execute its mission—to provide the military forces needed to deter war and protect the Nation’s security. A holistic review of the challenge highlights reveals that several causes or contributing factors cut across challenge areas (Figure 1). Those causes or contributing factors generally relate to:

- Policy and procedures — missing, unclear, contradictory, or misapplied,
- Workforce — gaps in availability or skills,
- Data — missing, unreliable, or not appropriately managed, and
- Funding — adequacy and accounting.

Improvement in each of these areas is essential to enable the DoD to address these fundamental challenges and ensure the success of its quintessentially important efforts on behalf of the American people.

Figure 1. FY 2024 TMPC Cross-Cutting Challenge Areas



Source: DoD OIG.



U.S. and Allied aircraft prepare to conduct an exercise on Andersen Air Force Base, Guam. Source: U.S. Air Force.

Challenge 1: Building Enduring Advantages for Strategic Competition

CHALLENGE HIGHLIGHTS

- Challenges in consistently securing and accounting for defense materiel create hurdles in providing assistance to Ukraine.
- Inadequate contract execution and oversight, among other factors, affect readiness of prepositioned stocks.
- Personnel shortages in the U.S. Indo-Pacific Command contribute to schedule delays and increased costs.

The 2022 National Defense Strategy directs the DoD to prioritize the deterrence of aggression and to be prepared to prevail in conflict, when necessary, with an emphasis on the People's Republic of China and Russia. Previously, the DoD OIG has examined the challenge of strategic competition through the lens of alliances and security partnerships, weapon system sustainment and modernization, emerging technology, and strategic nuclear defense and deterrence. While these remain pressing and persistent issues, this fiscal year the DoD OIG chose to examine more readily assessed concerns that still have a significant bearing on strategic competition. Specifically, the DoD OIG focused on ensuring that: DoD prepositioned stock is functional and rapidly deployable; materiel is transported securely and properly accounted for; there are enough trained personnel and appropriate facilities to attend to the maintenance, transport, and accountability of materiel; and, sufficient personnel are stationed in strategic locations. The DoD OIG has completed projects on those topics, including projects related to Ukraine Security Assistance and construction on the island of Guam, that have identified issues with security and accountability of materiel, maintenance of pre-positioned stocks, and personnel shortages in the U.S. Indo-Pacific Command (USINDOPACOM) region.

DIFFICULTIES IN CONSISTENTLY SECURING AND ACCOUNTING FOR DEFENSE MATERIEL

The DoD swiftly and effectively received, inspected, staged, and transferred defense materiel that was en route to Ukraine; however, in some instances there were difficulties in consistently securing and accounting for that materiel. Report No. DODIG-2023-084, "Evaluation of Accountability Controls

Relevant Documents

- National Security Strategy, 2022
- National Defense Strategy, 2022
- Indo-Pacific Strategy of the United States, February 2022
- DoD Pacific Deterrence Initiative, FY 2023

for Defense Items Transferred Via Air to Ukraine within the U.S. European Command Area of Responsibility,” June 8, 2023, noted a deficiency in accountability for defense items passing through Jasionka, Poland, en route to Ukraine. This was due, in part, to the failure in some instances of the Military Services and Defense Agencies to provide the information required by the Defense Transportation Regulation (DTR) on shipping manifests, creating delays in shipping and increasing the risk of gaps in accountability for materiel. These failures to follow policy and procedure represent a concerning trend of noncompliance with the DTR that was previously identified by other DoD OIG work.

Report No. DODIG-2023-115, “Evaluation of Land-Based Security Controls for Equipment Being Transferred by Rail to Ukraine,” September 6, 2023, also observed inconsistent security for materiel transiting through Poland. This inconsistency was attributed to the failure of U.S. Army Europe and Africa (USAREUR-AF) to specify responsibilities for security and associated oversight. Once equipment was in Ukrainian hands, the DoD needed to maintain accountability through end use monitoring (EUM), or, if particularly sensitive equipment, through enhanced EUM (EEUM). The Defense Security Cooperation Agency (DSCA) maintains EUM policy, which identifies equipment that requires EEUM; however, Report No. DODIG-2023-074, “Management Advisory: DoD Review and Update of Defense Articles Requiring Enhanced End-Use Monitoring,” May 19, 2023, found that the DSCA did not regularly update the listing. As a result, the EEUM list may not include all sensitive equipment and technology, and may require monitoring equipment that does not need it, such as commercially available night vision goggles. The DSCA agreed with the DoD OIG’s recommendations to regularly review and update the list of equipment requiring EEUM, and is in the process of modifying internal procedures accordingly.

Meanwhile, DODIG-2023-084 found additional factors contributing to the accountability gaps for materiel passing through Jasionka. Specifically, no logistics experts were deployed to facilitate the transfers, and the personnel that were performing the mission were given no additional training on accountability or inventory by USAREUR-AF to ensure they could fulfill their responsibilities. Similarly, Report No. DODIG-2023-090, “Management Advisory: Sufficiency of Staffing at Logistics Hubs in Poland for Conducting Inventories of Items Requiring Enhanced End-Use Monitoring,” June 28, 2023, discovered that, out of the few Office of Defense Cooperation (ODC) personnel responsible for EEUM, only one was assigned to conduct inventories in Poland prior to transfer of materiel to Ukraine. Consequently, as the multiple hubs in Poland were geographically disparate, not all materiel requiring EEUM was inventoried before transfer. A shortfall in ODC staff affected EEUM previously, as observed in Report No. DODIG-2020-121, “Evaluation of Department of Defense Enhanced End-Use Monitoring for Equipment Transferred to the Government of Ukraine,” August 27, 2020. The increase in U.S. assistance between 2013 and 2019 was not matched with a corresponding increase in ODC staffing, and thus the ODC was unable to properly perform EUM and EEUM at that time, as well.

The DoD OIG has multiple planned and ongoing projects on Ukraine security assistance and related issues, including evaluations of the Security Assistance Group-Ukraine’s coordination of defense article movement, accountability of lost or destroyed articles requiring EEUM, and replenishment and management of 155mm high explosive ammunition.

MULTIPLE FACTORS CONTRIBUTED TO DEFICIENCIES IN MAINTENANCE OF MATERIEL

The large amount of defense materiel earmarked for Ukraine is drawn, in part, from U.S. pre-positioned stocks located in various areas of responsibility. These stocks contain equipment and weapon systems that are strategically positioned worldwide to reduce DoD deployment times and

Management Advisory: Maintenance Concerns for the Army's Prepositioned Stock-5 Equipment Designated for Ukraine

The contractor presented one howitzer for inspection that they deemed fully mission capable. According to the contracting officer's representatives and the Mobile Repair Team, the howitzer the contractor provided was not maintained in accordance with the technical manual and "would have killed somebody [the operator]" in its current condition.

support theater operations. During an audit of the Army's management of Army Prepositioned Stock-5 equipment, as detailed in Report No. DODIG-2023-076, "Management Advisory: Maintenance Concerns for the Army's Prepositioned Stock-5 Equipment Designated for Ukraine," May 23, 2023, the DoD OIG identified deficiencies in the readiness of the military equipment selected to support the Ukrainian Armed Forces (UAF). Specifically, the DoD OIG found that 25 of 29 M1167 High-Mobility Multipurpose Wheeled Vehicles and all

six M777 howitzers were not mission ready and required repairs before the U.S. European Command could transfer the equipment to the UAF. These issues stemmed from the contractor not performing the required services on the equipment and were exacerbated by the Army's failure to conduct adequate contract oversight, which may have identified these problems.

Similarly, Report No. DODIG-2023-053, "Evaluation of Army Pre-Positioned Equipment Issued in Response to Ukraine and the NATO Defense Forces," February 27, 2023, found that some of the equipment pulled from Army pre-positioned stocks in Germany for provision to a U.S. armored brigade combat team was not mission capable, as required. This was due, in part, to discrepancies between the less stringent procedures for care of supplies in storage (COSIS) as delineated in an Army technical manual, and the more thorough requirements laid out by the Army Materiel Maintenance Policy. Army officials named the COSIS process as the source of the materiel faults, which in this case negatively impacted readiness and command, control, and communications for the receiving unit.

As a further challenge, DoD personnel in the field were, in some instances, insufficiently resourced and ill-prepared for the tasks required of them. DODIG-2023-053 also found that the Army officials responsible for maintaining pre-positioned stocks in Germany failed to fulfill the requirements in an Army technical manual to periodically exercise the equipment in storage because their facilities lacked an appropriate area where they could conduct such operations. Without the prescribed exercise to determine functionality and prevent deterioration, the equipment faults that rendered the vehicles not operationally ready were able to accumulate undetected. The Army will be building an exercise facility at one location, but not until 2028.

PERSONNEL SHORTAGES IN THE USINDOPACOM REGION

The island of Guam, along with the northern Marianas islands, comprises Joint Region Marianas, and is the focus of dozens of military construction (MILCON) projects involving billions of dollars in spending. The projects have been beset by significant delays, owing in large part to personnel shortages across multiple areas. Report No. DODIG-2020-040, “Audit of Cost Increases and Schedule Delays for Military Construction Projects at Joint Region Marianas,” December 11, 2019, examined nine MILCON projects experiencing delays and cost increases, totaling a combined 13 years and \$37 million, respectively. The audit found that part of the cause for the delays was a shortage of laborers for contractors, due to a decrease in the approval and renewal of H-2B visas. Additionally, Naval Facilities Engineering Command Marianas identified personnel resourcing shortages as a contributing factor to schedule delays, pointing to challenges in recruiting personnel with the necessary qualifications and experience for many positions, such as construction management engineers. This limited the support they could provide to the island’s numerous projects as construction contract agents. Furthermore, delays related to clearance of munitions and explosives of concern (MEC) were partially due to limited staffing for MEC quality assurance (QA), as detailed in Report No. DODIG-2020-093, “Audit of the Department of Defense’s Processes to Identify and Clear Munitions and Explosives of Concern During Construction on Guam,” June 16, 2020. DoD OIG found that in January 2019, only four personnel were assigned to perform MEC QA at Joint Region Marianas, with one person responsible for some 300 projects and simply unable to cover the workload in a timely manner.

While Report No. DODIG-2022-036, “Audit of the Department of Defense Strategic Planning for Overseas Civilian Positions,” November 16, 2021, did not include Guam in its scope, it considered other locations in the USINDOPACOM region, including Japan and South Korea. This audit discovered that the DoD could not consistently conduct strategic planning for the overseas workforce, resulting in a wide variation in vacancy rates and hiring timelines for civilian personnel, and incurring risk that the workforce would be inadequate to support the DoD’s readiness, global mission, and ongoing operations.

Audit of the Department of Defense Strategic Planning for Overseas Civilian Positions

A 2021 audit of strategic planning for overseas hiring yielded seven recommendations regarding hiring practices, metrics for assessing hiring performance, and provision of relevant guidance. All seven recommendations are resolved but open.

The DoD OIG has 13 ongoing and planned projects concerning USINDOPACOM. Among these is an audit of the DoD’s efforts to build partner capacity (BPC) in the USINDOPACOM area of responsibility, which will determine whether the DoD established program objectives, met performance metrics, developed an assessment framework, and met congressional reporting requirements for the effective execution of BPC activities, in accordance with laws and DoD regulations. Other projects include audits and evaluations of munitions storage, environmental threats to naval dry docks, base operations and support services contracts, global health engagement activities, contested mobility requirements, training for personnel supporting surge sealift, and ballistic missile defense.

Selected Projects (find at: <https://www.dodig.mil/reports.html/>)

- DODIG-2023-084, “Evaluation of Accountability Controls for Defense Items Transferred Via Air to Ukraine within the U.S. European Command Area of Responsibility,” June 8, 2023
- DODIG-2023-115, “Evaluation of Land-Based Security Controls for Equipment Being Transferred by Rail to Ukraine,” September 6, 2023
- DODIG-2023-074, “Management Advisory: DoD Review and Update of Defense Articles Requiring Enhanced End-Use Monitoring,” May 19, 2023
- DODIG-2023-090, “Management Advisory: Sufficiency of Staffing at Logistics Hubs in Poland for Conducting Inventories of Items Requiring Enhanced End-Use Monitoring,” June 28, 2023
- DODIG-2020-121, “Evaluation of Department of Defense Enhanced End-Use Monitoring for Equipment Transferred to the Government of Ukraine,” August 27, 2020
- DODIG-2023-076, “Management Advisory: Maintenance Concerns for the Army’s Prepositioned Stock-5 Equipment Designated for Ukraine,” May 23, 2023
- DODIG-2023-053, “Evaluation of Army Pre-Positioned Equipment Issued in Response to Ukraine and the NATO Defense Forces,” February 27, 2023
- DODIG-2020-040, “Audit of Cost Increases and Schedule Delays for Military Construction Projects at Joint Region Marianas,” December 11, 2019
- DODIG-2020-093, “Audit of the Department of Defense’s Processes to Identify and Clear Munitions and Explosives of Concern During Construction on Guam,” June 16, 2020
- DODIG-2022-036, “Audit of the Department of Defense Strategic Planning for Overseas Civilian Positions,” November 16, 2021
- (ongoing) “Evaluation of Security Assistance Group-Ukraine’s Role in Coordinating the Movement of Defense Articles to Ukraine” (Project No. D2023-DEV0PE-0111.000)
- (ongoing) “Evaluation of the DoD’s Accountability of Lost or Destroyed Defense Articles Provided to Ukraine Requiring Enhanced End Use Monitoring” (Project No. D2023-DEV0PD-0152.000)
- (ongoing) “Evaluation of the DoD’s Replenishment and Management of 155mm High Explosive Ammunition” (Project No. D2023-DEV0PA-0126.000)
- (ongoing) “Audit of the DoD’s Efforts to Build Partner Capacity in the U.S. Indo-Pacific Command” (Project No. D2023-D000RM-0119.000)



Airmen review daily tasks at Joint Base San Antonio–Lackland’s Medina annex. Source: U.S. Air Force.

Challenge 2: Strengthening DoD Cyberspace Operations and Securing Systems, Networks, and Data

CHALLENGE HIGHLIGHTS

- Limited DoD controls over cybersecurity risk management activities increase risk to DoD information networks and systems.
- Insufficient assurance that contractors comply with cybersecurity requirements poses risks to contractors' authority to operate.

Strengthening cyberspace operations and ensuring cybersecurity for DoD systems, networks, and data is one of the central challenges of the coming decades. As the 2023 update to the DoD Strategic Management Plan described, "Growing dependence on the cyberspace domain for nearly every essential civilian and military function makes [cybersecurity] an urgent issue that must be addressed." The Government Accountability Office (GAO) identified ensuring the cybersecurity of the nation as one of three high-risk areas that need significant attention.

The DoD Strategic Management Plan contains objectives that seek to enhance the DoD's overall cybersecurity posture and accelerate the implementation of industry best practices and proven technologies. These objectives include goals such as achieving full operational capability of the Zero Trust Portfolio Management Office, consolidating DoD networks under a single service provider, using modern methodologies for software development, and maximizing the use of cloud hosting for DoD systems.

While the DoD has a vision for the future, the DoD OIG has identified multiple instances of the DoD having limited controls over the implementation of cybersecurity risk management activities, including the specific need to improve verification of contractor compliance with cybersecurity requirements.

Relevant Documents

- DoD Strategic Management Plan, FY 2022-2026 ed. (Strategic Priorities 1.3 and 3.4)
- GAO High Risk Areas, 2023 ed.
- National Cybersecurity Strategy, March 2023
- DoD Zero-Trust Strategy, October 2022
- DoD Cybersecurity and Zero Trust Reference Architectures, January 2023 and July 2022
- DoD Software Modernization Strategy, November 2021
- DoD Software Modernization Implementation Plan, March 2023
- OMB Circular A-130, "Managing Information as a Strategic Resource," 28 July 2016

LIMITED DoD CONTROLS OVER CYBERSECURITY RISK MANAGEMENT ACTIVITIES

DoD strategy and programs throughout the cyber domain are challenged by limited controls over cybersecurity risk management activities. In Report No. DODIG-2022-041, “Audit of the DoD’s Use of Cybersecurity Reciprocity Within the Risk Management Framework Process,” December 3, 2021,

Audit of the DoD’s Compliance with Security Requirements When Using Commercial Cloud Services

By using commercial cloud service offerings with unmitigated vulnerabilities, the DoD may be at an increased risk of successful cyber attacks, system and data breaches, data loss and manipulation, or unauthorized disclosures of mission-essential or sensitive information.

the DoD OIG identified that half of the components reviewed did not properly leverage reciprocity as required by DoD policy. Reciprocity entails acceptance and reuse of another organization’s security assessments, and reduces expenditure of resources on redundant tests and the associated risk of delayed system deployment. Critically, while the DoD Chief Information Officer (CIO) was responsible for overseeing the DoD’s implementation of reciprocity, they failed to establish processes to verify

compliance. Report No. DODIG-2023-052, “Audit of the DoD’s Compliance with Security Requirements When Using Commercial Cloud Services,” February 15, 2023, found that while DoD Component authorizing officials used commercial cloud service offerings (CSOs) that were authorized by the Federal Risk and Authorization Management Program and the DoD, they failed to review all required documentation to consider the risks presented to DoD systems by the CSOs when granting and reassessing authority to operate. Without a review of all required documentation, DoD Components may be unaware of vulnerabilities and cybersecurity risks associated with operating systems or storing data in commercial CSOs.

Examining another aspect of monitoring, the DoD OIG has an ongoing audit of the DoD’s development and implementation of the Digital Modernization Strategy, which is a strategic plan that details modernization goals and objectives in support of lines of effort laid out in the National Defense Strategy, and is guided by the priorities of: cybersecurity; AI; the cloud; and, command, control, and communications. The audit has a specific focus on the requirements of OMB Circular A-130, “Managing Information as a Strategic Resource,” which directs the DoD’s information technology goals be, “specific, verifiable, and measurable,” and tracked by “cost, schedule, and overall performance variances.” In FY 2024, the DoD OIG plans to conduct an audit of the DoD’s implementation of the Comply-to-Connect Program. This program was mandated in the FY 2017 National Defense Authorization Act (NDAA) and designed to improve the DoD’s cybersecurity posture. The related DoD CIO memorandum of January 2021 established implementation guidance with anticipated completion of the five step implementation process by 2023. As of May 2023, implementation was still at Step 1, and the DoD OIG will explore the reasons for the DoD’s delay.

VERIFYING CONTRACTOR COMPLIANCE WITH CYBERSECURITY REQUIREMENTS

Many of the DoD's strategic goals regarding information technology require clear, detailed communication of cybersecurity requirements and expectations to contractors, and subsequent verification that contractors are complying with those requirements. The DoD has experienced some difficulties in meeting these goals. In Report No. DODIG-2023-044, "Evaluation of the Cybersecurity Controls on the DoD's Secure Unclassified Network," January 12, 2023, the DoD OIG found that the DoD could

not directly monitor and manage the contractors' cybersecurity activities, and consequently put at risk their authority to operate. This occurred, in part, because the DoD failed to distinctly delineate and prioritize essential requirements in the performance work statement. Likewise, in Report No. DODIG-2019-105, "Audit of Protection of DoD Controlled Unclassified Information on Contractor-Owned Networks and Systems," July 23, 2019, the DoD OIG identified security deficiencies at nine contractors. The DoD OIG noted among its findings that the DoD failed to establish processes to verify that contractors' networks met National Institute of Standards and Technology (NIST) security requirements prior to contract award, and that DoD also failed to verify that contractors implemented minimum security controls for protecting controlled unclassified information (CUI).

Another item touching upon the issue of verification is the Cybersecurity Maturity Model Certification (CMMC) pilot program, which is a certification framework intended to assess Defense Industrial Base (DIB) implementation of NIST cybersecurity requirements, and was to be incorporated into contracts to describe the specific requirements for handling DoD data. The DoD initiated the program in 2020 with a planned 5 year phase-in period, but the interim rule that introduced the CMMC requirement into the Defense Federal Acquisition Regulation Supplement was suspended in 2021. The CMMC pilot is being superseded by CMMC 2.0, which will streamline cybersecurity requirements from five to three levels, and align each level with widely accepted NIST cybersecurity standards. The GAO attributed many of the difficulties with the initial CMMC pilot to the lack of detail and timeliness in DoD communication with industry, which fueled concerns on issues such as the scope of anticipated assessments and reciprocity with other cybersecurity standards. To ensure DoD is prepared to implement CMMC 2.0 once operational, the DoD OIG is performing an audit of the DoD's process for accrediting third-party organizations to perform CMMC 2.0 assessments, and for verifying the organizations meet all associated requirements. The DoD OIG also plans to perform an audit of the Defense Contract Management Agency DIB Cybersecurity Assessment Center's oversight of contractor cybersecurity for assessing compliance with Federal and DoD guidance.

Audit of Protection of DoD Controlled Unclassified Information on Contractor-Owned Networks and Systems

A 2019 audit of DoD contractor security controls to protect CUI on their networks and systems produced 49 recommendations on process and policy revisions concerning contractor security requirements, and DoD oversight thereof. Seven of these — dealing with login security and contracting policy — remain open.

The DoD OIG has an ongoing project, “Audit of DoD Actions to Implement Software Assurance Countermeasures Throughout the Weapon System Acquisition Life Cycle.” In 2016, the DoD OIG issued a report highlighting a failure of the DoD to communicate requirements and procedures to industry partners in major acquisitions to verify that software assurance countermeasures are appropriately applied. The DoD closed all recommendations from that report, and the DoD OIG may determine, through this ongoing 2023 project, that the DoD successfully addressed these challenges or discover further challenges in this area.

Selected Projects (find at: <https://www.dodig.mil/reports.html/>)

- DODIG-2022-041, “Audit of the DoD’s Use of Cybersecurity Reciprocity Within the Risk Management Framework Process,” December 3, 2021
- DODIG-2023-052, “Audit of the DoD’s Compliance with Security Requirements When Using Commercial Cloud Services,” February 15, 2023
- DODIG-2023-044, “Evaluation of Cybersecurity Controls on the DoD’s Secure Unclassified Network,” January 12, 2023
- DODIG-2019-105, “Audit of Protection of DoD Controlled Unclassified Information on Contractor-Owned Networks and Systems,” July 23, 2019
- (ongoing) “Audit of the DoD’s Development and Implementation of the Digital Modernization Strategy” (Project No. D2023-D000CT-0115.000)
- (ongoing) “Audit of the DoD’s Process for Accrediting Third-Party Organizations to Perform Cybersecurity Maturity Model Certification 2.0 Assessments” (Project No. D2023-D000CR-0167.000)
- (ongoing) “Audit of DoD Actions to Implement Software Assurance Countermeasures Throughout the Weapon System Acquisition Life Cycle” (Project No. D2023-D000CS-0097.000)
- (upcoming) “Audit of the DoD’s Implementation of the Comply-to-Connect Program”
- (upcoming) “Audit of the Defense Industrial Base Cybersecurity Assessment Center’s Review of Contractor Self-Assessments”
- (upcoming) “Audit of the DoD’s Implementation of the Mission Partner Environment Framework”



A Sailor and Airman clean the spindle of a MH-60R helicopter aboard the guided missile destroyer *USS Roosevelt* in the Baltic Sea.
Source: U.S. Navy.

Challenge 3: Maintaining Superiority Through a Resilient and Modern Defense Industrial Base

CHALLENGE HIGHLIGHTS

- Current government regulations hinder contracting officers' ability to negotiate fair and reasonable prices with defense contractors.
- Contracting officials' misinterpretation of policy, or failure to follow it, expose the DoD to unnecessary risk from excessive costs and foreign counterfeit components.

A resilient Defense Industrial Base (DIB) is critical to national security. The DIB is composed of manufacturers, service providers, research and development organizations, and other contractors, vendors, and grantees who develop, produce, maintain, and reconstitute DoD weapon systems, munitions stockpiles, and other material. A resilient DIB should be cost-effective, efficient, productive, surge-capable, globally competitive, and have the capacity to innovate and arm the military to ensure its ability to prevail in any conflict. The DoD ranked shaping a 21st century DIB to preserve U.S. military dominance as one of its top three Agency Priority Goals, with specific and immediate focus on supply chains. In the same vein, the DoD released a report in February 2022 on "Securing Defense-Critical Supply Chains," which identified a number of focus areas and strategic enablers critical to addressing vulnerabilities and building supply chain resilience. Cross-cutting recommendations spanning the areas and enablers were identified for action to enhance and grow the industrial base, including building domestic production capacity, conducting data analysis of supply chains, and updating acquisition policies.

The September 2018 interagency report, "Assessing and Strengthening the Manufacturing and Defense Industrial Base and Supply Chain Resiliency of the United States," identified five forces shaping trends across the industrial base and degrading U.S. capabilities, which in turn fostered 10 risk archetypes contributing to DoD supply chain insecurity. These archetypes, such as sole- and single-source suppliers, threaten the health of the DIB, often having a variety of negative impacts, such as cost inefficiencies, deferred maintenance, vulnerability to counterfeit components, and ultimately, diminished readiness and lethality of forces. These same archetypes have been recurrent features in a number of DoD OIG reports over the past several years. The reports indicate that negative impacts were often caused, in part, by regulatory restrictions on the data used in analysis and negotiations, and errors by contracting officials.

Relevant Documents

- Executive Order 14017, "America's Supply Chains," 24 February 2021
- DoD Report, "Securing Defense-Critical Supply Chains," February 2022
- DoD Strategic Management Plan, FY 2022-2026 ed.
- Interagency Report, "Assessing and Strengthening the Manufacturing and Defense Industrial Base and Supply Chain Resiliency of the United States," September 2018

REGULATIONS IMPEDE USE OF BEST DATA FOR INFORMED DECISIONS

Sole-source contracts are non-competitive procurements that involve negotiation with a single supplier to fulfill the contract requirement. Single-source contracts refer to procurements for which only one company bids on a given agency contract, even though multiple companies may be eligible. The DoD often uses sole- or single-source contracts for depot-level maintenance—a type of maintenance that is more complicated than regularly recurring maintenance.

Report No. DODIG-2022-104, “Audit of Sole-Source Depot Maintenance Contracts,” July 21, 2022, examined a sample of sole-source depot maintenance contracts to determine whether the DoD negotiated fair and reasonable prices. The report concluded that in 21 of 34 contracts,

Audit of Sole-Source Depot Maintenance Contracts

A 2022 audit of sole-source depot maintenance contracts yielded 14 recommendations, including process improvements to more effectively work within existing regulations, such as requiring that cost and pricing data be requested, and documenting contractor responses. Of these, 9 recommendations remain open, and 5 are closed.

DoD contracting officials may have failed to negotiate fair and reasonable prices, leading to increased costs and decreased readiness. One factor behind this failure is the Federal Acquisition Regulation (FAR), which impedes contracting officials’ ability to request cost and pricing data for commercial contracts, and does not provide authority to compel contractors to provide cost and pricing data as a precondition for contract award.

Report No. DODIG-2022-043, “Audit of the Business Model for TransDigm Group Inc. and Its Impact on Department of Defense Spare Parts Pricing,” December 13, 2021, found that similar regulatory restraints hindered the ability of contracting officers to negotiate the best possible prices. Specifically, the Truth in Negotiations Act (TINA), section 2306a, title 10, United States Code, and the FAR do not require contracting officers to request the most reliable sources of cost data when contracts are under a certain threshold, and require the use of price analysis methods that are ineffective in a sole-source environment. TransDigm is an entity that specializes in acquiring manufacturers of sole-source spare parts, and 95 percent of its contracts with the DoD in a 2-year period were below the TINA threshold. DoD OIG auditors estimated that TransDigm earned an excess profit of at least \$20.8 million on 150 contracts due to the lack of reliable information for contracting officials to perform cost analysis.

ERRORS BY CONTRACTING OFFICIALS

Contracting officers' failure to follow or properly interpret regulatory policy contributed to suboptimal contract outcomes. In DODIG-2022-104, the DoD OIG found that contracting officials did not develop well-defined requirements for 9 of 34 sole-source depot maintenance contracts, as required by the FAR. The complexity of repairs presented challenges, as contracting officials often did not know the extent of the repairs required until after the contract was awarded. The resultant, inaccurate contracts increased the likelihood contractors would include additional costs to cover their increased risk.

Audit of Sole-Source Depot Maintenance Contracts

Contracting officials did not consistently comply with Federal and DoD acquisition regulations. This led to cost escalation of at least \$71.9 million and negative impacts on mission completion and readiness.

Report No. DODIG-2023-069, "Evaluation of DoD Contracting Officer Actions on DoD Contracts Terminated for Convenience," May 9, 2023, found that in 17 of 63 terminations examined, contracting officers did not document adequate rationale for settling costs and may have inappropriately reimbursed contractors up to \$22.3 million. The evaluation attributed the absence of regulation and requirements training for contracting officials as one of the contributing factors.

In addition to financial inefficiencies, threats posed by foreign entities to the DIB and DoD are of particular concern. Report No. DODIG-2022-086, "Evaluation of the Defense Logistics Agency Lifetime Buys of Parts Used in Intelligence, Surveillance, and Reconnaissance Systems," April 19, 2022, identified the limitations of the modern DIB and associated risk of compromise to national security systems. A lifetime buy of parts, intended to avoid the future risk of shortages, instead incurred the risk of counterfeit parts being introduced into DoD platforms, as the sole trusted supplier was an international business that maintains production facilities in an adversarial nation. Measures intended to mitigate this risk were not employed due to: an oversight in the contract-writing software, disagreements on oversight roles and responsibilities between DoD entities, and misinterpretations of contract management policy requirements.

The DoD OIG recently completed Report No. DODIG-2023-123, "Audit of the Reliability of Army Spare Parts Forecasts Submitted to the Defense Logistics Agency," September 20, 2023, and has multiple ongoing projects related to the DIB and supply chain management, including audits on spare parts, repairs, and supply chains associated with multiple weapon systems. Planned work for FY 2024 includes an audit of the Navy's controls and procedures to remove defective spare parts provided by contractors from the DoD supply chain and to obtain restitution from those contractors.

Selected Projects (find at: <https://www.dodig.mil/reports.html/>)

- DODIG-2022-104, “Audit of Sole-Source Depot Maintenance Contracts,” July 21, 2022
- DODIG-2022-043, “Audit of the Business Model for TransDigm Group Inc. and Its Impact on Department of Defense Spare Parts Pricing,” December 13, 2021
- DODIG-2023-069, “Evaluation of DoD Contracting Officer Actions on DoD Contracts Terminated for Convenience,” May 9, 2023
- DODIG-2022-086, “Evaluation of the Defense Logistics Agency Lifetime Buys of Parts Used in Intelligence, Surveillance, and Reconnaissance Systems,” April 19, 2022
- DODIG-2023-123, “Audit of the Reliability of Army Spare Parts Forecasts Submitted to the Defense Logistics Agency,” September 20, 2023
- (ongoing) “Audit of C-17 Spare Part Pricing” (Project No. D2022-D000AH-0142.000)
- (ongoing) “Audit of B-52 Supply Chain Management” (Project No. D2022-D000AT-0114.000)
- (ongoing) “Audit of Repair Pricing for the F/A-18 Hornet Radar Systems” (Project No. D2023-D000AT-0143.000)
- (upcoming) “Audit of Navy Defective Parts and Contractor Restitution”



The USNS *Henry J. Kaiser* approaches the USNS *Mercy* during a multinational humanitarian assistance and disaster relief preparedness mission in the Pacific Ocean. Source: U.S. Navy.

Challenge 4: Improving DoD Financial Management and Budgeting

CHALLENGE HIGHLIGHTS

- Scope-limiting material weaknesses hamper auditors' abilities to perform procedures to draw a conclusion on the financial statements.
- A lack of coordination among and across personnel, processes, and systems covering the DoD's diverse sub-entities hinders progress toward effective fiscal management.
- Lack of clearly defined, established, and consistent identification of reporting entities negatively impacts financial management and audit planning.

As the Secretary of Defense told Congress, "... accountability to both our own forces and the American public is core to our democracy and sets us apart from our competitors on the world stage." The DoD has more than \$3.5 trillion in assets, and more than \$3.7 trillion in liabilities; oversight of these resources requires continuous effort to achieve an environment in which financial data and reporting integrity are the norm. The DoD Financial Improvement and Audit Remediation Report, issued in June 2023, acknowledges, "The financial statement audits have peeled back the top layers and are revealing the Department's most entrenched and difficult issues."

DoD Financial Management has been on GAO's High Risk list for 28 years. Likewise, the DoD OIG has consistently identified that the DoD's financial management needs to improve. Among other products, the DoD OIG's annually issued report on understanding the results of the DoD's financial statement audit highlights continuing challenges for the DoD in addressing scope-limiting material weaknesses, coordinating financial management, and maintaining consistent financial reporting entities. While recruiting and retaining a knowledgeable financial management workforce is an aspect of this challenge, we discuss it in Challenge 7, Recruiting and Retaining a Diverse Workforce, along with the broader need within the DoD to attract and retain employees with critical skill sets.

Relevant Documents

- DoD Strategic Management Plan, FY 2022-2026 ed. (Strategic Priority 5.1-5.3 and 2022 Strategic Priority 4.3, 4.5)
- GAO High Risk Areas, 2023 ed. (DoD Financial Management, DoD Business Systems Modernization)
- DoD Financial Management Strategy, FY 2022-2026
- DoD Financial Improvement and Audit Remediation Report, 2023

SCOPE-LIMITING MATERIAL WEAKNESSES

Report No. DODIG-2023-070, “Understanding the Results of the Audit of the FY 2022 DoD Financial Statements,” May 16, 2023, aims to focus the Department not just on the total number of material weaknesses, but specifically on those which are “scope-limiting” in that they do not allow auditors to perform sufficient procedures to reach a conclusion on the accuracy of the financial statements. The report identifies 10 categories of scope-limiting material weaknesses.

Figure 2. Scope-Limiting Material Weaknesses at the DoD Agency-Wide Level

Information Technology	<ul style="list-style-type: none"> The DoD lacked effective information technology internal controls, which limited the auditors’ ability to rely on information from the financial-related IT systems; therefore, auditors could not perform sufficient procedures to conclude on the financial statements balances.
Universe of Transactions	<ul style="list-style-type: none"> The DoD could not provide complete and accurate universes of transactions to support the balances reported in the financial statements. As a result, auditors were unable to perform the necessary procedures to verify the accuracy of the balances presented.
Fund Balance with Treasury	<ul style="list-style-type: none"> The DoD could not balance its Fund Balance with Treasury accounts with the amounts recorded at the Department of the Treasury, which caused the DoD to have to record unsupported journal vouchers in order to force the DoD’s accounts to match the Treasury. These unsupported journal vouchers did not contain enough information that would allow auditors to verify that the DoD’s balances are accurate.
Inventory and Related Property	<ul style="list-style-type: none"> The DoD was unable to substantiate the existence and completeness of inventory reported on the financial statements or did not properly account for or value its inventory. As a result, the auditors could not perform sufficient procedures to conclude on the inventory balance.
General Property, Plant, and Equipment, including Real Property (PP&E)	<ul style="list-style-type: none"> The DoD lacked sufficient policies or procedures to accurately value and report General PP&E balances. In addition, due to the lack of sufficient internal controls to ensure real property assets were recorded completely and accurately within accountable property systems of record, auditors could not perform sufficient procedures to determine whether the General PP&E balances on the financial statements were fairly presented, resulting in a scope limitation.
Reporting Entity	<ul style="list-style-type: none"> DoD management did not correctly apply a financial standard, which limited the auditors’ ability to rely on the information published by DoD management. As a result, auditors could not conclude on the accuracy of the balances presented on the financial statements.
Government Property in the Possession of Contractors (GPIPC)	<ul style="list-style-type: none"> The DoD did not have adequate internal controls to account for and reconcile their government property provided to contractors for performance of a contract or could not provide sufficient documentation to support the existence and completeness of their GPIPC. This created a scope limitation because the auditors could not perform sufficient procedures to conclude on the balances.
Joint Strike Fighter (JSF) Program	<ul style="list-style-type: none"> The JSF Program Office was unable to verify the completeness and value of the JSF Program assets, and the assets were not in an accountable property system of record. Not only were the auditors unable to perform the necessary procedures to conclude on the JSF property balances, but they also could not quantify the extent of the misstatement.
DoD Oversight and Monitoring	<ul style="list-style-type: none"> DoD management did not have sufficient controls over financial statement adjustments, the preparation of the financial statements and related note disclosures, or the execution and reporting of its funding, which increased the risks of misstatements and incomplete balances. As a result, auditors were unable to obtain reasonable assurance that information reported on the financial statements was presented in accordance with Generally Accepted Accounting Principles.
Environmental and Disposal Liabilities (E&DL)	<ul style="list-style-type: none"> In FY 2022, the auditors identified E&DL as a material weakness and determined that the DoD did not have sufficient procedures or internal controls to substantiate the completeness and accuracy of its E&DL. Until the DoD provides a complete and accurate E&DL, auditors are unable to complete procedures to conclude on the E&DL balances.

Source: The DoD OIG.

In July 2023, the DoD OIG issued Report No. DODIG-2023-096, “Management Advisory: DoD’s Ability to Financially Report Joint Strike Fighter Inventory,” on the accounting and reporting of F-35 Joint Strike Fighter (JSF) Program inventory. The DoD OIG found that the F-35 JSF Program Office did not have a valid population of inventory in its or its contractor’s possession and did not establish parameters on how to financially report inventory, impacting accuracy of financial statements and potentially leading to uninformed logistical and budgetary decisions. In FY 2024, the DoD OIG plans to continue oversight of government property in the possession of contractors with an audit of the remediation efforts associated with documenting that property. Knowing which property is with contractors and the value of that property is key to accurately reporting government property, which has been a scope-limiting material weakness for the DoD for more than 18 years.

LACK OF FINANCIAL MANAGEMENT COORDINATION ACROSS THE DoD

Many of the weaknesses identified in DODIG-2023-070 hinge on shortfalls in coordination throughout the Department—both among personnel and systems. The DoD is attempting to manage 334 different systems and applications for financial management including disparate and outdated accounting, acquisition, inventory, and logistics systems. These systems also lack interoperability, adequate controls, and automated processes. Because financial management requires more than just the involvement of financial management professionals, coordination between the workforce in other functional areas, such as acquisition, logistics, and policy—and coordination amongst the underlying systems—is paramount. For example, policies, processes, and internal controls over the accountability of inventory not only ensure the inventory is reported correctly on the financial statements, but they also provide real-time accurate inventory data to enable Services and commands to reliably predict reorder timeframes and thereby minimize operational risk.

The DoD OIG has a number of ongoing or planned projects to evaluate the DoD’s efforts to improve its financial management systems, such as the “Audit of the DoD Plans to Address Long-Standing Issues with Outdated Financial Management Systems,” announced February 22, 2023, which focuses on the efforts to modernize DoD Business Systems, as described in the DoD Strategic Management Plan, Priority 5.3.

UNCLEAR IDENTIFICATION OF REPORTING ENTITIES

The DoD has not properly implemented and applied the standard for identifying which entities should be consolidated and included on the agency-wide financial statements. Because the DoD did not report all the entities for which it has a reporting responsibility, it increases the likelihood that the DoD is failing to identify unique risks that may be affecting its organization

Understanding the Results of the Audit of the FY 2022 DoD Financial Statements

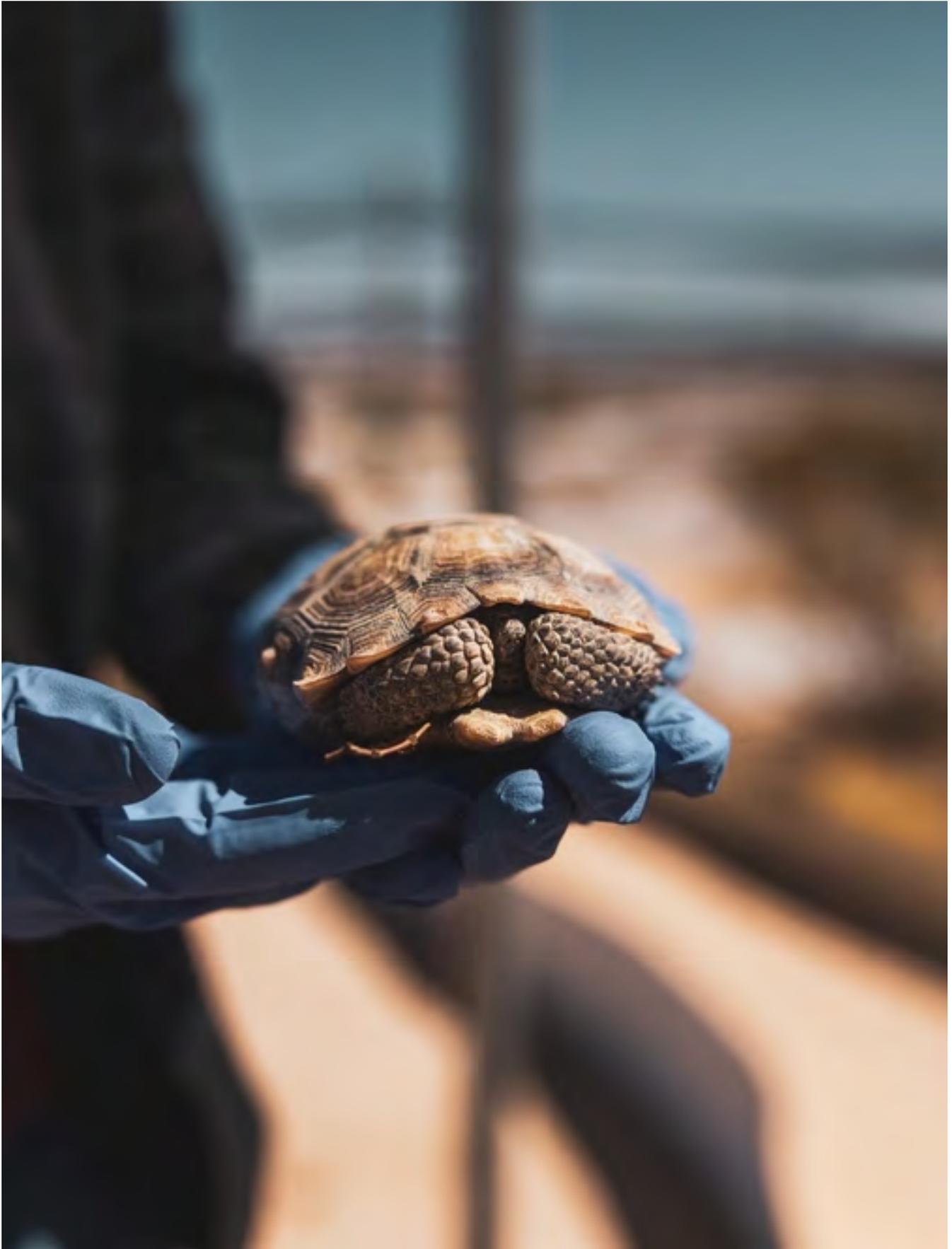
The DoD’s inability to properly identify whether all of its material entities have been consolidated or disclosed increases the likelihood that the DoD is failing to identify unique risks that may be affecting its organization and its financial statement opinion. In addition, users of the financial statements, including the public, may be misled by the DoD’s failure to disclose all of the relevant and material entities that use taxpayer dollars.

and its financial statement opinion. In addition, users of the financial statements, including the public, may be misled by the DoD's failure to disclose all of the relevant and material entities that use taxpayer dollars.

In FY 2022, the DoD was statutorily required to report on eight entities that represented 83.71 percent of the DoD's assets on the agency-wide financial statements. However, DoD management also can direct the inclusion of entities that do not represent a material portion of the financial statements and previously included 18 of these entities. Beginning in FY 2023, the DoD added two additional reporting entities that represented only 0.15 percent of the DoD's assets on the agency-wide financial statements. Adding these two reporting entities has no impact on the DoD Agency-Wide financial statement audit opinion and auditing them requires the DoD to commit resources totaling almost \$20 million. Because the DoD is a large, complex, and diverse organization, the DoD must establish, document, and maintain a clear, consistent financial reporting structure. Establishing this structure will help the DoD develop a more effective and efficient financial management environment.

Selected Projects (find at: <https://www.dodig.mil/reports.html/>)

- DODIG-2023-070, "Understanding the Results of the Audit of the FY 2022 DoD Financial Statements," May 16, 2023
- DODIG-2023-096, "Management Advisory: DoD's Ability to Financially Report Joint Strike Fighter Inventory," July 21, 2023
- (ongoing) "Audit of DoD Oversight of Cost-Plus-Award-Fee Contracts" (Project No. D2022-D000AT-0175.000)
- (ongoing) "Audit of Financial Improvement and Audit Remediation Contracts for DoD Components and Agencies" (Project No. D2022-D000FS-0137.000)
- (ongoing) "Audit of the DoD's Plans to Address Long-standing Issues with Outdated Financial Management Systems" (Project No. D2023-D000FV-0087.000)
- (upcoming) "Audit of DoD Government Property in the Possession of Contractors Remediation Efforts of Material Weaknesses Associated with Financial Statement Audits"
- (upcoming) "Evaluation of the Defense Contract Audit Agency's Contract Audits of Special Access Programs"



A Marine Corps ecologist holds a desert tortoise at the Tortoise Research and Captive Rearing Site at Marine Corps Air Ground Combat Center, Twentynine Palms, California. Source: U.S. Marine Corps.

Challenge 5: Adapting to Climate Change and Accelerating Resilience

CHALLENGE HIGHLIGHTS

- Incomplete guidance increases the risk of not adequately assessing the impact of climate change on military installations and readiness.
- Limited personnel and financial resources constrain long-term climate planning and action.
- There are hurdles that must be overcome to ensure that equipment is designed and maintained to withstand climate change.

The DoD has identified climate change as a critical national security issue. The effects of a changing climate undermine military readiness, impose significant costs, increase demand and scope for military operations, worsen existing security risks, and threaten U.S. interests. Principally, the DoD seeks to increase resilience and improve combat capability, while reducing its own contributions to climate change.

Over the last 3 years, the DoD has developed an interlocking set of strategy documents and plans that address a range of climate-related concerns such as operational adaptation, transformation and sustainability of the force, impact of DoD activities on local communities, and access to natural resources. The DoD Strategic Management Plan FY 2022 - 2026 identifies the reduction of climate impacts to DoD installations as an Agency Priority Goal to be accomplished within 2 years.

Independent input from the Department, gathered by the DoD OIG, identified difficulties in translating strategic goals into actionable plans and in effectively engaging with installation communities, both at home and internationally. These concerns illuminate the challenges that persist, despite robust planning and high-level commitment, in the areas of climate-related guidance, resourcing, and equipment.

Relevant Documents

- DoD Strategic Management Plan, FY 2022-2026 ed. (Strategic Priority 3, 3.3; and 2022 Strategic Priority 2.3)
- GAO High Risk Areas, 2023 ed. (Limiting Financial Exposure by Better Managing Climate Change Risk & U.S. Government's Environmental Liability)
- DoD Climate Risk Assessment, 2021
- DoD Climate Adaptation Plan, 2022 Progress Report
- DoD Sustainability Plan, 2022
- DoD Equity Action Plan, 2022
- National Defense Strategy, 2022

INCOMPLETE GUIDANCE

Climate resilience assessments are required by the FY 2020 NDAA, with required elements detailed in the DoD's Unified Facilities Criteria, UFC 2-100-01. The DoD OIG has found that DoD-level guidance to fulfill this requirement is inadequate, particularly at the installation level. Report No. DODIG-2023-061, "Audit of Military Department Climate Change Assessments and Adaptation Plans in the Southeastern Continental United States," March 28, 2023, found that

Military Departments did not consistently develop required climate resilience assessments at the five installations reviewed. Policy directs that these assessments include an evaluation of existing and projected risks to installations from extreme weather, and delineate specific facilities or assets that are threatened. The report attributes the lack of consistency in assessments, in part, to the failure of the Department and Services to provide comprehensive guidance that includes adequate definitions, approved data sources, and required elements and formats for the assessments.

Audit of Military Department Climate Change Assessments and Adaptation Plans in the Southeastern Continental United States

A 2023 audit of climate change assessments and adaptation plans in the Southeastern United States produced eight recommendations, all of which are resolved but open. All eight address updates to policy, to more clearly delineate requirements and improve standardization.

LIMITED RESOURCES CONSTRAIN CLIMATE INITIATIVES

Although installations have completed projects to adapt to the impact of climate change, they have expressed that funding for climate projects without an immediate mission impact is difficult to obtain. Report No. DODIG-2023-068, "Evaluation of the DoD's Management of Land-Based Water Resources to Support Operations," May 9, 2023, observed that the DoD Executive Agent for land-based water resources was not performing the majority of their assigned responsibilities, primarily because Army leadership failed to provide the required support and oversight, including proper staffing

Evaluation of the DoD's Efforts to Address the Climate Resilience of U.S. Military Installations in the Arctic and Sub-Arctic

Installation officials stated that if they did not receive a climate-related military construction project, which comes with funding, the installation would be required to use sustainment, restoration, and modernization funds for climate-related projects—funds which were already insufficient for current sustainment priorities.

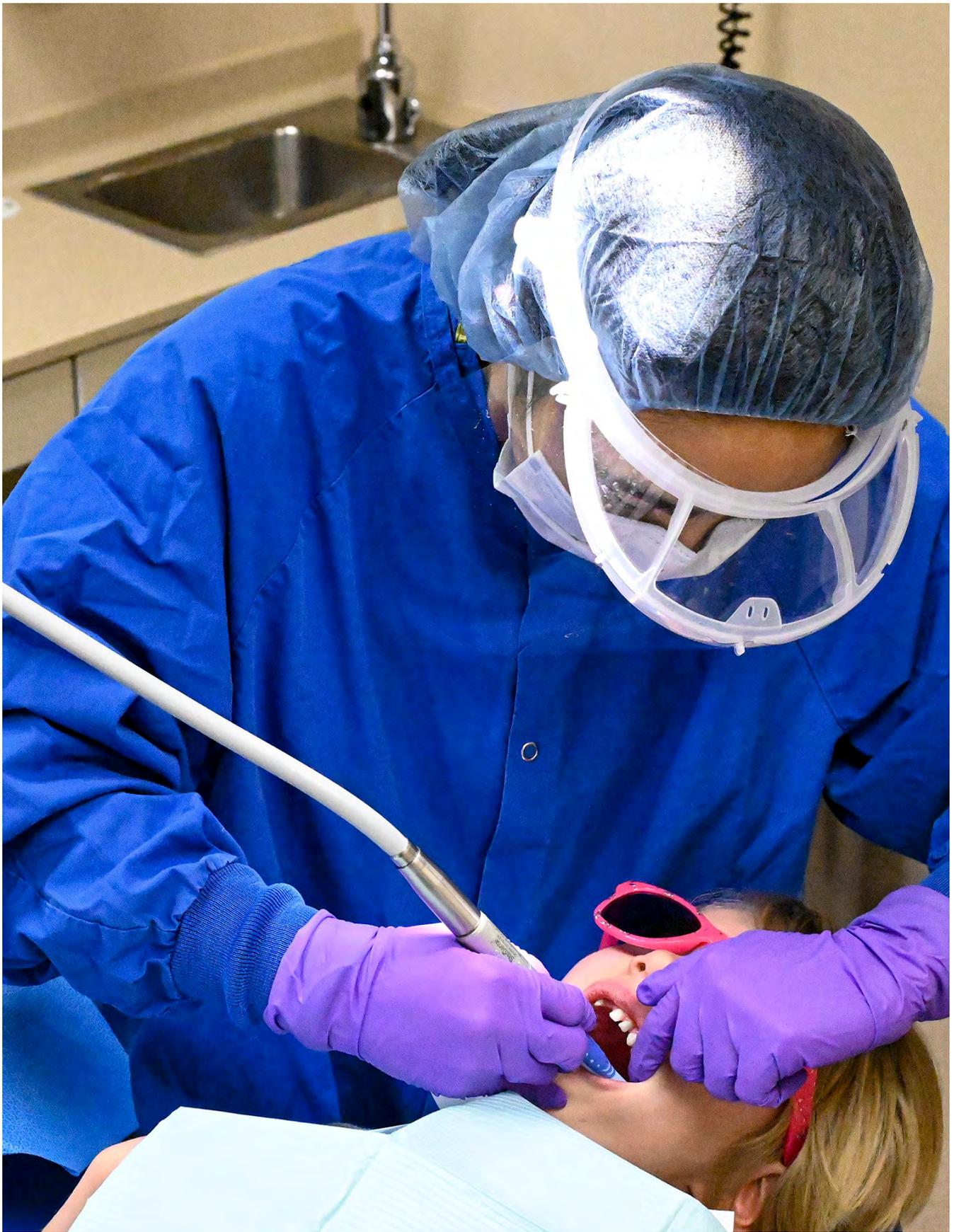
and funding. DODIG-2023-061 and Report No. DODIG-2022-083, "Evaluation of the DoD's Efforts to Address the Climate Resilience of U.S. Military Installations in the Arctic and Sub-Arctic," April 13, 2022, were conducted at the installation level. These reports identified leaders at locations as diverse as the Southeastern United States and the Arctic who readily identified numerous climate-related infrastructure projects that could enhance climate resilience, but reported a lack of financial resources for climate-related projects that did not address an immediate risk to mission capabilities.

ENSURING EQUIPMENT IS DESIGNED TO WITHSTAND CLIMATE CHANGE

Mission accomplishment in a changing climate will depend in part on the DoD's ability to design and maintain equipment capable of operations in extreme environments. For example, the Force Provider module is the Army's life support system for base camps. It consists of military and commercial equipment needed to support climate-controlled billeting, food preparation, hygiene, and morale. Each Force Provider module supports 150 personnel. During a visit to Camp Arifjan, Kuwait, Army personnel stated that Force Provider modules had been stored outdoors for at least 8 years, exposing them to intense heat and harsh conditions. In FY 2024, the DoD OIG plans to revisit Camp Arifjan and examine the impacts of this exposure on these critical components.

Selected Projects (find at: <https://www.dodig.mil/reports.html/>)

- DODIG-2023-061, "Audit of the Military Department Climate Change Assessments and Adaptation Plans in the Southeastern Continental United States," March 28, 2023
- DODIG-2023-068, "Evaluation of the DoD's Management of Land-Based Water Resources," May 9, 2023
- DODIG-2022-083, "Evaluation of the DoD's Efforts to Address the Climate Resilience of U.S. Military Installations in the Arctic and Sub-Arctic," April 13, 2022
- (upcoming) "Audit of the Army's Management of Force Provider Modules in the U.S. Central Command"



An Airman cleans a child's teeth during a Children's Dental Day event at Ellsworth Air Force Base, South Dakota. Source: U.S. Air Force.

Challenge 6: Protecting the Health and Wellness of Service Members and Their Families

CHALLENGE HIGHLIGHTS

- Medical personnel shortages impact the Military Health System's ability to meet the needs of Service members and DoD civilians.
- Unclear health care policies negatively impact patient care.
- Inaccurate or incomplete patient health care information poses risks to treatment and benefits.

National security requires a healthy, medically ready force, and a ready medical force to support it. The 2022 National Security Strategy states, "Service members are the backbone of America's national defense and we are committed to their wellbeing." In his 2023 message to the force, the Secretary of Defense reaffirmed his commitment to "taking care of our people" as one of his top three priorities.

However, challenges to the health and wellness of the force remain. Suicide and management of traumatic brain injury (TBI) care continue to be pressing concerns requiring attention. According to the DoD's Defense Suicide Prevention Office, there were 94 suicides among active duty personnel in the first quarter of 2023, which represents an increase of 25 percent over the previous year. TBI also continues to have an impact on Service members, exerting lasting effects on their well-being. These persistent issues underscore the need for ongoing support and research.

Adding to the complexity of ensuring the health and wellness of the force is the impact of the COVID-19 pandemic and ensuing strain on the Military Health System (MHS). DoD OIG work on these topics identified several issues, which were also raised by DoD stakeholders in response to a DoD OIG request for input on management and performance challenges: a shortage of healthcare providers, unclear policy, and inaccurate patient data.

Relevant Documents

- National Security Strategy, 2022
- Secretary of Defense Memorandum, "Message to the Force," 02 March 2023
- Department of Defense (DoD) Quarterly Suicide Report (QSR) 1st Quarter, 2023
- DoD Strategic Management Plan, FY 2022-2026 ed. (Strategic Objective 4, 4.3; Performance Goal 4.3.5)
- "Report to the Congressional Defense Committees," COVID-19 Military Health System Review Panel, March 2023

SHORTAGE OF PROVIDERS

Consistent with Hotline complaints received by the Service Inspectors General and the DoD OIG, U.S. Indo-Pacific Command leaders conveyed a consistent concern to the Inspector General during his travels in the region in 2023: Service members and DoD civilians face challenges to accessing health care, especially in the area of specialty care, due in part to a shortage of medical professionals. Personnel have been referred to local providers off-installation, but still been unable to receive care in a timely fashion. Similarly, the COVID-19 MHS Review Panel's 2023 Report to the Congressional Defense Committees found that the DoD had "chronic shortages" of the specialty providers needed for warfighting, which were exacerbated by the pandemic. This was supported by Report No. DODIG-2022-081, "Evaluation of Department of Defense Military Medical Treatment Facility [MTF] Challenges During the Coronavirus Disease-2019 (COVID-19) Pandemic in Fiscal Year 2021," April 5, 2022, which found that during the pandemic "26 of the 30 MTFs reported staffing and manpower shortages as the most serious challenge encountered by medical personnel." MTF officials stated that the shortages were not a result of the pandemic but were compounded by it; they related that DoD-directed personnel cuts planned before the pandemic led to the shortages. These shortages caused burnout and decreased readiness for medical personnel, as well as delays in care and increased risk to patients.

Evaluation of Department of Defense Military Medical Treatment Facility [MTF] Challenges During the Coronavirus Disease-2019 (COVID-19) Pandemic in Fiscal Year 2021

A 2022 evaluation of DoD MTF challenges during the COVID-19 pandemic yielded eight recommendations; all eight are open, and one remains unresolved. Five of these recommend that the DHA establish a working group to address staffing challenges, to examine associated factors, such as hiring processes and salary disparities, and to monitor implementation of recommendations.

Regarding specialty care, Report No. DODIG-2022-071, "Audit of Active Duty Service Member Alcohol Misuse Screening and Treatment," March 10, 2022, found that the Defense Health Agency (DHA) and Services failed to adhere to prescribed timelines for screening and treatment for alcohol misuse because, among other reasons, "Service substance abuse centers, MTFs, or residential treatment facilities were understaffed," resulting in delays in diagnosis and care, and risks to health and readiness.

UNCLEAR HEALTH CARE POLICIES

Vague healthcare policy has had negative effects on patient care in a variety of areas. DODIG-2022-071 found that the DHA and Services did not clearly identify timeline requirements for substance abuse specialty care, which resulted in significant variance in assessment and treatment for Service members. For example, the timeline to provide assessment of a substance abuse disorder following

a referral might be 7 days, 12 days, or even 28 days. Another variable was the frequency of screenings for alcohol use disorder. The report found that because of the lack of clear and consistent guidance, “Service members were not assessed and treated in a timely manner.”

Report No. DODIG-2022-030, “Evaluation of the Department of Defense’s Implementation of Suicide Prevention Resources for Transitioning Uniformed Service Members,” November 9, 2021, stated, “DoDI 6490.10 lacks a clear definition of a warm handoff, provider training protocols, standardized documentation methods, and oversight procedures to ensure compliance.” As a result, Service members may experience interruptions in care and their safety may be jeopardized. Report No. DODIG-2022-006, “Evaluation of Traumatic Brain Injuries in the U.S. Central Command Area of Responsibility,” November 1, 2021, discovered failures to report potentially concussive events (PCEs) to the U.S. Central Command (USCENTCOM) because the governing document, CCR 40-1, was unclear and did not, “specify how, how often, or to whom to report PCEs.” Report No. DODIG-2023-059, “Evaluation of the DoD’s Management of Traumatic Brain Injury,” March 28, 2023, found that the “DoD did not implement consistent processes for the management of TBI care because DHA-PI 6490.04 does not clearly define 72-hour followup requirements.” Consequently, only 31 percent of mild TBI patients received a follow-up within 72 hours, and 41 percent of patients received no follow-up care at all.

INACCURATE OR INCOMPLETE DATA

Management Advisory: DoD Health Care Provider Concerns Regarding the Access to Complete and Accurate Electronic Health Records

DoD survey respondents were asked to identify how inaccurate or incomplete patient health care information impacted their ability to provide quality patient care; 93.9 percent indicated a negative impact on patient care.

Modern data systems such as the MHS Genesis electronic health records (EHRs) should enable the MHS to better track and manage patient care, provided data is available and accurate. While the DoD is tracking the timeline of the MHS Genesis roll-out in its Strategic Management Plan, it makes no mention of accuracy. Report No. DODIG-2022-090, “Management Advisory: DoD Health Care Provider Concerns Regarding the Access

to Complete and Accurate Electronic Health Records,” May 5, 2022, found that 91 percent of healthcare provider respondents reported inaccurate or incomplete patient health care information in MHS Genesis. Furthermore, 56 percent of respondents employing medical devices stated that the transfer of data to Genesis produced inaccurate or incomplete results. DODIG-2023-059 found that officials at nearly half of the MTFs examined reported inaccuracies in TBI data. Similarly, DODIG-2022-006 found that USCENTCOM was using EHRs to track PCEs, but the data was incomplete, which could result in Service members being denied benefits and treatment for TBI.

In September 2023, the DoD OIG and the Inspectors General of the Departments of Justice, Health and Human Services, and Veterans Affairs, published the joint “Review of Personnel Shortages in Federal Health Care Programs During the COVID-19 Pandemic.” The DoD OIG has multiple ongoing projects related to health and wellness, including a management advisory dealing with concerns with access to health care in the MHS. Planned work for FY 2024 includes an evaluation of the use of multidisciplinary teams for suicide prevention and related care at the command and installation levels.

Selected Projects (find at: <https://www.dodig.mil/reports.html/>)

- DODIG-2022-081, “Evaluation of Department of Defense Military Medical Treatment Facility Challenges During the Coronavirus Disease-2019 (COVID-19) Pandemic in Fiscal Year 2021” April 5, 2022
- DODIG-2022-071, “Audit of Active Duty Service Member Alcohol Misuse Screening and Treatment,” March 10, 2022
- DODIG-2022-030, “Evaluation of the Department of Defense’s Implementation of Suicide Prevention Resources for Transitioning Uniformed Service Members,” November 9, 2021
- DODIG-2022-006, “Evaluation of Traumatic Brain Injuries in the U.S. Central Command Area of Responsibility,” November 1, 2021
- DODIG-2023-059, “Evaluation of the DoD’s Management of Traumatic Brain Injury,” March 28, 2023
- DODIG-2022-090, “Management Advisory: DoD Health Care Provider Concerns Regarding the Access to Complete and Accurate Electronic Health Records,” May 5, 2022
- (ongoing) “Audit of DoD Health Care Personnel Shortages During the COVID-19 Pandemic” (Project No. D2022-D000AW-0158.000)
- (upcoming) “Evaluation of the DoD's use of Multidisciplinary Teams for Suicide Prevention and Post-vention at Command and Installation Levels”



Marine recruits run in formation during a motivational run at Marine Corps Recruit Depot San Diego. Source: U.S. Marine Corps.

Challenge 7: Recruiting and Retaining a Diverse Workforce

CHALLENGE HIGHLIGHTS

- Lack of consistent, accurate personnel data hampers workforce planning.
- Insufficient understanding of policies and procedures related to ideological extremism and talent management may impact recruiting and retention.

The 2022 National Defense Strategy acknowledges that cultivating the workforce we need includes taking better care of Service members and their families, and making deeper investments in people. The Services, particularly the Army, are confronting enlistment shortfalls and struggling to meet annual recruitment goals. Recruiting for the all-volunteer force has been affected by a strong labor market, decreased interest in serving and availability in qualified recruits, and growing distrust in institutions (Figure 3). The DoD has focused on improving recruitment and retention by widening the net for recruits; addressing talent management; growing talent in science, technology, engineering, and mathematics (STEM) and cyber career fields; and advancing Diversity, Equity, Inclusion, and Accessibility (DEIA) principles.

Despite Government efforts, the April 2023 GAO High Risk Report identified Strategic Human Capital Management as a high risk for Federal agencies, including the DoD, specifically. While the report acknowledged an increase in leadership focus on the issue, it also noted a lack of progress in capacity, action plans, monitoring, and especially, demonstrated progress. Input from DoD Components, gathered by the DoD OIG during the development of this document, similarly identified pressing needs for additional skilled civilian employees, and frustrations with hiring processes and timelines for these employees. Work completed by the DoD OIG found issues with data collection and application of established policies and procedures.

Relevant Documents

- DoD Strategic Management Plan, FY 2022-2026 ed. (Strategic Priority 4.1, 4.2; and 2022 Strategic Priority 3.1, 3.2)
- GAO High Risk Areas, 2023 ed. (Strategic Human Capital Management)
- DoD Human Capital Operating Plan, FY 2022-FY 2026
- DoD STEM Strategic Plan, FY 2021-FY 2025
- DoD Cyber Workforce Strategy and Implementation Plan, 2023
- DoD Equity, Inclusion, and Accessibility Strategic Plan

Figure 3. GAO Identified Recruitment and Retention Challenges



Source: GAO analysis of Department of Defense, Congressional Research Service, and GAO information.

DATA COLLECTION DEFICIENCIES

Effective use of data is critical to talent management. Progress in this area requires that personnel enter and maintain data in consistent, accurate ways within a personnel system, and that the systems present data to decision-makers and action officers in a meaningful way.

Report No. DODIG-2022-036, “Audit of the Department of Defense Strategic Planning for Overseas Civilian Positions,” November 16, 2021, found that information in DoD personnel and management data systems was updated separately and inconsistently by each Component, and did not provide human resources officials with reconcilable data on current, authorized, or budgeted positions. This data deficit impeded strategic

Audit of the DoD Strategic Planning for Overseas Civilian Positions

Although the responsibility for planning for and managing the civilian workforce rests with the workforce owners, the lack of a unified DoD personnel and manpower data system, performance metrics, and best practices guidance meant Military Departments and DoD Components had no benchmarks to produce policies and procedures for their local commands.

workforce planning, acting as a barrier to identifying vacancies and to active recruiting to fill them. Furthermore, Report No. DODIG-2023-073, “Evaluation of DoD Implementation of the Military Equal Opportunity Program’s Data Collection and Reporting Requirements for Complaints of Prohibited Discrimination,” May 18, 2023, and Report No. DODIG-2023-083, “Evaluation of the Collection of Demographic Data in the Military Justice System,” June 7, 2023, both found significant deficiencies in the accuracy and consistency of

data collected for the respective programs, including demographic data and other specifics of the complaints or encounters. These shortfalls impeded the DoD’s ability to evaluate existing barriers or inconsistencies, take steps to remedy them, and measure progress toward that end.

The 2022 Defense Business Board (DBB) release, “Strengthening Defense Department Civilian Talent Management,” similarly highlighted the DoD’s failure to recognize the strategic importance of personnel data in order to effectively collect and use it. The DBB observed that there is no robust database for talent management that allows leaders to identify and track workforce skills or develop talent for upskilled roles. The DoD OIG has a number of ongoing and planned projects that will explore these and related challenges, including the “Audit of Army Oversight of DoD Language Interpretation and Translation Enterprise II Contract,” announced February 28, 2022, which will examine oversight of contract translators and may shed light on challenges in tracking demand to match supply. Other planned projects will evaluate the DoD’s Language, Regional Expertise, and Culture Program—shortfalls in the program could inhibit the maximum understanding of foreign languages, regional expertise, and the cultural perspectives of both our partners and potential adversaries—as well as efforts concerning the recruitment and retention of female pilots in the Air Force.

INCOMPLETE OR INCORRECT APPLICATION OF POLICIES AND PROCEDURES

DoD OIG reports have found that policies and procedures are not always sufficiently detailed and easily understood, impacting hiring and management’s actions. For example, Report No. DODIG-2022-095, “Evaluation of Department of Defense Efforts to Address Ideological Extremism within the Armed Forces,” May 10, 2022, found that efforts to combat extremism within the Services were ineffective due to the lack of clear definitions for terms like “extremism” and “active participation.”

Furthermore, Report No. DODIG-2023-103, “Audit of the Military Service Recruiting Organizations’ Efforts to Screen Applicants for Extremist and Criminal Gang Behavior,” August 3, 2023, found that recruiters did not complete required applicant screening steps. Out of applicants who required screening, recruiters only asked 41 percent the initial screening questions, and did not provide or require completion of mandatory forms and questionnaires for another 40 percent of applicants.

The challenge of turning strategy into actionable guidance extends to talent management. Report No. DODIG-2022-036 found that “DoD data systems, performance metrics, and guidance did not offer human resources officials clear direction or readily accessible tools.”

The DBB’s 2023 “Building a Civilian Talent Pipeline” likewise recognizes many hiring officials are “overwhelmed with authorities” they do not understand how to use, and are constrained to use the “complicated,” “time-consuming,” and “frustrating” USAJOBS platform to perform civilian hiring. The DoD OIG has ongoing projects examining these challenges,

including the “Audit of DoD-Funded Science, Technology, Engineering, and Mathematics Education Programs,” announced September 26, 2022, which is looking at turning strategic planning into action by evaluating DoD STEM education programs’ integration of underserved and underrepresented students.

In the coming year, the DoD OIG plans to look into how reforms have been implemented in promotion selection boards; the Army’s sexual harassment and assault response and prevention program; and the Navy’s sexual harassment complaint process.

Evaluation of the DoD’s Implementation of the Military Leadership Diversity Commission’s 2011 Report Recommendations

A 2022 evaluation of the DoD’s implementation of the recommendations of the Military Leadership Diversity Commission’s 2011 Report and the Diversity and Inclusion Strategic Plan for 2012-2017 produced 43 recommendations, largely dealing with the issuance or revision of diversity-related policy, procedure, and training. Of these recommendations, 27 have been closed and 16 remain open.

Selected Projects (find at: <https://www.dodig.mil/reports.html/>)

- DODIG-2022-036, “Audit of the DoD Strategic Planning for Overseas Civilian Positions,” November 16, 2021
- DODIG-2023-073, “Evaluation of DoD Implementation of the Military Equal Opportunity Program’s Data Collection and Reporting Requirements for Complaints of Prohibited Discrimination,” May 18, 2023
- DODIG-2023-083, “Evaluation of the Collection of Demographic Data in the Military Justice System,” June 7, 2023
- DODIG-2022-095, “Evaluation of the DoD Efforts to Address Ideological Extremism within the Armed Forces,” May 10, 2022
- DODIG-2023-103, “Audit of the Military Service Recruiting Organizations’ Efforts to Screen Applicants for Extremist and Criminal Gang Behavior,” August 3, 2023
- (ongoing) “Audit of Army Oversight of DoD Language Interpretation and Translation Enterprise II Contract” (Project No. D2022-D000RJ-0104.000)
- (ongoing) “Audit of DoD-Funded Science, Technology, Engineering and Mathematics (STEM) Education Programs” (Project No. D2022-D000RK-0179.000)
- (ongoing) “Evaluation of the Air Force’s Efforts to Recruit and Retain Female Pilots” (Project No. D2023-DEV0PH-0153.000)



The USSPACECOM Joint Operations Center is responsible for integrating data and status from multiple operations centers, the Services and agencies to provide the Commander, USSPACECOM with critical Command and Control capabilities. Source: U.S. Space Force.

Challenge 8: Accelerating the Transformation to a Data-Centric Organization

CHALLENGE HIGHLIGHTS

- DoD culture does not consistently regard data as a strategic asset and prioritize its management throughout the defense ecosystem.
- Implementation of the DoD data strategy is limited by a lack of measurable action plans, management accountability, and funding.

The DoD aims to transform into a data-centric organization, where data is not only valued, but is also readily available and consistently used to inform decision-making. As noted by the Deputy Secretary of Defense, “Data is essential to preserving military advantage, supporting our people and serving the public.” The DoD faces fast paced, high consequence, worldwide strategic decision-making; manages one of the world’s largest workforces; and operates a multibillion-dollar global supply chain and an enormous inventory of facilities and installations. These activities make the DoD one of the world’s largest producers and consumers of data.

Given data’s importance, the DoD must treat it as a strategic asset and prioritize its management throughout the entire defense ecosystem. To meet this challenge, the 2020 DoD Data Strategy provides the guiding principles, capabilities, and goals necessary to navigate the DoD’s transition into a data-centric enterprise. However, the pace and success of this transformation requires a significant cultural shift within the DoD. Input from DoD Components, gathered by the DoD OIG during the development of this document, identified limitations in data standardization and interoperability as key challenges, as well as a lack of education and training in data or information literacy. Similarly, over the last several years, the DoD OIG has noted limitations in the DoD and the Department of Veterans Affairs’ health record interoperability and examined data-driven limitations on interoperable systems and tools for forecasting logistics demand.

Relevant Documents

- DoD Strategic Management Plan, FY 2022-2026 ed. (Strategic Priority 5.4 & 5.4.2)
- DoD Data Strategy, 2020
- National Defense Strategy, 2022 (VII. Building Enduring Advantages, *Make the Right Technology Investments*)

DEVELOPING A DATA-CENTRIC CULTURE

A data-centric culture is one in which data is treated as a strategic asset; data completeness and accuracy is rigorously maintained; data sharing and collaboration across organizational boundaries is expected; and business processes, standards, and products are developed with data in mind. However, there remains much work to be done to build this type of culture across the DoD.

An example of the challenges facing the DoD is the need to shift how it approaches data management, such as data license rights for weapon systems. Throughout the 1980s and 1990s, intellectual property licensing rights for defense products and services were viewed as too costly and unnecessary to acquire. However,

acquiring and licensing the appropriate intellectual property is vital for ensuring that DoD systems will remain functional, sustainable, upgradable, and affordable. Beginning in 2009, DoD instructions have recognized the need for data licensing, culminating in DoDI 5010.44, “Intellectual Property Acquisition and Licensing,” in October 2019. This policy requires a robust intellectual property strategy by which data licensing is factored into source selection. In FY 2024, the DoD OIG plans to audit whether data license rights are incorporated into weapon systems contract requirements in accordance with Federal and DoD policies.

Relatedly, the DoD did not effectively monitor and hold accountable the contractors that provide data services. Report No. DODIG-2023-093, “Audit of the Reliability of the DoD Coronavirus Disease–2019 Patient Health Data,” July 7, 2023, reviewed a contract to develop a COVID-19 registry for the DoD, in

Audit of the Reliability of the DoD Coronavirus Disease–2019 Patient Health Data

A 2023 audit of the DoD’s COVID-19 registry data that revealed significant problems produced 13 recommendations, of which 13 are open with 10 unresolved.

Evaluation of the DoD’s Actions to Develop Interoperable Systems and Tools for Forecasting Logistics Demand Across the Joint Logistics Enterprise

Our analysis of an Office of the Under Secretary of Defense for Acquisition and Sustainment-provided data set identified over 1,100 DoD systems and tools with the potential to forecast logistics demand for campaign planning. However, not one Military Service, combatant command, or Defense Logistics Agency official we spoke with identified any systems across the Joint Logistics Enterprise that met the criteria for interoperability identified in DoDI 8330.01.

which patient data was to be entered with at least 90 percent accuracy. The DoD OIG found that the data was “not complete, accurate, or representative,” and the team, “identified errors in 24 of the 25 registry records” they reviewed. The DoD OIG noted that the contracting officer’s representative relied on contractor self-reported information, and did not perform independent validation.

IMPLEMENTING THE DATA STRATEGY

In 2021, the Deputy Secretary of Defense issued a memorandum to DoD senior leadership directing actions to accelerate implementation of the DoD's Data Strategy. This included two enterprise-wide efforts: Joint All-Domain Operations and the Advancing Analytics (Advana) platform.

Joint All-Domain Operations is a strategic approach to DoD operations that integrates the capabilities and resources of all defense domains—sea, land, air, space, and cyberspace—into the planning, analysis, and execution of missions. Within this approach is the concept of Joint All-Domain Command and Control (JADC2). The purpose of JADC2 is to connect data sensors, weapon systems, and related communications devices from all of the Military Services into a single network. The JADC2 concept requires secure information sharing and interoperability of programs across common data standards and architectures. Therefore, one of the DoD's main challenges is the development of policies and authorities that will enable rapid, effective, and secure coordination of capabilities between the Services. In FY 2024, the DoD OIG plans to evaluate whether the DoD developed and implemented standardized data interfaces and data security as part of the JADC2 strategy, in accordance with the Deputy Secretary of Defense's March 2022 Implementation Plan.

Advana is a data platform meant to help the DoD translate common enterprise data into actionable insights, decisions, and outcomes by making data widely accessible, understandable, and usable across the enterprise. The Deputy Secretary of Defense emphasized that Advana is the “single enterprise authoritative data management and analytics platform” for the DoD and that any other data management platforms require approval to ensure adherence with DoD data standards. The DoD uses Advana to collect, aggregate, and store large amounts of data—approximately 2 petabytes (the equivalent of 2 million gigabytes) as of March 2023—from 450 data sources and at least 55 DoD organizations. While Advana provides significant benefits to the DoD, its implementation has also highlighted the need for increased data accessibility and quality throughout the DoD. In FYs 2021 and 2022, the DoD OIG issued three oversight reports (listed under selected projects) indicating the need for increased transparency, completeness, and accuracy of the underlying data within Advana. In FY 2024, the DoD OIG plans to conduct an audit focused on whether the DoD can rely on Advana's data repository to make informed decisions on DoD operations and performance.

Selected Projects (find at: <https://www.dodig.mil/reports.html/>)

- DODIG-2022-088, “Evaluation of the DoD’s Actions to Develop Interoperable Systems and Tools for Forecasting Logistics Demand Across the Joint Logistics Enterprise,” April 28, 2022
- DODIG-2023-093, “Audit of the Reliability of the DoD Coronavirus Disease-2019 Patient Health Data,” July 7, 2023
- (ongoing) “Audit of the Defense Digital Service Support of Programs and Operations” (Project No. D2021-D000CU-0143.000)
- (ongoing) “Evaluation of the DoD Military Information Support Operations Workforce” (Project No. D2023-DEV0PD-0079.000)
- (ongoing) “Evaluation of the Control and Accountability of DoD Biometric Data Collection Technologies” (Project No. D2023-DEV0PD-0080.000)
- (upcoming) “Audit of Data in DoD's Advancing Analytics (Advana) Repository”
- (upcoming) “Audit of DoD Data License Rights in Weapon System Contracts”
- (upcoming) “Evaluation of the DoD’s Implementation of Joint All-Domain Command and Control Strategy”

Acronyms and Abbreviations

ACS	Acquisitions, Contracting, and Sustainment
AI	Administrative Investigations
ASD (IBP)	Assistant Secretary of Defense (Industrial Base Policy)
BPC	Build Partner Capacity
CAPS-W	Computerized Accounts Payable System - Windows
CARES	Coronavirus Aid, Relief and Economic Security
CFO	Chief Financial Officer
CIGIE	Council of the Inspectors General for Integrity and Efficiency
CHIPS	Creating Helpful Incentives to Produce Semiconductors
CMMC	Cybersecurity Maturity Model Certification
COVID-19	Coronavirus Disease–2019
CRIMS	Criminal Investigative Management System
CSO	Cyber Operations
DEIA	Diversity, Equity, Inclusion, and Accessibility
DCATSe	Defense Case Activity Tracking System - Enterprise
DCIS	Defense Criminal Investigative Service
DFAS	Defense Finance and Accounting Service
DHA	Defense Health Agency
DIB	Defense Industrial Base
DIEM	Diversity and Inclusion and Extremism in the Military
DoD	Department of Defense
DoD OIG	Department of Defense Office of Inspector General
DODIN	DoD Information Network
DoL	Department of Labor
EVAL	Evaluation
FASAB	Federal Accounting Standards Advisory Board
FBwT	Fund Balance with Treasury
FECA	Federal Employee's Compensation Act
FFMIA	Federal Financial Management Improvement Act
FMFIA	Federal Manager's Financial Integrity Act
FMR	Financial Management and Reporting
FRDAA	Fraud Reduction and Data Analytics Act

FY	Fiscal Year
GAO	Government Accountability Office
GMRA	Government Management Reform Act
IPA	Independent Public Accounting
IPERA	Improper Payments Elimination and Recovery Act
IPERIA	Improper Payments Elimination and Recovery Improvement Act
IPIA	Improper Payments Information Act
ISO	Investigations of Senior Officials
Lead IG	Lead Inspector General
LOE	Line of Effort
MILCON	Military Construction
MFT	Medical Treatment Facility
MLDC	Military Leadership Diversity Commission
MCIOs	Military Criminal Investigative Offices
MST	Mission Support Team
MTA	Middle-Tier Acquisition
NAFI	Non-Appropriated Fund Instrumentality
NBIS	National Background Investigation Service
NIST	National Institute of Standards and Technology
NDAA	National Defense Authorization Act
NFRs	Notice of Findings and Recommendations
OCO	Overseas Contingency Operations
ODC	Office of Defense Cooperation
OES	Operation Enduring Sentinel
OFS	Operation Freedom's Sentinel
OGC	Office of General Counsel
OIB	Organic Industrial Base
OIR	Operation Inherent Resolve
OMB	Office of Management and Budget
OPM	Office of Personnel Management
OTA	Other Transaction Authority
PIIA	Payment Integrity Information Act
PP&E	Property, Plant and Equipment
QA	Quality Assurance

RGO	Readiness and Global Operations
SBR	Statement of Budgetary Resources
SCNP	Statement of Changes in Net Position
SFFAS	Statement of Federal Financial Accounting Standards
SIE&O	Space, Intelligence, Engineering & Oversight
SNC	Statement of Net Cost
STEM	Science, Technology, Engineering, and Math
SSAE 18	Statements on Standards for Attestation Engagements No.18
USEUCOM	U.S. European Command
U.S. GAAP	U.S. Generally Accepted Accounting Principles
USINDOPACOM	U.S. Indo-Pacific Command
WAWF	Wide Area Workflow
WRI	Whistleblower Reprisal Investigations



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