

Office of the Under Secretary of
Defense (Comptroller)

Fiscal Year 2024 Financial Statement Audits

Fact Sheet



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Fact Sheet | November 15, 2024



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Audit Results

Opinions

- Nine reporting entities received unmodified audit opinions on their fiscal year (FY) 2024 financial statement audits:
 - NEW: The Defense Threat Reduction Agency (DTRA) achieved an unmodified audit opinion in only its second year under standalone audit.
 - The FY 2023 U.S. Marine Corps unmodified opinion and the FY 2024 DTRA unmodified opinions are the first new unmodified financial statement opinions since FY 2020.
 - Eight reporting entities sustained unmodified audit opinions: Defense Commissary Agency, Defense Contract Audit Agency, Defense Finance and Accounting Service (DFAS) Working Capital Fund, Defense Health Agency (DHA) – Contract Resource Management, Defense Information Systems Agency (DISA) Working Capital Fund, Military Retirement Fund, National Reconnaissance Office, and U.S. Army Corps of Engineers – Civil Works.
- The Medicare-Eligible Retiree Health Care Fund sustained its qualified opinion.
- 15 reporting entities received disclaimers.
- Three audit opinions are still pending: U.S. Marine Corps, Defense Logistics Agency's (DLA) National Defense Stockpile Transaction Fund, and DoD Office of Inspector General.

Material Weaknesses

- The Department of Defense (DoD)-wide consolidated financial statement audit resulted in the closure of the DoD-wide Contingent Legal Liabilities material weakness and leases was added as a new DoD-wide material weakness for FY 2024 for no net change.
- Eight DoD reporting entities closed or downgraded their Fund Balance with Treasury material weakness:
 - Closed: The Department of the Navy (DON) Working Capital Fund and the Department of Air Force (DAF) Working Capital Fund.
 - Downgraded: The Department of the Army (Army) General Fund, Defense Advanced Research Projects Agency (DARPA), DISA General Fund, DISA Working Capital Fund, DTRA, and National Geospatial-Intelligence Agency.
- Army General Fund and Working Capital Fund both closed their Entity Level Controls – Enterprise Responsibilities material weaknesses, and Army Working Capital Fund downgraded its Property, Plant and Equipment (PP&E) – General Equipment, PP&E Real Property and Environmental Disposal and Liabilities material weaknesses.
- DAF General Fund closed its Military Equipment material weakness.
- The DISA General Fund closed its Financial Reporting material weakness.
- The Defense Health Program closed its Stockpile Materials material weakness and downgraded its Information Systems material weakness.

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- The Defense Intelligence Agency (DIA) downgraded its Financial IT Controls material weakness.
- The U.S. Army Corps of Engineers – Civil Works downgraded its Construction In Progress – Property, Plant and Equipment material weakness.

SSAE No. 18 Examinations

- For the FY 2024 financial statement audit, auditors completed 27 Statement on Standards of Attestation Engagement (SSAE) No. 18 examinations covering 35 systems owned by 8 DoD service providers. The Department received positive opinions (17 unmodified and 8 qualified) on 25 of 27 of its SSAE No. 18 examinations. The 17 FY 2024 unmodified opinions are 2 more than FY 2023. There were two adverse opinions.
- All five DFAS Vendor Pay SSAE No. 18 reports received unmodified opinions for the first time since the FY 2017 assertion date.
- DFAS' Federal Civilian Pay and Disbursing Service systems both achieved their 12th consecutive unmodified opinion, and the Contract Pay system achieved its 11th consecutive unmodified opinion.
- DLA's Defense Agencies Initiative, the general ledger accounting system for over 25 DoD reporting entities, obtained its 8th consecutive unmodified SSAE No. 18 opinion.

Audit Benefits

The Department captures return on its audit investment across five areas essential for achieving and sustaining an unmodified opinion. These five areas are essential building blocks of meeting the priorities outlined in the National Defense Strategy.

- Workforce Modernization – Upskill and maintain a modern and efficient workforce.
- Improved Business Operations – Enhance operational efficiency and stabilize the business environment.
- Quality Decision-Making – Improve timeliness, accuracy, and availability of financial and operational data to increase confidence in that data and support decision-making.
- Reliable Networks – Enhance cybersecurity, bring systems into compliance, and achieve greater interoperability between systems to enhance mission effectiveness.
- Enhanced Public Confidence – Achieve an unmodified financial statement audit opinion, increase accountability and transparency, and provide greater public confidence in DoD's stewardship of taxpayer dollars.

Workforce Modernization

- As of Quarter 3 of FY 2024, DoD has deployed over 800 automations. Approximately 50 percent of these support financial management business functions, while around 21 percent assist with compliance or audit activities, such as pulling documentation to support audit responses.
- As of FY 2024, the Army operates 68 automations, saving an estimated 115,000 hours of manual processes, annually. For example, the Real Property Inventory Automation has

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updated real property records for 50,000 installation records and 199,000 transactions, saving an estimated 33,000 personnel hours.

- In FY 2024, 14 DON personnel completed the first Naval Postgraduate School Data Analytics for Defense Management Certificate Program, and the DON's first cohort of 23 personnel began the Automation Citizen Developer Program, which focuses on training non-IT personnel on how to develop robotic process automations (RPAs) and which was recognized for an enterprise award. Additionally, 767 students completed 10,092 hours of data analytics training via DON's financial management training portal.
- The Marine Corps Administrative Analysis Team supports over 200 audit sample requests quarterly, taking a team of 13 Marines and approximately 1,600 hours over 4-6 weeks to retrieve standard key supporting documentation (KSD). A new KSD retrieval RPA implemented in September 2024 realized an initial savings of 1,000 hours.
- The DAF Financial Systems Operations Digital Management Automation System has delivered 76 RPAs since the program began in FY 2019. These RPAs have saved roughly 577,000 labor hours and improved the auditability of 76 processes through enhanced documentation and business process execution traceability.

Improved Business Operations

- The Army continued to improve audit timelines within the Integrated Personnel and Pay System, which provides consolidated personnel and pay information from over 50 legacy systems, while also promoting secure and consistent processes and data.
- DLA achieved 100% compliance with financial management certification requirements in FY 2024.

Reliable Networks

- DON converted \$20 billion in Navy budget authority to Navy Enterprise Resource Planning (ERP) through the migration of 9 major Navy commands; decommissioned 11 systems; and transitioned 3 budget submitting offices to Navy ERP. DON also migrated Bureau of Naval Personnel to Navy ERP, which had 88,900 roles and over 1,400 end users.
- DFAS, in collaboration with DISA, implemented the first DoD financial management system into the Enterprise - Identity, Credential, and Access Management (E-ICAM) for Automated Account Provisioning, which offers fully automated, end-to-end user access provisioning and de-provisioning and is anticipated to resolve 4 out of 5 (80%) of Defense Industrial Financial Management System/ Naval Air Systems Command Industrial Material Management System/Automated Bill of Materials IT NFRs.
- DIA remediated and closed 23 of 32 IT NFRs (72%).

Quality Decision-Making

- Army transitioned applicable audit dashboards to include FY 2024 data and developed solutions to address issues Army's auditors identified in NFRs. This increases Army command buy-in by showing the connection between samples and material weaknesses.

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Other capabilities include a machine learning model to facilitate root cause analysis and failure trends across fiscal years and improved dashboard capabilities for tracking and monitoring audit progress and remediation.

- The Marine Corps established an Audit Committee, chaired by the Assistant Commandant, that will begin holding quarterly meetings in FY 2025. This move was undertaken to enhance the Marine Corps' governance and oversight of risk management and internal controls, as well as audit matters.
- DAF WCF used data analytics and cash forecasting to quantify, support, and get approval for \$237.9 million in upward obligation adjustments this fiscal year in the FY 2019 Air Force Operations and Maintenance (O&M), Air Force Reserve O&M, and Air National Guard O&M appropriations.
- The DAF Working Capital Fund created a dashboard automating the reconciliation of multiple legacy systems and data sets into one location, providing heightened visibility into cash balances, and helping forecast future cash flow needs.
- DLA procured a performance management application that unifies, simplifies, and automates critical financial management processes (Planning, Programming, Budgeting, and Execution, account maintenance and control, financial close, consolidation and reporting) and turns financial data into actionable business and decision-making insights.

Enhanced Public Confidence

- The Department is using Advana to track all contingency reporting, evaluating current circumstances to estimate potential future DoD liabilities. Advana was successfully programmed to track historical contingencies to include Civilian Harm Mitigation Response, COVID/Coronavirus, Aid, Relief, and Economic Security Act, European Deterrence Initiative, Independent Review Commission, Hurricanes Ian and Fiona, the Maui wildfires, and Red Hill.
- The Department is using Advana for new contingency reporting, including support to Haiti, tracking the Pacific Deterrence Initiative, and hurricane response.
- The Department launched a Presidential Drawdown Authority application suite in Advana that provides analytical capabilities and plays a critical role in the overall replacement and delivery process. Initially focused on Ukraine security assistance, the suite is scalable to include additional countries, provide new insights, and offer improved tracking of deliveries.

Cost of the Audit

- The cost of the FY 2024 audits is expected to remain roughly the same, with audit remediation and support for the audits at just over \$1 billion.
- Early estimates are that the Department incurred \$178 million in FY 2024 audit costs (approximately \$166 million in financial statement audit contracts and \$12 million in SSAE No. 18 examination contracts).

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- Given total DoD FY 2024 net annual outlays of more than \$903 billion, the estimated cost of the audit (\$178 million or .002%) offers a highly positive investment in transparency, accountability, and efficiency for the American people.

For more information, please see the Department's Agency Financial Report and links to DoD Component Agency Financial Reports at <https://comptroller.defense.gov/odcfo/afr/>.