



INSPECTOR GENERAL

U.S. Department of Defense

FISCAL YEAR 2025

AGENCY FINANCIAL REPORT



INDEPENDENCE ★ INTEGRITY ★ EXCELLENCE ★ TRANSPARENCY



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



I am pleased to present the DoD Office of Inspector General (DoD OIG) FY 2025 Agency Financial Report. This report provides information on the DoD OIG's financial and operational performance. It shows how we used the dollars appropriated to us by Congress to execute our mission in accordance with the Inspector General Act of 1978, as amended. In FY 2025, the Department realized noteworthy recoveries—more than \$4 billion—from our investigations and programmatic oversight. Therefore, for every \$1 spent to fund the DoD OIG, we returned \$8 to the U.S. Government.

The DoD OIG's criminal investigative arm, the Defense Criminal Investigative Service (DCIS), realized significant returns—more than \$2 billion in civil judgments and settlements and another \$1.9 billion in criminal fines, penalties, and restitution ordered. DCIS closed 558 cases and its investigative work led to 193 criminal convictions.

The DoD OIG also completed 31 administrative investigations of alleged senior official misconduct, whistleblower reprisal, and Service member restriction. Through our alternative dispute resolution process, we settled 55 reprisal cases.

In addition to our investigative work, we issued 169 audit and evaluation reports and management advisories in FY 2025 where we made 768 recommendations to improve the Department. We will continue to work with the DoD to close recommendations.

As the Lead Inspector General (IG) for three overseas contingency operations and the Special IG for a fourth, we coordinated the whole-of-government oversight of these operations, issuing 12 quarterly reports on their status and funding.

Our relevant, timely, and impactful oversight addressed risks to the Department's mission. If implemented, our recommendations can help improve the Department's programs and operations and result in savings. In FY 2025, our recommendations identified \$7.4 billion in potential savings for the Department, commonly known as potential monetary benefits.

I am deeply grateful for the dedicated professionals who execute our DoD OIG mission and exemplify our values of independence, integrity, excellence, and transparency.

RMA Associates, LLC (RMA), an independent public accounting firm, audited our FY 2025 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 eleven consecutive years, and we will continue to improve our financial management and reporting processes in FY 2026.

Steven A. Stebbins
Acting



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 Inspector General (IG) also serves as the Lead IG for specified overseas contingency operations and the Special IG for Operation Atlantic Resolve, which includes assistance to Ukraine, coordinating oversight and reporting quarterly to Congress and the public on each operation.

Mission Statement

The DoD OIG's mission is to promote the economy, efficiency, and effectiveness of DoD programs, and the integrity of its workforce and operations, through impactful audits, evaluations, investigations, and reviews.

Vision Statement

We are a high-performing team driving positive change.

The DoD OIG's expert, engaged professionals incorporate a diverse range of perspectives to produce authoritative, actionable findings. We aim to continue to inform and prompt improvements throughout the Department. We deftly adapt to changing circumstances while embracing our foundational values. Our attitude and methodology are simultaneously rigorous and fair. We exhibit and elicit ethical competency. We conduct our oversight responsibilities in a way that inspires trust and confidence in our work within the DoD, with Congress, and from the American public.

Core Values

Our values of Independence, Integrity, Excellence, and Transparency from the foundation of the DoD OIG's endeavors. These values are crucial to achieving our mission and honoring the DoD OIG's obligation to the American public.

- Independence
- Integrity
- Excellence
- Transparency

Organization

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

The DoD OIG carries out its mission with a workforce of approximately 1,750 auditors, evaluators, criminal and administrative investigators, attorneys, and support staff.

Figure 1. The DoD OIG Organizational Structure as of September 30, 2025



Audit

The Audit Component conducts independent audits of DoD operations, systems, programs, 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 Cyberspace Operations (CSO) Directorate** performs audits of offensive and defensive cyber operations, and of security controls that protect DoD information networks.
- 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 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.

Defense Criminal Investigative Service (DCIS)

The DCIS Component investigates crimes related to DoD programs and operations, focusing on procurement fraud, public corruption and major theft, product substitution and financial crimes, health care fraud, counterproliferation, and cyber crimes and computer network intrusions.

Administrative Investigations (AI)

The AI Component investigates allegations of misconduct against senior DoD officials, allegations of whistleblower reprisal, and Service member restriction. AI also oversees DoD Components' administrative investigations. AI's Whistleblower Protection Coordinator (WPC) is responsible for educating DoD employees on whistleblower statutory prohibitions and protections.

In the AI Component:

- a. **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. ISO oversees Military Service and DoD agency IG investigations of alleged senior misconduct.
- b. **The Whistleblower Reprisal Investigations (WRI) Directorate** investigates allegations of whistleblower reprisal. WRI oversees Military Service and DoD agency IG investigations of whistleblower reprisal. WRI operates 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. WRI also operates the alternative dispute resolution program to settle reprisal complaints.
- c. **The DoD Hotline** provides a confidential, reliable means to report violations of law, rule, or regulation; fraud, waste, and abuse, and threats and danger to public health and safety of DoD personnel mismanagement; trafficking in persons; and serious security incidents that involve the DoD.
- d. **The Contractor Disclosure Program (CDP)** 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 evaluates appropriate administrative, civil, and criminal actions or remedies.

Evaluations (EVAL)

The EVAL Component provides independent, relevant, and timely evaluations across the full spectrum of programs, operations, and functions of the DoD.

In the EVAL Component:

- a. **The Personnel and Health Affairs (PHA) Directorate** performs evaluations of DoD personnel, human capital, and healthcare issues.
- b. **The Program Evaluations and Combatant Commands Directorate** performs evaluations related to national security issues and significant DoD programs and operations.
- c. **The Space, Intelligence, Engineering, and Oversight (SIE&O) Directorate** performs evaluations related to intelligence and counterintelligence; special access programs; space, missile, and nuclear enterprises; and related security issues within the DoD. SIE&O performs engineering assessments to identify areas to improve acquisition, fielding, operation, and sustainment of weapon systems, facilities, and infrastructure. SIE&O also provides policy guidance and oversight for the audit and criminal investigation functions within the DoD.

Overseas Contingency Operations (OCO)

The OCO Component coordinates comprehensive joint oversight and reporting on designated overseas contingency operations, in fulfillment of the DoD IG's Lead IG and Special IG responsibilities. Specifically, OCO produces joint strategic oversight plans; works with our oversight partners throughout the Government to ensure effective oversight of overseas contingency operations; and issues quarterly reports on the status of the operations.

Mission Support Team (MST)

The MST Component provides essential support services to the DoD OIG enterprise. 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 also manages the administrative and criminal investigation case management systems—Defense Case Activity Tracking System—Enterprise (D-CATSe) and Criminal Investigative Management System (CRIMS).

Strategic Plan Goals and Objectives

Goal 1: Build and sustain high-performing and motivated teams

Strategic Objectives:

- 1.1 Attract and retain a diverse, highly skilled team of engaged professionals.
- 1.2 Empower every employee to contribute to the DoD OIG's success.
- 1.3 Prepare employees to succeed in their current and future roles.

Goal 2: Perform impactful work

Strategic Objectives:

- 2.1 Conduct audits, investigations, evaluations, and reviews that are timely, accurate, relevant, and impactful.
- 2.2 Perform timely follow-up of recommendations to improve DoD programs and operations, with a focus on high-risk and mission-critical threats.
- 2.3 Collaborate within the OIG and across the DoD and Federal oversight communities to further our oversight missions.

Goal 3: Optimize internal operations

Strategic Objectives:

- 3.1 Build a collaborative organizational culture that meets evolving challenges.
- 3.2 Identify and implement best-in-class, streamlined business practices that facilitate results-based and data-driven decisions and foster a performance mindset.
- 3.3 Develop and maintain business-aligned, resilient, and secure information management practices and systems, maximizing effective use of existing emerging technologies.

Organizational Results

Audit

In FY 2025, Audit:

- issued 104 oversight products with 525 recommendations. These reports identified \$3.9 billion in potential monetary benefits. The issued reports included five summary reports focused on highlighting lessons learned from prior DoD OIG oversight in areas that align with the Department's agenda.
- supported a DCIS and Department of Justice Civil Cyber Fraud Initiative investigations resulted in recouping more than \$11 million in funds.
- briefed Congress on the C-17 spare parts pricing, offensive cyberspace operations, our body of work related to the U.S. Indo-Pacific Command area of responsibility, and DoD's execution of funds to assist Ukraine.
- conducted projects that addressed congressional mandates, including the Chief Financial Officers Act, Federal Information Security Management Act, Payment Integrity Information Act, DoD's response to information requests from the Government Accountability Office, compliance with the Berry Amendment, and procurement of prohibited seafood products.
- issued the seventh audit of the DoD financial statements. The DoD OIG issued a disclaimer of opinion on the FY 2024 DoD Agency-Wide financial statements and identified 28 material weaknesses. The DoD OIG and Independent public accounting firms overseen by the DoD OIG closed 954 prior-year notices of findings and recommendations (NFRs), reissued 2,387 NFRs, and issued 598 new NFRs for issues identified during this year's audit.
- held a meeting in August 2025 with the Direct Reporting Program Manager for Golden Dome for America to share lessons learned from prior DoD OIG oversight work related to potential risks and challenges concerning complex major weapon system acquisitions, including those related to missile defense.

Defense Criminal Investigative Service (DCIS)

In FY 2025, DCIS:

- closed 558 cases and its investigative work led to 193 criminal convictions.
- realized \$4.3 billion in recoveries from civil judgments and settlements; criminal fines, penalties, and restitution ordered; administrative recoveries; recovered government property; and seized assets, asset forfeiture, and money judgments.

- performed investigative work that led to 56 contractor suspensions and 121 contractor debarments.
- improved relationships with the North Atlantic Treaty Organization (NATO) Support and Procurement Agency, European Anti-Fraud Office (OLAF), and Ukrainian law enforcement to enhance investigative activities and operations.
- continued its partnership with Department of Justice strike forces that align with DCIS priorities.

Administrative Investigations

In FY 2025, AI:

- completed 31 administrative investigations of alleged senior official misconduct, whistleblower reprisal, and Service member restriction.
- settled 55 reprisal cases through the alternative dispute resolution process.
- processed 22,341 contacts to the DoD Hotline.
- received 410 contractor disclosures and realized recoveries of \$68.0 million.
- reviewed over 33,000 case records (a practice known as a name check) in response to requests related to pending nominations of senior DoD officials.
- assisted a defense agency and the Naval Inspector General Whistleblower Reprisal Branch in deploying the case management system, Defense Case Activity Tracking System-Enterprise (D-CATSe) and assisted with system deployment planning for the Air Force Inspector General's Office.

Evaluations

In FY 2025, EVAL:

- issued 65 oversight products with 243 recommendations. These reports identified \$3.5 billion in potential monetary benefits. The issued reports included a summary report focused on highlighting lessons learned from prior DoD OIG oversight in an area that align with the Department's agenda.
- briefed Congress on the Red Hill fuel spill reports, Navy SEAL medical care reports, and on our body of work related to the U.S. Indo-Pacific Command area of responsibility.

- conducted projects that addressed congressional mandates and requests, including the federal voting assistance program and the Navy's efforts to prevent and respond to suicide.
- provided policy for, and oversight of, DoD audit and criminal investigative organizations' efforts to identify and detect fraud, waste, and abuse.
- held a meeting in August 2025 with the Direct Reporting Program Manager for Golden Dome for America to share lessons learned from prior DoD OIG oversight work related to potential risks and challenges concerning complex major weapon system acquisitions, including those related to missile defense.

Overseas Contingency Operations

In FY 2025, OCO:

- issued 12 Lead and Special IG quarterly reports and joint oversight plans for Operation Inherent Resolve (OIR), Operation Enduring Sentinel (OES), Operation Atlantic Resolve (OAR), and Operation Southern Guard (OSG).
- coordinated oversight for overseas contingency operations with partners from over 20 Federal and Military oversight agencies.
- maintained the UkraineOversight.gov website to present a comprehensive and detailed picture of oversight of the U.S. Government's Ukraine response.

Mission Support Team

In FY 2025, MST:

- earned our tenth consecutive unmodified audit opinion on the DoD OIG's FY 2024 financial statements.
- developed and implemented plans and managed activities related to Presidential Executive Orders and memorandums, Office of Management and Budget (OMB) memorandums, and Department initiatives.
- published the FY 2025 Top DoD Management and Performance Challenges and the DoD OIG Annual Oversight Plan.
- issued new DoD OIG guidance strengthening the agency's enterprise risk management and internal controls program.
- developed requirements and completed market research for a new case management system to manage criminal investigations.

- implemented new systems including DoD's Enterprise Task Management Software Solution (ETMS2), an application to improve efficiency and effectiveness of DoD OIG operations, and ServiceNow, a cloud-based IT Service Management tool.
- established the DoD OIG's data governance group to strengthen the security, accessibility, quality, and management of data assets.
- transitioned the agency to DoD Trusted Workforce 2.0, which integrated continuous vetting of personnel and improved insider threat monitoring capabilities.
- deployed D-CATSe to a defense agency, continued to transition the Naval Inspector General Whistleblower Reprisal Branch to D-CATSe, and began discussions with the Air Force Inspector General's Office to deploy D-CATSe.

Financial Overview

The DoD OIG's annual appropriation for FY 2025 was \$549.9 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, 2025, 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 \$155.0 million in assets represents amounts that the DoD OIG owns and manages and is comprised of Fund Balance with Treasury (FBwT), which includes disbursement in transit, Accounts Receivable, and Other Assets.

Statement of Net Cost (SNC)

The SNC presents the net cost of all the DoD OIG's programs for the year ended September 30, 2025. 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 2025 was \$567.4 million; \$565.8 million for Operating and maintenance (O&M), \$572.2 thousand for Procurement and \$1.0 million for Research Development, Test and Evaluation (RDT&E).

Statement of Changes in Net Position (SCNP)

The \$93.2 million in DoD OIG's ending net position presents the total cumulative results of operations since inception and unexpended appropriations for the year ended September 30, 2025. 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 \$13.6 million (17.1 percent) during FY 2025 due to appropriated funds received in FY 2025.

Combined Statement of Budgetary Resources

The Combined SBR presents the DoD OIG's total budgetary resources of \$598.4 million, the status for the year September 30, 2025, 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.

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 1. Key Financial Measures

Key Financial Measures (Dollars in Thousands)	FY 2025
NET COST	
Total Financing Sources	\$568,611.7
Less: Net Cost of Operations	\$567,400.2
Net Change of Cumulative Results of Operations	\$1,211.5
NET POSITION	
Assets:	
Fund Balance w/Treasury	\$152,664.3
Cash and Other Monetary Assets	\$257.0
Accounts Receivable, Net	\$2,048.5
Total Assets	\$154,969.8
Liabilities:	
Accounts Payable	\$8,135.9
Other Liabilities	\$4,257.8
Federal Employee and Veterans Benefits Payable	\$40,427.7
Pensions, Other Post-employment, and Veterans Benefits Payable	\$8,972.7
Total Liabilities	\$61,794.1
Total Net Position (Assets Minus Liabilities)	\$93,175.7

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, 2025, 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 two material weaknesses, that internal control over operations, reporting, and compliance are operating effectively for the fiscal year ended September 30, 2025.

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

FY 2025 Statement of Assurance Memorandum



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

MEMORANDUM FOR DEPUTY CHIEF FINANCIAL OFFICER, OFFICE OF THE UNDER
SECRETARY OF DEFENSE (COMPTROLLER)

SUBJECT: Annual Statement of Assurance Required Under the Federal Managers' Financial
Integrity Act for Fiscal Year 2025

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 that internal controls over operations, reporting, financial systems, and compliance are operating effectively as of September 30, 2025, except for two material weaknesses as reported in the attached document.

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 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, 2025.

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

The DoD OIG does not exercise the Presidential Drawdown Authority, which authorizes the President to immediately transfer defense articles and services from U.S. stocks to a foreign country or international organization to respond to an unforeseen emergency.

If you have any questions, please contact Mr. [REDACTED] or [REDACTED].

STEBBINS.S [REDACTED] Digitally signed by
[REDACTED] STEBBINS, STEVEN A [REDACTED]
[REDACTED] Date: 2025.11.12
15:49:41 -05'00'

Steven A. Stebbins
Acting

Attachment:
As stated

Throughout FY 2026, 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; Operation Atlantic Resolve, particularly assistance to Ukraine; and areas identified through outreach with senior DoD officials, Congressional requests, Hotline tips, and DoD OIG expertise. Focus areas will include:
 - operations in the USINDOPACOM area of responsibility.
 - policies, programs, systems, and processes related to readiness, sustaining, organizing, training, and equipping our military to support lethality and new capabilities.
 - the Military Health System and health care; quality of life.
 - contracting; price reasonableness; acquisition, repair, and maintenance of weapon systems; DoD supply chain issues.
 - DoD global operations; cyberspace operations; emerging technology and securing DoD systems, networks, and data.
 - supporting the Defense Criminal Investigative Service (DCIS) and Department of Justice (DOJ) in holding accountable under the Civil Cyber Fraud Initiative contractors who knowingly misrepresent or fail to follow cybersecurity standards or provide products and services that do not meet cybersecurity requirements.
 - DoD financial management and budgeting.
- 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.
- Audit will follow up on outstanding Notices of Findings and Recommendations (NFRs) from the financial statement audits to determine if corrective actions have been implemented.
- DCIS will increase its capability to assess case inventory, measure investigative results, and proactively engage stakeholders regarding emerging fraud trends of the most significant impacts to the DoD. DCIS will continue to leverage data analytics for law enforcement specific use cases, securing and cleansing large volumes of investigative relevant data, standardizing the data for analysis, and applying law enforcement experience to modeling techniques to identify areas for investigation.

- Procurement fraud allegations impacting the DoD have created a requirement for refined and specialized training. Inspired by the Federal Law Enforcement Training Center's Fraud Investigator Certificate, DCIS intends to create a specialized training platform dedicated to procurement fraud matters. This training will expand our ability to prevent, detect, and investigate allegations of procurement fraud, product substitution, and defective pricing.
- DCIS will continue its involvement in joint agency initiatives and task forces focused on procurement fraud, public corruption, product substitution, and counterproliferation. Strike Force and Task Force participation result in significant recoveries and restitution of taxpayer funds.
- DCIS will sustain its strong focus on investigations and operations related to the Pacific Deterrence Initiative, security assistance to Ukraine, and Operation Atlantic Resolve as a whole. Specifically, DCIS intends to hold a Pacific Deterrence Working group and refine proactive techniques for detecting fraud impacting the DoD in the region.
- DCIS will host a European Fraud Working Group in Germany to coordinate fraud investigations with International and U.S. investigative and prosecutorial partners, including Ukrainian oversight partners. The agenda will emphasize investigations related to security assistance programs.
- DCIS will acquire a new case management system (CMS) to replace the legacy CMS, which requires modernization. The new CMS will enable DCIS to more effectively manage and report on collected investigative data, and secure sensitive investigative information.
- DCIS will expand its training initiatives relating to blockchain analysis and cryptocurrency to support the procurement fraud and cyber investigative portfolios.
- 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, update public service announcement on whistleblower protections, and develop PODCAST segments to further educate the DoD community on whistleblower complaint processes, investigations, alternative dispute resolution, and other avenues of relief.

- AI will establish quarterly outreach with Intel Agencies to educate and discuss whistleblower reprisal complaint evaluation, investigation, and processing.
- AI will continue leading a DCIE Administrative Investigations Working Group to identify and share best practices and standardized investigative processes to improve the quality and timeliness of administrative investigation organizations across the DoD.
- AI will use data analytics to identify potential military units, defense agencies, or COCOMs that require whistleblower education based on the number of reprisal allegations received and accepted by the DoD Hotline/Whistleblower Reprisal Investigations.
- AI will enhance the DCIE Hotline Working Group and continue to expand the DoD Hotline Worldwide Outreach seminars to include other Hotlines in the National Capital Region.
- AI will continue to conduct Corrective Action Reviews to validate hotline case data and improve internal controls.
- AI will re-issue one directive (DoD Directive 7050.06, Military Whistleblower Protection) related to 10 U.S.C. § 1034 and publish one new directive (TBD) related to 10 U.S.C. § 2890, Rights and Responsibilities of Tenants of Housing Units.
- AI will institute a high level-working group with the Military Services' IG offices to implement and standardize Service processing of reprisal cases related to privatized housing.
- AI will continue to assist the D-CATSe PMO in deploying D-CATSe to the Department of Air Force Inspector General and the Department of the Army Inspector General.
- EVAL will provide independent, relevant, and timely evaluations across the full spectrum of policies, procedures and functions of the DoD to include special programs, combatant commands, overseas contingency operations, space, intelligence, engineering, and oversight of audit and criminal investigative organizations.
- EVAL will provide policy for, and oversight of, DoD audit and criminal investigative organizations' efforts to identify and detect fraud, waste, and abuse.
- OCO will issue Comprehensive Oversight Plans for Overseas Contingency Operations for all designated overseas contingency operations.
- OCO will issue at least 12 Lead IG unclassified quarterly reports with 12 classified appendices.

- OCO will issue 4 Special IG unclassified quarterly reports with 4 classified appendices.
- OCO will lead monthly Ukraine Oversight Interagency Working Group meetings to coordinate whole-of-government oversight representatives from 25 Federal and Military Services oversight agencies.
- OCO will convene quarterly Lead IG/Special IG Joint Planning Group meetings to coordinate and synchronize oversight for all designated overseas contingency operations.
- OCO will maintain an oversight presence in Ukraine and at other U.S. European Command locations, and in the U.S. Central Command area of responsibility.
- MST will sustain the unmodified audit opinion on the DoD OIG's FY 2025 financial statements.
- MST will manage organizational changes related to Presidential Executive Orders and Memoranda, OMB memos, and Secretary of Defense initiatives. Specifically, MST will complete organizational restructuring and realignment of selected services to implement new support services models to centralize support services.
- MST will deploy a new data analytics platform to enhance advanced analytics and automation capabilities in support of oversight, investigative, and administrative priorities.
- MST will implement actions to reduce its GSA footprint without compromising mission accomplishment.
- MST will onboard the Department of the Air Force Inspector General to D-CATSe and initiate onboarding activities for smaller IG offices currently serviced by the legacy Air Force IG case management system.
- MST will publish the FY 2026 Top DoD Management and Performance Challenges and the DoD OIG Annual Oversight Plan.
- MST will deploy Zero Trust Network Access to replace the DoD OIG's legacy virtual private network.
- MST will continue to migrate IT services to cloud by deploying M365 capabilities such as moving email to cloud and deploying Teams to mobile devices.
- MST will deploy a new case management system for DCIS and migrate legacy case data.

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 30th, 2025. 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 year 2025. 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 from inception and unexpended appropriations provided to the DoD OIG that remain unused at the end of September 30th, 2025. 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 2025

Department of Defense Office of Inspector General Balance Sheet As of September 30, 2025 (Dollars in Thousands)	2025
Assets (Note 2)	
Intragovernmental:	
Fund Balance with Treasury (Note 3)	\$152,664.3
Accounts Receivable, Net (Note 6)	\$1,907.0
Total Intragovernmental	\$154,571.3
Other Than Intragovernmental:	
Cash and Other Monetary Assets (Note 4)	\$257.0
Accounts Receivable, Net (Note 6)	\$141.5
Total Other Than Intragovernmental	\$398.5
Total Assets	\$154,969.8
Liabilities (Note 11)	
Intragovernmental:	
Accounts Payable	\$4,628.5
Other Liabilities (Notes 13 and 15)	\$3,980.8
Total Intragovernmental Liabilities	\$8,609.3
Other Than Intragovernmental:	
Accounts Payable	\$3,507.4
Federal Employee Salary, Leave, and Benefits Payable (Note 13)	\$40,427.7
Pensions, Other Post-employment, and Veterans Benefits Payable (Note 13)	\$8,972.7
Other Liabilities (Note 15)	\$277.0
Total Other Than Intragovernmental	\$53,184.8
Total Liabilities	\$61,794.1
Commitments and Contingencies (Note 17)	
Net Position	
Unexpended Appropriations-Funds Other than Dedicated Collections	\$132,167.1
Cumulative Results of Operations-Funds Other than Dedicated Collections	(\$38,991.4)
Total Net Position	\$93,175.7
Total Liabilities And Net Position	\$154,969.8

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

Office of Inspector General Financial Report for FY 2025

Department of Defense Office of Inspector General Statement of Net Cost For the Year Ended September 30, 2025 (Dollars in Thousands)		2025
Program Costs (Note 19)		
Gross Costs		\$573,298.3
Less: Earned Revenue		(\$5,898.1)
Net Program Costs		\$567,400.2
Net Cost of Operations		\$567,400.2

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

Department of Defense Office of Inspector General Statement of Changes in Net Position For the Year Ended September 30, 2025 (Dollars in Thousands)		2025
Unexpended Appropriations:		
Beginning Balances		\$119,759.1
Appropriation Received		\$549,769.0
Appropriations Transferred-In		\$106.0
Other Adjustments		(\$7,913.2)
Appropriations Used		(\$529,553.8)
Net Change in Unexpended Appropriations		\$12,408.0
Total Unexpended Appropriations, Ending Balance		\$132,167.1
Cumulative Results of Operations:		
Beginning Balances		(\$40,202.9)
Other Adjustments		\$0.0
Appropriations Used		\$529,553.8
Transfers In without Reimbursement		\$0.0
Imputed Financing		\$39,039.4
Other		\$18.5
Total Financing Sources		\$568,611.7
Net Cost of Operations		\$567,400.2
Net Change in Cumulative Results of Operations		\$1,211.5
Cumulative Results of Operations, Ending Balance		(\$38,991.4)
Net Position		\$93,175.7

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

Office of Inspector General Financial Report for FY 2025

Department of Defense Office of Inspector General Combined Statement of Budgetary Resources For the Year Ended September 30, 2025 (Dollars in Thousands)	2025
Budgetary Resources:	
Unobligated Balance from Prior Year Budget Authority, Net	\$43,702.9
Appropriations	\$549,875.0
Spending Authority from Offsetting Collections	\$4,844.4
Total Budgetary Resources	\$598,422.3
Status of Budgetary Resources:	
New Obligations and Upward Adjustments	\$565,669.2
Unobligated Balance, End of Year:	
Apportioned, Unexpired Accounts	\$7,460.6
Unapportioned, Unexpired accounts	\$10,000.0
Expired Unobligated Balance, End of Year	\$15,292.5
Total Unobligated Balance, End of Year	\$32,753.1
Total Budgetary Resources	\$598,422.3
Outlays, Net:	
Outlays, Net (Total)	\$524,585.0
Agency Outlays, Net	\$524,585.0

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

Office of Inspector General Financial Report for FY 2025

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Office of Inspector General Financial Report for FY 2025

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 are 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.

1D Pronouncements issued Effective 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, upon implementation.

DoD OIG has evaluated the effects of these pronouncements and determined all OIG property leases, and the vast majority of vehicle leases are intragovernmental in nature and have historically been reported as expenses on DoD OIG financial statements. This treatment of inter-governmental leases complies with SFFAS 54 requirements and thus DoD OIG's lease accounting and disclosure requirements will remain unchanged.

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 Intragovernmental leases. Intragovernmental leases are when a contract or agreement occurring within a consolidation entity or between two or more consolidation entities whereby one entity (lessor) conveys the right to control the use of PP&E (the underlying asset) to another entity (lessee) for a period of time as specified in the contract or agree in exchange for consideration. Payments for 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 Intragovernmental leases and are based on costs incurred by existing leases, General Services Administration bills, and inter-service support agreements.

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, define 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 date.

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.

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, 2025 (Dollars in Thousands)	2025
Non-Entity Assets	
Cash and Other Monetary Assets	\$257.0
Total Non-Entity Assets	\$257.0
Total Entity Assets	\$154,712.8
Total Assets	\$154,969.8

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 \$257.0 thousand 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, 2025 (Dollars in Thousands)	2025
Unobligated Balance	\$32,753.1
Obligated Balance not yet Disbursed	\$124,378.2
Non-FBwT Budgetary Accounts	(\$4,467.0)
Total FBwT	\$152,664.3

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 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, 2025.

Fund Balance with Treasury As of September 30, 2025 (Dollars in Thousands)		2025
Fund Balance		
Appropriated Funds		\$152,664.3
Total Fund Balance		\$152,664.3
Fund Balance Per Treasury vs Agency		
Fund Balance Per Treasury		\$152,664.3
Less: Fund Balance Per Agency		\$152,664.3
Reconciling Amount		\$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 2025 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 of \$152.7 million to reconcile with the amount of Fund Balance reported in the DoD OIG's Balance Sheet. The reconciling amount is at \$0.0

Note 4. Cash and Other Monetary Assets

Cash and Other Monetary Assets As of September 30, 2025 (Dollars in Thousands)		2025
Cash		\$257.0
Total Cash and Other Monetary Assets		\$257.0

The DoD OIG reported \$257.0 thousand as of September 30, 2025, of seized cash as a result of DCIS operations. The seized amount of \$257.0 thousand consisted of \$189.5 thousand at the beginning of FY 2025 increased by \$67.5 thousand.

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, Net

Not Applicable.

Note 6. Accounts Receivable, Net

Accounts Receivable, Net As of September 30	Dollars in Thousands		
	2025		
	Gross Amount Due	Allowance for Est. Uncollectible	Accounts Receivable, Net
Intragovernmental Receivables	\$1,907.0	\$0.0	\$1,907.0
Other Than Intragovernmental Receivables	\$166.0	(\$24.5)	\$141.5
Total Accounts Receivable, Net	\$2,073.0	(\$24.5)	\$2,048.5

Note 7. Loans Receivable, Net and Loan Guarantees Liabilities

Not Applicable.

Note 8. Inventory and Related Property, Net

Not Applicable.

Note 9. General and Right-to-Use, 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, 2025 (Dollars in Thousands)	2025
Intragovernmental Liabilities	
Other-Unfunded FECA Liability	\$1,940.2
Total Intragovernmental Liabilities	\$1,940.2
Other Than Intragovernmental Liabilities	
Accounts Payable	(\$3.6)
Federal Employee Salary, Leave, and Benefits Payable	\$28,887.2
Pension, Post-Employment, and Veteran Benefits Payable	\$8,972.7
Total Other Than Intragovernmental Liabilities	\$37,856.3
Total Liabilities Not Covered by Budgetary Resources	\$39,796.5
Total Liabilities Not Requiring Budgetary Resources	\$277.0
Total Liabilities Covered by Budgetary Resources	\$21,720.6
Total Liabilities	\$61,794.1

Intragovernmental Other Liabilities consist primarily of unfunded liabilities for FECA, Unemployment Insurance, and the Judgment Fund. Total liabilities not requiring budgetary resources represent \$257.0 thousand of seized cash held by the DoD OIG pending court processing and \$20.0 thousand contingent legal liabilities recorded until pending cases are settled.

Note 12. Debt

Not Applicable.

Note 13. Federal Employee and Veterans Benefits Payable

Federal Employee and Veterans Benefits Payable As of September 30, 2025 (Dollars in Thousands)	2025		
	Liabilities	Less: Assets Available to Pay Benefits	Unfunded Liabilities
Benefits			
FECA	\$8,972.7	\$0.0	\$8,972.7
Other—Unfunded Leave	\$0.0	\$0.0	\$0.0
Pensions, other Post-employment, and Veteran Benefits Payable (presented separately on the Balance Sheet)	\$8,972.7	\$0.0	\$8,972.7
Federal Employee Salary, Leave, and Benefits Payable	\$40,427.7	(\$11,540.5)	\$28,887.2
Other benefit-related payables included in Intragovernmental Other Liabilities on the Balance Sheet	\$3,980.8	(\$2,040.6)	\$1,940.2
Total Federal Employee and Veterans Benefits Payable	\$53,381.2	(\$13,581.1)	\$39,800.1

Pensions, other Post-Employment, and Veterans Benefits Payable include pensions; post-employment benefits, including other retirement benefits and other post-employment benefits including veterans' compensation, burial, education, and training benefits; life insurance actuarial liability; and the Federal Employees' Compensation Act actuarial liability. Federal Employee Salary, Leave, and Benefits Payable include salaries; wages; funded and unfunded annual leave; sick leave; the employer portion of payroll taxes and benefit contributions that are not intragovernmental. Other benefit-related payables include 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, 2025 (Dollars in Thousands)	2025		
	Current Liability	Non-Current Liability	Total
Intragovernmental			
Other Liabilities Reported in Note 13, Federal Employee and Veterans Benefits Payable	\$2,897.1	\$1,083.7	\$3,980.8
Total Intragovernmental	\$2,897.1	\$1,083.7	\$3,980.8
Other Than Intragovernmental			
Contingent Liabilities	\$20.0	\$0.0	\$20.0
Other Liabilities without Related Budgetary Obligations	\$257.0	\$0.0	\$257.0
Total Other Than Intragovernmental	\$277.0	\$0.0	\$277.0
Total Other Liabilities	\$3,174.1	\$1,083.7	\$4,257.8

Intragovernmental consists of other benefits related liabilities as reported on Note 13. Total Other Than Intragovernmental Liabilities primarily consists of contingent liabilities and seized assets.

Note 16. Leases

The DoD OIG has intragovernmental leases with General Services Administration (GSA) and Washington Headquarter Services (WHS) and expenses lease payments over the life of the lease. The general lease terms are long-term and non-cancellable. Office space is the largest component of building leases with an estimated annual lease expense of \$20.7 million. The DoD OIG also leases a fleet of vehicles, the estimated annual lease expense is \$2.9 million, primarily used by DCIS for their investigative operations. The DoD OIG makes lease payments for the basic lease amount, mileage, and optional equipment for fleet.

Note 17. Commitments and Contingencies

	Accrued Liabilities	Estimated Range of Loss		
		Lower End	Upper End	
Current FY 2025				
Legal Contingencies:				
Probable	\$20,000.0	\$20,000.0	\$580,000.0	
Reasonably Possible	\$0.0	\$0.0	\$500,000.0	

As of September, FY 2025, the DoD OIG had three contingent liability legal cases related to employee matters for which the possibility of loss is considered probable and reasonably possible. For probable cases, the chance of an unfavorable outcome is to exceed OIG's materiality threshold and an estimate of the amount or range of potential losses are \$20,000.00 to \$280,000.00 and \$0.00 to \$300,000.00. The estimation of \$20,000.00 is recorded as contingent liabilities in the 4th quarter FY 2025 financial statements temporarily until the case is settled or closed. For reasonably possible case, the chance of an unfavorable outcome is to exceed OIG's materiality threshold and an estimate of the amount or range of potential loss is \$0.00 to \$500,000.00.

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 Year Ended September 30, 2025 (Dollars in Thousands)		2025
Operations, Maintenance & Support		
Gross Cost		\$571,703.2
Less: Earned Revenue		(\$5,898.1)
Net Cost		\$565,805.1
Procurement		
Gross Cost		\$572.2
Research, Development, Test & Evaluation		
Gross Cost		\$1,022.9
Consolidated		
Gross Cost		\$573,298.3
Less: Earned Revenue		(\$5,898.1)
Total Net Cost		\$567,400.2

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

Not Applicable.

Note 21A. Net Adjustments to Unobligated Balance, Brought Forward, October 1

Net Adjustments to Unobligated Balance, Brought Forward, October 1, For the Year Ended September 30, 2025 (Dollars in Thousands)	2025
Unobligated Balance, Brought Forward, October 1	\$28,487.9
Recoveries of Prior Year Unpaid Obligations	\$22,632.0
Other Balances Withdrawn to Treasury	(\$7,913.3)
Recoveries of Prior Year Paid Obligations	\$496.3
Unobligated Balance From Prior Year Budget Authority, Net	\$43,702.9

The Unobligated Balance, Brought Forward, October 1, FY 2025 was adjusted during the period by: Recoveries of Prior Year Unpaid, and Paid Obligations and Other Balances Withdrawn to Treasury to reconcile to the FY 2024 Total Unobligated Balance at year-end.

Note 21C. Undelivered Orders

Budgetary Resources Obligated for Undelivered Orders For the Year Ended September 30, 2025 (Dollars in Thousands)	2025
Intragovernmental	
Unpaid	\$16,819.2
Total Intragovernmental	\$16,819.2
Unpaid	\$85,838.4
Total Other Than Intragovernmental	\$85,838.4
Total Budgetary Resources Obligated for Undelivered Orders at the End of the Year	\$102,657.6

Apportionment Categories for Obligations Incurred

Apportionment Categories of Obligations Incurred For the Year Ended September 30, 2025 (Dollars in Thousands)	2025 Asset Category			
	Apportionment Category A	Apportionment Category B	Exempt from Apportionment	Total
Obligations Incurred–Direct	\$545,305.1	\$12,689.4	\$0.0	\$557,994.5
Obligations Incurred–Reimbursable	\$7,674.7	\$0.0	\$0.0	\$7,674.7
Total Obligations Incurred	\$552,979.8	\$12,689.4	\$0.0	\$565,669.2

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.

Note 22. 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 \$257.0 thousand as of September 30, 2025. 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)	2025		
	Intragovernmental	Other Than Intragovernmental	Total
Net Cost of Operations (SNC)	\$191,394.7	\$376,005.5	\$567,400.2
Components of Net Cost Not Part of Net Outlays:			
Increase/(Decrease) in Assets:			
Accounts Receivable, Net	(\$1,866.1)	(\$29.5)	(\$1,895.6)
Cash and Other Monetary Assets	\$0.0	\$67.5	\$67.5
(Increase)/Decrease in Liabilities:			
Accounts Payable	(\$1,093.3)	\$3,345.2	\$2,251.9
Federal Employee and Veterans Benefits Payable	\$0.0	(\$4,940.9)	(\$4,940.9)
Veterans, pensions, and post-employment-related benefits	\$0.0	\$1,135.3	\$1,135.3
Other Liabilities	(\$307.9)	(\$67.5)	(\$375.4)
Financing Sources:			
Imputed cost	(\$39,039.4)	\$0.0	(\$39,039.4)
Total Components of Net Cost Not Part of Net Budgetary Outlays	(\$42,306.7)	(\$489.9)	(\$42,796.6)
Miscellaneous Reconciling Items			
Custodial/ Non-exchange revenue	\$0.0	(\$18.6)	(\$18.6)
Total Other Reconciling Items	\$0.0	(\$18.6)	(\$18.6)
Total Net Outlays	\$149,088.0	\$375,497.0	\$524,585.0
Outlays, Net (Statement of Budgetary Resources)			\$524,585.0
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 the year ended September 30, 2025, the reconciling difference is \$0.0, and the key reconciling differences between the net cost and the net outlays for the DoD OIG is primarily due to an increase 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. 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, 2025.

Note 30. Reclassification of Financial Statement Line Items for Financial Report Compilation Process

The FY 2023 Balance Sheet was reclassified to conform to the FY 2024 financial statement presentation requirements in accordance with OMB Circular A-136, as amended, and included changes in the presentation to: Note 13, Federal Employee and Veteran Benefits Liability; Note 15, Other Liabilities; and Note 24, Reconciliation of Net Cost to Net Outlays (Budget to Accrual Reconciliation). The reclassifications had no effect on total assets, liabilities, or net position.

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 year ended September 30, 2025. 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)	2025			
	Operations, Maintenance & Support	Procurement	Research, Development, Test & Evaluation	Combined Total
Budgetary Resources:				
Unobligated Balance Brought Forward, Oct 1	\$39,089.6	\$2,099.3	\$2,514.0	\$43,702.9
Appropriations	\$546,639.0	\$1,336.0	\$1,900.0	\$549,875.0
Spending Authority from Offsetting Collections	\$4,844.4	\$0.0	\$0.0	\$4,844.4
Total Budgetary Resources	\$590,573.0	\$3,435.3	\$4,414.0	\$598,422.3
Status of Budgetary Resources:				
New Obligations and Upward Adjustments	\$560,849.5	\$555.9	\$4,263.8	\$565,669.2
Unobligated Balance, End of Year:				
Apportioned, Unexpired Accounts	\$4,858.6	\$2,485.9	\$116.1	\$7,460.6
Unapportioned, Unexpired Accounts	\$10,000.0	\$0.0	\$0.0	\$10,000.0
Expired Unobligated Balance, End of Year	\$14,864.9	\$393.5	\$34.1	\$15,292.5
Total Unobligated Balance, End of Year	\$29,723.5	\$2,879.4	\$150.2	\$32,753.1
Total Budgetary Resources	\$590,573.0	\$3,435.3	\$4,414.0	\$598,422.3
Outlays, Net:				
Outlays, Net (Total)	\$522,309.7	\$1,272.4	\$1,002.9	\$524,585.0
Agency Outlays, Net	\$522,309.7	\$1,272.4	\$1,002.9	\$524,585.0

Independent Auditor's Report



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Independent Auditor's Report

To the Inspector General
United States Department of Defense

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Office of Inspector General, United States Department of Defense (DoD OIG), which comprise the balance sheets as of September 30, 2025; and the related statements of net cost, statement of changes in net position, and the combined statements of budgetary resources for the year ended; and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the DoD OIG as of September 30, 2025, and its net cost, changes in net position, and combined budgetary resources for the fiscal year 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), and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and Office of Management and Budget (OMB) Bulletin No. 24-02, *Audit Requirements for the Federal Financial Statements*. Our responsibilities under those standards and OMB Bulletin No. 24-02 are further described in the Auditor's Responsibilities for the Audit of the 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 Financial Statements

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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

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assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and OMB Bulletin No. 24-02 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 financial statements.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, OMB Bulletin No. 24-02, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 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 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

Accounting principles generally accepted in the United States of America require Management's Discussion and Analysis and Required Supplementary Information sections be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic 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 financial statements in an appropriate operational, economic, or historical context.

Other Information

Management is responsible for the other information included in the Agency Financial Report. The Other Information comprises the Table of Contents, Message from the Agency Head, Summary of Financial Statement Audit and Management Assurances, Payment Integrity, Fraud Reduction, Enclosure-Fiscal Year 2026 Top DoD Management Challenges, and Acronyms and Abbreviations but does not include the basic financial statements and our auditor's report thereon.

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Our opinion on the 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 basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic 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 financial statements (for clarity) as of and for the year ended September 30, 2025, 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 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 DoD OIG's internal control.

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. A *significant deficiency* is a deficiency, or 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.

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.

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 deficiency described in the accompanying Appendix I as item A to be a significant deficiency. The status of prior year findings can be found in Appendix III.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the DoD OIG's financial statements (for clarity) as of and for the year ended September 30, 2025 are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements, as well as the requirements referred to in the Federal Financial Management Improvement Act of 1996. However, providing an opinion on compliance with those provisions

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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. 24-02.

Management's Response to Findings

DoD OIG's comments can be found in Appendix II. DoD OIG's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of This Report

The purpose of the communication described in the Other Reporting Required by *Government Auditing Standards* section 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 on compliance. This section is 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, 2025

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Appendix I – Significant Deficiency

A. Lack of Documented and Implemented Internal Controls

In accordance with Office of Management and Budget (OMB) Circular No. A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control* (OMB A-123), Department of Defense Office of Inspector General (DoD OIG) continues to lack adequate documentation of its internal control system. In addition, DoD OIG is unable to provide timely and complete support of its internal control system due to the lack of timely responses from its service provider, DFAS, to our walkthrough requests. More specifically, we noted the following conditions:

1. Lack of uniform financial policy. DoD OIG's current documentation of controls is fragmented and decentralized. Without adequate documentation of controls, including changes to controls, there is a lack of evidence that controls have been sufficiently identified and communicated to those responsible.
2. DoD OIG is still in the process of developing an entity-wide financial policy. As of September 8, 2025, FMO completed 29 of 34 SOPS and will complete 4 of the SOPS that are in draft by September 26, 2025. The financial policy is not considered final until it is formally published and approved by the Chief of Staff. The original deadline for the formal publication is September 30, 2023.

Designing and implementing internal control has been a work in progress, and the work has been inhibited by resource constraints, as well as slow and often delayed responses from FMO's service provider, DFAS. 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, detected and corrected in a timely basis.

DoD OIG has strategically prioritized the SOPS over the uniform financial policy. DoD OIG completed its development of an entity-wide financial policy (Phase 1). In March 2024, DoD OIG submitted the remainder of its Phase 1 SOPS (MIPRs and 7600B, EE&E, DAR-Q, ORF) as part of PBC-7.

The DoD OIG SOPS and financial policy will not be completed and implemented completely in FY 2025.

Lack of timely walkthroughs. Due to various client availability and schedule coordination with FMO's service provider, Defense Finance and Accounting Service (DFAS), DoD OIG FMO was unable to provide timely responses to requested walkthrough meetings resulting in significant delays in understanding and/or updating the current internal control environment.

Progress made: In FY23 walkthrough coordination with FMO's service provider, Defense Finance and Accounting Service (DFAS), DoD OIG FMO was able to provide responses to requested walkthrough meetings timely. No delays in understanding and/or updating the

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current internal control environment were noted by RMA. The Corrective Action Plan (CAP) for this finding was completed.

We recommend DoD OIG:

1. Continue its remediation efforts detailed in its corrective action plan (CAP), which includes the following:
 - Develop a uniform financial reporting policy.
 - Finalize its documentation of the high and low priority SOPs.
 - 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 Standard Operating Procedure.
2. The DAI PMO recommended the DoD OIG create an agency-specific document to designate primary and alternate(s) to attend functions listed in the Agency Advisory Role (AAR) SOP. Although the DoD OIG Financial Management Office (FMO) has made the necessary designations, the DoD OIG's financial reporting policies and procedures have not been updated to designate primary and alternate(s) to attend functions listed in the AAR SOP.

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Appendix II – Management's Response to the Audit Findings



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

December 09, 2025

Reza Mahbod, Engagement Partner
RMA Associates, LLC
4121 Wilson Blvd, Suite 1100
Arlington, VA 22203

Dear Mr. Mahbod:

Below are the management responses to the Department of Defense Office of Inspector General (DoD OIG) FY 2025 Financial Statement audit finding.

Significant Deficiency: Documented and Implemented Internal Controls

The DoD OIG agrees that Financial Management Office (FMO) staff has strategically prioritized SOP development over the uniform financial policy and has made significant progress in completing several high priority SOPs as of date. FMO will continue to develop and finalize SOPs for significant accounting cycles and map business processes and then transition to the development of the financial management instruction, currently scheduled to be finalized by March 31, 2026.

Digitally signed by
WILLIAMS, ALTHEA
30
EA.1395258130 Date: 2025.12.18 13:58:35
-05'00'

Althea K. Williams
Accounting Chief

Digitally signed by
SANDERS, SHANTI
45
KIS.1251909845 Date: 2025.12.18 14:10:26 -05'00'

Shantiki S. Sanders
Chief Financial Officer

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Appendix III – Status of Prior Year Recommendations

Fiscal Year	No.	Recommendation	Type	FY 2025 Status
FY 24	1	WP N-01: Lack of Adequately Documented and Implemented Internal Controls. DoD OIG lacks adequately documented internal control policies and procedures.	Material Weakness	WP N-01 Modified Repeat (Significant Deficiency)

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OTHER INFORMATION (UNAUDITED)



Summary of Financial Statement Audit and Management Assurances

Tables 2 and 3 provide a summary of the financial statement audit results and management assurances for FY 2025.

Table 2. Summary of Financial Statement Audit

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

Table 3. 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	0					0
Total Material Weaknesses	0					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			0
Total Material Weaknesses	2		1			1

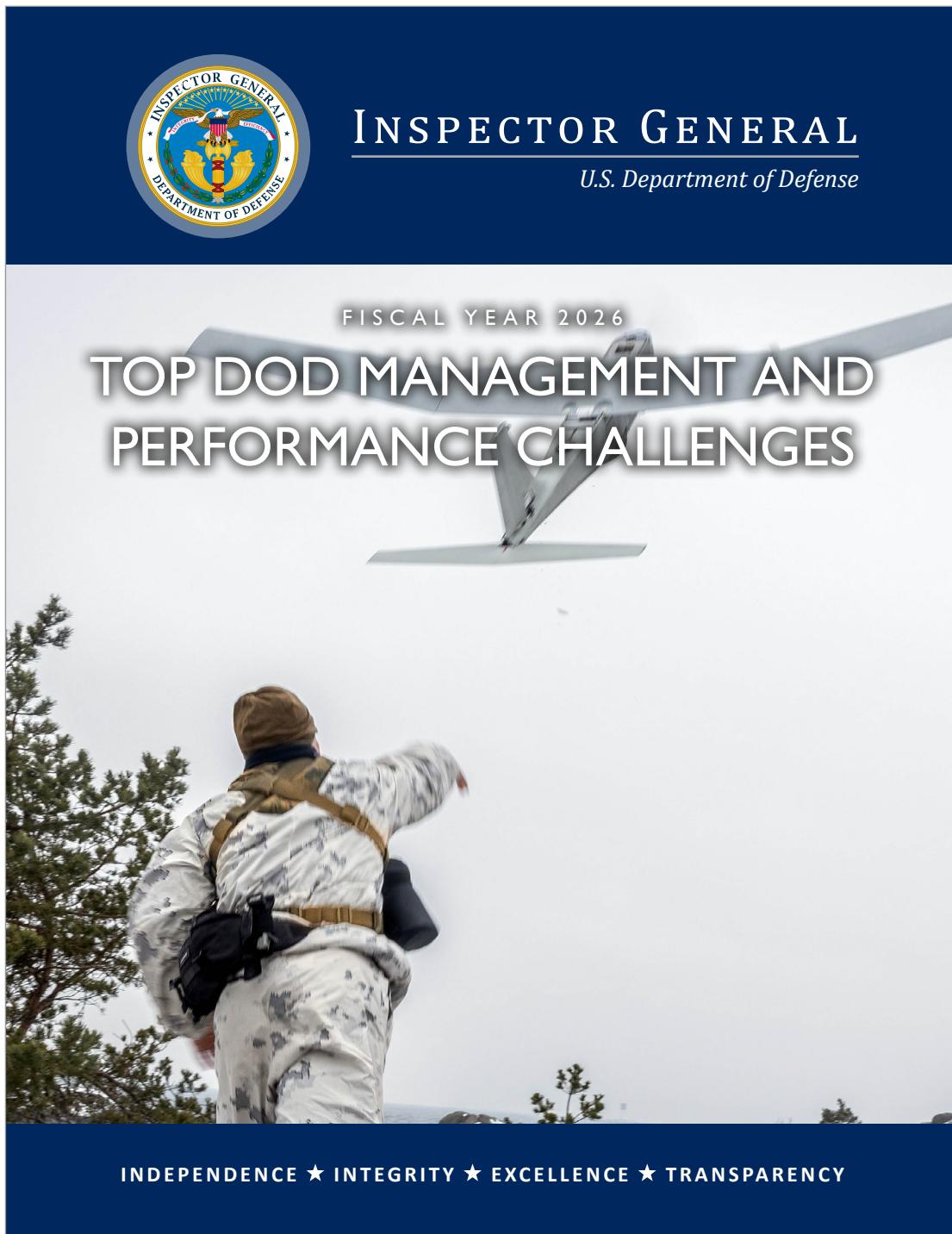
Payment Integrity Information Act

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/afr2025>.

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 2025.

Enclosure. Fiscal Year 2026 Top DoD Management and Performance Challenges



INDEPENDENCE ★ INTEGRITY ★ EXCELLENCE ★ TRANSPARENCY

Mission

We promote the economy, efficiency, and effectiveness of DoD programs, and the integrity of its workforce and operations, through impactful audits, evaluations, investigations, and reviews.

Vision

We are a high-performing team driving positive change.



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



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



November 25, 2025

This report presents our independent assessment of the DoD's top management and performance challenges for FY 2026.

Today's global security environment is exceptionally complex and volatile. Increasingly rapid technological advances are changing the character of warfare. Our defense industrial base is challenged to meet current demands. Fiscal pressure is unrelenting. Accordingly, the DoD is implementing a broad range of changes to policies, programs, and organizations, with a sense of urgency. While we assess the seven challenges presented in this report to be the Department's most significant enduring challenges, overlaying each are the additional challenges of managing change and heightened fraud risk.

The Department cannot pause to implement change. Our forces must always be ready and able to fight and win our nation's wars. The scale and pace of change across the DoD create opportunities, and risks, that require focused attention to ensure that the Department's capability and capacity to fulfill its core mission stay strong.

The DoD Office of Inspector General will closely monitor changes across the Department and focus our independent and objective oversight on areas where we can best contribute to improving the economy, efficiency, and effectiveness of DoD programs and operations.

Steven A. Stebbins
Acting





Top DoD Management and Performance Challenges DoD Fiscal Year 2026

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Executive Summary

This report identifies the top management and performance challenges facing the DoD in the coming fiscal year. We developed this annual statement in accordance with the Reports Consolidation Act of 2000 (Pub. L. 106-531). It reflects our analysis of a range of sources, including DoD OIG oversight projects (completed, ongoing, and planned); input from DoD leadership and the broader defense oversight community; and review of congressional testimony, independent research, Government Accountability Office reports, and the DoD's strategic documents. For each challenge, presented without prioritization, we examine potential consequences for DoD programs and assess the Department's progress in addressing them. Addressing these challenges is crucial to the DoD's success in fulfilling its national security mission.

CHANGES FROM THE FY 2025 Top MANAGEMENT AND PERFORMANCE CHALLENGES

This year we established seven enduring management and performance challenges based on our analysis of more than 10 years of DoD management and performance challenges reports. Defining these enduring challenges enables us to track trends and report on progress from past years, as required by the Reports Consolidation Act of 2000. Changes in the total number of challenges do not indicate that previously identified challenges have been resolved or are now less important. Also, within each of the seven enduring challenges we identified specific focus areas that highlight the most significant aspects of each challenge. We will reassess the focus areas annually to ensure their continued relevance.

The FY 2026 Top DoD Management and Performance Challenges and Focus Areas

Challenges	Focus Areas
1. Strengthening Deterrence Through Strategic Capabilities	<ul style="list-style-type: none">• Nuclear Enterprise and Missile Defense• Unmanned Systems• Space Domain• Electromagnetic Spectrum• Cyber Operations• Critical Technology (Artificial Intelligence and Quantum)
2. Manning the Force	<ul style="list-style-type: none">• Manning and Readiness of the Medical Force• Specialty Fields—Cyber, Space, and Electromagnetic Spectrum Operations• Military Recruiting and Retention; Non-Active Duty and Civilian Capabilities

The FY 2026 Top DoD Management and Performance Challenges and Focus Areas (cont'd)

Challenges	Focus Areas
3. Maintaining and Improving Materiel Readiness	<ul style="list-style-type: none"> • Maintenance • Storage and Upkeep • Logistical Networks
4. Ensuring Responsive and Responsible Modernization and Procurement	<ul style="list-style-type: none"> • Acquisition Processes • Defense Industrial Base
5. Securing and Sustaining Defense Critical Infrastructure	<ul style="list-style-type: none"> • Cybersecurity • Facilities • Military Construction
6. Supporting Quality of Life for Military Service Members and Their Families	<ul style="list-style-type: none"> • Environmental Safety • Healthcare • Family Support Systems
7. Achieving and Sustaining a Clean Financial Audit	<ul style="list-style-type: none"> • Enterprise-Wide Strategy • Internal Controls • Financial Management Systems

STRATEGIC ENVIRONMENT

As the DoD continues to navigate a complex global security landscape, both familiar challenges and emerging threats require sustained attention. These emerging threats include the increasing sophistication of state-sponsored cyberattacks targeting critical infrastructure, the proliferation of unmanned and autonomous systems, and adversaries leveraging advanced technologies such as artificial intelligence and hypersonic weapons.¹ Great power competition with China and Russia persists, with both nations advancing military modernization and projecting greater assertiveness—China in the Indo-Pacific, and Russia in Europe and beyond. The war in Ukraine continues to impose significant demands on U.S. military assistance and the defense industrial base (DIB), with Russian forces maintaining pressure across multiple fronts. The conflict has demonstrated the importance of robust defense production, resilient supply chains, and effective equipment maintenance.

China's strategic objectives in the Indo-Pacific remain focused on becoming the preeminent regional power, challenging the United States, and unifying Taiwan through rapid military modernization across all domains, including cyber, space, and nuclear. China is also increasing its engagement

¹ Defense Intelligence Agency, "2025 Worldwide Threat Assessment," May 11, 2025.

with countries in Latin America and its pressure campaigns against nations resisting China's territorial claims, such as the Philippines and Taiwan. These advancements and aggressive actions increase the risk of conflict and threaten international air and maritime traffic in the region.

In the Middle East, a surge of cross-border strikes, expanding military operations, and targeted attacks have intensified the already volatile Middle East. This escalation coincides with the ongoing Israel-Gaza conflict and worsening humanitarian crisis. Simultaneously, Iran and its proxies, including Hezbollah, Hamas, and the Houthis, are further destabilizing the region.

Domestically, the Department is prioritizing defense of the homeland. A key priority is developing a multilayered missile defense program designed to protect the U.S. homeland from drone and missile threats. Additionally, actions are underway to broaden the military's role as a rapid-response force to support law enforcement, manage civil unrest, and protect critical infrastructure along the southern border and in American cities. Economic pressures and workforce challenges also impact DoD readiness. Despite improvements in military recruitment, challenges remain, including a shrinking pool of qualified candidates and private sector competition. The DIB faces pressures from complex acquisition processes, supply chain vulnerabilities, and workforce shortages. Increased competition in cyber, space, and electromagnetic operations requires substantial investment in emerging technologies like artificial intelligence (AI) and quantum computing. This competition, coupled with the growing dependence of the United States on space-based assets, highlights the need to secure and maintain a leading position in the space domain. Addressing these challenges requires the DoD to defend against increasingly complex threats, invest in crucial technologies, and maintain the capacity for rapid response to domestic issues.

To fulfill its mission, the DoD must balance current readiness with long-term modernization as it makes resourcing decisions while managing budget uncertainty. Reinforcing alliances and deepening partnerships remain essential to countering traditional state threats and emerging security challenges at home and abroad.



Airmen refuel a B-2 Spirit at Whiteman Air Force Base, Missouri, May 28, 2025. The 509th Bomb Wing and its fleet of B-2s serve as part of the Air Force's combat force to project U.S. airpower anywhere in the world. Source: U.S. Air Force

Challenge 1: Strengthening Deterrence Through Strategic Capabilities

FOCUS AREAS

- Nuclear Enterprise and Missile Defense
- Unmanned Systems
- Space Domain
- Electromagnetic Spectrum
- Cyber Operations
- Critical Technology (Artificial Intelligence and Quantum)

The DoD faces multifaceted challenges that threaten its ability to maintain deterrence and operational superiority across multiple domains. To effectively counter emerging threats and ensure national security, the DoD must focus on strengthening deterrence by advancing its strategic capabilities. This requires a proactive approach that prioritizes technological innovation and modernization, Joint All-Domain Operations, and sustained investment in critical defense infrastructure and readiness. Enhanced coordination and a clear strategic vision are essential for meeting the demands of a rapidly changing security environment.

NUCLEAR ENTERPRISE AND MISSILE DEFENSE

Several major nuclear enterprise and missile defense programs are vulnerable to significant risks to cost and production schedules. These risks stem from issues such as poor work instructions, unstable designs, insufficient and unpredictable funding, and shortcomings in certification processes. Such challenges increase the likelihood of initiating full-scale manufacturing before adequate testing and validation are complete, leading to delayed testing or the need for costly rework or redesign, either of which can further erode program effectiveness.

Recent reports have emphasized the breadth of these problems. In January 2023, the U.S. Government Accountability Office (GAO) reported that the Navy had not conducted a recommended risk analysis to manage the schedule for building the Columbia-Class submarine, a critical component of the nation's nuclear triad.² By June 2024, the GAO had determined that the Columbia-Class program faced substantial rework and schedule delays, largely due to inadequate work instructions, which are the detailed instructions used by workers to execute construction. A follow-on report that the GAO published in September 2024 reiterated those same concerns and also noted that the program could experience additional cost and schedule growth, as critical technologies are not expected to mature before planned delivery and sea trials.³ Similarly, the GAO determined that insufficient funding

² GAO Report No. GAO-23-106292, "Columbia Class Submarine: Program Lacks Essential Schedule Insight amid Continuing Construction Challenges," January 24, 2023.

³ GAO Report No. GAO-24-107732, "Columbia Class Submarine: Overcoming Persistent Challenges Requires Yet Undemonstrated Performance and Better-Informed Supplier Investments," September 30, 2024.

for the B-52 bomber engine replacement design contributed to initial delays, while current plans to conduct operational testing after initial production introduce risks of costly redesign and refitting. Furthermore, the GAO found that the DoD's Sentinel ballistic missile program saw a 37 percent increase in projected costs, driven by design instability and premature development decisions.⁴

Adding to these concerns, in May 2024, we identified shortfalls in the implementation of independent verification and validation procedures required to certify the capability of the F-15E, B-2, and F-35A aircraft to carry the B61-12 nuclear bomb.⁵ While the DoD OIG acknowledged positive actions by U.S. Air Force officials to extend the life expectancy of the Minuteman III Intercontinental Ballistic Missile and its launch infrastructure for 44 years beyond its planned service life, there is still an urgent need for additional assessment and planning to ensure these systems remain mission ready until their replacement.⁶

UNMANNED SYSTEMS

The DoD faces mounting challenges posed by the rapid advancement of unmanned systems, particularly unmanned aerial systems (UAS), which present threats across operational environments. These challenges include resource limitations, potentially exacerbated by expanded border operations, coordination difficulties, and the continuous need for more effective testing and evaluation procedures.

In December 2023, a series of UAS incursions at Joint Base Langley-Eustis exposed vulnerabilities in existing defense protocols.⁷ The Congressional Research Service reported in March 2025 that the DoD's counter-UAS efforts are hampered by a rapidly expanding and increasingly lethal threat landscape, persistent coordination issues, insufficient authorities, deficiencies in force structure, funding shortfalls, and unrealistic testing and evaluation practices.⁸

In response to these evolving threats, DoD officials took several notable steps. For example, in April 2025, DoD officials testified before the Military and Foreign Affairs Subcommittee regarding ongoing efforts to counter UAS threats at U.S. military installations. The DoD officials highlighted that the DoD is implementing internal process improvements and enhancing capabilities and capacity through hardware acquisition.⁹ In December 2024, the DoD released a comprehensive strategy for countering unmanned systems. This strategy aims to build upon other DoD initiatives, such as the newly established Joint Interagency Task Force 401 (JIATF-401) for Counter-Unmanned Aircraft Systems (cUAS), the creation of the Warfighter Senior Integration Group, and the

⁴ GAO Report No. GAO-24-106831, "Weapon Systems Annual Assessment: DoD Is Not Yet Well-Positioned to Field Systems with Speed," June 17, 2024.

⁵ DoD OIG Report No. DODIG-2024-080, "Evaluation of the Air Force's Nuclear Design Certification of the F-15E, B-2, and F-35A Aircraft to Carry the B61-12 Nuclear Bomb," May 7, 2024.

⁶ DoD OIG Report No. DODIG-2024-137, "Evaluation of the Air Force's Actions to Sustain the Minuteman III Intercontinental Ballistic Missile," September 19, 2024.

⁷ U.S. House Committee on Oversight and Government Reform, Military and Foreign Affairs Subcommittee Hearing, "Securing the Skies: Addressing Unauthorized Drone Activity Over U.S. Military Installations," April 29, 2025.

⁸ Congressional Research Service, "Department of Defense Counter Unmanned Aircraft Systems: Background and Issues for Congress," March 31, 2025.

⁹ U.S. House Committee on Oversight and Government Reform, Military and Foreign Affairs Subcommittee Hearing, "Securing the Skies: Addressing Unauthorized Drone Activity Over U.S. Military Installations," April 29, 2025.

launch of the Replicator 2 initiative.¹⁰ The JIATF-401, established by the Secretary of Defense, supersedes and replaces the Joint Counter-Small UAS Office (JCO) and includes several changes to address the shortcomings of the JCO and speed up acquisition.¹¹ While the JCO made strides in coordinating cUAS efforts, this new task force is designed to centralize and accelerate the delivery of counter-drone capabilities with greater speed and agility.¹² Moreover, the DoD's expansion of its counter-UAS operations to support the Department of Homeland Security along the U.S.-Mexico border requires the allocation of hardware, software, and personnel that could potentially impact resource availability for other critical defense needs.¹³ The DoD OIG currently has one ongoing project evaluating the DoD's actions to address UAS at military installations in the United States and another one planned in FY 2026.¹⁴

SPACE DOMAIN

Joint space operations encounter significant challenges as the Space Force seeks to modernize its aging ground infrastructure, upgrade legacy capabilities, and accelerate the acquisition and integration of data-centric systems. These modernization efforts are hampered by issues impacting force readiness and effectiveness, potentially compromising the ability to respond to threats and maintain space superiority as adversaries advance their own space-based systems. Notable threats include China's development of systems to target and destroy space assets, Russia's pursuit of on-orbit nuclear anti-satellite weapons, and the proliferation of both China's and Russia's ballistic, cruise, and hypersonic missile capabilities.

Recent assessments demonstrate the urgency of these challenges. In 2022, the DoD OIG identified that the Space Force's launch range infrastructure is aging and relies on obsolete components, putting future launch capabilities at risk.¹⁵ In 2025, the Commander of the U.S. Space Command informed Congress that aging infrastructure, both on Earth and in orbit, remains a pressing concern. The Commander emphasized that the most critical challenges are delivering integrated space fires, enhancing battlespace awareness, and improving command and control capabilities. To address these needs, the U.S. Space Command has called for consistent, stable funding and more effective acquisition programs to ensure the rapid deployment of advanced space systems capable of countering adversary developments.¹⁶ In FY 2025, the DoD OIG issued several classified evaluations related to the space domain and currently has one ongoing project on the Space Force's tactical surveillance, reconnaissance, and tracking with DoD intelligence collection management.¹⁷

¹⁰ DoD News, "Secretary of Defense Signs New Strategy for Countering Effects of Unmanned Systems," December 6, 2024.

¹¹ DoD, "Establishment of Joint interagency Task Force 401," August 27, 2025.

¹² Congressional Research Service, "Department of Defense Counter Unmanned Aircraft Systems: Background and Issues for Congress," March 31, 2025.

¹³ Defense Scoop, "DoD to Deploy Counter-Drone Capabilities at US-Mexico Border as Cartels Surveil Troops," April 29, 2025.

¹⁴ DoD OIG Project No. D2025-DEVOSR-0038.000, "Project Announcement: Evaluation of DoD Actions to Address Unmanned Aircraft Systems at Military Installations in the United States and Its Territories," November 20, 2024.

¹⁵ DoD OIG Report No. DODIG-2022-048, "Audit of DoD Maintenance of Space Launch Equipment and Facilities," January 5, 2022.

¹⁶ Statement of General Stephen N. Whiting, Commander, United States Space Command, Presentation to the Senate Armed Services Committee Subcommittee on Strategic Forces, "Fiscal Year 2026 Priorities and Posture of United States Space Command," March 26, 2025.

¹⁷ DoD OIG Project No. D2025-DEVOSR-0038.000, "Evaluation of Efforts to Integrate the U.S. Space Force's Tactical Surveillance, Reconnaissance, and Tracking with DoD Intelligence Collection Management," August 18, 2025.

ELECTROMAGNETIC SPECTRUM

Despite the DoD issuing its Electromagnetic Spectrum Superiority Strategy in October 2020 and specifying responsible personnel and organizations, ongoing challenges persist in the realm of electromagnetic spectrum (EMS) management and electronic warfare.

EMS supremacy is crucial to the DoD's capability to maneuver and operate within all domains. The greatest challenges in managing the EMS are its complexity, high level of congestion, intense competition, and the evolving, adversarial tactics used to gain access. Peer and near-peer competitors have recognized the DoD's reliance on the EMS and are investing heavily to address vulnerabilities.¹⁸

In July 2023, the U.S. Strategic Command, responsible for electromagnetic spectrum operations outcomes, stood up the Joint EMS Operations Center (JEC).¹⁹ Faced with an increasingly contested and congested electromagnetic spectrum, the JEC aims to consolidate EMS management, with a focus on the availability, integrity, and resilience of the EMS to enable uninterrupted and effective operations. However, integration of EMS capabilities and oversight with the Joint Force remains a challenge in a fast-paced and contested environment with complex implications for multi-domain operations.²⁰

Furthermore, Operations in the Information Environment (OIE) are heavily reliant on the EMS to enable communications, sensing, and data transmission across military operations. In May 2025, the Army deactivated its only information operations command in favor of standing up multidisciplinary Theater Information Advantage Detachments intended to synchronize information capabilities, each aligned and tailored to a major theater of operations.²¹ Set up as experimental units during FY 2025, these Detachments are intended to better integrate OIE in the face of rising multi-domain operations. Mission success is critical in a domain where high investment costs, slow procurement of new technology, and difficulties recruiting and training skilled personnel in critical fields can jeopardize the U.S. military's ability to maintain technological superiority against adversaries.²²

In December 2024, the DoD OIG announced an evaluation of the DoD's implementation of electromagnetic pulse shielding for mission-critical systems within the U.S. Indo-Pacific Command (USINDOPACOM). This evaluation is in response to growing concern over the vulnerability of critical infrastructure to increasing threats, such as electromagnetic pulses.²³

¹⁸ DoD, "DoD Electromagnetic Spectrum Superiority Strategy," October 2020.

¹⁹ DoD, U.S. Strategic Command, "U.S. Strategic Command Stands Up Joint EMS Operations Center," July 26, 2023.

²⁰ AFCEA International, "Joint Electronic Warfare, Cyber and Spectrum Operations Need Work to Face Contested Environments," August 22, 2024.

²¹ U.S. Army, "Inactivation of Army's Only Active-Duty Information Operations Command," May 8, 2025.

Fed Gov Today, "Information Advantage Across the Competition Continuum," September 17, 2025.

²² GAO Report No. GAO-22-1440T, "Electromagnetic Spectrum Operations: DOD Needs to Take Action to Help Ensure Superiority," November 19, 2021.

²³ DoD OIG Project No. D2025-DEV0SR-0049.000, "Project Announcement: Evaluation of the DoD's Implementation of Electromagnetic Pulse Shielding for the U.S. Indo-Pacific Command," December 18, 2024.

CYBER OPERATIONS

The DoD faces substantial challenges when conducting effective cyber operations. One of these is the complexity of the nation's legal framework and the DoD's organizational structure.²⁴ The unique and rapidly evolving cyber domain challenges the Department to adapt swiftly and strategically to emerging threats and technologies, ensuring sustained strategic advantage amidst constant change.

Recent analyses highlight the operational challenges stemming from the U.S. legal system's separation of authorities between military operations (under Title 10) and intelligence activities (under Title 50). For example, a November 2024 Congressional Research Service report acknowledged that this separation creates ambiguity and operational challenges, especially in contexts outside declared military conflicts, where cyber activities are often restricted to intelligence and espionage roles. The dual-hatted leadership structure of the U.S. Cyber Command and the National Security Agency was designed to address such challenges but has also led to competition for limited resources, including personnel and funding. This legal complexity and organizational rivalry ultimately hinder the agility and effectiveness of DoD cyber operations.²⁵ The recent creation of the Joint Task Force-Southern Border in March 2025 is a prime example. There, active-duty military personnel under Title 10 were deployed to support Department of Homeland Security and Customs and Border Patrol missions, but legal restrictions prevented them from directly engaging in law enforcement or intelligence-driven cyber operations, resulting in operational challenges caused by statutory limitations and prohibitions on the use of military personnel for intelligence purposes.²⁶

Moreover, technological advancements and evolving threats continue to test the DoD's readiness. In April 2025, the Commander of the U.S. Cyber Command emphasized the growing difficulty of keeping pace with rapid technological change, countering increasingly sophisticated adversaries targeting critical infrastructure, and scaling cyberspace operations in the face of persistent resource constraints.²⁷ The DoD OIG is currently working on an audit assessing the effectiveness of defensive cyber operations within the U.S. European Command.²⁸

Critical Technology (Artificial Intelligence and Quantum)

The DoD faces significant obstacles in fully leveraging emerging technologies, such as AI and quantum computing. Challenges like insufficient coordination, ongoing funding gaps, obtaining a skilled workforce, and the need for robust strategic planning continue to hamper progress in these critical fields.

²⁴ AFCEA International, "Is the Cyber Workforce Shortage a Myth?" May 01, 2025.

²⁵ Congressional Research Service, "Defense Primer: Cyberspace Operations," November 29, 2024.

²⁶ U.S. Northern Command, "Joint Task Force-Southern Border Assumes Authority of Southern Border Mission," March 24, 2025.

²⁷ Posture Statement of Lieutenant General William J. Hartman, USA, Acting Commander, United States Cyber Command before the 119th Congress, U.S. Senate Committee on Armed Services, Subcommittee on Cybersecurity, April 9, 2025.

²⁸ DoD OIG Project No. D2025-D000CU-0013.000, "Project Announcement: Audit of Defensive Cyberspace Operations in the U.S. European Command," November 6, 2024.

Acquiring AI talent, particularly experts capable of building and maintaining generative models (as opposed to end-user applications), is a significant challenge compounded by the rapid pace of AI advancement. While the private sector explores advanced concepts like agentic systems (autonomous AI systems), the DoD is often still implementing foundational technologies like Large Language Models. This disparity in innovation speed impedes the DoD's ability to maintain technological parity and achieve strategic advantage over adversaries. In July 2025, the White House released a roadmap recommending specific policy actions for the DoD. These actions included a recommendation that the DoD focus on building its AI workforce through targeted talent development programs and optimizing workflows for AI automation.²⁹

Recent insights from the December 2024 annual program and budget report by the U.S. National Science and Technology Council's Subcommittee on Quantum Information Science highlight the DoD's pressing quantum technology challenges as international competition rapidly intensifies. While U.S. investment in quantum technology has surged from \$456 million in 2019 to more than \$1 billion annually since 2022, fundamental scientific barriers remain. This includes technical and engineering hurdles, a limited talent pipeline, difficulties integrating quantum devices into operational environments, supply chain risks, and complex policy and coordination demands. Overcoming these issues will require sustained investments in fundamental and applied research, targeted development, and close partnership with academia and industry to ensure the United States retains its technological edge.³⁰

²⁹ The Executive Office of the President of the United States, "Winning the Race: America's AI Action Plan," July 2025.

³⁰ National Science and Technology Council, Committee on Science, Subcommittee on Quantum Information Science Report, "National Quantum Initiative Supplement to the President's FY 2025 Budget," December 2024.





Navy Officer Candidate School students participate in their graduation ceremony at Naval Station Newport, Rhode Island, July 11, 2025.
Source: DoD.

Challenge 2: Manning the Force

FOCUS AREAS

- Manning and Readiness of the Medical Force
- Specialty Fields—Cyber, Space, and Electromagnetic Spectrum Operations
- Military Recruiting and Retention; Non-Active Duty and Civilian Capabilities

Despite recent improvements, challenges to maintaining a fully staffed and capable force remain. Ensuring sufficient and skilled military and civilian personnel for the DoD's broad range of requirements is a persistent challenge and crucial to DoD mission success.

MANNING AND READINESS OF THE MEDICAL FORCE

The DoD encounters persistent challenges in recruiting, retaining, and managing specialized medical personnel. These manning challenges affect both the day-to-day needs of Service members and the increased capacity that the DoD would need during contingency operations. If not addressed, the DoD's ability to sustain medical readiness and provide effective response capabilities across diverse operational environments will be at risk.

A June 2025 DoD OIG report determined that the Army and Navy did not effectively assign medical personnel to locations where they could maintain their required wartime medical readiness skills.³¹ A retired Air Force surgeon stated to Congress in March 2025 that combat casualty care training and skills management are frequently neglected during peacetime, with only 10 percent of military general surgeons experiencing the significant case volume and patient severity necessary to maintain combat readiness.³² The erosion of critically important combat medical skills impacts the Military Health System's (MHS) ability to provide expeditionary care to combat casualties. Furthermore, MHS reforms have decreased the number of complex procedures performed in military treatment facilities, shifting patient care to the private sector.

Moreover, the significant shortage of military healthcare professionals continues to affect the Defense Health Agency (DHA). In April 2025, during a panel discussion at the Association of Defense Communities National Summit, DHA officials stated that they are considering the closure or downgrading of certain military healthcare facilities due to the ongoing staffing challenges.³³ Any resulting facility reductions could further limit access to care for Service members and their families.

³¹ DoD OIG Report No. DODIG-2025-114 "Evaluation of DoD Efforts to Assign Medical Personnel to Locations Where They Can Maintain Wartime Readiness Skills and Core Competencies," June 13, 2025.

³² The Senate Armed Services Committee, Statement by Colonel (Dr.) Jeremy W. Cannon, USAFR (Ret.), March 11, 2025.

³³ Military Times, "Defense Officials Considering Cuts to Military Treatment Facilities," April 03, 2025.

SPECIALTY FIELDS—CYBER, SPACE, AND ELECTROMAGNETIC SPECTRUM OPERATIONS

The DoD must address critical personnel challenges in high-demand specialty fields including cyber, space, and electromagnetic warfare (EW) to maintain U.S. technological and operational dominance. These challenges include difficulties in recruiting and retaining qualified personnel, training gaps, and inadequate workforce data management, all of which risk creating staffing shortages that could diminish capability and capacity in these critical fields.

In July 2023, the DoD released its DoD Cyber Workforce Strategy Implementation Plan 2023–2027, focusing on the need to advance the cyber workforce to maintain an advantage in a contested and rapidly evolving cyberspace. The plan acknowledges the need for a more effective cyber workforce and an updated cyber training curriculum. To address these issues, the plan establishes goals and objectives to identify, recruit, develop, and retain a more agile and effective cyber workforce. These goals focus on implementing talent management programs and standardized assessment and analysis processes to ensure the Department has the right number of people with the right skills, in the right places, at the right time, to effectively counter evolving cyber threats and meet mission requirements.³⁴

Recent reporting emphasizes the scope of these challenges. The GAO reported in May 2024 that the Navy struggles with unreliable workforce data as it works to strengthen its cyber workforce, including difficulties with data accuracy across multiple systems and scheduling cyber training due to external training dependencies.³⁵ Additionally, the DoD cyber workforce has faced a reduction in staffing as the DoD looks to realign and optimize its workforce which could create some short term risks, including increased malicious activity by adversaries and leadership gaps as junior employees take on more senior roles.³⁶

In an April 2025 DoD OIG report, a U.S. Space Command official stated that the command is struggling to recruit candidates with the specific skills it needs most, citing relocation expenses as a possible reason.³⁷ The Space Force is also experiencing reductions, losing nearly 14 percent of its civilian workforce in 2025 due largely to early retirement and resignation incentives.³⁸ While the full consequences of these reductions remain to be seen, the DoD OIG is planning oversight of mission-critical occupations in FY 2026. This oversight will help identify and address the areas of greatest vulnerability related to these crucial roles.

³⁴ DoD, “DoD Cyber Workforce Strategy Implementation Plan 2023-2027,” July 13, 2023.

³⁵ GAO Report No. GAO-24-106879, “Cyber Personnel: Navy Needs to Address Accuracy of Workforce Data,” May 13, 2024.

³⁶ Breaking Defense, “After Cuts to DoD’s Cyber Workforce, Experts See Short-Term Readiness Risks, but Also Opportunity,” August 18, 2025.

³⁷ DoD OIG Report No. DODIG-2025-084, “Evaluation of DoD Roles and Processes Leading up to the July 2023 Basing Decision for the U.S. Space Command,” April 11, 2025.

³⁸ Air Force Times, “Space Force Sees ‘Outsized Impact’ from Civilian Workforce Cuts,” May 21, 2025.

MILITARY RECRUITING AND RETENTION; NON-ACTIVE DUTY AND CIVILIAN CAPABILITIES

Despite some positive recruitment results in FY 2025, particularly the Army, Navy, and Air Force meeting their recruiting targets months earlier than expected, the Department continues to face significant long-term challenges in attracting and retaining personnel.³⁹ These challenges are rooted in a combination of contributing factors: a shrinking pool of eligible young people, declining birth rates impacting future demographics, and a decreasing willingness to serve during periods of strong economic growth.⁴⁰ Additionally, as part of a broader Government efficiency initiative, the DoD is rapidly reducing its civilian workforce, which warrants close monitoring and management to mitigate potential impacts on mission readiness and ensure continued operational effectiveness.

In January 2025, the Hoover Institution reported that a 10 percent drop in Service-eligible youth is expected in 2026, largely due to lower birth rates following the 2008 recession, and noted that reduced public trust is making military service less attractive to young people.⁴¹ The DoD's own research on the recruiting environment found that only 23 percent of American youth are qualified for military service, with the majority disqualified for health, drug use, or other issues.⁴²

Although initiatives like the Army's Future Soldier Preparatory Course have improved recruitment, in May 2025, the DoD OIG released a management advisory, raising concerns about the implementation of the course and its adherence to regulations. Specifically, the advisory focuses on the reclassification of trainees, In-Service testing requirements, English language training, and compliance with testing standards.⁴³

A smaller DoD civilian workforce, depleted by recent resignations, hiring freezes, and early retirements, creates risks to the capability to perform critical support functions and achieve strategic goals across the Military Services.⁴⁴ For example, losses within the already strained financial management workforce may hinder progress toward the DoD achieving a clean financial statement audit opinion by 2028, as required by National Defense Authorization Act for Fiscal Year 2024. Close monitoring of the results of DoD workforce reduction and restructuring efforts is essential to ensure that critical missions are not placed at risk. The DoD OIG plans to perform oversight in this area in FY 2026.

³⁹ Af.mil, "Air Force and Space Force Exceed Annual Recruiting Goals, Demonstrating Americans' Desire to Serve," June 30, 2025.

DoD, Under Secretary of Defense for Personnel and Readiness, "Department of Defense Announces Recruiting and Retention Numbers for Fiscal Year 2025 – Thru July 2025," August 2025.

⁴⁰ Defense.gov, "Recruitment Task Force Seeks to Capitalize on 2025 Enlistment Surge," June 27, 2025.

Georgetown Security Studies Review, "Is the Military Recruiting Crisis Over? Not quite.," April 27, 2025.

⁴¹ Hoover Institution, "Military Recruiting Shortfalls—A Recurring Challenge," January 28, 2025.

⁴² Joint Advertising and Market Research System, "The Target Population for Military Recruitment," May 25, 2023.

⁴³ DoD OIG Report No. DODIG-2025-092, "Management Advisory: Review of the Army's Future Soldier Preparatory Course," May 1, 2025.

Military.com, "The Army is Losing Nearly One-Quarter of Soldiers in the First 2 Years of Enlistment," March 7, 2025.

⁴⁴ Defense Acquisition University, "Recruiting a Department of the Army Civilian Workforce," May 2024.

Air and Space Forces Magazine, "Air Force, Space Force Brace for Wave of Civilian Staff Reductions," May 5, 2025.

U.S. House of Representatives Committee on Armed Services, "MLP Hearing: Military Department Personnel Chiefs - Personnel Posture," April 30, 2025.



A Sailor inspects ordnance on the flight deck of the *USS Carl Vinson* in the U.S. Central Command area of responsibility, April 16, 2025.
Source: U.S. Navy.

Challenge 3: Maintaining and Improving Materiel Readiness

FOCUS AREAS

- Maintenance
- Storage and Upkeep
- Logistical Networks

The DoD grapples with the ongoing challenge of maintaining and improving materiel readiness. It must improve the upkeep, storage, and management of critical assets and weapon systems across all Services. Strengthening these efforts is crucial, as the DoD strives to sustain mission-ready capabilities and ensure rapid responsiveness in any contested environment.

MAINTENANCE

The DoD faces significant sustainment challenges and critical shortfalls in maintaining mission-ready weapon systems, including aircraft, ships, amphibious vehicles, and ground vehicles, that are essential to mission success. Since 2022, the GAO has repeatedly reported on these issues noting that maintenance and supply chain problems continue to impact the readiness of 49 aircraft types across the Army, Navy, Marine Corps, and Air Force. The GAO found that many of the aircraft experienced delays in depot maintenance activities, heightened by supply chain disruptions, shortages, parts obsolescence, and diminishing manufacturing sources.⁴⁵ Additionally, a shortage of adequately trained maintenance personnel further exacerbates the situation, creating a ripple effect that undermines the reliability and availability of these critical assets.⁴⁶

In March 2025, the GAO reported that the DoD failed to meet its FY 2024 mission capable rate goals for 42 of 45 aircraft supporting military operations—a shortfall largely attributed to maintenance constraints that hinder effective sustainment. The mission capable rate, defined as the percentage of time an aircraft can perform at least one mission, is a key indicator of readiness.⁴⁷ That same month, the GAO provided congressional testimony about the Navy's shipbuilding and sustainment activities, highlighting issues with cost overruns, schedule delays, and maintenance backlogs. The GAO determined that delays in ship delivery and maintenance not only reduce fleet readiness

⁴⁵ GAO Report No. GAO-23-106217, "Weapon System Sustainment: Aircraft Mission Capable Goals Were Generally Not Met and Sustainment Costs Varied by Aircraft," November 10, 2022.

⁴⁶ GAO Report No. GAO-23-106217, "Weapon System Sustainment: Aircraft Mission Capable Goals Were Generally Not Met and Sustainment Costs Varied by Aircraft," November 10, 2022.

⁴⁷ GAO Report No. GAO-25-108104, "Military Readiness: Implementing GAO's Recommendations Can Help DOD Address Persistent Challenges Across Air, Sea, Ground, and Space Domains," March 12, 2025.

but also heighten operational risk, further emphasizing the urgent need for systemic improvements.⁴⁸ Although the DoD OIG is currently evaluating the maintenance of Virginia-Class Submarines, and in FY 2026, plans to conduct an audit of the DoD's maintenance contracts for the V-22 Osprey Aircraft, the challenge related to maintenance extends beyond aircraft and ships.⁴⁹

STORAGE AND UPKEEP

The DoD continues to struggle with significant deficiencies in the storage and upkeep of strategically prepositioned stock. These deficiencies risk delaying response times for power projection and undermining operational effectiveness in contingency operations. They also result in waste as poorly maintained stocks must be replaced.

DoD OIG reports over the past 2 years have identified problems with prepositioned items on land and at sea in three geographic Combatant Commands—the U.S. European Command, the U.S. Central Command, and the U.S. Indo-Pacific Command. Notably, in February 2023, the DoD OIG found that some equipment issued from Army Prepositioned Stock-2 (APS-2) in Germany was not fully mission capable.⁵⁰ Building on these concerns, the DoD OIG reported in May 2024 that the Army failed to effectively oversee contractor management of the storage, maintenance, and accountability of Army Prepositioned Stock-5 (APS-5) equipment in Kuwait, resulting in equipment deterioration and a lack of assurance that \$133.4 million in contractor payments secured the intended services.⁵¹ Most recently, in May 2025, the DoD OIG released a summary report emphasizing the need for proactive management, enhanced technology, and ongoing training to ensure the readiness and reliability of prepositioned stock.⁵² The DoD OIG is currently conducting two related audits on prepositioned equipment—one on Marine Corps maintenance and storage of prepositioned equipment and supplies in USINDOPACOM and one on maintenance of the Marine Corps Prepositioning Program–Norway inventory and oversight of logistical support.⁵³

LOGISTICAL NETWORKS

While the DoD has often benefited from advantageous logistical conditions in past operational environments, the current strategic landscape presents increasingly complex logistical challenges, particularly against near-peer adversaries in noncontiguous land regions.

⁴⁸ GAO Testimony on GAO Report No. GAO-25-108225, “Enduring Challenges Call for Systemic Change,” March 25, 2025.

⁴⁹ DoD OIG Project No. D2025-DEVOPA-0132.000, “Project Announcement: Evaluation of the U.S. Navy’s SUBSAFE Quality Assurance Maintenance of Virginia-Class Submarines,” July 14, 2025.

⁵⁰ DoD OIG Report No. DODIG-2023-053, “Evaluation of Army Pre-Positioned Equipment Issued in Response to Ukraine and the NATO Defense Forces,” February 27, 2023.

⁵¹ DoD OIG Report No. DODIG-2024-083, “Audit of the Army’s Management of Army Prepositioned Stock-5 Equipment,” May 24, 2024.

⁵² DoD OIG Report No. DODIG-2025-095, “Summary Report: Lessons Learned from DoD OIG Reports on Prepositioned Stocks,” May 15, 2025.

⁵³ DoD OIG Project No. D2023-D000RG-0137.000, “Project Announcement: Audit of Maintenance and Storage of Marine Corps Prepositioned Equipment and Supplies on Maritime Prepositioning Ships in the U.S. Indo-Pacific Command,” July 31, 2023.

DoD OIG Project No. D2025-D000RL-0125.00, “Audit of the Management of Marine Corps Prepositioning Program–Norway Equipment,” July 7, 2025.

In April 2024, the GAO identified sustained challenges in weapons replenishment, including long lead times, parts obsolescence, and supplier limitations such as capacity constraints and quality issues.⁵⁴ Furthermore, testimony provided to the U.S. Senate Subcommittee on Readiness and Management Support in March 2025 indicated that each theater of operations, from the Indo-Pacific and Arctic to Europe and the Middle East, poses significant and distinct logistical challenges in contested environments.⁵⁵ In April 2025, the USINDOPACOM Commander reiterated these concerns, emphasizing logistical challenges and the need for resilient and agile systems with assured fuel inventories, and the importance of distributed operations and strategic partnerships to sustain forces in contested environments.⁵⁶

The DoD OIG's recent findings illustrate these issues. In May 2025, the DoD OIG determined that the Army and Navy failed to meet required standards for equipment and unit readiness, and failed to organize, train, and equip their forces to perform Joint Logistics Over-the-Shore (JLOTS) missions.⁵⁷ The following month, the DoD OIG reported additional shortcomings—U.S. military personnel at Logistics Enabling Node-Poland were unaware of and unprepared to receive opportune cargo on 10 to 20 percent of arriving flights.⁵⁸ Moreover, Security Assistance Group-Ukraine contracting personnel did not ensure that reusable transportation materials, such as pallets, cargo nets, and ratchet straps, were returned from the Logistics Enabling Node-Poland to the nearest Air Mobility Command air hub within the timeframe mandated by the Defense Transportation Regulation.⁵⁹

Though these challenges persist, the DoD is making progress. It has identified lessons learned from using supplemental funding to procure replacement weapons, including insights related to funding and contracting processes. In some cases, the DoD has already started implementing these lessons.⁶⁰

⁵⁴ GAO Report No. GAO-24-106649, "Ukraine: Status and Challenges of DoD Weapon Replacement Efforts," April 30, 2024.

⁵⁵ U.S. Senate Subcommittee on Readiness and Management Support, Committee on Armed Services, Testimony, "The Posture of the United States Transportation Command in Review of the Defense Authorization Request for Fiscal Year 2026 and the Future Years Defense," March 5, 2025.

⁵⁶ House Armed Services Committee, Admiral Paparo, U.S. Indo-Pacific Command, "U.S. Indo-Pacific Command Posture," April 2025.

⁵⁷ DoD OIG Report No. DODIG-2025-091, "Evaluation of the DoD's Capabilities to Effectively Carry Out Joint Logistics Over-the-Shore Operations and Exercises," May 2, 2025.

⁵⁸ The Defense Transportation Regulation defines opportune airlift as "that portion of lift capability available for use after planned requirements have been met." Opportune cargo is cargo that was unscheduled to move but can because of space availability on a scheduled flight.

⁵⁹ DoD OIG Report No. DODIG-2025-113, "Evaluation of the Movement of Ukraine- and Israel-Bound Equipment Through Aerial Ports of Embarkation in the Continental United States," June 12, 2025.

⁶⁰ GAO Report No. GAO-24-106649, "Ukraine: Status and Challenges of DoD Weapon Replacement Efforts," April 30, 2024.



A Soldier secures a container for transport at Fort Campbell, Kentucky, March 5, 2025. The U.S. Northern Command is working with the Department of Homeland Security to augment U.S. Customs and Border Protection along the southern border and carry out President Donald J. Trump's executive orders on protecting the territorial integrity of the United States. Source: U.S. Army.

Challenge 4: Ensuring Responsive and Responsible Modernization and Procurement

FOCUS AREAS

- Acquisition Processes
- Defense Industrial Base

The DoD must ensure that modernization and procurement activities are agile and sustainable. Achieving this balance is essential to delivering advanced capabilities when needed, maintaining operational effectiveness, and sustaining resilient military capabilities, ready to defend national interests, deter aggression, and respond to threats effectively.

ACQUISITION PROCESSES

The DoD continues to encounter significant obstacles in procuring modern weapon systems that fulfill current and future requirements. Key acquisition challenges include inefficient acquisition processes, recurring schedule delays, and substantial cost overruns—all of which erode procurement effectiveness.

Recent GAO reports emphasized these ongoing challenges and the limited progress made in addressing them. A June 2024 GAO report noted that while the DoD has improved its acquisition reporting, it still lacks a consistent approach to track efforts using the Adaptive Acquisition Framework (AAF) pathway.⁶¹ The GAO further identified that the DoD struggles with quickly delivering innovative technologies. Although middle tier acquisition (MTA) programs offer some improvements in cycle time, planning for decade-long development and procurement risks produces obsolete capabilities, particularly given the rapid pace of technological change.⁶² Additionally, several MTA programs have difficulty maturing their technologies, and transitioning immature systems can lead to costly and time-consuming redesigns.⁶³

In February 2025, the GAO reported that despite legislative reforms, such as those included in the National Defense Authorization Act for FY 2024, the DoD is still confronted by structural barriers that impede rapid delivery of complex, software-driven weapon systems, even with increased policy flexibility.⁶⁴ Additionally, a March 2025 DoD OIG report cited the Army's flawed transition of the Lower Tier Air and Missile Defense Sensor program between acquisition pathways—resulting from

⁶¹ GAO Report No. GAO-24-106831, "DoD is Not Yet Well-Positioned to Field Systems with Speed," June 17, 2024.

⁶² GAO Report No. GAO-24-106831, "DoD is Not Yet Well-Positioned to Field Systems with Speed," June 17, 2024.

⁶³ GAO Report No. GAO-24-106831, "DoD is Not Yet Well-Positioned to Field Systems with Speed," June 17, 2024.

⁶⁴ GAO Report No. GAO-25-107743, "High Risk Series: Heightened Attention Could Save Billions More and Improve Government Efficiency and Effectiveness," February 25, 2025.

a lack of clear transition guidance—as the cause of a 34 percent cost increase. This stemmed from operating outside a formal pathway for 14 months with less congressional oversight, thus allowing the expenditure of additional funding.⁶⁵

The DoD has made some progress in addressing these challenges and is in the process of overhauling certain parts of the acquisition process.⁶⁶ In January 2024, the Office of the Undersecretary of Defense for Acquisition and Sustainment established a contracting instrument to provide temporary acquisition flexibilities for covered contracts related to Ukraine, Israel, and Taiwan.⁶⁷ Additionally, in March 2025, the Secretary of Defense directed the adoption of the Software Acquisition Pathway as the preferred approach for all software development, encouraging contracting strategies that support faster acquisitions.⁶⁸ In August 2025, the DoD began the disestablishment of the Joint Capabilities Integration and Development System (JCIDS) process in an effort to streamline and accelerate acquisition by returning validation authority to the individual Services.⁶⁹ Building on these initiatives, the Secretary announced a comprehensive series of acquisition process reforms in November 2025 that prioritize speed, flexibility, and rigorous execution when delivering relevant and effective solutions at scale to address warfighting needs.⁷⁰

DEFENSE INDUSTRIAL BASE

The DoD continues to grapple with challenges in the Defense Industrial Base (DIB), which must deliver critical capabilities at the required speed, scale, and cost. Issues such as capacity limitations and coordination gaps hinder progress.

In January 2024, the National Defense Industrial Association reported that both industry and Government respondents ranked the lengthy and complicated acquisition process, that often prioritizes risk reduction over speed and innovation, as a top challenge facing the DIB. To address this, the Association urged policymakers to adopt a more balanced approach across the DIB, advocating for shared risk management, reduced barriers for small businesses, increased manufacturing capacity, updated regulations, a holistic view of technology needs, faster acquisitions, effective workforce management, and responsible AI use.⁷¹ In April 2025, President Trump issued an Executive Order on “Modernizing Defense Acquisitions and Spurring Innovation in the Defense Industrial Base” with the aim to accelerate the procurement of advanced technologies and revitalize the DIB.⁷² The Secretary of Defense has reiterated these initiatives, highlighting the drive to rapidly reform acquisition processes with an emphasis on speed, flexibility, and cutting waste.⁷³

⁶⁵ DoD OIG Report No. DODIG-2025-076, “Audit of the Lower Tier Air and Missile Defense Sensor Program’s Pathway Transition,” March 11, 2025. GAO Report No. GAO-25-107569, “Weapons Systems Annual Assessment,” June 11, 2025.

⁶⁶ The White House, “Modernizing Defense Acquisitions and Spurring Innovation in the Defense Industrial Base,” April 9, 2025.

⁶⁷ DoD, Office of the Under Secretary of Defense for Acquisition and Sustainment, Class Deviation 2024-O0005, “Class Deviation—Temporary Authorizations for Covered Contracts Related to Ukraine, Taiwan, and Israel,” January 8, 2024.

⁶⁸ DoD, Secretary of Defense Memorandum “Directing Modern Software Acquisition to Maximize Lethality,” March 6, 2025.

⁶⁹ Federal News Network, “DoD Dismantles Decades-Old JCIDS in Joint Requirements Process Overhaul,” August 25, 2025.

⁷⁰ <https://media.defense.gov/2025/Nov/10/2003819441/-1/-1/1/ACQUISITION-TRANSFORMATION-STRATEGY.PDF>

⁷¹ National Defense Industrial Association, “Vital Signs 2025: The Health and Readiness of the Defense Industrial Base,” February 2025.

⁷² The White House, Executive Order No. 14,265, “Modernizing Defense Acquisitions and Spurring Innovation in the Defense Industrial Base,” 90 FR 15621, April 9, 2025.

⁷³ Defense Scoop, “DoD Kicks Off Review of Major Defense Acquisition Programs as Hegseth Touts Reforms,” April 23, 2025.

In February 2025, the GAO reported that, despite billions in DoD investments, the shipbuilding industrial base continues to experience infrastructure and workforce capacity issues.⁷⁴ The GAO also found that the Navy and the Office of the Secretary of Defense are not effectively coordinating investments in submarines and surface ships, resulting in duplication and inefficiencies, even though these programs share workforce and infrastructure needs.⁷⁵

In October 2024, the DoD published the National Defense Industrial Strategy Implementation Plan to turn the January 2024 NDIS into action. The revised NDIS stresses the importance of adaptability, responsiveness, and scalability to build resilient supply chains and dynamic production capabilities, ensuring the DIB can meet current and future demands.⁷⁶ Long-term initiatives, such as submarine industrial base improvements and nuclear modernization, are expected to unfold over 5 years or more.⁷⁷

To further strengthen the DIB, the DoD amended the Defense Federal Acquisition Regulation Supplement in February 2024 to expand the U.S. industrial base by prioritizing domestic products, supporting U.S. manufacturers and workers, and creating a more robust domestic supply chain.⁷⁸ However, a July 2025 GAO report found that the DoD's procurement data provides limited insight into the country of origin of goods and that the Department has not taken key steps to improve supply chain visibility, hindering its ability to identify and mitigate foreign dependency risks.⁷⁹

⁷⁴ GAO Report No. GAO-25-106286, "Shipbuilding and Repair Navy Needs Strategic Approach for Private Sector Industrial Base Investments," February 27, 2025.

⁷⁵ GAO Report No. GAO-25-106286, "Shipbuilding and Repair Navy Needs Strategic Approach for Private Sector Industrial Base Investments," February 27, 2025.

⁷⁶ DoD, "National Defense Industrial Strategy Implementation Plan for FY 2025," March 2025.

⁷⁷ DoD, "National Defense Industrial Strategy Implementation Plan for FY 2025," March 2025.

⁷⁸ Federal Register, "Defense Federal Acquisition Regulation Supplement: DFARS Buy American Act Requirements (DFARS Case 2022-D019)," February 15, 2024.

⁷⁹ GAO Report No. GAO-25-107283, "DIB Actions Needed to Address Risks Posed by Dependence on Foreign Suppliers," July 2025.



A Soldier inspects a communication tower for signs of wear and tear at Camp Morse, South Korea, March 13, 2025. Source: U.S. Army.

Challenge 5: Securing and Sustaining Defense Critical Infrastructure

FOCUS AREAS

- Cybersecurity
- Facilities
- Military Construction

The DoD faces critical challenges in securing and sustaining critical infrastructure, each with important implications for national security and operational effectiveness. Addressing these complex and interconnected challenges requires collaboration across the defense enterprise, and a commitment to continuous improvement and oversight. Ensuring the security and resilience of defense critical infrastructure is essential to maintaining military readiness, deterring adversaries, and upholding U.S. strategic interests around the globe.

CYBERSECURITY

The DoD continues to face significant cybersecurity threats, a challenge that the GAO designates as a high-risk area of critical national importance. These threats span a range of issues, from assessment of process shortcomings to the complexities of supply chain security, all of which have the potential to threaten the nation's defense infrastructure. They not only increase the risk of system compromise, intellectual property theft, and operational disruptions, but also empower adversaries to erode the United States' critical military and defense capabilities.

Recent developments underscore the nature of these risks. In December 2023, the RAND Corporation published research conducted for the Air Force reporting that the DoD's efforts to diversify its supply chain, while aimed at reducing risk, have instead increased the number of cyberattack access points.⁸⁰ This issue is further acknowledged in the June 2025 memorandum by the DoD Chief Information Officer calling for improved technology supply chain risk management.⁸¹ As the DoD seeks to expand its supplier base, new vendors may bring their own vulnerabilities, thereby multiplying opportunities for adversaries to exploit weaknesses. The DoD must proactively work to counter these vulnerabilities as it works with new suppliers to integrate robust cybersecurity measures into all partnerships.⁸²

Adding to these concerns, a February 2025 report from the DoD OIG assessed the operational resiliency and cybersecurity posture of critical infrastructure. The report found that the Department of the Navy had made only minimal progress in mitigating cybersecurity vulnerabilities. Specifically, the Navy failed

⁸⁰ RAND Corporation, "Cybersecurity and Supply Chain Risk Management Are Not Simply Additive: Implications for Directions in Risk Assessment, Risk Mitigation, and Research to Secure the Supply of Defense Industrial Products," December 19, 2023.

⁸¹ DoD Chief Information Officer Memorandum, "DoD Commercial-Off-the-Shelf (COTS) Information and Communications Technology Supply Chain Risk Management," June 9, 2025.

⁸² Federal News Network, "Cyber Risks to Defense Industrial Supply Chains Are 'Substantially Worse' than Other Concerns," January 3, 2024.

to clearly establish ownership or risk management expectations and lacked sufficient documentation to support its mitigation efforts—shortcomings that leave critical systems at increased risk of degradation, incapacitation, or exploitation.⁸³

In response to these challenges, the DoD has sought to streamline its cybersecurity initiatives. For example, as reported in an October 2024 DoD press release, the Department is working to simplify and reduce the cost of the Cybersecurity Maturity Model Certification (CMMC) program, aiming to maintain security while making compliance more accessible.⁸⁴ The CMMC program is designed to enforce the protection of sensitive unclassified information shared by the DoD with its contractors and subcontractors and provides the DoD with increased assurance that contractors and subcontractors are meeting the cybersecurity requirements for nonfederal systems processing controlled unclassified information. Additionally, the Secretary of Defense issued a memorandum in July 2025 mandating a comprehensive assessment of all DoD information and cloud capabilities, emphasizing the use of the CMMC program specifically to address supply chain vulnerabilities. However, the DoD OIG has identified critical flaws in the CMMC program for ensuring the competence, qualifications, and adherence to standards by CMMC Third-Party Assessment Organizations and their assessors, raising concerns that unqualified assessors and the results of their assessments could result in the DoD awarding contracts to vendors with inadequate cybersecurity controls.⁸⁵

FACILITIES

DoD facilities experience escalating challenges in infrastructure management and resilience, which directly threaten operational readiness, efficient use of resources, and the security of Federal assets. These challenges are rooted in the complexity of managing a vast real property portfolio, where inconsistent and inaccurate facility utilization data has undermined accountability and effective oversight. The absence of strict enforcement of utilization rate guidance has exacerbated these problems.⁸⁶

Further complicating this challenge is a \$181.1 billion backlog in deferred maintenance. This backlog signals a growing inability to preserve existing infrastructure, raising concerns about the long-term viability of DoD facilities.⁸⁷ DoD OIG reporting on the Red Hill Bulk Fuel Storage Facility emphasized the urgent need for fundamental change within the DoD regarding facility maintenance and oversight. The report found that decades of neglect, poor oversight, and systemic failures created substantial risks to public health, environmental safety, and military readiness.⁸⁸ Recent oversight highlights the rapid acceleration of this issue; in April 2025, the GAO reported that deferred maintenance backlogs for the DoD

⁸³ DoD OIG Report No. DODIG-2025-071, “Audit of Cyber Vulnerabilities Impacting Defense Critical Infrastructure,” February 21, 2025.

⁸⁴ Defense.gov, “DoD Simplifies Process for Defense Contractors to Comply with Cybersecurity Rules,” October 17, 2024.

⁸⁵ DoD OIG Report No. DODIG-2025-056, “Audit of the DoD’s Process for Authorizing Third Party Organizations to Perform Cybersecurity Maturity Model Certification 2.0 Assessments,” January 14, 2025.

⁸⁶ GAO Report No. GAO-25-106132, “DOD Real Property: Actions Needed to Improve Oversight of Underutilized and Excess Facilities,” March 11, 2025.

⁸⁷ GAO Report No. GAO-25-106132, “DOD Real Property: Actions Needed to Improve Oversight of Underutilized and Excess Facilities,” March 11, 2025.

⁸⁸ DoD OIG Report No. DODIG-2025-011, “Evaluation of the Operation, Maintenance, Safety, and Oversight of the Navy’s Red Hill Bulk Fuel Storage Facility,” November 8, 2024.

and Federal civilian buildings surged from \$171 billion to \$370 billion over just 7 years. If unaddressed, this trend will likely force premature and costly facility replacements, diverting critical funds from other mission priorities.⁸⁹

MILITARY CONSTRUCTION

Military construction (MILCON) delays and cost overruns, particularly in USINDOPACOM area of responsibility, undermine the DoD's ability to translate increased defense spending into actual warfighting capabilities. These challenges highlight the urgent need for improved planning, execution, and oversight of MILCON projects.

MILCON funding is critical for modernizing USINDOPACOM's force posture by investing in resilient infrastructure across the Indo-Pacific. Within this critical region, Guam is a central hub for DoD activities and ongoing MILCON projects there are essential to national security. However, these projects have faced delays and cost overruns. Such setbacks are especially concerning given the DoD's ambitious plans for Guam, which include \$7.3 billion in MILCON investments over the next 5 years, with \$1.7 billion specifically earmarked for a missile defense system.⁹⁰ The DoD's heavy reliance on Guam's civilian infrastructure for essential functions adds to these difficulties as the island's power, roads, water, and housing systems are already under strain, and there is an influx of Service members.⁹¹

MILCON delays are not confined to Guam or USINDOPACOM. For example, the GAO reported in 2023 that the Navy lacks a comprehensive cost and schedule estimate for its Shipyard Infrastructure Optimization Program. Cost estimates for dry dock improvements at Portsmouth Naval Shipyard skyrocketed from \$528 million to \$2.2 billion, largely due to a lack of competition and evolving project designs between 2019 and 2021. Additionally, the poor condition and outdated equipment at the Navy's four public shipyards, which maintain aircraft carriers and submarines, add another layer of vulnerability.⁹²

In September 2024, the GAO found that poor initial planning over the past 5 years has resulted in about 25 percent of MILCON projects being delayed by at least a year.⁹³ Furthermore, in November 2024, the DoD OIG identified systemic failures within the U.S. Army Corps of Engineers and the Naval Facilities Engineering Systems Command, including those impacting USINDOPACOM, leading to ongoing cost increases and schedule delays.⁹⁴ Similar findings were reported in January 2025, when the DoD OIG found

⁸⁹ GAO Report No. GAO-25-108400, "Federal Real Property: Disposing of Unneeded Facilities Could Help Reduce Maintenance Backlog," April 9, 2025.

⁹⁰ CRS Report No. R47643, "Guam: Defense Infrastructure and Readiness," August 3, 2023.

⁹¹ CRS Report No. R47643, "Guam: Defense Infrastructure and Readiness," August 3, 2023.

GAO Report No. GAO-25-107453, "Civilian Workforce: DoD Is Implementing Actions to Address Challenges with Accessing Health Care in Japan and Guam," April 3, 2025.

⁹² GAO Report No. GAO-23-106067, "Navy Readiness: Actions Needed to Address Cost and Schedule Estimates for Shipyard Improvement," June 28, 2023.

⁹³ GAO Report No. GAO-25-106499, "Military Construction: Better Information Sharing Would Improve DoD's Oversight," September 16, 2024.

⁹⁴ DoD OIG Report No. DODIG-2025-017, "Audit of Cost Increases and Schedule Delays of Military Construction Projects Managed by Naval Facilities Engineering Systems Command," November 5, 2024.

that military construction projects managed by the Army Corps of Engineers experienced significant cost increases and schedule delays, leading to negative impacts on facility readiness and the maintenance of vehicles and tactical equipment which affect military operations.⁹⁵

⁹⁵ DoD OIG Report No. DODIG-2025-057, "Audit of Cost Increases and Schedule Delays of Army Military Construction Projects Managed by the U.S. Army Corps of Engineers," January 8, 2025.





Air Force Lt. Col. Kristi McElroy inspects a child's teeth during "Give Kids a Smile" at Joint Base Pearl Harbor-Hickam, Hawaii, February 22, 2025. The 15th Operational Medical Readiness Squadron initiative provides free dental checkups to the children of Service members. Source: U.S. Air Force.

Challenge 6: Supporting Quality of Life for Military Service Members and Their Families

FOCUS AREAS

- Environmental Safety
- Healthcare
- Family Support Systems

The DoD continues to face the ongoing challenge of supporting a good quality of life for military members and their families. Ensuring access to essential services, stable living environments, and comprehensive support is critical to the overall wellness of the force. The Department's ability to attract, retain, and maintain a ready and effective military workforce is closely tied to its success in addressing these quality-of-life concerns, which are fundamental to morale and long-term readiness.

ENVIRONMENTAL SAFETY

The DoD has struggled to fully implement key statutory requirements for military housing oversight, leading to inconsistent standards, insufficient hazard identification and remediation, and widespread risks to the health and safety of military families.⁹⁶ These shortcomings are further complicated by inconsistent oversight of the mitigation of environmental hazards such as lead, mold, and polyfluoroalkyl substance (PFAS) contamination, leaving Service members and their families vulnerable to unsafe living conditions.⁹⁷

In September 2023, the GAO highlighted how the DoD's varying standards and practices resulted in inconsistent housing quality and services. Military families also contend with significant challenges in resolving issues with private housing companies, as the report noted that the DoD lacks adequate guidance and training on assisting residents in using the formal dispute resolution process.⁹⁸

⁹⁶ DoD OIG Report No. DODIG-2025-154, "Audit of the Military Services' Oversight of Privatized Military Housing Maintenance," September 8, 2025.

⁹⁷ DoD OIG Report No. DODIG-2021-105, "Evaluation of the Department of Defense's Actions to Control Contaminant Effects from Perfluoroalkyl and Polyfluoroalkyl Substances at Department of Defense Installations," July 22, 2021.

DoD OIG Project No. D2025-DEV0SR-0048.000, "Project Announcement: Evaluation of the DoD's Interim Actions to Promptly Reduce Risk and Mitigate the Spread of Perfluoroalkyl and Polyfluoroalkyl Substances (PFAS)," December 18, 2024.

GAO Report No. GAO-23-107038, "Military Housing: Strengthened Oversight Needed to Make and Sustain Improvements to Living Conditions," September 27, 2023.

⁹⁸ GAO Report No. GAO-23-107038, "Military Housing: Strengthened Oversight Needed to Make and Sustain Improvements to Living Conditions," September 27, 2023.

Since 2023, multiple oversight bodies, including the DoD OIG, GAO, and Army Audit Agency, have documented widespread deficiencies in military housing oversight. These deficiencies include inconsistent implementation of required health, safety, and environmental standards; a lack of standardized inspection and assessment plans; ineffective risk management for hazards such as lead paint and asbestos; and lack of documentation to support oversight of private housing companies.⁹⁹

More recently, in 2025, the DoD OIG identified numerous environmental hazards at military installations, such as improper cleanup of aqueous film-forming foam containing PFAS and unaddressed fuel releases. These issues have resulted in contaminated drinking water, unsafe storage of hazardous waste, and poor air quality, all of which pose serious risks to life, health, and safety.¹⁰⁰ The DoD OIG is currently evaluating the DoD's efforts to mitigate the spread of PFAS and reduce associated risks.¹⁰¹

HEALTHCARE

The DoD's Military Health System (MHS) is globally recognized as a leading military healthcare provider, yet it continues to struggle to deliver timely care to beneficiaries.¹⁰² Despite the MHS' robust network of military medical facilities and private sector partnerships, beneficiaries frequently encounter delays in accessing care, whether through military clinics or community providers when in-house capacity is exceeded. Service members and their families also report recurring difficulties in securing specialty services, particularly in behavioral health, as well as limited availability of civilian healthcare and telehealth options.

Medical staffing shortages exacerbate these issues. In 2023, the DoD OIG highlighted staffing gaps both within the United States and overseas, noting that these shortages have a direct, negative impact on beneficiary access to essential services, including mental healthcare.¹⁰³ More recently, in April 2025, the GAO found that the DHA continues to struggle with identifying and validating the full spectrum of resources needed to effectively manage its network of medical facilities.¹⁰⁴

Further evidence of these challenges comes from military families themselves. The 2024 Blue Star Families report stated that 39 percent of Military Family Lifestyle Survey respondents experienced waits of more than 3 months for specialty care appointments, emphasizing the real-world

⁹⁹ DoD OIG Report No. DODIG-2025-045, "Evaluation of the DoD's Health, Safety, and Environmental Hazard Identification and Remediation in Military Housing," November 20, 2025.

GAO Report No. GAO-23-107038, "Strengthened Oversight Needed to Make and Sustain Improvements to Living Conditions," September 27, 2023.

Army Times, "Army Failing to Ensure Family Housing 'Safe' from Lead Paint, Asbestos," September 21, 2023.

DoD OIG Report No. DODIG-2025-154, "Audit of the Military Services' Oversight of Privatized Military Housing Maintenance," September 8, 2025.

¹⁰⁰ DoD OIG Report No. DODIG-2025-012, "Evaluation of DoD Actions Related to the Red Hill Bulk Fuel Storage Facility's Contamination of the Joint Base Pearl Harbor-Hickman Community Water System," November 8, 2024.

DoD OIG Report No. DODIG-2025-088, "Audit of DoD Management of Hazardous Waste Disposal in Japan," April 30, 2025.

¹⁰¹ DoD OIG Project No. D2025-DEV0SR-0048.000, "Project Announcement: Evaluation of the DoD's Interim Actions to Promptly Reduce Risk and Mitigate the Spread of Perfluoroalkyl and Polyfluoroalkyl Substances (PFAS)," December 18, 2024.

¹⁰² Health.mil, "About the Military Health System," August 2025.

¹⁰³ DoD OIG Report No. DODIG-2024-033, "Management Advisory: Concerns with Access to Care and Staffing Shortages in the Military Health System," November 29, 2023.

¹⁰⁴ GAO Report No. GAO-25-107432, "Actions Needed to Address Long-Standing Management Challenges with Medical Facilities," April 10, 2025.

consequences of these systemic issues.¹⁰⁵ While these wait times align with the averages in the United States, they are approximately triple the Military Health Service's expected standard wait time for specialty services (28 days).¹⁰⁶

The DoD has taken steps to address these shortcomings. For example, in March 2025, the DHA updated its FY 2025–2030 strategic plan to prioritize areas where patients can enjoy greater flexibility and more options for managing their health.¹⁰⁷ Despite these efforts, timely access to care remains a significant and ongoing challenge within the MHS.

FAMILY SUPPORT SYSTEMS

The DoD continues to grapple with challenges in delivering essential support services for military families, particularly in the areas of affordable housing and quality childcare. Lack of accessible, safe, and transparent childcare creates significant instability for military families. This, in turn, affects spousal employment, undermines financial well-being, and ultimately impacts military readiness.¹⁰⁸

According to the 2024 Blue Star Families survey, a key obstacle to employment for military spouses is the lack of affordable childcare. Childcare demand frequently exceeds available resources, and associated costs place a significant financial strain on military families. Notably, approximately 54 percent of active-duty spouses reported requiring 2 months or longer to secure childcare after relocating. The same survey also revealed that for nearly 48 percent of financially stressed active-duty families, housing costs remain the primary financial stressor—a concern that has endured for 3 consecutive years.¹⁰⁹

The safety and security of children in DoD childcare facilities remains a concern, including transparency in reporting instances of neglect and abuse. In 2025, the DoD OIG found that while the DoD maintains policies for identifying and reporting child abuse allegations at military-operated child development centers, it lacks a consistent process for notifying parents of such allegations, as required by law.¹¹⁰ The DoD OIG has an ongoing evaluation of the DoD's and Services' responses to child abuse allegations at child development centers.¹¹¹

¹⁰⁵ Blue Star Families, "Military Family Lifestyle Survey Comprehensive Report 2024," 2024.

¹⁰⁶ Defense Health Agency, "TRICARE Access to Care Standards," August 2025.

¹⁰⁷ DoD, Defense Health Agency, "Defense Health Agency Strategic Plan Fiscal Years 2025–2030," August 2024.

¹⁰⁸ Blue Star Families, "Military Family Lifestyle Survey Comprehensive Report 2024," 2024.

¹⁰⁹ Blue Star Families, "Military Family Lifestyle Survey Comprehensive Report 2024," 2024.

¹¹⁰ DoD OIG Report No. DODIG-2025-094, "Evaluation of the DoD's and Military Departments' Policies Regarding Responses to Allegations of Abuse at Child Development Centers," May 5, 2025.

¹¹¹ DoD OIG Project No. D2024-DEV0PJ-0122.000, "Evaluation of the DoD's and Services' Response to Allegations of Abuse at Child Development Centers," May 22, 2024.



Florida Army National Guard members track the status of emergency commodities from the unified logistics operations center of Florida's State Logistics Response Center in Orlando, Florida, October 8, 2024, in preparation for Hurricane Milton's landfall. Source: Army National Guard.

Challenge 7: Achieving and Sustaining a Clean Financial Audit

FOCUS AREAS

- Enterprise-Wide Strategy
- Internal Controls
- Financial Management Systems

Due to its size and budget, the DoD's audit opinion is essential to the Government-Wide Financial Statements receiving and sustaining a clean audit opinion. The scale and complexity of the DoD's operations present significant and ongoing obstacles to achieving and maintaining this crucial outcome. In FY 2024, the DoD OIG and independent public accountants identified 2,912 issues associated with material weaknesses within the DoD. The vast majority of these issues (81 percent, or 2,345 issues) were carried over from prior audit years, overshadowing the 567 new issues (19 percent) identified in FY 2024. This significant backlog of unresolved problems is a major impediment to the DoD achieving a clean audit opinion.¹¹² The DoD's struggle to achieve a clean audit opinion can be attributed to three main obstacles:

1. Management responsibility and accountability: the ability to account for assets and manage people.
2. Information technology (IT): the tools, capabilities and processes that support accurate financial statements.
3. Accounting: the ability to provide users with accurate and useful financial information.

To achieve and sustain a clean audit opinion, the DoD must implement a holistic, enterprise-wide effort to overcome these issues.

ENTERPRISE-WIDE STRATEGY

The GAO has consistently identified DoD financial management as a high-risk area, emphasizing the urgent need for a comprehensive financial management strategy. Given that the DoD is the largest Department in the U.S. Government, managing approximately \$4.1 trillion in assets during FY 2024, its financial management practices have profound implications for government-wide financial integrity.¹¹³

However, challenges remain in system-wide coordination, fraud risk management, and workforce gaps. These issues collectively undermine the Department's ability to ensure accountability and efficiency. In February 2025, the GAO highlighted that the DoD's insufficient fraud risk management program not only weakens its internal control environment but also increases its vulnerability to fraud. In June 2025, the DoD revised its Fraud Risk Management Strategy and Guidance, acknowledging that

¹¹² DoD OIG Report No. DODIG-2025-112, "Part 2. Understanding the Results of the Audit of the FY 2024 DoD Financial Statements," June 17, 2025.

¹¹³ DoD, "Department of Defense Agency Financial Report Fiscal Year 2024," November 15, 2024.

the GAO highlighted Fraud Risk Management as a priority area for the DoD on its High-Risk Report.¹¹⁴ Additionally, the GAO found that the DoD fails to adequately track its financial management workforce, further complicating fraud risk management. The GAO previously identified financial management workforce issues across the DoD related to inadequate training and insufficient staffing of qualified personnel and noted that the DoD does not know how many financial management contractor staff it has or what they collectively do. These contractor capability unknowns present a major challenge to determining workforce needs. To address these gaps, the GAO recommended a strategic approach to workforce planning, specifically analyzing capability gaps between current staff and future needs and developing targeted strategies to address anticipated shortages.¹¹⁵

The DoD OIG reported in February 2025 that the Department's lack of coordinated audit remediation efforts makes it particularly difficult to implement effective controls across its 283 major financial management systems. This fragmentation further impedes progress toward financial accountability.¹¹⁶ The DoD does collect some information on audit remediation outcomes, however, the GAO found that these efforts are limited. The DoD currently collects audit remediation outcomes through data calls requesting three to five "good news stories." This effort does not capture either the full scope of positive outcomes or outcomes that are negative or neutral, such as unanticipated costs or operational challenges resulting from corrective actions.¹¹⁷

Despite these obstacles, the DoD has made progress. According to the DoD OIG, the Department has engaged the DoD Chief Information Officer in addressing IT-related material weaknesses, resulting in the closure of 369 IT-related notices of findings and recommendations (NFR).¹¹⁸ Furthermore, the Defense Agencies Initiative (DAI), designed to transform the DoD's budget, finance, and accounting operations, has been implemented by 29 smaller DoD components, including DFAS. Notably, the Marine Corps adopted DAI in FY 2022, replacing multiple legacy systems, and subsequently received its first clean audit opinion in FY 2023. These initiatives demonstrate positive steps toward remediation, though much work remains.¹¹⁹

INTERNAL CONTROLS

The DoD continues to encounter significant challenges in establishing a robust internal control environment for its high-risk reporting and financial management, as highlighted by the GAO. Specifically, the absence of effective tools to document and manage internal controls compromises the DoD's ability to ensure the accuracy of its financial statements and move closer to achieving a clean audit opinion. Strengthening internal controls is essential not only for enhancing operational efficiency and effectiveness, but also for ensuring the reliability of reported information and compliance with relevant laws and regulations.

¹¹⁴ DoD, "Fraud Risk Management Strategy and Guidance," June 2025.

¹¹⁵ GAO Report No. GAO-25-107743, "Heightened Attention Could Save Billions More and Improve Government Efficiency and Effectiveness," February 25, 2025.

¹¹⁶ DoD OIG Report No. DODIG-2025-112, "Part 2. Understanding the Results of the Audit of the FY 2024 DoD Financial Statements," June 17, 2025.

¹¹⁷ GAO Report No. GAO-24-106890, "DoD Has Identified Benefits of Financial Statement Audits and Could Expand Its Monitoring," September 2024.

¹¹⁸ DoD OIG Report No. DODIG-2025-112, "Part 2. Understanding the Results of the Audit of the FY 2024 DoD Financial Statements," June 17, 2025.

¹¹⁹ GAO Report No. GAO-24-106890, "DoD Has Identified Benefits of Financial Statement Audits and Could Expand Its Monitoring," September 2024.

A primary obstacle to progress is the DoD's difficulty in adhering to established timelines. For example, in September 2024, the GAO noted that while the DoD-wide audit roadmap outlines remediation strategies with specific deadlines for addressing material weaknesses, the Department has consistently failed to meet or has repeatedly extended these target dates.¹²⁰ This pattern continued into 2025, when, in April, the GAO informed Congress that the DoD had revised its remediation plan and pushed back the timeline for correcting system deficiencies from FY 2028 to FY 2031.¹²¹ Furthermore, in February 2025, the GAO found that the DoD's IT strategic plan lacked performance measures necessary for tracking progress toward its objectives.¹²²

Adding to these concerns, the FY 2024 DoD Financial Statement Audit identified 28 material weaknesses categorized under three obstacles: (1) management and accountability, (2) information technology (IT), and (3) accounting. Figure 1 provides a definition for each obstacle and a visual for how each material weakness is assigned.¹²³

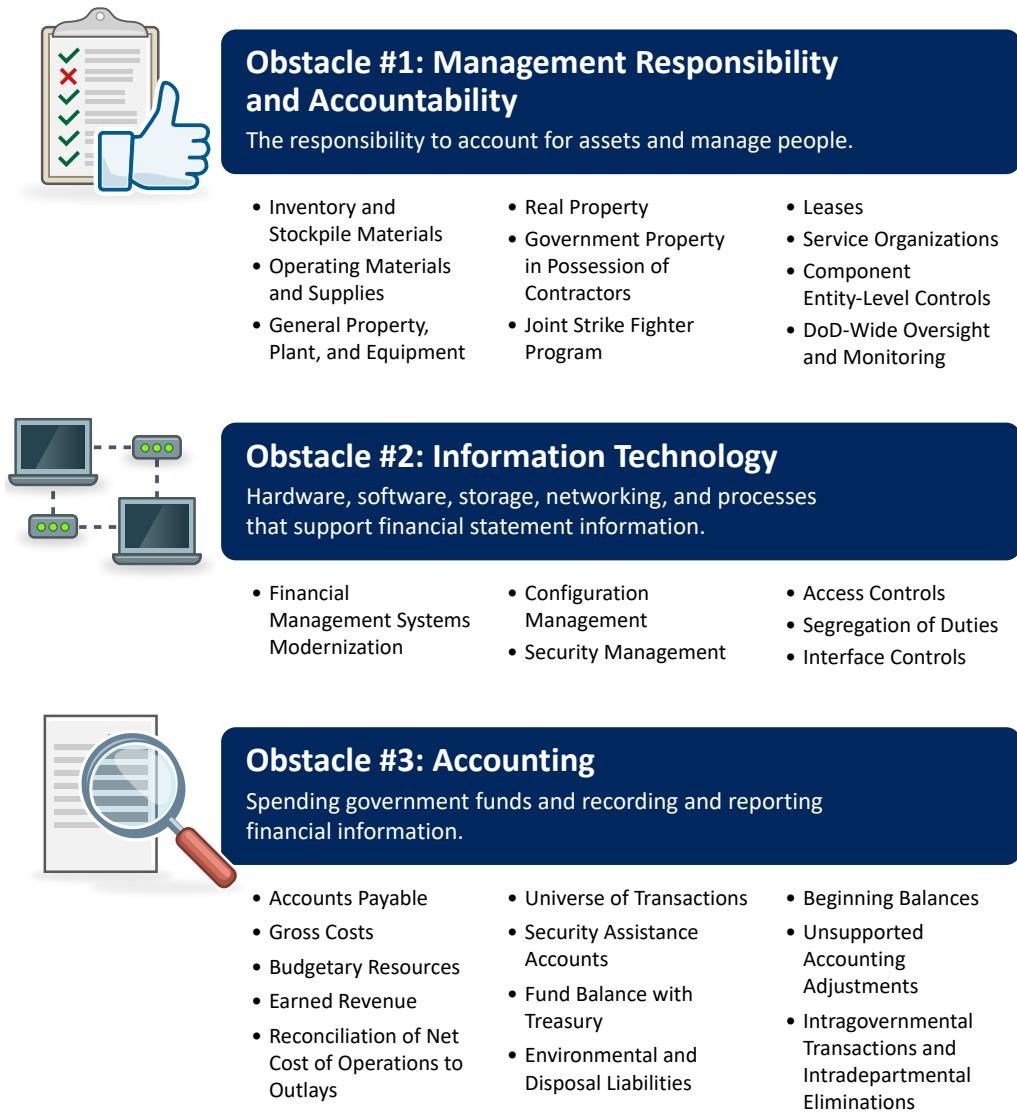
¹²⁰ GAO Report No. GAO-24-106890, "DoD Has Identified Benefits of Financial Statement Audits and Could Expand Its Monitoring," September 2024.

¹²¹ GAO Publication No. GAO-25-108191, "DoD Financial Management: Accelerated Timelines Needed to Address Longstanding Issues and Fraud Risk," April 29, 2025.

¹²² GAO Report No. GAO-25-107743, "Heightened Attention Could Save Billions More and Improve Government Efficiency and Effectiveness," February 2025.

¹²³ DoD OIG Report No. DODIG-2025-074, "Part 1. Understanding the Results of the Audit of the FY 2024 DoD Financial Statements," February 2025. DoD OIG Report No. DODIG-2025-112, "Part 2. Understanding the Results of the Audit of the FY 2024 DoD Financial Statements," June 17, 2025.

Figure 1. Obstacles to Opinion and Associated Material Weaknesses



Source: The DoD OIG.

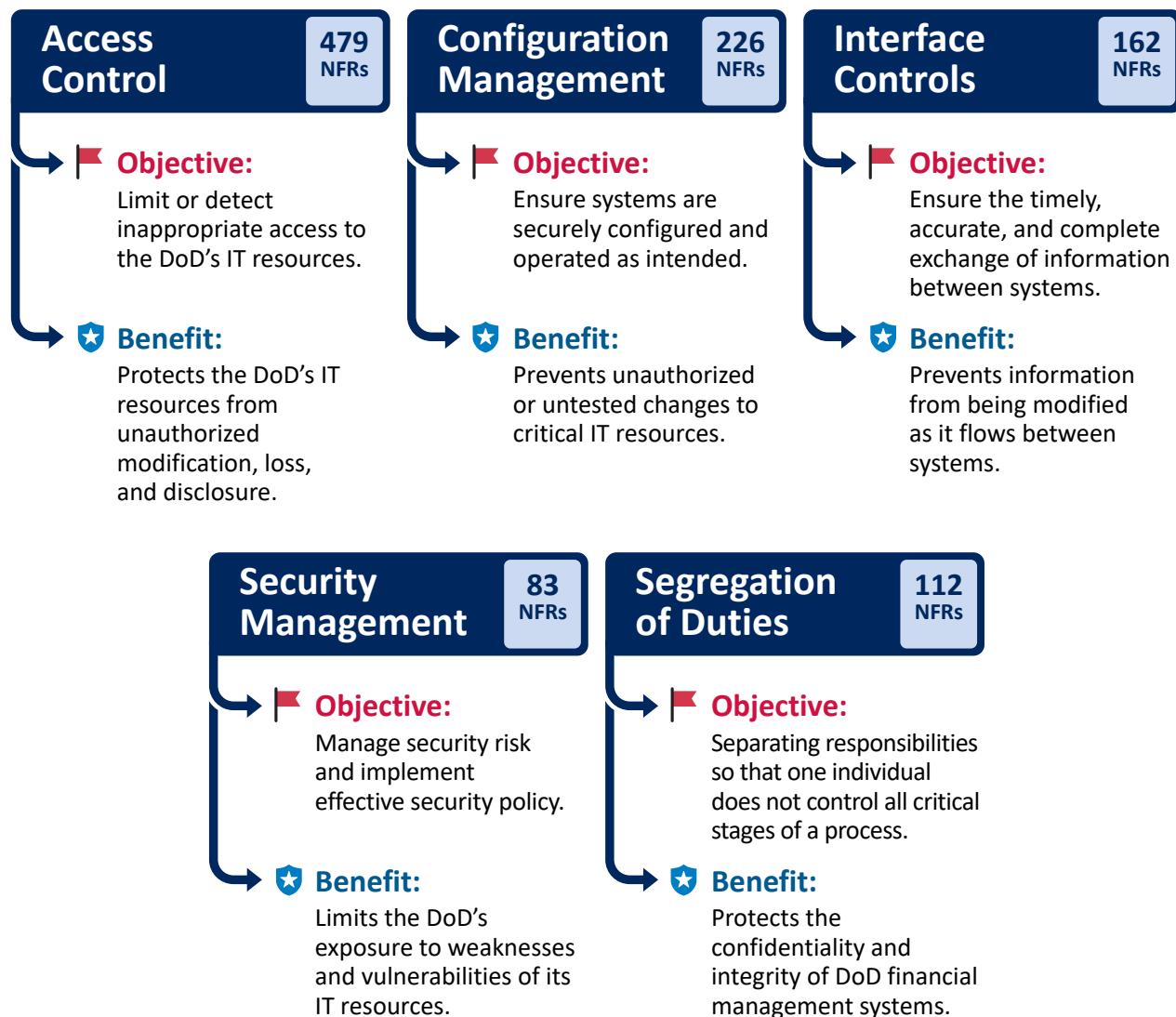
FINANCIAL MANAGEMENT SYSTEMS

A reliance on outdated systems hampers the Department's ability to achieve a clean audit opinion. Without simplified, integrated, and secure systems, the DoD will continue to fail at producing complete, accurate and valid financial information.

For nearly 3 decades, both the DoD OIG and the GAO have regularly reported these financial system issues to DoD management. The reports have consistently identified shortcomings that undermine financial accountability and transparency across the Department.¹²⁴ These weaknesses include shortcomings in access control, configuration management, interface controls, security management, and segregation of duties. Figure 2 provides the objective, benefit, and number of NFRs for those 5 control categories.

¹²⁴ GAO Report No. GAO-24-107593, "DoD Financial Management: Benefits to Date of Financial Statement Audits and Need to Improve Financial Management Systems," September 4, 2024.

Figure 2. The Five DoD IT Material Weaknesses and Their Related Control Categories



Source: The DoD OIG.

Among the 283 major DoD financial systems, the DoD OIG has identified 140 systems that did not comply with Federal requirements. Despite these findings, the DoD did not classify these systems as legacy and instead intends to maintain them in operation through at least 2036. Retiring these outdated systems would address at least 228 audit deficiencies and yield annual savings of approximately \$760 million, demonstrating the significant impact that modernization could have on both audit readiness and cost efficiency.¹²⁵

¹²⁵ DoD OIG Report No. DODIG-2025-112, "Part 2. Understanding the Results of the Audit of the FY 2024 DoD Financial Statements," June 17, 2025.

Despite these challenges, there has been some notable progress. DoD management has identified 89 systems for retirement. The GAO has recognized improvements in the DoD's financial systems and data management, including the development of Advana, an advanced analytics platform. Advana has already helped the Department reconcile fund balances with Treasury and prevent at least \$5.5 billion in potential improper payments—a clear indication of the benefits of targeted modernization efforts.¹²⁶

¹²⁶ GAO Report No. GAO-25-107421, "Financial Audit: FY 2024 and FY 2023 Consolidated Financial Statements of the U.S. Government," January 16, 2025.

Appendix

The following is a list of completed, ongoing, and planned DoD OIG audits and evaluations for each challenge as of September 23, 2025.

CHALLENGE I: STRENGTHENING DETERRENCE THROUGH STRATEGIC CAPABILITIES

Completed Projects
Report No. DODIG-2025-169, "Evaluation of U.S. Africa Command Crisis Response Capabilities," September 19, 2025
Report No. DODIG-2025-152, "Evaluation of DoD Processes to Provide Repair Parts to Support the Ukrainian Armed Forces," September 2, 2025
Report No. DODIG-2025-150, "Evaluation of the Replicator 1.1 Initiative's Selected All-Domain, Attributable Autonomous Systems' Ability to Meet the U.S. Indo-Pacific Command's Operational Needs," August 28, 2025
Report No. DODIG-2025-126, "Evaluation of a Line of Effort in the DoD's Implementation of the Combined Joint All-Domain Command and Control (CJADC2) Strategy," July 18, 2025
Report No. DODIG-2025-125, "Audit of the DoD's Efforts to Build Partner Capacity in the U.S. Indo-Pacific Command Area of Responsibility," July 14, 2025
Report No. DODIG-2025-124, "Evaluation of U.S. Africa Command Military Information Support Operations," July 7, 2025
Report No. DODIG-2025-118, "Evaluation of U.S. Army Security Force Assistance Brigade Support to Combatant Commands," June 25, 2025
Report No. DODIG-2025-115, "Audit of the DoD's Prioritization of Military Construction Projects for the European Deterrence Initiative," June 24, 2025
Report No. DODIG-2025-117, "Evaluation of DoD's Ability to Maintain Command and Control of Nuclear Forces Following a Nuclear Attack," June 23, 2025
Report No. DODIG-2025-103, "Audit of U.S. European Command Force Protection Measures at Installations in Poland that Support Operation Atlantic Resolve," May 29, 2025
Report No. DODIG-2025-101, "Evaluation of the DoD Efforts to Collect and Integrate Observations, Insights, and Lessons Learned from the Russia/Ukraine Conflict," May 19, 2025
Report No. DODIG-2025-078, "Audit of End-Use Monitoring of Defense Articles Transferred to U.S. Southern Command Partner Nations," March 14, 2025
Report No. DODIG-2025-076, "Audit of the Lower Tier Air and Missile Defense Sensor Program's Pathway Transition," March 11, 2025
Report No. DODIG-2025-068, "Evaluation of the DoD's Efforts to Protect U.S. Personnel and Operations Supporting the Ukrainian Conflict," February 10, 2025
Report No. DODIG-2025-054, "Review of the DoD's Involvement in Facilitating the Delivery of Humanitarian Aid to Gaza Through the Maritime Corridor," December 17, 2024
Report No. DODIG-2025-050, "Follow-Up Evaluation of Enhanced End-Use Monitoring of Defense Articles Provided to Ukraine," December 9, 2024
Report No. DODIG-2025-042, "Evaluation of the DoD's Handling, Controlling, and Accounting of Controlled Cryptographic Items," November 19, 2024
Report No. DODIG-2025-039, "Evaluation of the Effectiveness of the Chief Digital and Artificial Intelligence Office's Artificial Intelligence Governance and Acquisition Process," November 14, 2024

Challenge 1: Strengthening Deterrence Through Strategic Capabilities (cont'd)

Report No. DODIG-2025-038, "Audit of the Planning and Execution of USINDOPACOM Offensive Cyberspace Operations," November 13, 2024
Report No. DODIG-2025-019, "Evaluation of Security and Accountability Controls for Defense Items Transferred to Ukraine Through Romania," November 12, 2024
Report No. DODIG-2025-006, "Follow-up Evaluation of Management Advisory: The Protection of Sensitive Mission Data by the Security Assistance Group-Ukraine and Its Subordinate Commands," October 11, 2024
Report No. DODIG-2025-004, "Audit of Accountability Controls for Defense Items Transferred to Ukraine Through Slovakia," October 11, 2024
Report No. DODIG-2025-002, "Audit of DoD Maintenance of Military Equipment Provided in Support of Ukraine," October 8, 2024
Report No. DODIG-2024-137, "Evaluation of the Air Force's Actions to Sustain the Minuteman III Intercontinental Ballistic Missile," September 18, 2024
Report No. DODIG-2024-080, "Evaluation of the Air Force's Nuclear Certification of the F-15E, B-2, and F-35A Aircraft to Carry the B61-12 Nuclear Bomb," May 7, 2024
Report No. DODIG-2024-079, "Evaluation of the DoD's Handling of Operational Data from Afghanistan Operations," May 6, 2024
Report No. DODIG-2024-066, "Evaluation of the Army-Navy Transportable Radar Surveillance and Control Model 2 Ballistic Missile Defense System in the U.S. Indo-Pacific Command's Area of Responsibility," April 1, 2024
Report No. DODIG-2024-048, "Evaluation of the Alaska Radar System," January 22, 2024
Report No. DODIG-2023-116, "Evaluation of DoD Intelligence Agencies' Use of Human Language Technology," August 21, 2023
Ongoing Projects
Project No. D2025-D000RM-0152.000, "Audit of the DoD's Interoperability with Indo-Pacific Allies and Partners," September 15, 2025
Project No. D2025-DEV0SI-0142.000, "Evaluation of Efforts to Integrate the U.S. Space Force's Tactical Surveillance, Reconnaissance, and Tracking with DoD Intelligence Collection Management," August 18, 2025
Project No. D2025-DEV0SI-0140.000, "Evaluation of the DoD's Defense Warning Network Support to the U.S. Indo-Pacific Command," August 4, 2025
Project No. D2025-DEV0PC-0128.000, "Follow-up Evaluation of the DoD's Tracking and Accountability of Presidential Drawdown Equipment Provided to Taiwan," July 7, 2025
Project No. D2025-DEV0SO-0119.000, "Evaluation of DoD Contract Oversight for the Global Positioning Satellites Next-Generation Operation Control Segment," June 26, 2025
Project No. D2025-D000RJ-0126.000, "Audit of DoD Support for the Care and Safety of Detainees in Response to the National Emergency at the Southern Border," June 24, 2025
Project No. D2025-DEVOHC-0123.000, "Evaluation of the U.S. Northern Command Joint Task Force-Southern Border's Sustainment Operations for Units Deployed to the Southern Border," June 24, 2025
Project No. D2025-DEV0SR-0038.001, "Management Advisory: Gaps, Inconsistencies, and Misunderstandings with DoD Actions to Implement Title 10 U.S. Code 130i to Protect Covered Assets Against Unmanned Aircraft Systems," June 23, 2025
Project No. D2025-DEV0SN-0102.000, "Classified Evaluation in the Nuclear Enterprise," May 27, 2025
Project No. D2025-DEV0SN-0106.000, "Classified Evaluation in the Space Domain," May 27, 2025
Project No. D2025-DEV0SN-0107.000, "Evaluation of the DoD's Ability to Detect, Identify and Track Cruise Missile Threats to the Continental United States," May 27, 2025

Challenge 1: Strengthening Deterrence Through Strategic Capabilities (cont'd)

Project No. D2025-DEV0SI-0100.000, "Evaluation of the DoD's Development and Implementation of Quantum Technologies," April 21, 2025
Project No. D2025-DEV0SA-0099.000, "Evaluation of a Classified Program FY 2025-2," April 9, 2025
Project No. D2025-D000CR-0072.000, "Audit of the DoD's Comply-to-Connect Program," January 21, 2025
Project No. D2025-DEV0SR-0049.000, "Evaluation of the DoD's Implementation of Electromagnetic Pulse Shielding for the U.S. Indo-Pacific Command," December 18, 2024
Project No. D2025-D000RJ-0044.000, "Audit of the DoD's Management of the Counter-Islamic State of Iraq and Syria Train and Equip Fund (CTEF) Program Resources for Detention Facilities and Displaced Persons Camps," December 10, 2024
Project No. D2025-D000RJ-0093.000, "Audit of the DoD's Oversight of Counter-Islamic State of Iraq and Syria Train and Equip Fund Equipment Designated for Iraq," December 10, 2024
Project No. D2025-DEV0SV-0037.000, "Evaluation of the Impact Protecting DoD High Risk Personnel on the Military Criminal Investigative Organizations," December 2, 2024
Project No. D2025-DEV0SR-0038.000, "Evaluation of DoD Actions Regarding Unmanned Aircraft Systems at Military Installations in the United States and its Territories," November 20, 2024
Project No. D2025-D000CU-0013.000, "Audit of Defensive Cyberspace Operations in the U.S. European Command," November 6, 2024
Project No. D2025-D000RM-0008.000, "Audit of the DoD's Enhanced End-Use Monitoring of Defense Articles Provided to Israel," October 16, 2024
Project No. D2025-DEV0PD-0003.000, "Evaluation of the DoD's Implementation of the Civilian Harm Mitigation and Response Action Plan," October 15, 2024
Project No. D2024-D000CS-0186.000, "Audit of Cybersecurity Controls over the U.S Indo-Pacific Command Mission Partner Environment," September 30, 2024
Project No. D2024-DEV0SI-0158.000, "Joint Evaluation of the National Geospatial-Intelligence Agency's Integration of Maven," September 9, 2024
Project No. D2024-DEV0SN-0159.000, "Evaluation of a Classified Program," July 8, 2024
Project No. D2024-DEV0SN-0157.000, "Evaluation of the DoD's Ability to Defend Against a Hypersonic Missile Attack," July 8, 2024
Project No. D2024-D000CP-0010.000, "Audit of Cyber Mission Force Readiness," October 10, 2023

Planned Projects

Audit of a Missile Defense Program

Audit of Homeland Counter-Small Unmanned Aircraft Systems

Audit of the DoD's Air Transportation of Detainees

Audit of the Implementation of the DoD's Fraud Risk Management Strategy

Classified Evaluation in the Nuclear Enterprise

Classified Evaluation in the Space Domain

Classified Evaluation on Missile Defense

Evaluation of a Classified Program FY 2026-2

Evaluation of the Capabilities of U.S. Army Garrison Black Sea in Romania to Meet U.S. European Command Requirements

Evaluation of the Development and Implementation of the Defense and Security Controls for the DoD's Use of Artificial Intelligence

Challenge 1: Strengthening Deterrence Through Strategic Capabilities (cont'd)

Evaluation of the DoD Office of Strategic Capital Investments
Evaluation of the DoD's Deployment and Readiness of the Joint Fires Network System
Evaluation of the DoD's Development and Implementation of Replicator 2
Evaluation of the DoD's Implementation of Combined Joint All-Domain Command and Control
Evaluation of the Standup of Space Components at the Combatant Commands
Evaluation of the U.S. Africa Command's Management of Defense Security Cooperation Information Portal Cases
Evaluation of the U.S. Army's Transition to the Precision Strike Missile
Evaluation of the U.S. Central Command's Integration of Artificial Intelligence
Evaluation of the U.S. Special Operations Command's Ability to Provide Logistics Support to Its Forces in a Contested Environment

CHALLENGE 2: MANNING THE FORCE

Completed Projects
Report No. DODIG-2025-120, "Evaluation of U.S. Navy Efforts to Meet Recruitment Goals," June 27, 2025
Report No. DODIG-2025-114, "Evaluation of DoD Efforts to Assign Medical Personnel to Locations Where They Can Maintain Wartime Readiness Skills and Core Competencies," June 13, 2025
Report No. DODIG-2025-092, "Management Advisory: Review of the Army's Future Soldier Preparatory Course," May 1, 2025
Report No. DODIG-2025-084, "Evaluation of DoD Roles and Processes Leading up to the July 2023 Basing Decision for the U.S. Space Command," April 11, 2025
Report No. DODIG-2025-069, "Management Advisory: Army's Future Soldier Preparatory Course Places Trainees at Increased Risk of Adverse Health Effects," February 18, 2025
Report No. DODIG-2025-052, "Audit of the Navy's Accelerated Promotion Programs," December 12, 2024
Report No. DODIG-2024-135, "Audit of the Department of Defense's Management of Dwell Time for Service Members in the Reserve Components," September 17, 2024
Report No. DODIG-2024-106, "Evaluation of Contested Mobility Requirements and Training for Personnel Supporting the DoD's Surge Sealift Mission in the U.S. Indo-Pacific Command Area of Responsibility," July 9, 2024
Report No. DODIG-2024-086, "Audit of DoD Health Care Personnel Shortages During the Coronavirus Disease–2019 Pandemic," May 23, 2024
Report No. DODIG-2024-068, "Evaluation of the DoD Military Information Support Operations Workforce," March 25, 2024
Report No. DODIG-2024-033, "Management Advisory: Concerns with Access to Care and Staffing Shortages in the Military Health System," November 29, 2023
Report No. DODIG-2023-072, "Review of the Military Services' Policies and Procedures on the Medical Waiver Process for Recruiting," May 17, 2023
Ongoing Projects
Project No. D2025-DEVOHA-0124.000, "Evaluation of the DoD Air Traffic Control Workforce," July 7, 2025
Project No. D2025-DEVOHA-0089.000, "Evaluation of the Navy's Future Sailor Preparatory Course," April 14, 2025
Project No. D2024-DEV0SV-0071.000, "Evaluation of the DoD Military Working Dog Program's Management of Canine Welfare," April 1, 2024

Challenge 2: Manning the Force (cont'd)

Planned Projects

Audit of the Impact of Civilian Workforce Reductions on the DoD's Mission Critical Occupations

Evaluation of Service Members' Access to Physical Therapy and Orthopedic Care

Evaluation of the Defense Health Agency's Plan for Reducing DoD Laboratories

CHALLENGE 3: MAINTAINING AND IMPROVING MATERIEL READINESS

Completed Projects

Report No. DODIG-2025-163, "Audit of the DoD's Management of the Logistics Civil Augmentation Program Contract for the Coordinator for Afghan Relocation Efforts at Camp As Sayliyah," September 19, 2025

Report No. DODIG-2025-138, "Audit of the Army's Management of Force Provider Modules in the U.S. Central Command Area of Responsibility," August 14, 2025

Report No. DODIG-2025-134, "Audit of the DoD's Accountability Controls over War Reserve Stock for Allies-Israel Inventory," August 7, 2025

Report No. DODIG-2025-135, "Evaluation of the Demilitarization of Damaged and Destroyed Defense Articles Requiring Enhanced End-Use Monitoring in Ukraine," August 7, 2025

Report No. DODIG-2025-119, "Audit of Munitions Storage on Guam," June 30, 2025

Report No. DODIG-2025-116, "Evaluation of U.S. Navy Efforts to Recapitalize Surge Sealift Vessels," June 20, 2025

Report No. DODIG-2025-113, "Evaluation of the Movement of Ukraine- and Israel-Bound Equipment through Aerial Ports of Embarkation in the Continental United States," June 12, 2025

Report No. DODIG-2025-100, "Evaluation of the Spare Parts Onboard U.S. Navy Ships in the Indo-Pacific Region," May 14, 2025

Report No. DODIG-2025-093, "Audit of Army Prepositioned Stock," May 6, 2025

Report No. DODIG-2025-091, "Evaluation of the DoD's Capabilities to Effectively Carry out Joint Logistics Over-the-Shore Operations and Exercises," May 2, 2025

Report No. DODIG-2025-081, "Audit of Storage of U.S. Army Prepositioned Stocks in Belgium and the Netherlands," March 31, 2025

Report No. DODIG-2025-075, "Evaluation of the DoD's Validation of Repair Parts Requested by the Ukrainian Armed Forces," March 10, 2025

Report No. DODIG-2025-055, "Audit of Munitions Storage in Alaska, Hawaii, and Japan," December 18, 2024

Report No. DODIG-2024-124, "Evaluation of Sustaining Engineering Actions for the Space Force's Upgraded Early Warning Radar," August 28, 2024

Report No. DODIG-2024-113, "Evaluation of the DoD's Replenishment and Management of 155mm High Explosive Ammunition," July 24, 2024

Report No. DODIG-2024-095, "Audit of the DoD's Revaluation of the Support Provided to Ukraine Through Presidential Drawdown Authority," June 11, 2024

Report No. DODIG-2024-083, "Audit of the Army's Management of Army Prepositioned Stock-5 Equipment," May 24, 2024

Report No. DODIG-2024-058, "Evaluation of the Planned Logistics Nodes to Support Operations in the USINDOPACOM Area of Responsibility," February 22, 2024

Report No. DODIG-2023-099, "Evaluation of DoD Replenishment Plans for Equipment and Munitions Provided to the Government of Ukraine," September 11, 2023

Challenge 3: Maintaining and Improving Materiel Readiness (cont'd)

Report No. DODIG-2023-053, "Evaluation of Army Pre-Positioned Equipment Issued in Response to Ukraine and the NATO Defense Forces," February 27, 2023

Ongoing Projects

Project No. D2025-D000RH-0131.000, "Audit of the DoD's Purchase of Medical Materiel for Medical Treatment Facilities in the U.S. European Command," August 11, 2025

Project No. D2025-DEVOPC-0146.000, "Evaluation of the DoD's Capability and Capacity to Produce 155-Millimeter Artillery and 120-Millimeter Tank Ammunition to Meet Future Requirements," August 11, 2025

Project No. D2025-DEVOPA-0132.000, "Evaluation of the U.S. Navy's SUBSAFE Quality Assurance Maintenance of Virginia-Class Submarines," July 14, 2025

Project No. D2025-D000RL-0125.000, "Audit of the Management of Marine Corps Prepositioning Program-Norway Equipment," July 7, 2025

Project No. D2025-DEVOHD-0105.000, "Evaluation of Sealift Support to the U.S. Navy in a Non-Permissive Environment," May 12, 2025

Project No. D2025-DEVOHD-0103.000, "Evaluation of U.S. Navy and U.S. Marine Corps Medical Logistics Support in the U.S. Indo-Pacific Command Area of Responsibility," May 12, 2025

Project No. D2025-DEVOPC-0108.000, "Evaluation of the U.S. Air Force's Implementation of Agile Combat Employment in the Indo-Pacific Region," May 5, 2025

Project No. D2025-DEV0HC-0087.000, "Evaluation of the DoD's Capabilities to Effectively Carry out Joint Petroleum Over-the-Shore Operations in the U.S. Indo-Pacific Command Area of Responsibility," April 7, 2025

Project No. D2025-D000RG-0071.000, "Audit of the DoD's Management of the Logistics Civil Augmentation Program Contract for the Multinational Security Support Mission in Haiti," February 10, 2025

Project No. D2025-D000AH-0030.000, "Audit of the Army's Management of Repairs to Bradley Fighting Vehicles to Meet U.S. Army Europe and Africa Mission Requirements," November 12, 2024

Project No. D2024-D000AW-0142.000, "Audit of Naval Supply Systems Command Management of Inventory Items with No Demand for 5 Years or More," June 20, 2024

Project No. D2023-D000RG-0137.000, "Audit of Maintenance and Storage of Marine Corps Prepositioned Equipment and Supplies on Maritime Prepositioning Ships in the U.S. Indo-Pacific Command," July 31, 2023

Planned Projects

Audit of the DoD's Corrosion Prevention and Control Program for Naval Vessels in the U.S. Indo-Pacific Command Area of Responsibility

Audit of the Joint Task Force Southern Guard's Support for the Migrant Operations Center at Naval Station Guantanamo Bay

Evaluation of a Classified Program FY 2026-1

Evaluation of the U.S. Indo-Pacific Command's Wartime Ship Repair Capabilities

CHALLENGE 4: ENSURING RESPONSIVE AND RESPONSIBLE MODERNIZATION AND PROCUREMENT

Completed Projects
Report No. DODIG-2025-162, "Audit of the U.S. Air Force's Processes for Providing Supplies and Equipment Funded Through the Ukraine Security Assistance Initiative," September 18, 2025
Report No. DODIG-2025-161, "Audit of the DoD's Policies and Procedures to Prevent the Procurement of Prohibited Seafood Products," September 17, 2025
Report No. DODIG-2025-151, "Audit of the Navy's Management of the MQ-4C Triton Unmanned Aircraft Program's Operational Capabilities," September 4, 2025
Report No. DODIG-2025-149, "Evaluation of the DoD's Effectiveness in Negotiating Fair and Reasonable Prices with Contractors for Ukraine Security Assistance," August 22, 2025
Report No. DODIG-2025-147, "Audit of Data License Rights in Air Force Weapon System Contracts," August 19, 2025
Report No. DODIG-2025-145, "Audit of the Army's Management of M88 Recovery Vehicle Spare Parts," August 1, 2025
Report No. DODIG-2025-132, "Audit of the Impact of Continuing Resolutions on DoD Acquisition Programs," July 30, 2025
Report No. DODIG-2025-086, "Management Advisory: The DoD's FY 2024 Compliance with the Federal Information Security Modernization Act of 2014," April 16, 2025
Report No. DODIG-2025-083, "Audit of Department of Defense Lowest Price Technically Acceptable Contract Awards," April 10, 2025
Report No. DODIG-2025-059, "Audit of the Army's Management of Undefinitized Contract Actions Awarded to Provide Ukraine Assistance," January 17, 2025
Report No. DODIG-2025-018, "Audit of the Test and Evaluation for CH-53K Helicopter Survivability," November 6, 2024
Report No. DODIG-2025-009, "Audit of C-17 Spare Parts Pricing," October 25, 2024
Report No. DODIG-2025-001, "Audit of Space Force's Implementation of Software Assurance for the Next Generation Overhead Persistent Infrared Program," October 4, 2024
Report No. DODIG-2024-123, "Audit of Air Force Defective Parts and Contractor Restitution," August 27, 2024
Report No. DODIG-2024-122, "Audit of Repair Pricing on the F/A-18 Hornet Radar Systems," August 21, 2024
Report No. DODIG-2024-072, "Evaluation of DoD Financial Responsibility Reviews on Prospective DoD Contractors," March 29, 2024
Ongoing Projects
Project No. D2024-D000AT-0173.000, "Audit of the DoD's Oversight of Contractor Performance for the F-35 Joint Strike Fighter Sustainment Contracts," September 10, 2024
Project No. D2024-D000AX-0149.000, "Audit of Navy Defective Parts and Contractor Restitution," July 11, 2024
Planned Projects
Audit of a DoD Acquisition Program
Audit of Defense Industrial Base Projects Associated with Ukraine Presidential Drawdown Authority Replenishment Funds
Audit of DoD Purchases of Supplies and Services at Fair and Reasonable Prices
Audit of the DoD's Management and Oversight of the Maintenance Contracts for the V-22 Osprey Aircraft

Challenge 4: Ensuring Responsive and Responsible Modernization and Procurement (cont'd)

Audit of the DoD's Management and Use of Commercial Software Licenses
Evaluation of the Defense Advanced Research Projects Agency's Risk-Based Security Reviews of Fundamental Research
Review of Lessons Learned from the U.S. Cyber Command's Acquisition Activities
Review of Sole Source Awards in Cloud Computing Contracting

CHALLENGE 5: SECURING AND SUSTAINING DEFENSE CRITICAL INFRASTRUCTURE

Completed Projects
Report No. DODIG-2025-160, "Audit of the DoD's Management of Relocatable Facilities in the U.S. Indo-Pacific Command," September 16, 2025
Report No. DODIG-2025-108, "Audit of the DoD's Actions to Mitigate Ivanti Connect Secure and Ivanti Policy Secure Vulnerabilities," June 4, 2025
Report No. DODIG-2025-088, "Audit of DoD Management of Hazardous Waste Disposals in Japan," April 30, 2025
Report No. DODIG-2025-090, "Audit of the DoD's Compliance with the FY 2022 National Defense Authorization Act's Requirements Concerning Zero Trust," April 29, 2025
Report No. DODIG-2025-073, "Evaluation of DoD's Efforts Under the Enhanced Defense Cooperation Agreement with the Republic of the Philippines," February 28, 2025
Report No. DODIG-2025-071, "Audit of Cyber Vulnerabilities Impacting Defense Critical Infrastructure," February 21, 2025
Report No. DODIG-2025-066, "Joint Audit of Security Controls over Coast Guard Systems Operating on the Department of Defense Information Network," February 7, 2025
Report No. DODIG-2025-057, "Audit of Cost Increases and Schedule Delays of Army Military Construction Projects Managed by the U.S. Army Corps of Engineers," January 8, 2025
Report No. DODIG-2025-056, "Audit of the DoD's Process for Authorizing Third-Party Organizations to Perform Cybersecurity Maturity Model Certification 2.0 Assessments," January 7, 2025
Report No. DODIG-2025-053, "Audit of Cybersecurity of DoD Classified Mobile Devices," December 13, 2024
Report No. DODIG-2025-051, "Evaluation of the Accountability Controls for Seaports of Debarkation in the U.S. European Command Area of Responsibility," December 10, 2024
Report No. DODIG-2025-013, "Management Advisory: Concerns with the Navy's Handling of Incidents Involving Aqueous Film-Forming Foam at Joint Base Pearl Harbor-Hickam," November 8, 2024
Report No. DODIG-2025-011, "Evaluation of the Operation, Maintenance, Safety, and Oversight of the Navy's Red Hill Bulk Fuel Storage Facility," November 8, 2024
Report No. DODIG-2025-017, "Audit of Cost Increases and Schedule Delays of Military Construction Projects Managed by Naval Facilities Engineering Systems Command," November 1, 2024
Report No. DODIG-2024-110, "Evaluation of the U.S. Cyber Command Operational Relationship with the National Security Agency," July 16, 2024

Challenge 5: Securing and Sustaining Defense Critical Infrastructure (cont'd)

Ongoing Projects
Project No. D2025-D000AV-0151.000, "Audit of the Department of the Air Force's Management of Excess Real Property," September 9, 2025
Project No. D2025-D000CS-0155.000, "Audit of the DoD's Implementation of Modernized Tactical Data Links for Major Defense Acquisition Programs," September 8, 2025
Project No. D2025-DEV0SI-0133.000, "Evaluation of U.S. Indo-Pacific Command Intelligence Resiliency," August 4, 2025
Project No. D2025-DEV0PD-0121.000, "Evaluation of U.S. Indo-Pacific Command Efforts to Clear and Renovate Airfields," June 16, 2025
Project No. D2025-DEVOHD-0122.000, "Evaluation of Security Procedures for DoD Military Treatment Facilities in the National Capital Region," June 4, 2025
Project No. D2025-DEV0SA-0098.000, "Evaluation of a Classified Program FY 2025-1," April 9, 2025
Project No. D2025-DEV0PD-0088.000, "Evaluation of the DoD's Development of Arctic Infrastructure, Communications Capabilities, and Intelligence, Surveillance, and Reconnaissance in Europe," March 31, 2025
Project No. D2025-D000CR-0076.000, "Audit of Security Controls over the DoD's Defense Regional Clocks," February 20, 2025
Project No. D2025-D000CS-0081.000, "Audit of Cyber Vulnerabilities Impacting Air Force Defense Critical Infrastructure," February 19, 2025
Project No. D2025-D000CT-0075.000, "Audit of the Protection of Classified Information in the Army National Guard's Secret Internet Protocol Router Network," January 24, 2025
Project No. D2025-D000CU-0035.000, "Audit of the DoD's Implementation of the Cybersecurity Information Sharing Act of 2015," December 16, 2024
Project No. D2024-D000CT-0164.000, "Audit of Data Reliability in the DoD's Advancing Analytics Repository," July 29, 2024
Planned Projects
Audit of the DoD's Ability to Support Modern Aircraft in the Indo-Pacific Region
Audit of the Security over the DoD's Unclassified Collaboration Tools
Evaluation of the DoD's Pier and Wharf Capability in the U.S. Indo-Pacific Command and U.S. Northern Command
Evaluation of U.S. Army Communication Resiliency
FY 2026 Review of the DoD's Compliance with the Federal Information Security Modernization Act of 2014

CHALLENGE 6: SUPPORTING QUALITY OF LIFE FOR MILITARY SERVICE MEMBERS AND THEIR FAMILIES

Completed Projects
Report No. DODIG-2025-157, "Evaluation of DoD Policies and Procedures for Responding to Reports of Violent Threats Made by Service Members," September 9, 2025
Report No. DODIG-2025-154, "Audit of the Military Services' Oversight of Privatized Military Housing Maintenance," September 8, 2025
Report No. DODIG-2025-146, "Follow-Up Evaluation of Longstanding Healthcare-Related Report Recommendations for the Under Secretary of Defense for Personnel and Readiness and the Under Secretary of Defense for Acquisition and Sustainment," August 13, 2025
Report No. DODIG-2025-131, "Follow-Up Evaluation of Longstanding Healthcare-Related Report Recommendations for the Assistant Secretary of Defense for Health Affairs," July 24, 2025
Report No. DODIG-2024-107, "Management Advisory: Non-DoD Solid Waste Burning At or Near DoD-Occupied Sites," July 11, 2024
Report No. DODIG-2025-121, "Audit of the DoD's Controls over the Processing of Patient Orders in the Military Health System's MHS GENESIS," July 1, 2025
Report No. DODIG-2025-102, "Management Advisory: Review of the DoD's Implementation of the Military Parental Leave Program Policy," May 29, 2025
Report No. DODIG-2025-104, "Evaluation of the Military Services' Response to Complaints Related to Harassment Over Electronic Communications or Social Media," May 22, 2025
Report No. DODIG-2025-094, "Evaluation of the DoD's and Military Departments' Policies Regarding Responses to Allegations of Abuse at Child Development Centers," May 5, 2025
Report No. DODIG-2025-085, "Evaluation of the U.S. Navy's Efforts to Prevent and Respond to Incidents of Deaths by Suicide, Suicide Attempts, and Suicidal Ideation," April 15, 2025
Report No. DODIG-2025-082, "Management Advisory: Air Force Actions to Identify and Respond to Harassment of Service Members," April 4, 2025
Report No. DODIG-2025-079, "Evaluation of DoD Voting Assistance Programs for Calendar Year 2024," March 18, 2025
Report No. DODIG-2025-067, "Management Advisory: Naval Special Warfare Command Should Relocate, Reschedule, or Cancel Navy Sea, Air, and Land (SEAL) Candidate Water Training When Water Bacteria Levels Exceed State Safety Standards," February 7, 2025
Report No. DODIG-2025-041, "Audit of the DoD's Management of Air Quality Issues at Camp Lemonnier, Djibouti," November 20, 2024
Report No. DODIG-2025-045, "Evaluation of the DoD's Health, Safety, and Environmental Hazard Identification and Remediation in Military Housing," November 20, 2024
Report No. DODIG-2025-012, "Evaluation of DoD Actions Related to the Red Hill Bulk Fuel Storage Facility's Contamination of the Joint Base Pearl Harbor-Hickam Community Water System," November 8, 2024
Report No. DODIG-2025-008, "Evaluation of Medical Care Provided to Navy Sea, Air, and Land (SEAL) Trainees," October 22, 2024
Report No. DODIG-2024-077, "Review of DoD Education Activity's Efforts to Report and Respond to Discriminatory Harassment at Schools," April 22, 2024
Report No. DODIG-2023-059, "Evaluation of the DoD's Management of Traumatic Brain Injury," March 28, 2023

Challenge 6: Supporting Quality of Life for Military Service Members and Their Families (cont'd)

Ongoing Projects
Project No. D2025-DEV0HD-0084.000, "Evaluation of DoD Internal Controls over Medical Care Provided by DoD Personnel Assigned to the Office of the Attending Physician," September 2, 2025
Project No. D2025-DEV0SV-0143.000, "Evaluation of the DoD's Actions to Prevent and Address Sexual Assault and Other Violent Crimes Committed by DoD Personnel Assigned to U.S. Forces Japan Against Host Nation Civilians," September 2, 2025
Project No. D2025-D000RK-0139.000, "Audit of the Effectiveness of Navy Food Management Teams in Dining Facility Operations," August 11, 2025
Project No. D2025-D000RK-0130.000, "Audit of the DoD's Oversight and Military Services' Implementation of Barracks Improvement Directives," July 14, 2025
Project No. D2025-D000RK-0127.000, "Audit of the Army's Active Duty Dental Readiness," July 7, 2025
Project No. D2025-DEV0HB-0129.000, "Evaluation of the Effectiveness of DoD Policies and Procedures for Identifying and Evaluating Traumatic Brain Injury for Naval Special Warfare Personnel," July 7, 2025
Project No. D2025-D000AU-0085.000, "Follow-Up Audit of Department of Defense Privacy Controls over Health Care Data," June 23, 2025
Project No. D2025-DEV0HD-0112.000, "Evaluation of DoD and Military Department Efforts to Implement FY 2024 National Defense Authorization Act Requirements for Fentanyl," May 5, 2025
Project No. D2025-DEV0HD-0112.001, "Evaluation of DoD and Military Department Emergency Medical Services Programs and Protocols in Germany," May 5, 2025
Project No. D2025-D000RJ-0083.000, "Audit of Air Quality Concerns at Chabelley Airfield, Djibouti," March 17, 2025
Project No. D2025-DEV0SR-0048.000, "Evaluation of the DoD's Interim Actions to Promptly Reduce Risk and Mitigate the Spread of Perfluoroalkyl and Polyfluoroalkyl Substances (PFAS)," December 18, 2024
Project No. D2025-DEV0SR-0011.000, "Evaluation of the DoD's Actions to Address Mold Hazards in Privatized Military Housing," November 25, 2024
Project No. D2025-DEV0SV-0031.000, "Evaluation of the National Guard Bureau Office of Complex Investigations Administrative Investigations of Reported Sexual Assaults," November 19, 2024
Project No. D2024-D000RM-0174.000, "Audit of Noncombatant Evacuation Operation Plans in the U.S. Indo-Pacific Command Area of Responsibility," September 23, 2024
Project No. D2024-D000AV-0129.000, "Audit of the Sustainment, Restoration, and Modernization of DoD Education Activity Schools and Educational Facilities in Japan," June 4, 2024
Project No. D2024-D0DIEM-0126.000, "Evaluation of the Air Force's Actions to Identify and Respond to Harassment of Service Members," June 3, 2024
Project No. D2024-D000AW-0110.000, "Audit of the Defense Health Agency's Management of DoD Medical Treatment Facilities Outside the Continental United States in Meeting Access to Care," April 17, 2024
Planned Projects
Evaluation of Military Criminal Investigative Organizations' Noncombat Death Investigations with Suicide as the Manner of Death
Evaluation of the DoD Voting Assistance Programs for Calendar Year 2025
Evaluation of the DoD's Mental Health Programs Available to Military Personnel Transitioning Out of a Military Service
Evaluation of the Transferal of Service Members' Traumatic Brain Injury-Related Records and Access to Care During Their Transition from DoD Healthcare to Department of Veterans Affairs Healthcare

CHALLENGE 7: ACHIEVING AND SUSTAINING A CLEAN FINANCIAL AUDIT

Completed Projects
Report No. DODIG-2025-164, "Audit of the DoD's Medical Affirmative Claims Program," September 22, 2025
Report No. DODIG-2025-156, "Audit of Reviews by Ethics Officials for Conflicts of Interest in Senior DoD Officials' Public Financial Disclosures," September 12, 2025
Report No. DODIG-2025-137, "Audit of Controls over Funds Provided for the Replenishment of Defense Articles and the Reimbursement for Services Provided to the Government of Ukraine Through Presidential Drawdown Authority," August 13, 2025
Report No. DODIG-2025-133, "Audit of DoD Hotline Allegations Concerning the Defense Cooperation Agreement with Kuwait," August 6, 2025
Report No. DODIG-2025-122, "Evaluation of DoD Compliance with the Prohibition of Unallowable Advertising Costs on Covered DoD Contracts," June 30, 2025
Report No. DODIG-2025-111, "Audit of Base Operations and Support Services Contracts for Operations on Guam," June 13, 2025
Report No. DODIG-2025-105, "Audit of the Department of Defense's FY 2024 Compliance with Payment Integrity Information Act Requirements," May 27, 2025
Report No. DODIG-2025-089, "Audit of the Defense Health Agency's Monitoring of TRICARE Payments," May 1, 2025
Report No. DODIG-2025-070, "Management Advisory: Potential Patient Safety and Payment Integrity Concerns Regarding TRICARE Services and Items That Were Not Intended for TRICARE Beneficiaries of Certain Ages," February 18, 2025
Report No. DODIG-2025-060, "Audit of the DoD Government Travel Charge Card Program: The Visa IntelliLink Compliance Management System," January 21, 2025
Report No. DODIG-2025-062, "Evaluation of Incurred Cost Audits Performed by Non-Federal Auditors for Compliance with Government Auditing Standards," January 21, 2025
Report No. DODIG-2025-044, "Management Advisory: Improvements Needed in the DoD's Planning for and Use of SSAE 18 Engagements," November 22, 2024
Report No. DODIG-2025-040, "Audit of the DoD Agency-Wide Financial Statements as of and for the FYs Ending September 30, 2024, and September 30, 2023," November 15, 2024
Report No. DODIG-2025-037, "Evaluation of the Accountability of Presidential Drawdown Authority Defense Item Deliveries to Ukraine," November 15, 2024
Report No. DODIG-2025-007, "Audit of the DoD's Execution of Funds to Assist Ukraine," October 18, 2024
Report No. DODIG-2025-003, "Management Advisory: Timeliness of Public Financial Disclosure Reports of Senior DoD Officials," October 10, 2024
Ongoing Projects
Project No. D2025-D000AU-0114.000, "Audit of the Defense Threat Reduction Agency's Management of Grants," May 19, 2025
Project No. D2025-D000FV-0064.000, "Audit of the DoD Agency-Wide Financial Statements as of and for the Fiscal Years Ending September 30, 2025, and September 30, 2024," January 8, 2025
Project No. D2025-D000FV-0070.000, "Audit of the DoD's Management of Data Remaining After the Retirement of DoD Financial Management Systems," January 6, 2025
Project No. D2024-D000FV-0172.000, "Audit of the DoD's Procedures to Ensure the Accuracy of the Pay to Remote Workers," September 5, 2024

Challenge 7: Achieving and Sustaining a Clean Financial Audit (cont'd)

Project No. D2024-D000FS-0138.000, "Audit of the DoD's Efforts to Remediate Financial Statement Material Weaknesses Related to Government Property in the Possession of Contractors," June 24, 2024

Project No. D2024-D000RL-0120.000, "The DoD and Department of State Joint Audit of U.S. Assistance Provided in Support of Ukraine Through the Foreign Military Financing Program," May 8, 2024

Planned Projects

Attestation Review of the DoD Counterdrug Program FY 2025 Budget Formulation Compliance Report

Attestation Review of the DoD Counterdrug Program FY 2025 Detailed Accounting Report

Audit of Burden Sharing, Defense Cooperation Agreement, and Acquisition and Cross-Servicing Agreements Within Selected Combatant Commands

Audit of the DoD Agency-Wide Financial Statements as of and for the FYs Ending September 30, 2026, and September 30, 2025

Audit of the DoD's FY 2026 Compliance with Payment Integrity Information Act Requirements



Acronyms and Abbreviations

ACS	Acquisitions, Contracting, and Sustainment
AI	Administrative Investigations
CAPS-W	Computerized Accounts Payable System - Windows
CFO	Chief Financial Officer
CMMC	Cybersecurity Maturity Model Certification
CSO	Cyber Operations
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
DoD	Department of Defense
DoD OIG	Department of Defense Office of Inspector General
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
FFMIA	Federal Manager's Financial Integrity Act
FMR	Financial Management and Reporting
FRDAA	Fraud Reduction and Data Analytics Act
GAO	Government Accountability Office
GMRA	Government Management Reform Act
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
MST	Mission Support Team
MTA	Middle-Tier Acquisition
NAFI	Non-Appropriated Fund Instrumentality
NFRs	Notice of Findings and Recommendations

OCO	Overseas Contingency Operations
OES	Operation Enduring Sentinel
OIR	Operation Inherent Resolve
OMB	Office of Management and Budget
OPM	OPM Office of Personnel Management
OTA	Other Transaction Authority
PIIA	Payment Integrity Information Act
PP&E	Property, Plant and Equipment
SBR	Statement of Budgetary Resources
SCNP	Statement of Changes in Net Position
SFFAS	Statement of Federal Financial Accounting Standards
SNC	Statement of Net Cost
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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U.S. DEPARTMENT OF DEFENSE

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