

**Oral Statement of**  
**Mr. Brett Mansfield, Deputy Inspector General for Audit, Office of Inspector General,**  
**Department of Defense**  
**House Oversight and Government Reform Subcommittee on Government Operations**  
**“Tracking Progress: Examining the Defense Department’s**  
**Financial Management Practices”**

**September 24, 2024**

\*As Prepared for Delivery\*

Chairman Sessions, Ranking Member Mfume, and members of the subcommittee:

Thank you for inviting me to discuss the role of the DoD Office of Inspector General in auditing the DoD’s financial statements and performing oversight of the DoD’s efforts to obtain a clean audit opinion.

I am Brett Mansfield, the Deputy Inspector General for Audit at the DoD Office of Inspector General, and it is my privilege to be here today to represent our dedicated oversight professionals.

The financial statement audits performed or overseen by the DoD Office of Inspector General are critically important for maintaining the public’s trust, ensuring accountability, and improving DoD operations. As the 2024 financial statement audits are ongoing, I cannot speak to their results today.

However, in fiscal year 2023, the DoD reported discretionary appropriations of just more than \$850 billion dollars, which comprised half the discretionary spending of the United States. The DoD also reported nearly \$3.8 trillion dollars in assets, which was approximately 70 percent of the Government’s total assets. Because of its size and financial reporting deficiencies, the DoD limits the Federal Government’s ability to obtain a clean opinion on its financial statements.

Fiscal year 2023 marked the sixth full-scale audit of the DoD's financial statements and, for the sixth year, it resulted in a disclaimer of opinion on the DoD Agency-Wide Financial Statements. In addition, of the 29 reporting entities within the DoD that underwent stand-alone audits, 10 received clean opinions, 1 received a qualified opinion, and 18 received disclaimers of opinion. The 18 DoD entities received disclaimers of opinion because they continued to have unresolved accounting issues and material weaknesses.

Fiscal year 2023 also included a major development with the U.S. Marine Corps reaching an unmodified opinion. However, this result only came after substantial effort and completing an unconventional 2-year audit. Sustaining an unmodified opinion will require significant effort going forward.

As my prepared statement for today's hearing, I provided to the subcommittee a recently released DoD Office of Inspector General report titled, "Understanding the Results of the Fiscal Year 23 Financial Statement Audits."

There are three key themes discussed in this report that I will highlight today:

First, the DoD Comptroller and financial management community cannot do it alone. Leadership involvement from the commanders and operators is imperative. The comptrollers do not have command and control of operators, yet the information and systems relied upon for financial statement reporting are often controlled by Soldiers, Sailors, Marines, Airmen, and Guardians. Every time a bomb is released from a plane, a submarine undergoes maintenance, or a radar system is fielded, Service members are inputting information into DoD management systems. Those actions result in a financial transaction and have a direct impact on the reliability of the DoD's financial statements.

Second, the inability of the DoD to support its financial statements is inherently an operational risk. Financial statements partially reflect the assets (such as munitions, equipment, and spare parts) the DoD has on hand. This information comes from logistics and inventory systems that the operators rely on to have the right equipment to train, fight, and win. If the DoD cannot support the information required for financial statement auditing such as the cost, location, and condition of these items, then the operators cannot rely on those same systems to make informed decisions regarding the availability, location, and condition of supplies and equipment.

Finally, material weaknesses are longstanding and persistent. While the DoD makes progress each year in addressing material weaknesses, we consider 17 of the 28 material weaknesses to be scope-limiting, meaning the DoD Office of Inspector General cannot perform the necessary procedures to draw a conclusion on the financial statements. These weaknesses cover matters like information technology, inventory, and government property in the possession of contractors. This matters because scope-limiting material weaknesses stop audit work. In other words, we cannot do our job until the DoD addresses these weaknesses.

Achieving a clean financial statement opinion is a long-term effort for the DoD. The DoD Office of Inspector General believes that DoD leaders outside of the DoD Comptroller's office must continue to focus on material weaknesses. Addressing these weaknesses will require sustained leadership focus and significant coordination within and between each DoD entity.

In conclusion, the DoD Office of Inspector General will continue to fully and fairly audit the DoD's financial statements to identify deficiencies and areas for improvement and to provide actionable information and recommendations to the DoD.

Our commitment to enhancing the financial health of the DoD through independent oversight remains steadfast in this crucial, continuing endeavor.