

# United States Senate

June 21, 2021

The Honorable Michael J. McCord  
Undersecretary of Defense (Comptroller)/Chief Financial Officer  
1100 Pentagon  
Washington, DC 20301

Dear Mr. McCord,

We write to you today to express our concerns about the Department of Defense's (DOD) continued failure to obtain a clean financial statement audit opinion, and to urge you to prioritize the remediation of the many longstanding issues that prevent the DOD from obtaining a clean opinion.

As you know, the DOD has the largest budget of any Executive Branch agency, and unfortunately is the only agency that has not managed to obtain a clean audit opinion. The DOD only recently began conducting full financial audits, despite the fact that it has been required by law since 1990, and three consecutive annual audits have uncovered thousands of notices of findings and recommendations (NFRs), which are intended to identify deficiencies in the DOD's ability to obtain a clean audit opinion. These audits have yielded some positive impacts. The audit in fiscal year 2020 identified process improvements that will result in over \$700 million in savings. Further, many of the thousands NFRs have been resolved and closed. The DOD now has a better understanding of its real property inventory, and can better account for its physical assets.

However, as auditors continue to dig deeper, more problems continue to be uncovered. The DOD had 3,500 outstanding NFRs as of the 2020 audit. Even more concerning, only two of the material weaknesses—the major failings that prevent a clean audit—identified in the 2018 audit have since been downgraded. And in fact, there has been a net increase in material weaknesses, despite the limited progress that the DOD has made.

Further, there has been little improvement to the crucial infrastructure that is financial management systems and information technology. The DOD has spent billions of dollars over the last decade to implement modern enterprise resource planning systems, but remains reliant on over 250 financial management systems that are currently incapable of producing trustworthy, reliable data. The inability to reconcile transactions across departments and the use of unsupported journal vouchers, also known as “plugs”, undermines taxpayers' confidence that their money is being spent prudently, and opens the door to waste, fraud, and abuse.

It is vital that the DOD achieves a clean audit opinion. Doing so will help us identify potential savings, allocate resources more efficiently, and bring accountability to the Department. We appreciate that the DOD has finally offered a target of 2028 to pass a clean audit but our constituents deserve better results and should not have to wait another decade for the Pentagon to get its books in order. We urge you to accelerate your efforts and to prioritize modern, fully-integrated finance and accounting systems that will support effective internal controls and ultimately clean audit opinions.

Sincerely,



Charles E. Grassley  
U.S. Senator



Bernard Sanders  
U.S. Senator



Ron Wyden  
U.S. Senator



Mike Braun  
U.S. Senator



Elizabeth Warren  
U.S. Senator



Rand Paul  
U.S. Senator



Joni K. Ernst  
U.S. Senator