

Congress of the United States
House of Representatives

COMMITTEE ON OVERSIGHT AND ACCOUNTABILITY

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<https://oversight.house.gov>

March 6, 2023

The Honorable Lloyd Austin
Secretary
U.S. Department of Defense
1000 Defense Pentagon
Washington, D.C. 20301

Dear Secretary Austin:

The Committee on Oversight and Accountability is investigating the Department of Defense's (DOD) failure to prevent waste, fraud, and abuse. In November 2022, DOD failed its fifth consecutive audit, unable to account for sixty-one percent of its \$3.5 trillion in assets.¹ The U.S. Government Accountability Office (GAO) also recently reported that DOD continues to fail to accurately account for hundreds of billions of dollars of government furnished property in the hands of contractors.² DOD's inability to adequately track assets risks our military readiness and represents a flagrant disregard for taxpayer funds, even as it receives nearly a trillion dollars annually.³ The Committee requests a staff-level briefing to acquire additional information on DOD's failed audit, financial management practices generally, and what it is doing to implement outstanding recommendations for improvement.

Since the terrorist attacks of September 11, 2001, approximately half of the more than \$14 trillion in DOD spending went to military contractors to provide maintenance, logistics, transportation, and other vital services.⁴ DOD's financial management and contractor management have consistently been included in GAO's High-Risk List.⁵ In January 2023, GAO reported that DOD failed to accurately account for government furnished property provided to contractors including weapons, equipment, technology, and other defense articles.⁶ DOD last estimated in 2014 that contractors were in possession of \$220 billion in government furnished property but GAO says that estimate is "significantly understated."⁷ DOD has delayed efforts to resolve this issue eight times since 2003.⁸ Failure to address these issues has limited DOD's

¹ Ellen Mitchell, *Defense Department fails another audit, but makes progress*, THE HILL (Nov. 17, 2022).

² U.S. GOV'T ACCOUNTABILITY OFFICE, GAO-23-105198, DOD FINANCIAL MGMT. GREATER ATTENTION AND ACCOUNTABILITY NEEDED OVER GOV'T FURNISHED PROPERTY, 1 (Jan. 17, 2023).

³ BRENDAN MCGARRY, CONG. RESEARCH SERV., IN11990, FY2023 NDAA: SUMMARY OF FUNDING AUTHORIZATIONS, 2 (Dec. 30, 2022).

⁴ Mary Ellen Cagnassola, *Defense Contractors Benefited From Nearly Half of \$14 Trillion Spent for Afghan War: Study*, NEWSWEEK (Sept. 13, 2021).

⁵ U.S. GOV'T ACCOUNTABILITY OFFICE, GAO-21-119SP, HIGH-RISK SERIES, 235 (Mar. 2021).

⁶ *Supra* n. 2.

⁷ *Id.*

⁸ *Id.* at 5.

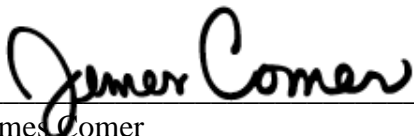
ability to produce auditable financial statements which would enable adequate oversight of DOD's financial management practices.⁹

GAO has also recommended several changes to DOD weapons systems acquisition, business systems modernization, and overall financial tracking.¹⁰ The Pentagon's adherence to GAO's recommendations will improve tracking of weapons and funds, including those sent to Ukraine. The DOD Comptroller and Chief Financial Officer, Michael McCord, stated, "[the war in Ukraine is] a really great example of why it matters to get this sort of thing right, of counting inventory, knowing where it is."¹¹ Since Russia invaded Ukraine nearly a year ago, Congress has authorized \$67.1 billion in defense assistance to the Ukrainian people.¹² As the U.S. continues to provide weapons, equipment, and other defense articles to Ukraine, it is imperative that DOD exercise better financial management of resources.

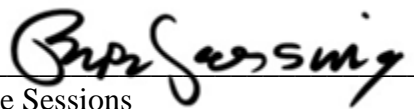
DOD's lax financial management and inability to adequately track weapons, equipment and other defense articles have raised serious concerns about DOD's stewardship of taxpayer dollars, especially as DOD's budget approaches thirteen figures.¹³ The Committee requests a staff-level briefing on DOD's failed audit, financial management practices generally, and what it is doing to implement outstanding recommendations for improvement. Please make arrangements to schedule the briefing with Committee staff on this matter as soon as possible, but no later than March 13, 2023.

To schedule the briefing or to ask any related follow-up questions, please contact Committee on Oversight and Accountability Majority Staff at (202) 225-5704. The Committee on Oversight and Accountability is the principal oversight committee of the U.S. House of Representatives and has broad authority to investigate "any matter" at "any time" under House Rule X. Thank you in advance for your cooperation with this inquiry.

Sincerely,



James Comer
Chairman
Committee on Oversight and Accountability



Pete Sessions
Chairman
Subcommittee on Government Operations
and the Federal Workforce

cc: The Honorable Jamie Raskin, Ranking Member
Committee on Oversight and Accountability

The Honorable Kweisi Mfume, Ranking Member
Subcommittee on Government Operations and the Federal Workforce

⁹ *Id* at 2.

¹⁰ *Supra* n. 5.

¹¹ Press Briefing, Dept. of Defense, Michael J. McCord, Under Sec'y of Defense (Comptroller), Holds a Press Briefing on the Results of DOD FY 2022 Dept. – Wide Financial Statement Audit (Nov. 15, 2022).

¹² COMM. FOR A RESPONSIBLE FED. BUDGET, *Congress Approved \$113 Billion of Aid for Ukraine in 2022* (Jan. 5, 2023).

¹³ *Supra* n. 3.