

**RECORD VERSION**

**STATEMENT BY**

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**DEPARTMENT OF THE ARMY**

**BEFORE THE**

**SUBCOMMITTEE ON GOVERNMENT OPERATIONS  
COMMITTEE ON OVERSIGHT AND REFORM  
UNITED STATES HOUSE OF REPRESENTATIVES**

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**ON THE DEPARTMENT'S PROGRESS TOWARDS A CLEAN AUDIT OPINION**

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Chairman Sessions, Ranking Member Mfume, and distinguished members, thank you for this opportunity to testify before you today regarding the Army's role and plan to support the Department of War consolidated financial statement audit. The Army remains committed to strengthening accountability, transparency, and stewardship of taxpayer resources while advancing auditability and improving financial accountability across the Department. Army leadership is fully aligned with the Department's enterprise audit strategy and continues to prioritize remediation efforts focused on improving financial data reliability, strengthening internal controls, and supporting operational readiness. Through this integrated approach, the Army is helping drive measurable progress toward a sustainable clean Department-wide audit opinion.

To support the Department-wide audit, Army has identified the highest risk process areas and balances material to the consolidated financial statements and developed remediation plans focused on improving financial accuracy, internal controls, and auditability. The Army utilizes both internal testing and independent validation to assess the accuracy and completeness of financial information and identify areas requiring additional remediation. To strengthen accountability, Army leadership identified metrics and governance processes to track progress across major remediation areas. The outcomes of these metrics and governance processes will be regularly shared with the Office of the Secretary of War Comptroller and the Joint Task Force-Audit, to support enterprise-wide oversight and consistency in audit remediation efforts. These actions improve visibility into enterprise risk and ensure the Army is accountable to achieving the Department's goal.

While financial statement audits prioritize areas based on materiality and enterprise risk at a point in time, the Army's oversight and internal control activities extend across the entire Army each and every day. Remediation efforts are focused on balances material to the Department-wide consolidated financial statements while the Army continues to maintain comprehensive internal controls, Army-wide monitoring activities, and independent oversight across the Army. These activities include command supply discipline programs, risk management and internal control programs, a continuous monitoring program, command-directed reviews, and independent oversight conducted

by the Army Audit Agency and DoW Office of the Inspector General. These efforts drive process improvements across the Army and strengthen the Army's ability to identify risks, reduce improper payments, and improve accountability. These improvements directly support the Army's readiness and operational effectiveness. Our audit remediation efforts are tested every day as we support global operations. Years of focused remediation efforts resulted in Army ammunition inventories passing audit testing at a rate exceeding 99 percent. While work remains, these results demonstrate measurable progress and reinforce the value of disciplined, enterprise-wide audit remediation efforts.

For nearly a decade, the Army underwent a stand-alone financial statement audit that provided actionable findings, strengthened internal controls, and helped focus remediation efforts on the Department's highest risk areas. As the Department's audit effort has matured, the Army and the Office of the Secretary of War identified opportunities to further align component audit activities within a consolidated enterprise framework. The Department's financial operations and business processes are highly interconnected, making a more integrated approach critical to improving consistency in the application of audit standards, reducing duplicative efforts, and better aligning remediation activities to balances and processes material to the consolidated Department-wide financial statements. This transition does not reduce oversight or accountability but instead improves Department-wide alignment and prioritization for the Department of War's highest risk areas. The most material items remain the most material items, and this consolidated approach allows the Army, in coordination with DOW, to focus our efforts on addressing the items that matter most and deliver results for the American Taxpayer.

Since undergoing our first full financial statement audit in FY18, the Army has made measurable progress in strengthening financial accountability and auditability. The Army has downgraded six material weaknesses and closed a total of ten material weaknesses. This includes closing material weaknesses related to Fund Balance with Treasury, the Army's "checkbook." These improvements demonstrate increased accountability and visibility into the single largest item on the Army General Fund

balance sheet, representing 50 percent of the balance sheet. In addition to Fund Balance with Treasury, the Army Working Capital Fund also closed material weaknesses related to property, demonstrating improved ability to accurately account for Army assets and maintain visibility to where they are located. We are confident in our ability to do the work necessary to achieve a Working Capital clean opinion in 2027 and a General Fund clean opinion in 2028 and are excited to support the Department-wide audit opinion.

As I have highlighted today, the Army remains committed to transparency, accountability, and continuous improvement as we work with Congress, the Office of the Secretary of War, and our independent auditors to support continued progress toward a clean Department-wide audit opinion. Thank you for the opportunity to testify today, and I look forward to your questions.