



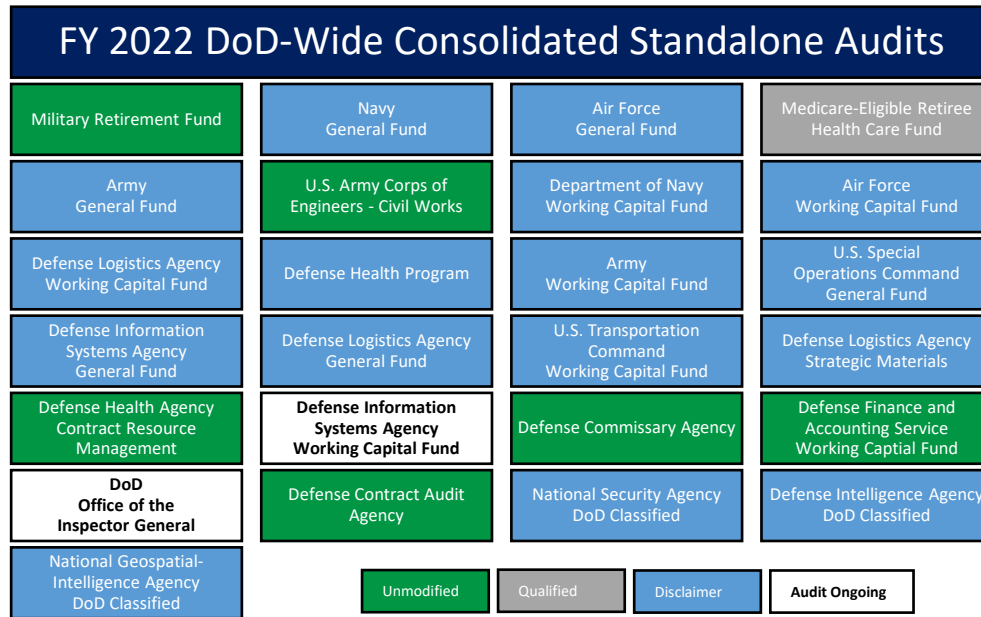
FOR IMMEDIATE RELEASE  
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### **Independent Auditor’s Report on the DoD FY 2022 and FY 2021 Basic Financial Statements**

On November 15, 2022, the DoD published the DoD FY 2022 Agency Financial Report, which includes the FY 2022 and FY 2021 Agency-Wide Basic Financial Statements. The DoD Office of Inspector General (OIG) performed an audit of these Basic Financial Statements, as required by the Chief Financial Officers Act of 1990, and issued a disclaimer of opinion—meaning that the auditors could not obtain sufficient, appropriate audit evidence to support an opinion. The DoD Agency-Wide opinion is the culmination of a larger effort to audit or oversee the audits of 25 DoD Components and their associated financial reports. We performed audit procedures at the agency-wide level and considered the results of the DoD Component audits, performed by independent public accounting firms (IPAs), to identify material weaknesses, significant deficiencies, and instances of noncompliance with laws, regulations, contracts and grant agreements. During this year’s DoD Agency-Wide audit, DoD OIG auditors identified 28 material weaknesses, 3 significant deficiencies, and 7 instances of noncompliance with laws, regulations, contracts, and grant agreements. The DoD OIG issued three reports—Report on the Financial Statements, Report on Internal Control over Financial Reporting, and Report on Compliance with Applicable Laws, Regulations, Contracts, and Grant Agreements—which start on page 67 the DoD Agency Financial Report at <https://comptroller.defense.gov/odcfo/afr2022.aspx>.

To perform the audits, the DoD OIG and IPAs collectively assigned over 1,600 auditors to perform audits of the DoD Components’ financial statements and the DoD’s Agency-Wide Basic Financial Statements. DoD OIG and IPA auditors completed nearly 1,000 site visits, both virtual and in-person, and assessed over 29,000 documents and over 45,000 sample items for the audits of the DoD and its Components. During the FY 2022 audit, the auditors increased the frequency and number of in-person site visits as coronavirus disease–2019 (COVID-19) restrictions decreased across the United States and auditors were able to meet in person with DoD officials and perform in-person counts of assets. The return to in-person visits was a positive step and allowed for more efficient audit procedures in many instances.

As shown in the figure below, the DoD Components received 6 unmodified (clean) opinions, 1 qualified opinion, and 16 disclaimers of opinion, while 2 audits are on-going.



\* Office of Management and Budget (OMB) Bulletin No. 22-01 lists the U.S. Marine Corps as a DoD Component that is required to prepare audited financial statements; however, for FY 2022, OMB exempted the U.S. Marine Corps from preparing audited financial statements. As a result, we did not consider any results from the U.S. Marine Corps audit when issuing our disclaimer of opinion.

As part of an audit, auditors issue notices of findings and recommendations (NFRs) to provide DoD management timely notification of identified weaknesses and inefficiencies in financial processes, the impact of these weaknesses and inefficiencies, the reason the weaknesses and inefficiencies exist, and recommendations on how to correct the weaknesses and inefficiencies. The DoD OIG and IPA auditors will reissue over 2,400 prior year NFRs, and will issue more than 460 new NFRs associated with the FY 2022 DoD financial statements.

**The DoD Must Continue to Prioritize Identified Weaknesses to Show Sustained Progress**

DoD leadership continued to stress the importance and the impact of the financial statement audits, demonstrating commitment to addressing root causes and implementing corrective actions to address identified weaknesses. This continued tone at the top and support for the financial statement audits is important to moving the DoD and its Components toward achieving a clean audit opinion. During the FY 2022 financial statement audits, the DoD made some progress in improving financial management. For example, in response to actions taken by DoD management to address NFRs identified in previous years, DoD OIG and IPA auditors closed over 550 NFRs during the FY 2022 financial statement audit. These NFRs were related to issues such as financial systems modernization, Fund Balance With Treasury reconciliations, and valuation of assets. Additionally, while the number of material weaknesses for the DoD did not change significantly, auditors included in their descriptions of material weaknesses progress the DoD made. For example, IPAs noted that the Air Force General Fund and U.S. Navy General Fund improved their overall process and description of their process for their Fund Balance With Treasury reconciliations and Environmental and Disposal Liabilities, respectively.

While the DoD and its Components made some progress, they must remain focused on the development of efficient and sustainable business processes in support of the Secretary of Defense audit priorities: Improve Fund Balance With Treasury; Establish User Access Controls; and Create a Universe of Transactions and Financial Reporting Internal Controls. For example, the DoD must continue to implement its Financial Management Strategy and Information Technology Roadmap, which established the DoD's plan to aggressively retire noncompliant systems and move towards modernization of the DoD's financial management systems. This effort will enable the DoD to consistently generate timely, accurate, and useful information. DoD leadership must also continue to focus on the DoD's priority areas and sustain the progress they have already achieved. From year to year, the level of audit testing can change; therefore, comparing a Component's results from one year to the next does not always provide an accurate depiction of the progress made. For example, as testing continues to expand, the DoD and its Components can potentially measure progress toward a clean audit opinion in additional ways, such as the percentage of balances tested, or that remain untested.

Overall, the DoD and its Components need to develop strong, sustainable DoD-wide business processes. In doing so, the DoD will not only work its way to a clean audit opinion, but also will become more efficient and improve its operations. This outcome will result in increased public trust in the DoD's financial processes and lower audit costs.

The DoD OIG plans to issue a product in February that summarizes the purpose, findings, and potential benefits of the DoD's financial statement audits in terms that are understandable to non-auditors. This report will also discuss progress in the Secretary of Defense's three audit priority areas and provide the DoD OIG's perspective on what the DoD should do to continue its progress towards stronger financial management and clean audit opinions.

Sean O'Donnell, the Acting DoD Inspector General, issued the following statement:

"The DoD Office of Inspector General identified improvements in the DoD's financial management processes, but the DoD still has significant challenges to overcome before it produces complete and accurate financial statements. The DoD OIG remains committed to fully and fairly auditing the financial statements, while providing actionable recommendations to the DoD to fix identified weaknesses."

For more information about the DoD OIG, please visit [www.dodig.mil](http://www.dodig.mil). For media inquiries please e-mail [public.affairs@dodig.mil](mailto:public.affairs@dodig.mil) or call (703) 604-8324.

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