

7 **STATEMENT OF**

8  
9 **LIEUTENANT GENERAL JAMES H. ADAMS III**

10 **DEPUTY COMMANDANT, PROGRAMS AND RESOURCES**

11 **UNITED STATES MARINE CORPS**  
12

13 **BEFORE THE**  
14

15 **HOUSE COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM**

16 **SUBCOMMITTEE ON GOVERNMENT OPERATIONS**  
17

18 **ON**  
19

20 **DOD FINANCIAL MANAGEMENT EFFORTS AND PROGRESS TOWARDS**  
21 **ACHIEVING A CLEAN AUDIT OPINION**

22 **29 APRIL 2025**  
23  
24  
25

## 29    **Introduction**

30            Chairman Sessions, Ranking Member Mfume, and distinguished members of the  
31    Subcommittee, thank you for the opportunity to testify on the Marine Corps Audit. The  
32    United States Marine Corps was the first military service to receive an unmodified audit  
33    opinion – or clean audit opinion – in Fiscal Year (FY) 2023. We received our second  
34    consecutive unmodified audit opinion just three months ago when our FY 2024 audit  
35    concluded. None of these accomplishments came easily. We earned it through the hard  
36    work and dedication of many Marines, civilians, contractor personnel, and partners across  
37    the Department of Defense (DoD).

38            I want to emphasize that while we are proud to receive an unmodified audit opinion,  
39    we do not take it for granted. An unmodified audit opinion is a significant achievement, that  
40    reinforces the service’s reputation for accountability, discipline, and leadership and  
41    reflects the dedication and hard work of the whole community, including financial  
42    management, acquisition, and logistics teams. These teams worked tirelessly to ensure  
43    proper stewardship of resources, from procurement to payment, and their commitment  
44    was critical to achieving a clean audit opinion. Unmodified opinions are difficult to earn.  
45    They require rigorous internal controls, which DoD currently lacks, meticulous record-  
46    keeping, and transparent financial reporting. Maintaining this high standard requires  
47    constant vigilance. Even minor lapses in oversight or procedural adherence can jeopardize  
48    our unmodified opinion. Therefore, we remain committed to continuous improvement in  
49    our financial management practices, recognizing that an unmodified audit opinion is hard-  
50    won but easily lost. We understand the importance of maintaining public trust through

51 responsible stewardship of taxpayer dollars and will continue to prioritize sound financial  
52 practices. Congressional support has been key to helping the Marine Corps succeed in  
53 achieving its audit opinions and will be key to maintaining it. As the Commandant of the  
54 Marine Corps stated, these efforts tell the American people that a dollar invested in the  
55 Marine Corps is a dollar well spent and is part of how we distinguish ourselves as a  
56 professional warfighting organization. Passing an audit makes us more ready to fight when  
57 our Nation calls.

58 I would like to share with you several things that contributed directly to our success  
59 and some thoughts on what we need to collectively pursue to cement this progress.

## 60 **Leadership**

61 With leadership, it is straightforward. If your leadership has priorities, the  
62 organization has priorities. Not just written priorities, but priorities reinforced by actions  
63 and repetition over a long period of time. Dating back to early FY 2020, the Commandant of  
64 the Marine Corps issued a white letter to the Marine Corps identifying the audit as a priority  
65 that must be supported. He set the tone at the top, fostering a culture of accountability,  
66 transparency, and compliance. In subsequent years, the message of “audit being a priority”  
67 was not only sustained but amplified throughout the Marine Corps. We established a clear  
68 expectation that any audit need or obstacle would be elevated to the highest levels of  
69 leadership. We implemented a system where even potential issues were promptly brought  
70 to the attention of senior leadership, enabling swift action to remove obstacles and ensure  
71 the audit process proceeded unimpeded. Most notably, the importance of the audit was

lived by the Marine Corps leadership who routinely participated in the process and made it a priority to be abreast of audit progress and challenges. This proactive approach ensured that our audit efforts received the attention and resources they required from the very top of the organization. It was all about accountability, a core principle ingrained in every Marine. Without that unwavering commitment to accountability, reflected in our dedication to rigorous financial management, the Marine Corps would not be where it is today.

### **Making Tough Decisions**

The journey to achieving an unmodified opinion often requires making difficult, and sometimes, unpopular decisions. Our migration in FY 2022 to the Defense Agencies Initiative (DAI), our new enterprise resource planning (ERP) system, serves as a prime example. There was significant resistance to this change. Many were content with the status quo, preferring the familiarity of our legacy system, the Standard Accounting, Budgeting, and Reporting System (SABRS) that had been used for over three decades. However, the Marine Corps leadership recognized a fundamental truth: the status quo, with our legacy accounting system's inherent limitations in internal controls, would never pave the path to a clean audit opinion.

Our DAI migration effort from a legacy system to an entirely new platform, took 18 months from start to finish and involved transitioning over 20,000 system users. This new system operated under different rules and required our personnel to adapt their established business operations. This is comparable to skydiving – imagine jumping out of the plane and then having to search your back pocket for the standard operating

procedures on how to deploy your parachute. That is the kind of pressure we were under to ensure a successful transition. We were essentially building the plane as we were flying it, while simultaneously training the pilot and crew how to operate the plane. This highly pressurized environment demanded exceptional adaptability, resourcefulness, and dedication from our entire team.

Change is inherently challenging. The DAI migration required tremendous effort across the organization. It demanded that individuals understand their roles, processes, and downstream impacts with a new level of depth and precision. Ultimately, it forced a necessary evolution in how we conduct business and aligned our practices with the rigorous demands of a clean audit. While difficult, this transformation was essential to achieving the significant milestone of an unmodified audit opinion. This decision proved to be a pivotal step towards greater financial accountability and transparency.

### **Thinking Outside the Box**

Achieving an unmodified opinion required a departure from the worn, tried-and-failed playbooks that have plagued the Marine Corps, and indeed the larger Department of Defense, for years. Simply repeating past practices would never position us for success, and certainly not within the accelerated timeframe we achieved. Our first critical step was acknowledging that an audit is an exercise in providing all stakeholders an accurate representation of the Marine Corps' position; it is not about every value being precise. We adopted a risk-based approach, assessing audit challenges and prioritizing corrective actions based on their materiality to the overall audit. Recognizing our limited time and

resources, we surged efforts into these prioritized areas. This strategic approach fostered creative solutions that significantly accelerated corrective action timelines, in some cases by over six months.

We dramatically reduced problem data populations by leveraging tools like the Office of the Secretary of Defense's (OSD) Advana platform. For example, we reduced unmatched transactions and undistributed transactions from billions of dollars each to approximately \$200 million to \$300 million each. The undistributed transactions, which is the difference between what Treasury says the amount of money in the Marine Corps' checkbook is vice how much money the Marine Corps says it has, were different and we needed to reconcile the differences. In the past, we recorded an unsupported journal voucher to serve as a "plug" entry to get our books to agree with the Treasury, however, an auditor does not accept "unsupported" entries. Therefore, we leveraged data analysis, specifically OSD's Advana tool, to educate us on our data, understand the differences at the transaction level, and learn why those differences were occurring. We supported our undistributed journal voucher in FY 2023 and eliminated an associated material weakness on Fund Balance with Treasury through intensive data analysis and the drafting of over 20 white papers to document our thorough understanding of the issues that were driving the differences between Treasury and the Marine Corps' books. The success of our methodology was so compelling that it was adopted by the Department of the Navy (DON), ultimately contributing to the DON-wide downgrade of all Fund Balance with Treasury material weaknesses. The Marine Corps successfully closed or downgraded two material weaknesses that otherwise would have served as "dealbreakers" to passing an audit by

significantly reducing the audit risk profile and meticulously documenting the nature of the remaining financial transactions within these populations.

### **Accountability of Property Assets**

As a military commander, rapid deployment in crisis demands seamless execution. Knowing precisely how many Marines are ready, and properly trained, and the availability of essential equipment is paramount. Imagine planning a mission with 20 missiles, only to discover you have 10, or finding all 20 but half are unusable due to neglect. Or worse, discovering the missiles are 4,000 miles from the expected location. These scenarios underscore the critical importance of asset accountability. During the FY 2023 audit, our auditors conducted over 70 site visits across the globe, counting over 5,900 pieces of military equipment, over 1,500 pieces of garrison property, 7,800 buildings and structures, 1.9 million pieces of non-ammunition operation material and supplies, and over 24 million pieces of ammunition – with a nearly 99% pass/accuracy rate. And over the past eight years, because of the audit, we have been able to fine tune certain aspects of asset accountability that previously caused issues. Asset accountability, to ensure a correct Balance Sheet, was Step 1A. If that is not right, it is hard for other downstream needs to be right, such as valuation of those assets. This meticulous tracking of our assets is not just about good accounting, it is about operational readiness and mission success.

Beginning as early as FY 2021, the Marine Corps demonstrated significant progress in asset accountability. The Marine Corps achieved strong audit results related to property assets, including military equipment, ammunition, and real property. Auditors consistently

validated our ability to identify our assets, where in the world those assets could be located, and in what condition those assets could be found. Audit pass rates were between 97-99 percent. Relatedly, the Marine Corps' ability to support site visits during where the auditor counted our assets increasingly become more organized, more efficient, and more effective. This high performance standard was pivotal in allowing the Marine Corps to establish a baseline on our Balance Sheet – or “clean slate” – with our beginning balances.

### **Sustainability of Audit**

Sustaining audit success within the DoD requires recognizing that we cannot operate in silos – it is impossible to “do it alone”. We are deeply grateful for the support provided by the DON, Army, OSD, and the Defense Logistics Agency (DLA) throughout our audit. That said, DoD presents a complex audit environment characterized by numerous information technology (IT) systems, varying operational procedures, and common deficiencies across components. To achieve and maintain DoD-wide auditability, we must prioritize streamlining and standardization. This requires strong leadership at the highest levels of the Department to champion collective solutions for common audit challenges and implement sensible, universally applicable policies. For example, there are key pieces of data and documentation important to the accounting and financial reporting process which are not readily available in a straightforward and timely manner. Standardizing data structures and reporting processes would significantly improve audit efficiency and transparency. Furthermore, the Department is pursuing Identity, Credential, and Access Management solutions to address Access Control and Segregation of Duties material weaknesses, issues that extend beyond the Marine Corps and require a department-wide



179 approach. These collaborative efforts are essential for long-term audit sustainability across  
180 the DoD.

181 While proud of achieving an unmodified opinion, the Marine Corps acknowledges  
182 the seven material weaknesses identified in our latest audit report. These material  
183 weaknesses represent broken business processes and internal controls, and directly  
184 contribute to the extensive manual effort required to sustain future unmodified audit  
185 opinion. Until these material weaknesses are addressed, maintaining compliance will  
186 remain a resource-intensive undertaking. Resolving most of these material weaknesses  
187 hinges on our ability to automate and streamline operations. We need to leverage  
188 technology to get out of the business of doing manually intensive work via spreadsheets in  
189 2025. Harnessing technology, including emerging technologies like artificial intelligence, is  
190 crucial for connecting our IT systems to enable seamless data exchange, automate high-  
191 volume repeatable tasks and internal controls, and standardize processes across the  
192 Marine Corps and other military services. These technological advancements will free up  
193 valuable resources, simplify our business environment, and ultimately strengthen our  
194 financial management posture.

## 195 **Conclusion**

196 As the Marine Corps invests in new platforms, training, and our Marines to sustain  
197 our mandate as our Nation's Naval Expeditionary Force-in-Readiness, it is our  
198 responsibility as good stewards of taxpayer funds to continue to prove that when the Corps  
199 is provided a taxpayer dollar, we can show exactly where and how it has been invested. For

200 an unprecedented second year in a row, the Marine Corps achieved an unmodified audit  
201 option. We have been comprehensively tested by Independent Public Accountants to  
202 validate budgetary balances and records and account for physical assets at installations  
203 and bases across the globe. The audit's favorable opinion was only possible through the  
204 through the support and hard work of thousands of dedicated Marines, civilian Marines,  
205 and many other partners across the Department of Defense.

206 By better leveraging technology, such as automating our system interfaces and  
207 streamlining the functionality of our systems and related business processes, we believe  
208 that we can get to a place where we more efficiently and effectively maintain our  
209 unmodified audit opinions. These audits provide evidence of what we have believed for a  
210 long time – when Congress provides funding to the Marine Corps, we invest wisely, with  
211 transparency and accountability, and in a manner that allows us to tell you how those  
212 investments generate readiness. Readiness for the Warfighter means being accountable  
213 for our assets, knowing where they are, and in what condition they can be found, at a  
214 moment's notice. It also means having accurate, timely, and relevant information in the  
215 hands of the decision makers so that the smartest, wisest determinations can be made to  
216 successfully carry out the mission. Make no mistake, passing an audit makes us more  
217 ready to fight when our Nation calls. The Marine Corps will continue to do its part by  
218 continuing to maximize every dollar invested, enabling Congress's confidence that every  
219 dollar invested in the Marine Corps is a dollar well spent. We are deliberate with the finite  
220 resources that are provided to us and we use them effectively to support warfighting and  
221 lethality, and our core mission to organize, train, and equip Marines.