



SECRETARY OF DEFENSE
1000 DEFENSE PENTAGON
WASHINGTON, DC 20301-1000

JUN 16 2025

MEMORANDUM FOR SENIOR PENTAGON LEADERSHIP
COMMANDERS OF THE COMBATANT COMMANDS
DEFENSE AGENCY AND DOD FIELD ACTIVITY DIRECTORS

SUBJECT: Achieving a 2028 Unmodified Financial Statement Audit Opinion

Our oath to support and defend our Constitution is an explicit obligation to the American citizenry. Our guardianship of the nation's largest discretionary budget carries an implicit obligation to the American taxpayer. Achieving an unmodified or "clean" financial statement audit opinion no later than December 31, 2028, as required by the National Defense Authorization Act for Fiscal Year 2024, will demonstrate our ability to execute our mission while maintaining the public's trust. Audit success will require transformation through modernization and automation. Anything less than full achievement of our statutory mandate is unacceptable.

Our immediate imperative is to position the Department for audit readiness. By the end of this fiscal year, the Department must establish Advana as a program of record and prioritize its development to support the audit. By the end of Fiscal Year 2026, we must eliminate key material weaknesses, complete reconciliation of intergovernmental transactions, complete accurate accounting and valuation of property held by third parties, and establish implementing protocols to ensure compliance with established audit standards. Finally, by the end of Fiscal Year 2027 we must complete accurate accounting and valuation, support open obligations, and fully integrate procure-to-pay processes in all appropriate general ledgers.

For each of the actions identified above, I am directing in Tab A specific actions, with clear lines of accountability, to the appropriate official. The Deputy Secretary and I will receive regular updates on audit remediation progression to encourage bias for action, and together we will support each of you in accomplishing this enormous undertaking.

The only way we will navigate and overcome this complex process is through a concerted effort, driven by strong leadership at every level. Each person in the Department of Defense has a responsibility to be an auditor, and every leader must encourage their team to shed a light on unresolved issues, press for rapid decisions, and elevate challenges to more senior levels if necessary to achieve resolution. If you don't know what your responsibility is to achieve the audit – ask, implement, and move out.

The onus is on each of us, from the E ring of the Pentagon to the minor installations across the globe. A clean audit will improve our ability to put lethal weapons and the most capable technology in the hands of our warfighters. We must defend the taxpayer dollar as well as the nation.

Attachment:
As stated



OSD004840-25/CMD006211-25

TAB A

Fiscal Year 2025

- Establish Advana as a program of record and prioritize Advana support to financial statement audit, providing the data-driven insights necessary for informed decision-making and accurate financial reports (Chief Data and Artificial Intelligence Officer, CDAO, with guidance from Under Secretary of Defense (Comptroller)/Chief Financial Officer, USD(C)/CFO)

Fiscal Year 2026

- Downgrade the DoD material weakness for Fund Balance with Treasury, ensuring an accurate and reliable checkbook (USD(C)/CFO)
- Complete the reconciliation of intragovernmental transactions, strengthening our financial controls and eliminating material discrepancies (USD(C)/CFO)
- Complete accurate accounting and valuation of property held by a third party, including Joint Strike Fighter, enabling effective asset management (Under Secretary of Defense for Acquisition and Sustainment, (USD(A&S)))
- Onboard all business systems material to the financial statement audit to an approved Identity, Credential, and Access Management solution, safeguarding sensitive financial data and implementing a federated architecture across all ICAM solutions (Department of Defense Chief Information Officer)
- Expand DoD Component System and Organization Control reports to cover greater scope, including system access and interfaces, ensuring compliance with internal control standards (USD(C)/CFO)
- Seek through the OMB-managed process legislative changes required for auditability, removing impediments and unnecessary requirements from the audit (Assistant Secretary of Defense for Legislative Affairs)

Fiscal Year 2027

- Establish auditable beginning balances for remaining property and support current year activity, enabling effective asset lifecycle management (USD(A&S))
- Support open obligations by maintaining documentations for contracts, purchase orders, reimbursable orders, travel and permanent change of station orders, etc. (USD(C)/CFO)
- Leveraging AI and automation, establish capability to retrieve, compile, reconcile to transaction level of detail, and provide evidential matter supporting the financial transactions to the auditors (CDAO, with guidance from USD(C)/CFO)