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2D SESSION

S. 3902

To provide for auditable financial statements for the Department of Defense, and for other purposes.

IN THE SENATE OF THE UNITED STATES

FEBRUARY 24, 2026

Ms. ERNST introduced the following bill; which was read twice and referred to the Committee on Armed Services

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A BILL

To provide for auditable financial statements for the Department of Defense, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the ''Reviewing Every Check and Each Invoice Purchasing Troops' Supplies Act'' or the ''RECEIPTS Act''.

SEC. 2. FINDINGS.

Congress makes the following findings:

(1) Section 9 of Article I of the Constitution of the United States requires all agencies of the Fed-

eral Government, including the Department of Defense, to publish ''a regular Statement and Account of the Receipts and Expenditures of all public Money''.

(2) Section 3515(a) of title 31, United States Code, requires the agencies of the Federal Government, including the Department of Defense, to present auditable financial statements beginning not later than March 1, 2003. The Department has not complied with this law.

(3) The Federal Financial Management Improvement Act of 1996 (title VIII of division A of Public Law 104–208; 31 U.S.C. 3512 note) requires financial systems acquired by the Federal Government, including the Department of Defense, to be able to provide information to leaders to manage and control the cost of Government. The Department has not complied with this law.

(4) The financial management of the Department of Defense has been on the ''High-Risk'' list of the Government Accountability Office, which means that the Department is not consistently able to ''control costs; ensure basic accountability; anticipate future costs and claims on the budget; measure

performance; maintain funds control; [and] prevent and detect fraud, waste, and abuse''.

(5) In 2005, the Department of Defense created a Financial Improvement and Audit Readiness (FIAR) Plan, overseen by a directorate within the office of the Under Secretary of Defense (Comptroller), to improve Department business processes with the goal of producing timely, reliable, and accurate financial information that could generate an audit-ready annual financial statement. In December 2005, that directorate, known as the FIAR Directorate, issued the first of a series of semiannual reports on the status of the Financial Improvement and Audit Readiness Plan.

(6) Section 1003 of the National Defense Authorization Act for Fiscal Year 2010 (Public Law 111–84; 123 Stat. 2439) required regular status reports on the Financial Improvement and Audit Readiness Plan described in paragraph (5), and codified as a statutory requirement the goal of the Plan in ensuring that Department of Defense financial statements were validated as ready for audit not later than September 30, 2017. In addition, section 1005 of the National Defense Authorization Act for Fiscal Year 2013 (Public Law 112–239) required

that the statement of budgetary resources of the Department of Defense be validated as ready for audit by not later than September 30, 2014. The Department of Defense did not meet these deadlines.

(7) At a June 2025 hearing in the Committee on Armed Services of the Senate, the Department's Acting Comptroller committed to audit-ready budget statements for the Department of War by 2028 by stating, ''Within the next three years, under the secretary's guidance, the remainder of the department will achieve the clean audit opinion.''.

SEC. 3. ENHANCED REPROGRAMMING AUTHORITY FOLLOWING ACHIEVEMENT BY DEPARTMENT OF DEFENSE AND MILITARY DEPARTMENTS OF AUDIT WITH UNQUALIFIED OPINION OF ITS FINANCIAL STATEMENTS FOR FISCAL YEARS AFTER FISCAL YEAR 2028.

(a) DEPARTMENT OF DEFENSE GENERALLY.—If the Department of Defense obtains an audit with an unqualified opinion on financial statements for any fiscal year after fiscal year 2028, the limitation on the total amount of authorizations that the Secretary of Defense may transfer pursuant to general transfer authority available to the Secretary in the national interest in the succeeding fiscal year shall be the greater of $10,000,000,000 or 1 percent

of the total budget authority available to the Department of Defense for that succeeding fiscal year.

(b) MILITARY DEPARTMENTS, DEFENSE AGENCIES, AND DEFENSE FIELD ACTIVITIES.—If a military department, Defense Agency, or Department of Defense Field Activity obtains an audit with an unqualified opinion on its financial statements for any fiscal year after fiscal year 2028, the thresholds for reprogramming of funds of such military department, Defense Agency, or Department of Defense Field Activity, as the case may be, without prior notice to Congress for the succeeding fiscal year shall be deemed to be the thresholds as follows:

(1) In the case of an increase or decrease to the program base amount for a procurement program, $60,000,000.

(2) In the case of an increase or decrease to the program base amount for a research program, $30,000,000.

(3) In the case of an increase or decrease to the amount for a budget activity for operation and maintenance, $45,000,000.

(4) In the case of an increase or decrease to the amount for a budget activity for military personnel, $30,000,000.

(c) RULE OF CONSTRUCTION.—Nothing in this section shall be construed to alter or revise any requirement (other than a threshold amount) for notice to Congress on transfers covered by subsection (a) or reprogrammings covered by subsection (b) under any other provision of law.

(d) DEFINITIONS.—In this section, the terms ''program base amount'', ''procurement program'', ''research program'', and ''budget activity'' have the meanings given such terms in chapter 6 of volume 3 of the Financial Management Regulation of the Department of Defense (DoD 7000.14R), dated March 2011, or any successor regulation.

SEC. 4. CESSATION OF APPLICABILITY OF REPORTING REQUIREMENTS REGARDING THE FINANCIAL STATEMENTS OF THE DEPARTMENT OF DEFENSE AFTER OBTAINING A CLEAN AUDIT OPINION.

(a) CESSATION OF APPLICABILITY.—

(1) MILITARY DEPARTMENTS.—The financial statements of a military department shall cease to be covered by the reporting requirements specified in subsection (b) upon the issuance of an unqualified audit opinion on such financial statements.

(2) DEPARTMENT OF DEFENSE.—The reporting requirements specified in subsection (b) shall cease

to be effective when an unqualified audit opinion is issued on the financial statements of the Department of Defense, including each of the military departments and the other reporting entities defined by the Office of Management and Budget.

(b) REPORTING REQUIREMENTS.—The reporting requirements specified in this subsection are the following:

(1) The requirement for annual reports in section 892(b) of the Ike Skelton National Defense Authorization Act for Fiscal Year 2011 (Public Law 111–383; 124 Stat. 4311).

(2) The requirement for semi-annual reports in section 1003(b) of the National Defense Authorization Act for Fiscal Year 2010 (Public Law 111–84; 123 Stat. 2440).

(3) The requirement for annual reports in section 817(d) of the Bob Stump National Defense Authorization Act for Fiscal Year 2003 (Public Law 107–314; 116 Stat. 2610).

(4) The requirement for periodic reports in section 908(b) of the Defense Acquisition Improvement Act of 1986 (Public Law 99–500; 100 Stat. 1783–140; 10 U.S.C. 2326 note) and duplicate requirements as provided for in section 6 of the Defense

Technical Corrections Act of 1987 (Public Law 100–26; 101 Stat. 274; 10 U.S.C. 2302 note).

SEC. 5. ADDITIONAL DUTIES AND QUALIFICATIONS FOR FAILURE TO OBTAIN AUDITS WITH UNQUALIFIED OPINION OF FISCAL YEAR 2028 FINANCIAL STATEMENTS OF THE DEPARTMENT OF DEFENSE.

(a) IN GENERAL.—If the Department of Defense fails to obtain an audit with an unqualified opinion on its financial statements for fiscal year 2028 by December 31, 2028, the following shall take effect on January 1, 2029:

(1) ADDITIONAL QUALIFICATIONS AND DUTIES OF USD (COMPTROLLER).—

(A) QUALIFICATIONS.—Any individual nominated for appointment to the position of Under Secretary of Defense (Comptroller) under section 135 of title 10, United States Code, shall be an individual who is a Certified Public Accountant (CPA) and has served—

(i) as the chief financial officer or equivalent position of a Federal or State agency that has received an audit with an unqualified opinion on such agency's financial statements during the time of such individual's service; or

(ii) as the chief financial officer or equivalent position of a public company that has received an audit with an unqualified opinion on such company's financial statements during the time of such individual's service.

(B) DUTIES AND POWERS.—The duties and powers of the individual serving as Under Secretary of Defense (Comptroller) shall include, in addition to the duties and powers specified in section 135(c) of title 10, United States Code, such duties and powers with respect to the financial management of the Department of Defense as the Deputy Secretary of Defense (acting in the capacity of Chief Management Officer of the Department of Defense) or a successor official in the Department of Defense (acting in such capacity) may prescribe.

(2) ADDITIONAL QUALIFICATIONS AND RESPONSIBILITIES OF ASA FOR FINANCIAL MANAGEMENT.—

(A) QUALIFICATIONS.—Any individual nominated for appointment to the position of Assistant Secretary of the Army for Financial Management under section 7016 of title 10, United States Code, shall be an individual who

is a Certified Public Accountant (CPA) and who has served—

(i) as the chief financial officer or equivalent position of a Federal or State agency that has received an audit with an unqualified opinion on such agency's financial statements during the time of such individual's service; or

(ii) as the chief financial officer or equivalent position of a public company that has received an audit with an unqualified opinion on such company's financial statements during the time of such individual's service.

(B) RESPONSIBILITIES.—The responsibilities of the individual serving as Assistant Secretary of the Army for Financial Management shall include, in addition to the responsibilities specified in section 7016(b)(4) of title 10, United States Code, such responsibilities as the Deputy Secretary of Defense (acting in the capacity of Chief Management Officer of the Department of Defense) or a successor official in the Department of Defense (acting in such capacity) may prescribe.

(3) ADDITIONAL QUALIFICATIONS AND RESPONSIBILITIES OF ASN FOR FINANCIAL MANAGEMENT.—

(A) QUALIFICATIONS.—Any individual nominated for appointment to the position of Assistant Secretary of the Navy for Financial Management under section 8016 of title 10, United States Code, shall be an individual who is a Certified Public Accountant (CPA) and who has served—

(i) as the chief financial officer or equivalent position of a Federal or State agency that has received an audit with an unqualified opinion on such agency's financial statements during the time of such individual's service; or

(ii) as the chief financial officer or equivalent position of a public company that has received an audit with an unqualified opinion on such company's financial statements during the time of such individual's service.

(B) RESPONSIBILITIES.—The responsibilities of the individual serving as Assistant Secretary of the Navy for Financial Management shall include, in addition to the responsibilities

specified in section 8016(b)(4) of title 10, United States Code, such responsibilities as the Deputy Secretary of Defense (acting in the capacity of Chief Management Officer of the Department of Defense) or a successor official in the Department of Defense (acting in such capacity) may prescribe.

(4) ADDITIONAL QUALIFICATIONS AND RESPONSIBILITIES OF ASAF FOR FINANCIAL MANAGEMENT.—

(A) QUALIFICATIONS.—Any individual nominated for appointment to the position of Assistant Secretary of the Air Force for Financial Management under section 9016 of title 10, United States Code, shall be an individual who is a Certified Public Accountant (CPA) and who has served—

(i) as the chief financial officer or equivalent position of a Federal or State agency that has received an audit with an unqualified opinion on such agency's financial statements during the time of such individual's service; or

(ii) as the chief financial officer or equivalent position of a public company

that has received an audit with an unqualified opinion on such company's financial statements during the time of such individual's service.

(B) RESPONSIBILITIES.—The responsibilities of the individual serving as Assistant Secretary of the Air Force for Financial Management shall include, in addition to the responsibilities specified in section 9016(b)(4) of title 10, United States Code, such responsibilities as the Deputy Secretary of Defense (acting in the capacity of Chief Management Officer of the Department of Defense) or a successor official in the Department of Defense (acting in such capacity) may prescribe.

(b) PUBLIC COMPANY DEFINED.—In this section, the term ''public company'' has the meaning given the term ''issuer'' in section 2(a)(7) of the Sarbanes-Oxley Act of 2002 (15 U.S.C. 7201(7)).

SEC. 6. REQUIRING THE SECRETARY OF DEFENSE TO TRANSFER NON-DEFENSE OPERATIONS OF THE DEFENSE FINANCE AND ACCOUNTING SERVICE (DFAS) AFTER FAILURE TO OBTAIN AUDITS WITH UNQUALIFIED OPINION OF FISCAL YEAR 2028 FINANCIAL STATEMENTS OF THE DEPARTMENT OF DEFENSE.

(a) IN GENERAL.—If the Department of Defense fails to obtain an audit with an unqualified opinion on its financial statements for fiscal year 2028 by December 31, 2028, the Secretary of Defense shall, in coordination with the Secretary of the Treasury and the Director of the Office of Management and Budget (OMB), transfer the non-defense payroll and finance services performed by Defense Finance and Accounting Service (DFAS) to another payroll and finance service in the United States Government.

(b) DEFINITION.—The term ''non-defense payroll and finance services''—

(1) refers to services DFAS provides for other Federal agencies other than the Department of Defense, including the Department of Health and Human Services; and

(2) does not refer to any payroll and finance services provided for military retirees, the Department of Veterans Affairs, or the Executive Office of the President.

SEC. 7. CHANGE IN MISSION STATEMENT FOR DFAS.

The Secretary shall direct DFAS to amend its mission statement and vision to incorporate the following principles:

(1) DFAS is a critical part of the United States military's financial management and accounting team and is not solely providing a pay and finance service to the military services.

(2) DFAS is jointly responsible with the military services for—

(A) accounting for military spending by accurately and timely recording, analyzing, summarizing, and classifying military service financial transactions;

(B) ensuring military service financial transactions are recorded in the military services' financial statements; and

(C) achieving an unqualified audit opinion for the Department of Defense's financial statements.

SEC. 8. AUTHORIZATION FOR ARTIFICIAL INTELLIGENCE, INCLUDING AGENTIC ARTIFICIAL INTELLIGENCE, TO OBTAIN AUDITS WITH UNQUALIFIED OPINION OF FISCAL YEAR 2028 FINANCIAL STATEMENTS OF THE DEPARTMENT OF DEFENSE.

(a) SENSE OF CONGRESS.—It is the sense of Congress that the Department of Defense should, to the maximum extent practicable, utilize technology and software to automate its efforts to prepare and audit its financial statements and minimize the use of additional contractor personnel for this function.

(b) AUTHORIZATION OF APPROPRIATIONS.—In addition to amounts otherwise available, there is authorized to be appropriated for the Department of Defense the following sums:

(1) $150,000,000 for the deployment of automation and artificial intelligence to accelerate the audits of the financial statement of the Department.

(2) $150,000,000 for business systems replacements to accelerate and improve the accuracy of the financial statements of the Department of Defense pursuant to chapter 9A and section 2222 of title 10, United States Code.

(c) OFFSET REQUIRED.—The Secretary of Defense shall terminate for convenience existing contracts for con-

tractor support for consulting services regarding the audit and preparation of financial statements in amounts equal to amounts appropriated pursuant to subsection (b).

SEC. 9. ESTABLISHMENT OF DEPARTMENT OF DEFENSE AUDIT COMMITTEE AND AMENDMENT OF DEPARTMENT OF DEFENSE INSPECTOR GENERAL ROLE IN AUDIT OF FINANCIAL STATEMENTS.

(a) ESTABLISHMENT.—The Secretary of Defense shall establish a committee to be known as the Audit Committee to select and oversee the audit of the financial statements of the Department as performed by an independent external auditor.

(b) MEMBERSHIP.—The Audit Committee shall be composed of the following members:

(1) The Deputy Secretary of Defense, who shall serve as the Chairman of the Audit Committee.

(2) The Chief Information Officer of the Department of Defense.

(3) The Deputy Inspector General (Audit) of the Department of Defense.

(4) An individual appointed by the Chairman of the Committee on Armed Services of the Senate.

(5) An individual appointed by the Ranking Member of the Committee on Armed Services of the Senate.

(6) An individual appointed by the Chairman of the Committee on Armed Services of the House of Representatives.

(7) An individual appointed by the Ranking Member of the Committee on Armed Services of the House of Representatives.

(8) An individual appointed by the Secretary of Defense from the Defense Business Board.

(c) EXCLUDED INDIVIDUALS.—The Audit Committee shall not include the following individuals currently serving in the following roles:

(1) The Under Secretary of Defense (Comptroller)/Chief Financial Officer.

(2) The Deputy Under Secretary of Defense (Comptroller).

(3) The Director, Defense Finance and Accounting Service (DFAS).

(d) QUALIFICATION.—Members of the Audit Committee appointed by the Chairman of the Committee on Armed Services of the Senate and the Chairman of the Committee on Armed Services of the House of Representatives shall be appointed to the Commission from among

individuals who are Certified Public Accountants (CPAs) and who have demonstrated knowledge and experience in the audit of Federal agency financial statements.

(e) AUDITS BY AGENCIES.—Section 3521(a) of title 31, United States Code, is amended—

(1) by inserting ''(1)'' after ''(a)''; and

(2) by adding at the end the following paragraph:

''(2) The audit required under paragraph (1) for the Department of Defense shall be performed by an independent external auditor.''.

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