

(1) The term “budget”, with respect to a fiscal year, means the budget for that fiscal year that is submitted to Congress by the President under section 1105(a) of title 31.

(2) The term “defense budget materials”, with respect to a fiscal year, means the materials submitted to Congress by the Secretary of Defense in support of the budget for that fiscal year.

(3) The term “nuclear command, control, and communications programs” means programs through which presidential authority and operational command and control of nuclear weapons is conducted, including programs that facilitate senior-level decisions on nuclear weapons employment.

(Added Pub. L. 118-31, div. A, title XVI, §1631, Dec. 22, 2023, 137 Stat. 591.)

CHAPTER 9A—AUDIT

- Sec.
- 240a. Audit of Department of Defense financial statements.
- 240b. Financial Improvement and Audit Remediation Plan.
- 240c. Audit: consolidated corrective action plan; centralized reporting system.
- 240d. Audits: audit of financial statements of Department of Defense components by independent external auditors.
- 240e. Audits: use of commercial data integration and analysis products in preparing audits.
- 240f. Audits: selection of service providers for audit services.
- 240g. Defense Business Audit Remediation Plan.
- 240h. Annual report on auditable financial statements.
- 240i. Annual report on unfunded priorities. [251 to 254Renumbered.]

Editorial Notes

AMENDMENTS

2021—Pub. L. 116-283, div. A, title X, §1005(b)(2), Jan. 1, 2021, 134 Stat. 3838, added item 240i.

2019—Pub. L. 116-92, div. A, title X, §§1002(b), 1004(a)(2), Dec. 20, 2019, 133 Stat. 1571, 1573, added items 240g and 240h.

2018—Pub. L. 115-232, div. A, title X, §1002(a)(1)(B), Aug. 13, 2018, 132 Stat. 1945, renumbered items 251 to 254b as 240a to 240f, respectively.

§ 240a. Audit of Department of Defense financial statements

The Secretary of Defense shall ensure that a full audit is performed on the financial statements of the Department of Defense for each fiscal year as required by section 3521(e) of title 31.

(Added Pub. L. 115-91, div. A, title X, §1002(b)(1), Dec. 12, 2017, 131 Stat. 1538, §251; renumbered §240a, Pub. L. 115-232, div. A, title X, §1002(a)(1)(A), Aug. 13, 2018, 132 Stat. 1945; amended Pub. L. 118-31, div. A, title X, §1061(g), Dec. 22, 2023, 137 Stat. 400.)

Editorial Notes

AMENDMENTS

2023—Pub. L. 118-31 struck out subsec. (a) designation and heading before “The Secretary” and struck out subsec. (b). Text of subsec. (b) read as follows: “The Secretary shall submit to Congress the results of the audit performed in accordance with subsection (a) for a

fiscal year by not later than March 31 of the following fiscal year.”

2018—Pub. L. 115-232 renumbered section 251 of this title as this section.

Statutory Notes and Related Subsidiaries

USE OF TECHNOLOGY USING ARTIFICIAL INTELLIGENCE TO FACILITATE AUDIT OF THE FINANCIAL STATEMENTS OF THE DEPARTMENT OF DEFENSE FOR FISCAL YEAR 2025

Pub. L. 118-159, div. A, title X, §1007, Dec. 23, 2024, 138 Stat. 2049, provided that:

“(a) USE OF AI TECHNOLOGY FOR AUDITS.—The Secretary of Defense, the Secretary of the Army, the Secretary of the Navy, and the Secretary of the Air Force shall encourage, to the greatest extent practicable, the use of technology that uses artificial intelligence or machine learning for the purpose of facilitating audits of the financial statements of the Department of Defense.

“(b) IMPLEMENTATION OF AI TECHNOLOGY FOR AUDITS.—The Director of the Chief Digital and Artificial Intelligence Office of the Department, in coordination with the Under Secretary of Defense for Research and Engineering and the Inspector General of the Department, shall oversee the adoption of artificial intelligence and machine learning technologies in support of financial management and enterprise business operations.”

REQUIREMENT FOR UNQUALIFIED OPINION ON DEPARTMENT OF DEFENSE FINANCIAL STATEMENTS

Pub. L. 118-31, div. A, title X, §1005, Dec. 22, 2023, 137 Stat. 379, provided that: “The Secretary of Defense shall ensure that the Department of Defense has received an unqualified opinion on the financial statements of the Department by not later than December 31, 2028.”

REVIEW AND RECOMMENDATIONS ON EFFORTS TO OBTAIN AUDIT OPINION ON FULL FINANCIAL STATEMENTS

Pub. L. 115-91, div. A, title X, §1006, Dec. 12, 2017, 131 Stat. 1544, provided that:

“(a) IN GENERAL.—The Secretary of Defense may establish within the Department of Defense a team of distinguished, private sector experts with experience conducting financial audits of large public or private sector organizations to review and make recommendations to improve the efforts of the Department to obtain an audit opinion on its full financial statements.

“(b) SCOPE OF ACTIVITIES.—A team established pursuant to subsection (a) shall—

“(1) identify impediments to the progress of the Department in obtaining an audit opinion on its full financial statements, including an identification of the organizations or elements that are lagging in their efforts toward obtaining such audit opinion;

“(2) estimate when an audit opinion on the full financial statements of the Department will be obtained; and

“(3) consider mechanisms and incentives to support efficient achievement by the Department of its audit goals, including organizational mechanisms to transfer direction and management control of audit activities from subordinate organizations to the Office of the Secretary of Defense, individual personnel incentives, workforce improvements (including in senior leadership positions), business process, technology, and systems improvements (including the use of data analytics), and metrics by which the Secretary and Congress may measure and assess progress toward achievement of the audit goals of the Department.

“(c) REPORTS.—

“(1) REPORT ON ESTABLISHMENT OF TEAM.—If the Secretary takes action pursuant to subsection (a), the Secretary shall, not later than September 30, 2019, submit to the congressional defense committees [Committees on Armed Services and Appropriations

of the Senate and the House of Representatives] a report on the team established pursuant to that subsection, including a description of the actions taken and to be taken by the team pursuant to subsection (b).

“(2) REPORT ON DETERMINATION NOT TO ESTABLISH TEAM.—If as of June 1, 2019, the Secretary has determined not to establish a team authorized by subsection (a), the Secretary shall submit to the Committees on Armed Services of the Senate and the House of Representatives on that date a report on the determination, including an explanation and justification for the determination.”

§ 240b. Financial Improvement and Audit Remediation Plan

(a) FINANCIAL IMPROVEMENT AND AUDIT REMEDIATION PLAN.—

(1) IN GENERAL.—The Under Secretary of Defense (Comptroller) shall, in consultation with the Performance Improvement Officer of the Department of Defense, maintain a plan to be known as the “Financial Improvement and Audit Remediation Plan”.

(2) ELEMENTS.—The plan required by paragraph (1) shall—

(A) describe specific actions to be taken, including interim milestones with a detailed description of the subordinate activities required, and estimate the costs associated with—

(i) correcting the financial management deficiencies that impair the ability of the Department of Defense to prepare timely, reliable, and complete financial management information;

(ii) ensuring the financial statements of the Department of Defense go under full financial statement audit, and that the Department leadership makes every effort to reach an unmodified opinion as soon as possible;

(iii) ensuring the audit of the financial statements of the Department of Defense for each fiscal year after fiscal year 2020 occurs by not later than March 31 following such fiscal year;

(iv) achieving an unqualified audit opinion for each major element of the statement of budgetary resources of the Department of Defense; and

(v) addressing the existence and completeness of each major category of Department of Defense assets; and

(B) systematically tie the actions described under subparagraph (A) to business process and control improvements and business systems modernization efforts described in section 2222 of this title.

(b) REPORT AND BRIEFING REQUIREMENTS.—

(1) ANNUAL REPORT.—

(A) IN GENERAL.—Not later than July 31 each year, the Under Secretary of Defense (Comptroller) shall submit to the congressional defense committees a report on the status of the implementation by the Department of Defense of the Financial Improvement and Audit Remediation Plan under subsection (a).

(B) ELEMENTS.—Each report under subparagraph (A) shall include the following:

(i) An analysis of the consolidated corrective action plan management summary prepared pursuant to section 240c of this title.

(ii) Current Department of Defense-wide information on the status of corrective actions plans related to critical capabilities and material weaknesses, including the standard data elements recommended in the implementation guide for Office of Management and Budget Circular A-123, for the armed forces, military departments, and Defense Agencies.

(iii) A current description of the work undertaken and planned to be undertaken by the Department of Defense, and the military departments, Defense Agencies, and other organizations and elements of the Department, to test and verify transaction data pertinent to obtaining an unqualified audit of their financial statements, including from feeder systems.

(iv) A current projected timeline of the Department in connection with the audit of the full financial statements of the Department, to be submitted to Congress annually not later than six months after the submittal to Congress of the budget of the President for a fiscal year under section 1105 of title 31, including the following:

(I) The date on which the Department projects the beginning of an audit of the full financial statements of the Department, and the military departments, Defense Agencies, and other organizations and elements of the Department, for a fiscal year.

(II) The date on which the Department projects the completions of audits of the full financial statements of the Department, and the military departments, Defense Agencies, and other organizations and elements of the Department, for a fiscal year.

(III) The dates on which the Department estimates it will obtain an unqualified audit opinion on the full financial statements of the Department, the military departments, the Defense Agencies, and other organizations and elements of the Department for a fiscal year.

(v) A current estimate of the anticipated annual costs of maintaining an unqualified audit opinion on the full financial statements of the Department, the military departments, the Defense Agencies, and other organizations and elements of the Department for a fiscal year after an unqualified audit opinion on such full financial statements for a fiscal year is first obtained.

(vi) A certification of the results of the audit of the financial statements of the Department performed for the preceding fiscal year, and a statement summarizing, based on such results, the current condition of the financial statements of the Department.

(vii) A description of audit activities and results for classified programs, including a