

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

description of the use of procedures and requirements to prevent unauthorized exposure of classified information in such activities.

(viii) An identification of the manner in which the corrective action plan or plans of each department, agency, component, or element of the Department of Defense, and the corrective action plan of the Department as a whole, support the National Defense Strategy (NDS) of the United States.

(2) SEMIANNUAL BRIEFINGS.—(A) Not later than January 31 and July 31 each year, the Under Secretary of Defense (Comptroller) and the comptrollers of the military departments shall provide a briefing to the congressional defense committees on the status of the corrective action plan.

(B) Not later than January 31 and July 31 each year, the Under Secretary of Defense (Comptroller) and the comptrollers of the military departments shall provide a briefing to the congressional defense committees on the status of the corrective action plan.

(3) CRITICAL CAPABILITIES DEFINED.—In this subsection, the term “critical capabilities” means the critical capabilities described in the Department of Defense report titled “Financial Improvement and Audit Readiness (FIAR) Plan Status Report” and dated May 2016.

(c) SELECTION OF AUDIT REMEDIATION SERVICES.—The selection of audit remediation service providers shall be based, among other appropriate criteria, on qualifications, relevant experience, and capacity to develop and implement corrective action plans to address internal control and compliance deficiencies identified during a financial statement or program audit.

(Added and amended Pub. L. 115–91, div. A, title X, § 1002(c)(1)–(3), Dec. 12, 2017, 131 Stat. 1538, § 252; renumbered § 240b and amended Pub. L. 115–232, div. A, title X, § 1002(a)(1)(A), (2)–(c), Aug. 13, 2018, 132 Stat. 1945, 1946; Pub. L. 116–92, div. A, title X, §§ 1003, 1008–1009(b), Dec. 20, 2019, 133 Stat. 1571, 1575, 1576; Pub. L. 116–283, div. A, title X, §§ 1003, 1004(b), 1081(a)(14), Jan. 1, 2021, 134 Stat. 3836, 3837, 3871; Pub. L. 117–81, div. A, title X, § 1081(a)(7), Dec. 27, 2021, 135 Stat. 1920; Pub. L. 118–31, div. A, title IX, § 901(c), title X, § 1061(h), Dec. 22, 2023, 137 Stat. 354, 400; Pub. L. 118–159, div. A, title X, § 1002, Dec. 23, 2024, 138 Stat. 2047.)

Editorial Notes

CODIFICATION

Subsec. (a) of this section, as added by Pub. L. 115–91, is based on text of subsec. (a) of section 1003 of Pub. L. 111–84, div. A, title X, Oct. 28, 2009, 123 Stat. 2439, which was formerly set out as a note under section 2222 of this title, prior to repeal by Pub. L. 115–91, div. A, title X, § 1002(c)(4), Dec. 12, 2017, 131 Stat. 1540.

AMENDMENTS

2024—Subsec. (b)(1)(B)(ix). Pub. L. 118–159 struck out cl. (ix) which read as follows: “A description of the incentives available pursuant to the guidance required by section 1004(a) of the William M. (Mac) Thornberry National Defense Authorization Act for Fiscal Year 2021, including a detailed explanation of how such incentives were provided during the fiscal year covered by the report.”

2023—Subsec. (a)(1). Pub. L. 118–31, § 901(c)(1), substituted “The Under Secretary of Defense (Comptroller) shall, in consultation with the Performance Improvement Officer of the Department of Defense,” for “The Chief Management Officer of the Department of Defense shall, in consultation with the Under Secretary of Defense (Comptroller).”

Subsec. (b)(1)(A). Pub. L. 118–31, § 1061(h)(1)(A), substituted “July 31 each year” for “June 30, 2019, and annually thereafter”.

Subsec. (b)(1)(B)(vii) to (xiii). Pub. L. 118–31, § 1061(h)(1)(B), redesignated cls. (xi) to (xiii) as (vii) to (ix), respectively, and struck out former cls. (vii) to (x) which related to elements to be included in annual reports by the Under Secretary of Defense (Comptroller) covering auditing and audit remediation services under contract where less than 50 percent, or less than 25 percent, of such services were being performed by professionals with certain qualifications.

Subsec. (b)(1)(C). Pub. L. 118–31, § 1061(h)(1)(C), struck out subpar. (C). Text read as follows:

“(i) UNCLASSIFIED FORM.—A description submitted pursuant to clause (vii) or (ix) of subparagraph (B) or a certification submitted pursuant to clause (viii) of such subparagraph shall be submitted in unclassified form, but may contain a classified annex.

“(ii) DELEGATION.—The Secretary may not delegate the submission of a certification pursuant to clause (viii) of subparagraph (B) to any official other than the Deputy Secretary of Defense, the Performance Improvement Officer, or the Under Secretary of Defense (Comptroller).”

Subsec. (b)(1)(C)(ii). Pub. L. 118–31, § 901(c)(2), substituted “the Performance Improvement Officer” for “the Chief Management Officer”.

Subsec. (b)(2)(A). Pub. L. 118–31, § 1061(h)(2)(A), substituted “July 31” for “June 30” and struck out “Such briefing shall include both the absolute number and percentage of personnel performing the amount of auditing services being performed by professionals meeting the qualifications described in section 240d(b) of this title.” after “corrective action plan.”

Subsec. (b)(2)(B). Pub. L. 118–31, § 1061(h)(2)(B), substituted “July 31” for “June 30” and struck out “Such briefing shall include both the absolute number and percentage of personnel performing the amount of audit remediation services being performed by professionals meeting the qualifications described in subsection (c).” after “corrective action plan.”

2021—Subsec. (a)(2)(A)(iii). Pub. L. 116–283, § 1003, substituted “for each fiscal year after fiscal year 2020 occurs by not later than March 31 following such fiscal year;” for “for fiscal year 2018 occurs by not later than March 31, 2019.”

Subsec. (b)(1)(B)(ix). Pub. L. 116–283, § 1081(a)(14)(A), substituted “subsection” for “subsection”.

Subsec. (b)(1)(B)(xii). Pub. L. 116–283, § 1081(a)(14)(B), inserted “of” after “identification”.

Subsec. (b)(1)(B)(xiii). Pub. L. 117–81 substituted “A description” for “An description”.

Pub. L. 116–283, § 1004(b), added cl. (xiii).

2019—Subsec. (b)(1)(B)(i). Pub. L. 116–92, § 1009(b), substituted “section 240c” for “section 253a”.

Subsec. (b)(1)(B)(vii). Pub. L. 116–92, § 1003(a)(1), struck out “or if less than 50 percent of the audit remediation services” after “auditing services” and “and audit remediation activities” after “conducting audits”.

Subsec. (b)(1)(B)(viii). Pub. L. 116–92, § 1003(a)(2), struck out “or if less than 25 percent of the audit remediation services” after “auditing services”.

Subsec. (b)(1)(B)(ix), (x). Pub. L. 116–92, § 1003(c)(1), added cls. (ix) and (x).

Subsec. (b)(1)(B)(xi). Pub. L. 116–92, § 1008(1), added cl. (xi).

Subsec. (b)(1)(B)(xii). Pub. L. 116–92, § 1009(a), added cl. (xii).

Subsec. (b)(1)(C)(i). Pub. L. 116–92, § 1008(2), inserted “or (ix)” after “clause (vii)”.

Subsec. (b)(2). Pub. L. 116–92, § 1003(b), (c)(2), designated existing provisions as subpar. (A), struck out

“or audit remediation” before “services”, and added subpar. (B).

Subsec. (c). Pub. L. 116–92, §1003(d), added subsec. (c). 2018—Pub. L. 115–232, §1002(a)(1)(A), renumbered section 252 of this title as this section.

Subsec. (a)(2)(A)(iii) to (v). Pub. L. 115–232, §1002(a)(2), which directed amendment of subsec. (a)(2) by redesignating cl. (iii), relating to unqualified audit opinion, as (iv) and cl. (iv) as (v), was executed by making the amendment in subpar. (A) of subsec. (a)(2), to reflect the probable intent of Congress.

Subsec. (b)(1)(B)(vii), (viii). Pub. L. 115–232, §1002(c)(1), added cls. (vii) and (viii).

Subsec. (b)(1)(C). Pub. L. 115–232, §1002(c)(2), added subpar. (C).

Subsec. (b)(2). Pub. L. 115–232, §1002(b), inserted at end “Such briefing shall include both the absolute number and percentage of personnel performing the amount of auditing or audit remediation services being performed by professionals meeting the qualifications described in section 240d(b) of this title.”

2017—Subsec. (a). Pub. L. 115–91, §1002(c)(3)(A), which directed substitution of “Financial Improvement and Audit Remediation Plan” for “Financial Improvement and Audit Readiness Plan” in heading, was executed by making the substitution for “Financial Improvement Audit Readiness Plan” to reflect the probable intent of Congress.

Subsec. (a)(1). Pub. L. 115–91, §1002(c)(3)(B)(i), substituted “Financial Improvement and Audit Remediation Plan” for “Financial Improvement and Audit Readiness Plan”.

Pub. L. 115–91, §1002(c)(2)(A), struck out “develop and” before “maintain”.

Subsec. (a)(2)(A). Pub. L. 115–91, §1002(c)(3)(B)(ii)(I)(aa), in introductory provisions, substituted “describe specific actions to be taken, including interim milestones with a detailed description of the subordinate activities required, and estimate the costs associated with” for “describe specific actions to be taken and the costs associated with”.

Subsec. (a)(2)(A)(ii). Pub. L. 115–91, §1002(c)(3)(B)(ii)(I)(bb), substituted “go under full financial statement audit, and that the Department leadership makes every effort to reach an unmodified opinion as soon as possible;” for “are validated as ready for audit by not later than September 30, 2017, and the statement of budgetary resources of the Department of Defense is validated as ready for audit by not later than September 30, 2014; and”.

Subsec. (a)(2)(A)(iii), (iv). Pub. L. 115–91, §1002(c)(3)(B)(ii)(I)(cc), added cl. (iii), relating to unqualified audit opinion, and cl. (iv).

Subsec. (a)(2)(B). Pub. L. 115–91, §1002(c)(3)(B)(ii)(II), inserted “business” before “process and control”, struck out “the business enterprise architecture and transition plan required by” before “section 2222” and substituted period for semicolon at end.

Pub. L. 115–91, §1002(c)(2)(B), substituted “of this title” for “of title 10, United States Code”.

Subsec. (a)(2)(C), (D). Pub. L. 115–91, §1002(c)(3)(B)(ii)(III), struck out subpars. (C) and (D) which read as follows:

“(C) prioritize—

“(i) improving the budgetary information of the Department of Defense, in order to achieve an unqualified audit opinion on the Department’s statements of budgetary resources; and

“(ii) as a secondary goal, improving the accuracy and reliability of management information on the Department’s mission-critical assets (military and general equipment, real property, inventory, and operating materials and supplies) and validating its accuracy through existence and completeness audits; and

“(D) include interim goals, including—

“(i) the objective of ensuring that the financial statement of each of the Department of the Army, the Department of the Navy, the Department of the Air Force, and the Defense Logistics Agency is validated as ready for audit; and

“(ii) a schedule setting forth milestones for elements of the military departments and financial statements of the military departments to be made ready for audit as part of the progress required to meet the objectives established pursuant to clause (i) of this subparagraph and clause (ii) of subparagraph (A) of this paragraph.”

Subsec. (b). Pub. L. 115–91, §1002(c)(3)(C), added subsec. (b).

Statutory Notes and Related Subsidiaries

METRICS TO OPERATIONALIZE AUDIT READINESS

Pub. L. 118–31, div. A, title IX, §920, Dec. 22, 2023, 137 Stat. 372, provided that:

“(a) METRICS REQUIRED.—

“(1) IN GENERAL.—The Secretary of Defense, in coordination with the Secretaries of the military departments, shall develop a set of metrics that reflect the Secretary’s audit remediation goals and metrics to measure progress made by the military departments with respect to such goals.

“(2) FFRDC SUPPORT.—The Secretary of Defense may enter into a contract or other agreement with a federally funded research and development center or university-affiliated research center to support the development of the metrics required under paragraph (1).

“(3) DEADLINE.—The Secretary of Defense shall develop and implement an initial set of metrics under paragraph (1) by not later than April 30, 2025.

“(b) LEADER PERFORMANCE ASSESSMENTS.—

“(1) IN GENERAL.—The Secretary of Defense, in coordination with the Secretaries of the military departments and the Under Secretary of Defense for Personnel and Readiness, shall evaluate means by which the metrics developed under subsection (a) can be used in the performance evaluation of general officers, flag officers, and employees of the military departments who are members of the Senior Executive Service.

“(2) BRIEFING REQUIRED.—Not later than September 30, 2024, the Secretary of Defense shall provide to the Committees on Armed Services of the Senate and the House of Representatives a briefing on the evaluation conducted under paragraph (1). The briefing shall include the following:

“(A) Identification of the general officer, flag officer, and Senior Executive Service positions in the military departments for which it would be appropriate to use the metrics developed under subsection (a) in support of the performance evaluation process.

“(B) Evaluations of available measures to reward or recognize superior or above-average performance with respect to such metrics.

“(C) Assessment of the potential value, and challenges, to integrating such measures into the annual performance evaluations for positions identified under subparagraph (A).

“(D) Any other issues the Secretary considers appropriate.”

INCENTIVES FOR THE ACHIEVEMENT BY THE COMPONENTS OF THE DEPARTMENT OF DEFENSE OF UNQUALIFIED AUDIT OPINIONS ON THE FINANCIAL STATEMENTS

Pub. L. 116–283, div. A, title X, §1004(a), Jan. 1, 2021, 134 Stat. 3837, provided that:

“(a) INCENTIVES REQUIRED.—

“(1) IN GENERAL.—Not later than 180 days after the date of the enactment of this Act [Jan. 1, 2021], the Under Secretary of Defense (Comptroller), acting through the Deputy Chief Financial Officer of the Department of Defense, shall develop and issue guidance to provide incentives for the achievement by each department, agency, and other component of the Department of Defense of unqualified audit opinions on their financial statements.

“(2) APPLICABILITY.—The guidance required under paragraph (1) shall provide incentives for individual

employees in addition to departments, agencies, and components.”

ANNUAL REPORTS ON FUNDING FOR CORRECTIVE ACTION PLANS

Pub. L. 116-92, div. A, title X, § 1009(c), Dec. 20, 2019, 133 Stat. 1576, as amended by Pub. L. 116-283, div. A, title X, § 1081(c)(5), Jan. 1, 2021, 134 Stat. 3873; Pub. L. 118-31, div. A, title X, § 1061(i), Dec. 22, 2023, 137 Stat. 400, provided that: “Not later than 10 days after the submittal to Congress under section 1105(a) of title 31, United States Code, of the budget of the President for any fiscal year after fiscal year 2020, the Secretary of Defense shall submit to the congressional defense committees [Committees on Armed Services and Appropriations of the Senate and the House of Representatives] a report setting forth a detailed estimate of the funding required for such fiscal year to procure, obtain, or otherwise implement each process, system, and technology identified to address the current corrective action plans of the departments, agencies, components, and elements of the Department of Defense, and the corrective action plan of the Department as a whole, for purposes of chapter 9A of title 10, United States Code, during such fiscal year.”

[Pub. L. 116-283, div. A, title X, § 1081(c), Jan. 1, 2021, 134 Stat. 3873, provided that the amendment made by section 1081(c)(5) of Pub. L. 116-283 to section 1009(c) of Pub. L. 116-92, set out above, is effective as of Dec. 20, 2020 (probably should be Dec. 20, 2019) and as if included in Pub. L. 116-92.]

§ 240c. Audit: consolidated corrective action plan; centralized reporting system

The Under Secretary of Defense (Comptroller) shall—

(1) on a bimonthly basis, prepare a consolidated corrective action plan management summary on the status of key corrective actions plans related to critical capabilities for the armed forces and for the components of the Department of Defense that support the armed forces; and

(2) develop and maintain a centralized monitoring and reporting process that captures and maintains up-to-date information, including the standard data elements recommended in the implementation guide for Office of Management and Budget Circular A-123, for key corrective action plans and findings and recommendations Department-wide that pertain to critical capabilities.

(Added Pub. L. 115-91, div. A, title X, § 1002(d), Dec. 12, 2017, 131 Stat. 1540, § 253; renumbered § 240c, Pub. L. 115-232, div. A, title X, § 1002(a)(1)(A), Aug. 13, 2018, 132 Stat. 1945.)

Editorial Notes

AMENDMENTS

2018—Pub. L. 115-232 renumbered section 253 of this title as this section.

§ 240d. Audits: audit of financial statements of Department of Defense components by independent external auditors

(a) AUDITS REQUIRED.—For purposes of satisfying the requirement under section 3521(e) of title 31 for audits of financial statements of Department of Defense components identified by the Director of the Office of Management and Budget under section 3515(c) of such title, the Inspector General of the Department of Defense

shall obtain each year audits of the financial statements of each such component by an independent external auditor.

(b) SELECTION OF AUDITORS.—The selection of independent external auditors for purposes of subsection (a) shall be based, among other appropriate criteria, on their qualifications, independence, and capacity to conduct audits described in subsection (a) in accordance with applicable generally accepted government auditing standards. The Inspector General shall participate in the selection of the independent external auditors.

(c) MONITORING AUDITS.—The Inspector General shall monitor the conduct of all audits by independent external auditors under subsection (a).

(d) REPORTS ON AUDITS.—

(1) IN GENERAL.—The Inspector General shall require the independent external auditors conducting audits under subsection (a) to submit a report on their audits each year to—

(A) the Under Secretary of Defense (Comptroller) as the Chief Financial Officer of the Department of Defense for the purposes of chapter 9 of title 31;

(B) the Controller of the Office of Federal Financial Management in the Office of Management and Budget;

(C) the head of each component audited; and

(D) the appropriate committees of Congress.

(2) APPROPRIATE COMMITTEES OF CONGRESS DEFINED.—In this subsection, the term “appropriate committees of Congress” means—

(A) the Committee on Armed Services, the Committee on Homeland Security and Governmental Affairs, and the Committee on Appropriations of the Senate; and

(B) the Committee on Armed Services, the Committee on Oversight and Government Reform, and the Committee on Appropriations of the House of Representatives.

(e) RELATIONSHIP TO EXISTING LAW.—The requirements of this section—

(1) shall not be construed to alter the requirement under section 3521(e) of title 31 that the financial statements of the Department of Defense as a whole be audited by the Inspector General or by an independent external auditor, as determined by the Inspector General; and

(2) shall not be construed to limit or alter the authorities of the Comptroller General of the United States under section 3521(g) of title 31.

(Added and amended Pub. L. 115-91, div. A, title X, § 1002(e)(1)–(3), Dec. 12, 2017, 131 Stat. 1541, § 254; renumbered § 240d, Pub. L. 115-232, div. A, title X, § 1002(a)(1)(A), Aug. 13, 2018, 132 Stat. 1945; Pub. L. 118-31, div. A, title IX, § 901(d), Dec. 22, 2023, 137 Stat. 354.)

Editorial Notes

CODIFICATION

Text of section, as added by Pub. L. 115-91, is based on text of section 1005 of Pub. L. 114-92, div. A, title X, Nov. 25, 2015, 129 Stat. 961, which was formerly set out