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February 8, 2018

The Honorable James Mattis  
Secretary  
United States Department of Defense  
Washington, DC 20520

Dear Secretary Mattis:

To provide for our common defense in the new era of strategic competition heralded in the 2018 National Defense Strategy, we must fundamentally reform the Department of Defense (DOD). As we do so, taxpayers must have trust and confidence that their hard-earned dollars are being spent wisely. If such trust and confidence cannot be built and justified, it will be incredibly difficult to achieve the three to five percent real growth in defense spending you have identified as necessary to meet mission requirements. In support of restoring that trust, I write to you today regarding an audit of the Defense Logistics Agency (DLA) conducted on behalf of the DOD Inspector General, the results of which recently were made public, and to better understand DOD's plan for conducting the consolidated audit and translating audit findings into better business practices.

As you are no doubt aware, in the DLA audit that was the subject of a February 5, 2017, Politico article, the auditing firm, Ernst & Young, LLP, was unable to express an opinion on the fiscal year (FY) 2017 DLA General Fund Financial Statements owing to "unresolved accounting issues and material weaknesses in internal controls." The independent auditors cited an inability to ensure the accuracy of financial statements related to hundreds of millions of dollars of construction-in-progress contracts and internal software. They also noted problems reconciling DLA's ledger with that of the Treasury Department, weaknesses in the agency's financial IT software, and a general lack of oversight mechanisms.

As an accountant, I appreciate the complexities of conducting a consolidated audit of the DOD and Comptroller David Norquist's committed efforts in this regard. While this initiative may be far overdue, I recognize it will take some time for the Pentagon to fundamentally improve its financial accounting systems. We cannot, however, be dissuaded by the long-term nature of the task.

Accordingly, as part of your review, I respectfully request that you provide responses to the following:

- DOD will spend more than \$900 million on audit-related programs in FY 2018, 60 percent of which will be used to rectify problems identified by the independent auditor. Please provide a line-item breakdown of the \$551 million in spending for remediation to allow Congress to better understand how the DOD is translating audit findings into changes in its business practices.

- To aid Congress in its fiscal planning, please provide, separately or as a part of DOD's congressional budget justification, a standard annual Future Years Defense Program outlook for spending related to the consolidated audit.
- As the consolidated audit effort continues, there will surely be many more painful findings. When does DOD estimate it might achieve a clean overall opinion?
- Comptroller Norquist has mentioned in testimony that audit-related training has been implemented for the financial management community but must be expanded throughout DOD. Are there other areas in which increased funding today might hasten the achievement of a clean audit or contribute meaningfully to improved business practices?
- Understanding how the audit's findings are translating into better business practices at DOD will be crucial to continued congressional support of the audit. Please provide a list of savings identified to date from actions taken in response to the consolidated audit's findings.
- Comptroller Norquist has also mentioned the potential of the consolidated audit to discover inefficiencies created by disruptions in normal budgeting, such as continuing resolutions. Please explain how such discoveries might help us understand how the broken budget process creates waste and inefficiency within DOD.

To benefit from your responses to the above as Congress begins the FY 2019 budget process, I respectfully ask that such responses be provided before March 15, 2018. Thank you in advance for your prompt attention to this matter, as well as for your continued efforts to drive reforms in the Pentagon and service to our country. I look forward to working with you on ensuring the lasting success of this important task.

Respectfully,



Michael B. Enzi  
Chairman  
Committee on the Budget