



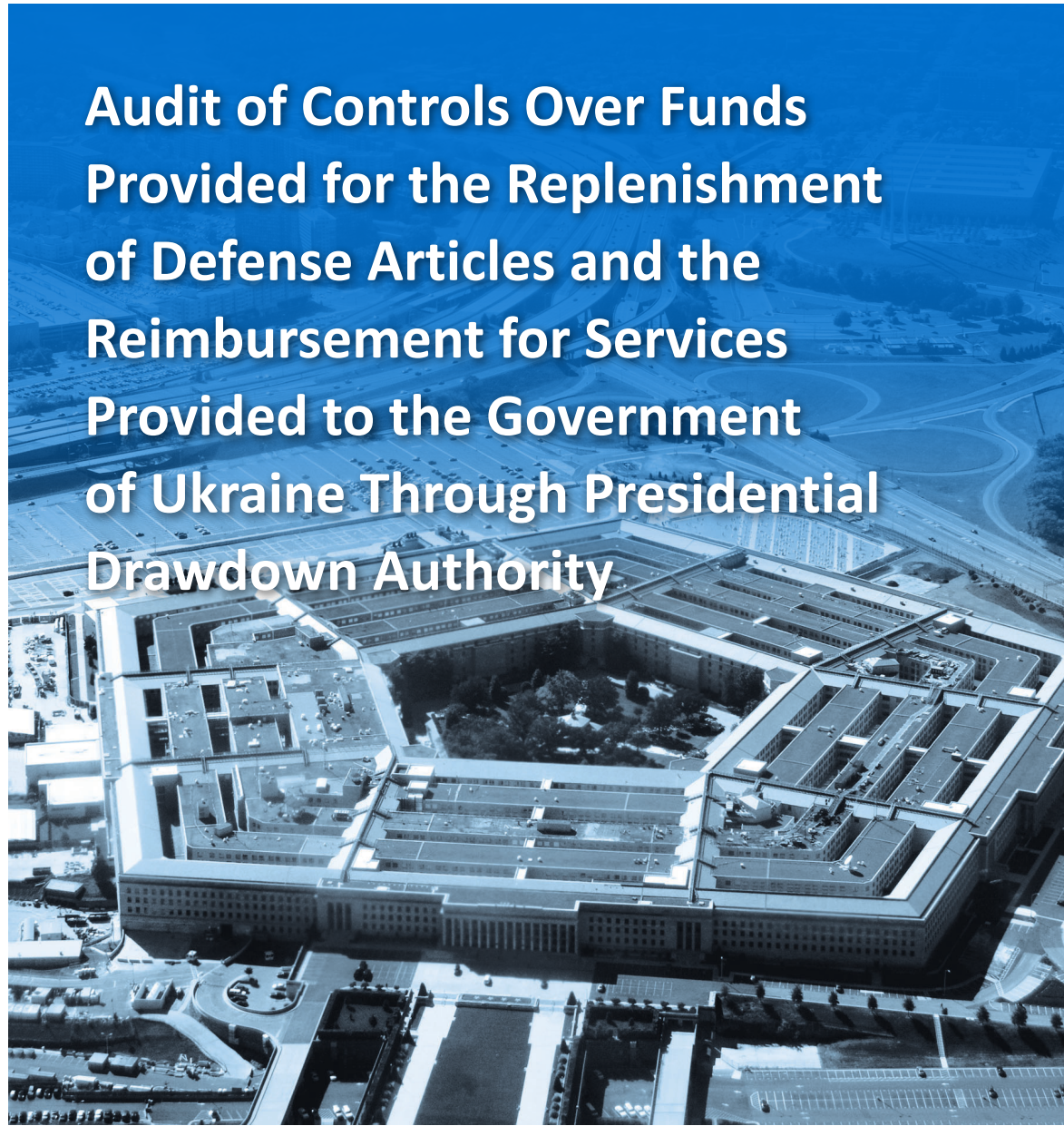
INSPECTOR GENERAL

U.S. Department of Defense

AUGUST 13, 2025



Audit of Controls Over Funds Provided for the Replenishment of Defense Articles and the Reimbursement for Services Provided to the Government of Ukraine Through Presidential Drawdown Authority



INDEPENDENCE ★ INTEGRITY ★ EXCELLENCE ★ TRANSPARENCY





Results in Brief

Audit of Controls Over Funds Provided for the Replenishment of Defense Articles and the Reimbursement for Services Provided to the Government of Ukraine Through Presidential Drawdown Authority

August 13, 2025

Objective

The objective of this audit was to assess the effectiveness of the DoD's internal controls over the use of funds appropriated for the replenishment of defense articles and the reimbursement for services provided to Ukraine under Presidential Drawdown Authority (PDA).

Background

Since February 2022, the Ukraine Supplemental Appropriations Acts provided the DoD \$39.3 billion in replenishment funds to offset the impact on DoD combat readiness from providing \$31.8 billion worth of equipment, munitions, and services to Ukraine. The Military Departments (MILDEPs) were authorized to use the funds to replace defense articles or reimburse costs for services and training provided to Ukraine under PDA.

Findings

The DoD did not effectively maintain internal controls over the use of funds appropriated for the replacement of defense articles and reimbursement for services provided to Ukraine under PDA. From our nonstatistical sample of 80 reprogramming actions, we identified that 32 sampled actions, valued at \$5.7 billion, did not have proper supporting documentation for the cost estimates used to request replenishment funds.

Additionally, the DoD did not have effective controls to ensure excess funds were consistently returned to the Office of the Under Secretary of Defense (Comptroller)/Chief Financial Officer, DoD (OUSD[C]/CFO), and made

Findings (cont'd)

available to the MILDEPs to procure other defense articles or reimburse other services provided to Ukraine. We identified 3 sampled reprogramming actions with untimely returns of \$29.5 million and 33 sampled actions with \$519.6 million in excess funds that were not returned for reallocation.

We also determined that the DoD inaccurately reported its execution of Ukraine replenishment funding to Congress by overstating obligations and disbursements. This occurred because the OUSD(C)/CFO and MILDEPs did not establish and implement adequate processes to request replenishment funds and internal controls to monitor funding to ensure the funds were used as intended, returned in a timely manner if not used, and properly reported to Congress.

As a result, we identified \$1.92 billion in potential monetary benefits. We consider \$1 billion in unsupported sampled amounts to be questioned costs. Additionally, the mismanagement of funding led to missed opportunities to use \$920 million of replenishment funding, of which, \$315.3 million had expired and the MILDEPs mistakenly believed the remaining \$604.7 million was expired or unusable. The ineffective management of replenishment funds impacts the DoD's ability to purchase items from the \$38.6 billion backlog of weapon stocks awaiting replacement, which adversely affects force readiness, lethality, and conflict deterrence. Until the DoD implements sufficient policy and related controls to monitor and properly report funding execution, the DoD cannot provide assurance to the public, DoD leadership, and Congress that the DoD is effectively using Ukraine replenishment funding.

Recommendations

Among other recommendations, we recommend that the Under Secretary of Defense (Comptroller)/Chief Financial Officer, DoD, and the MILDEPs update guidance, develop



Results in Brief

Audit of Controls Over Funds Provided for the Replenishment of Defense Articles and the Reimbursement for Services Provided to the Government of Ukraine Through Presidential Drawdown Authority

Recommendations (cont'd)

policies and procedures related to retaining supporting documentation, review the 12 sampled reprogramming actions with questioned costs, and develop monitoring controls over replenishment funds. In addition, they should perform a comprehensive review to identify excess unexpired funds and evaluate whether the funds can be used to replace other items provided to Ukraine.

Management Comments and Our Response

The official Performing the Duties of the Under Secretary of Defense (Comptroller)/Chief Financial Officer, DoD and financial management officials from the Army, Navy, Air Force, and Marine Corps agreed or partially agreed with all the recommendations. All recommendations are resolved but will remain open. We will close the recommendations when we verify that management has implemented corrective actions. Please see the Recommendations Table on the next page for the status of the recommendations.

Recommendations Table

| Management | Recommendations Unresolved | Recommendations Resolved | Recommendations Closed |
|--|----------------------------|---|------------------------|
| Under Secretary of Defense (Comptroller)/ Chief Financial Officer, DoD | None | A.1.a, A.1.b, A.1.c, A.1.d, A.1.e, A.1.f, B.1.a, B.1.b, B.1.c | None |
| Assistant Secretary of the Army (Financial Management and Comptroller) | None | A.1.d, A.1.f, B.1.c | None |
| Assistant Secretary of the Navy (Financial Management and Comptroller) | None | A.1.d, A.1.f, B.1.c | None |
| Assistant Secretary of the Air Force (Financial Management and Comptroller) | None | A.1.d, A.1.f, B.1.c | None |
| Assistant Deputy Commandant for Programs and Resources of the Marine Corps | None | A.1.d, B.1.c | None |

Note: The following categories are used to describe agency management's comments to individual recommendations.

- **Unresolved** – Management has not agreed to implement the recommendation or has not proposed actions that will address the recommendation.
- **Resolved** – Management agreed to implement the recommendation or has proposed actions that will address the underlying finding that generated the recommendation.
- **Closed** – The DoD OIG verified that the agreed upon corrective actions were implemented.





OFFICE OF INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
4800 MARK CENTER DRIVE
ALEXANDRIA, VIRGINIA 22350-1500

August 13, 2025

MEMORANDUM FOR UNDER SECRETARY OF DEFENSE FOR ACQUISITION AND SUSTAINMENT
UNDER SECRETARY OF DEFENSE FOR POLICY
UNDER SECRETARY OF DEFENSE (COMPTROLLER)/CHIEF FINANCIAL
OFFICER, DOD
DIRECTOR, DEFENSE SECURITY COOPERATION AGENCY
AUDITOR GENERAL, DEPARTMENT OF THE ARMY
AUDITOR GENERAL, DEPARTMENT OF THE NAVY
AUDITOR GENERAL, DEPARTMENT OF THE AIR FORCE

SUBJECT: Audit of Controls Over Funds Provided for the Replenishment of Defense Articles
and the Reimbursement for Services Provided to the Government of Ukraine
Through Presidential Drawdown Authority (Report No. DODIG-2025-137)

This final report provides the results of the DoD Office of Inspector General's audit. We previously provided copies of the draft report and requested written comments on the recommendations. We considered management's comments on the draft report when preparing the final report. These comments are included in the report.

The official Performing the Duties of the Under Secretary of Defense (Comptroller)/Chief Financial Officer, DoD and financial management officials from the Army, Navy, Air Force, and Marine Corps agreed to address all the recommendations presented in the report; therefore, we consider the recommendations resolved and open. We will close the recommendations when you provide us documentation showing that all agreed-upon actions to implement the recommendations are completed. Therefore, please provide us within 90 days your response concerning specific actions in process or completed on the recommendations. Send your unclassified response to [REDACTED].

If you have any questions, please contact me at [REDACTED].

Lorin T. Venable

Lorin T. Venable, CPA
Assistant Inspector General for Audit
Financial Management and Reporting

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Introduction

Objective

The objective of this audit was to assess the effectiveness of the DoD's internal controls over the use of funds appropriated for the replenishment of defense articles and the reimbursement for services provided to Ukraine under Presidential Drawdown Authority (PDA). Specifically, we assessed the DoD's process for estimating the value of replenished defense articles and supporting the estimated value of defense articles and actual cost for services. We also assessed whether the DoD used the requested funds for the replenishment of defense articles and the reimbursement for services provided to Ukraine under PDA and whether the Military Departments (MILDEPs) returned unused funds in a timely manner.¹ See Appendix A for the scope and methodology and Appendix B for prior coverage related to the audit objectives.

Background

Since Russia's full-scale invasion of Ukraine in February 2022, there have been 74 drawdown orders totaling \$31.8 billion that provided a variety of services and defense articles from DoD and MILDEPs stocks to Ukraine. Those defense articles included military vehicles, military aircraft, medical equipment and supplies, weapon system spare parts, ammunition, tactical missiles, uninstalled engines, clothing, and body armor.

Ukraine Supplemental Appropriations

The Ukraine Supplemental Appropriations Acts provided the DoD \$39.3 billion in replenishment funds to offset the impact on DoD combat readiness from providing \$31.8 billion in PDA to Ukraine.² The DoD was authorized to use the funds to purchase new defense articles and reimburse costs for services and training provided to Ukraine. The funds began in an Operation and Maintenance (O&M) Defense-Wide transfer account managed by the Office of the Under Secretary of Defense (Comptroller)/Chief Financial Officer, DoD (OUSD[C]/CFO). The MILDEPs requested replenishment funding to:

- buy exact replacements of weapons delivered to Ukraine;
- buy newer, modern variants of weapons delivered to Ukraine;

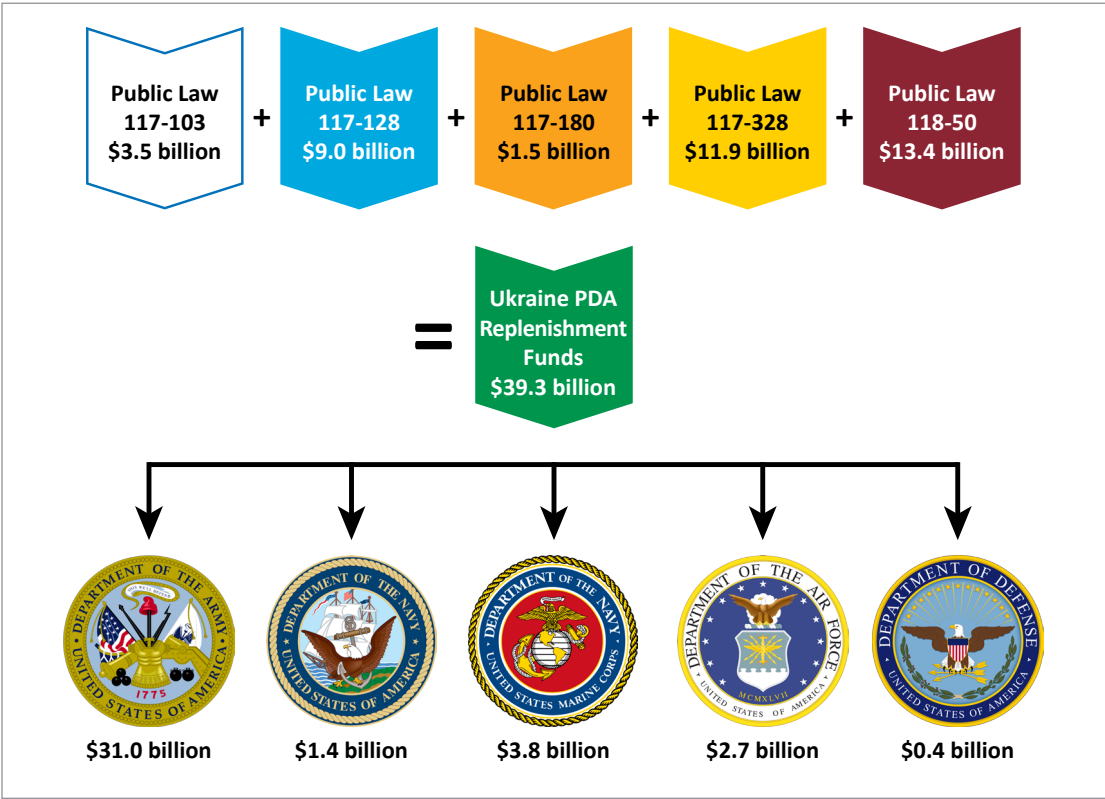
¹ The term "MILDEP" refers to the Departments of the U.S. Army, U.S. Navy, U.S. Air Force, and Defense agencies within this report. Although the U.S. Marine Corps is considered a service branch within the Department of the Navy, the Marine Corps is reported separately in this report as a MILDEP.

² Public Law 117-103, "Consolidated Appropriations Act, 2022," March 15, 2022. Public Law 117-128, "Additional Ukraine Supplemental Appropriations Act, 2022," May 21, 2022. Public Law 117-180, "Continuing Appropriations and Ukraine Supplemental Appropriations Act, 2023," September 30, 2022. Public Law 117-328, "Consolidated Appropriations Act, 2023," December 29, 2022. Public Law 118-50, "Ukraine Security Supplemental Appropriations Act, 2024," April 24, 2024. Public Law 118-50 also provided \$6.4 billion in direct replenishment funding to the MILDEPs; however, those funds were not included in the scope of our audit.

- invest in the defense industrial base to accelerate the production of weapons; and
- reimburse service costs, including the cost of transportation, training, or other defense services provided to Ukraine.

To move Ukraine replenishment funds to the MILDEP accounts, the OUSD(C)/CFO developed what is referred to as a “tranche.”³ The OUSD(C)/CFO used DD Form 1415-3, “Reprogramming Action – Internal Reprogramming,” to document each tranche that transferred replenishment funding from the Defense-Wide account to the MILDEP accounts for execution.⁴ The OUSD(C)/CFO required the MILDEPs to return excess funds back to the Defense-Wide account to reallocate the funds on another tranche.⁵ As of December 2024, the OUSD(C)/CFO had issued 28 tranches, to transfer \$39.3 billion of Ukraine replenishment funds to the MILDEPs for execution. Figure 1 shows the replenishment funding by public law and the allocation to the MILDEPs as of December 2024.

Figure 1. Replenishment Funding Allocation to the MILDEPs as of December 2024



Source: The DoD OIG and OUSD(C)/CFO.

³ The word “tranche” is used in relation to the PDA replenishment process to signify a portion of the appropriated amount.

⁴ The Ukraine Supplemental Appropriations Acts provide robust transfer authority that allow the funds to be transferred from the O&M Defense-Wide account to MILDEP O&M and procurement accounts. Once transferred, the funds are available for the same purposes and for the same time period as the accounts they are transferred into.

⁵ Excess occurs when the actual cost to replace defense articles or reimburse services is less than originally estimated.

The OUSD(C)/CFO submitted monthly Ukraine replenishment funding execution reports to Congress. Table 1 shows the replenishment funding execution the OUSD(C)/CFO reported to Congress as of December 2024.

Table 1. Ukraine Replenishment Funding Execution from the December 2024 DoD Report to Congress

| Public Law | Amount Appropriated to the O&M Defense-Wide Account (in Millions) | Amount Reported as Obligated by the OUSD(C) (in Millions) | Amount Reported as Disbursed by the OUSD(C) (in Millions) | Amount Reported as Unobligated by the OUSD(C) (in Millions) |
|--------------|---|---|---|---|
| 117-103 | \$3,500.0 | \$3,370.0 | \$1,725.6 | \$129.9 |
| 117-128 | 9,050.0 | 8,559.0 | 3,255.2 | 491.0 |
| 117-180 | 1,500.0 | 1,458.9 | 109.3 | 41.1 |
| 117-328 | 11,880.0 | 11,445.5 | 1,871.4 | 434.5 |
| 118-50 | 13,414.4 | 1,046.1 | 76.0 | 12,368.3 |
| Total | \$39,344.4 | \$25,879.5 | \$7,037.6 | \$13,464.9 |

Note: Totals may not equal the actual sum because of rounding.

Source: The OUSD(C)/CFO.

The Ukraine PDA Replenishment Process

From March 15, 2022, through June 1, 2023, the DoD did not have formal documented policies and procedures associated with requesting, distributing, or returning replenishment funds. During this time, the MILDEPs submitted spreadsheets to request replenishment funds. The Office of the Under Secretary of Defense for Acquisition and Sustainment (OUSD[A&S]) and the OUSD(C)/CFO reviewed and approved the MILDEP funding requests before funds were transferred to the MILDEPs for execution.

On June 1, 2023, the Under Secretary of Defense (Comptroller)/Chief Financial Officer, DoD (USD[C]/CFO), established the “General Business Rules for Use of Drawdown Authority and Replacement of Items and Reimbursement for Services Provided Under Drawdown Authority” (2023 GBRs). The 2023 GBRs outlined the roles and responsibilities for the OUSD(C)/CFO; OUSD(A&S); Defense Security Cooperation Agency (DSCA); and MILDEPs. The 2023 GBRs established requirements for the MILDEP Financial and Acquisition offices to review and

approve each replenishment funding request package and certify that the defense articles had been delivered to Ukraine and reported in the DSCA 1000 System.⁶ The 2023 GBRs outlined requirements for MILDEPs to return excess funds and prohibited excess funds from being used to replace other items or reimburse other services.

The DoD began using the Advancing Analytics (ADVANA) system on Tranche 14, dated August 2, 2023.⁷ ADVANA provides the MILDEPs with the ability to input PDA replenishment requests against the PDA delivery data that is uploaded from the DSCA 1000 System. Due to the volume of defense articles needing to be replaced, the estimated replacement cost greatly exceeds the amount of Ukraine PDA replenishment funds available, creating a large backlog of funding requests. The OUSD(C)/CFO reported that as of February 24, 2025, the backlog of requests for replenishment funding was \$38.6 billion.

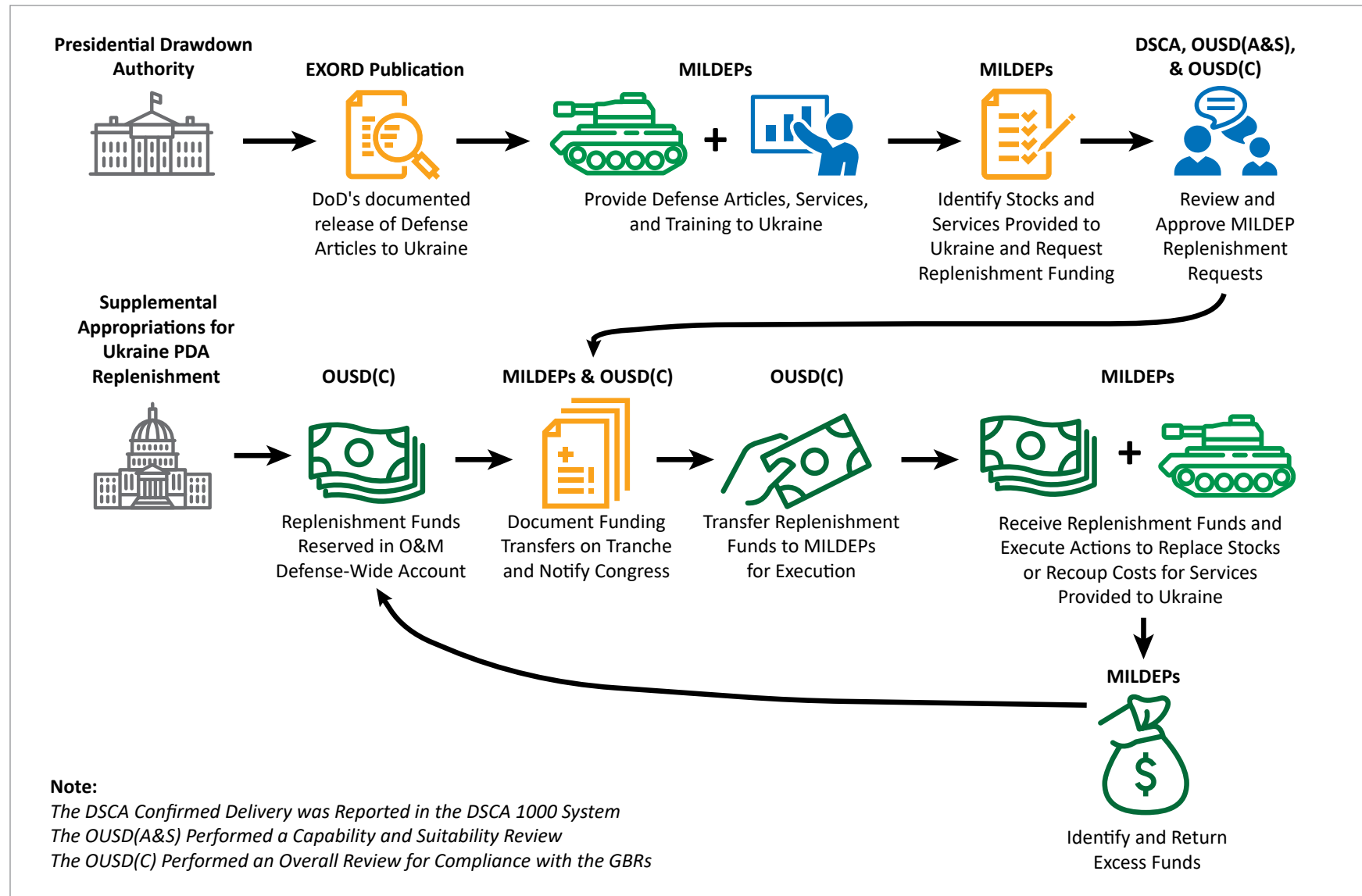
For the Ukraine PDA replenishment process, the OUSD(C)/CFO, OUSD(A&S), and DSCA used a multistep reprogramming approval process within ADVANA to perform reviews of MILDEP funding requests. ADVANA documented the reprogramming actions and the DoD approvals. After reprogramming actions were approved in ADVANA, the USD(C)/CFO signed the DD Form 1415-3 and notified Congress of plans to transfer Ukraine replenishment funds to the MILDEPs for execution.⁸ Figure 2 shows a general overview of the Ukraine PDA replenishment process.

⁶ Replenishment request packages identify the stocks and services that were provided to Ukraine and the estimated replacement or reimbursement costs. The DSCA 1000 System is the information management system for tracking, maintaining, and aggregating drawdown data to fulfill management information needs and meet legislative reporting requirements. Each Service or Defense agency must enter the appropriate delivery data into the system at least monthly.

⁷ The OUSD(C)/CFO uses ADVANA as the DoD's single enterprise data and analytics platform. The OUSD(C)/CFO uses data from ADVANA to report replenishment funding execution to Congress monthly.

⁸ The Ukraine Supplemental Appropriations Acts require the DoD to notify Congress with the details of planned Ukraine replenishment funding transfers no less than 15 or 30 days before the transfer, depending on the public law. This process enables Congress to review the DoD's plans and ask questions before the funds are released to the MILDEPs for execution.

Figure 2. Overview of the Ukraine PDA Replenishment Process



Source: The DoD OIG.

Finding A

The DoD Did Not Fully Support Replenishment Cost Estimates

The DoD did not effectively maintain internal controls over the use of funds appropriated for the replacement of defense articles and reimbursement for services provided to Ukraine under PDA. Specifically, we identified 32 reprogramming actions, valued at \$5.7 billion, from our nonstatistical sample of 80 reprogramming actions (reprogrammed under Tranches 1 through 23) that did not have proper supporting documentation for the cost estimates used to request Ukraine PDA replenishment funds. This occurred because the:

- DoD did not establish adequate processes to handle the size, scale, and tempo of the PDA replenishment program;
- MILDEPs did not use actual costs when requesting funds for reimbursement and were provided more funds than were required to reimburse the costs of transportation or other services provided to Ukraine; and
- DoD did not establish a standard process for management reviews of requests for Ukraine PDA replenishment funds until the 2023 GBRs were created.

As a result of the lack of effective internal controls over the use of replenishment funds, the OUSD(C)/CFO and the MILDEPs ineffectively managed funding. We consider \$1 billion in unsupported sampled amounts to be questioned costs because the MILDEPs' costs were not supported by adequate documentation.⁹ These questioned costs could have been used towards the Ukraine PDA replacement backlog for supporting the warfighter through the defense industrial base; providing new or modernized equipment, munitions, or missiles; and improving combat effectiveness, lethality, and conflict deterrence.¹⁰ The Secretary of Defense provided a priority listing of 17 categories, that included munitions and energetics organic industrial bases, which would be supported by reducing the PDA replacement backlog. Overall, greater stewardship of taxpayer funds is needed to improve management of funding and to improve warfighter effectiveness.

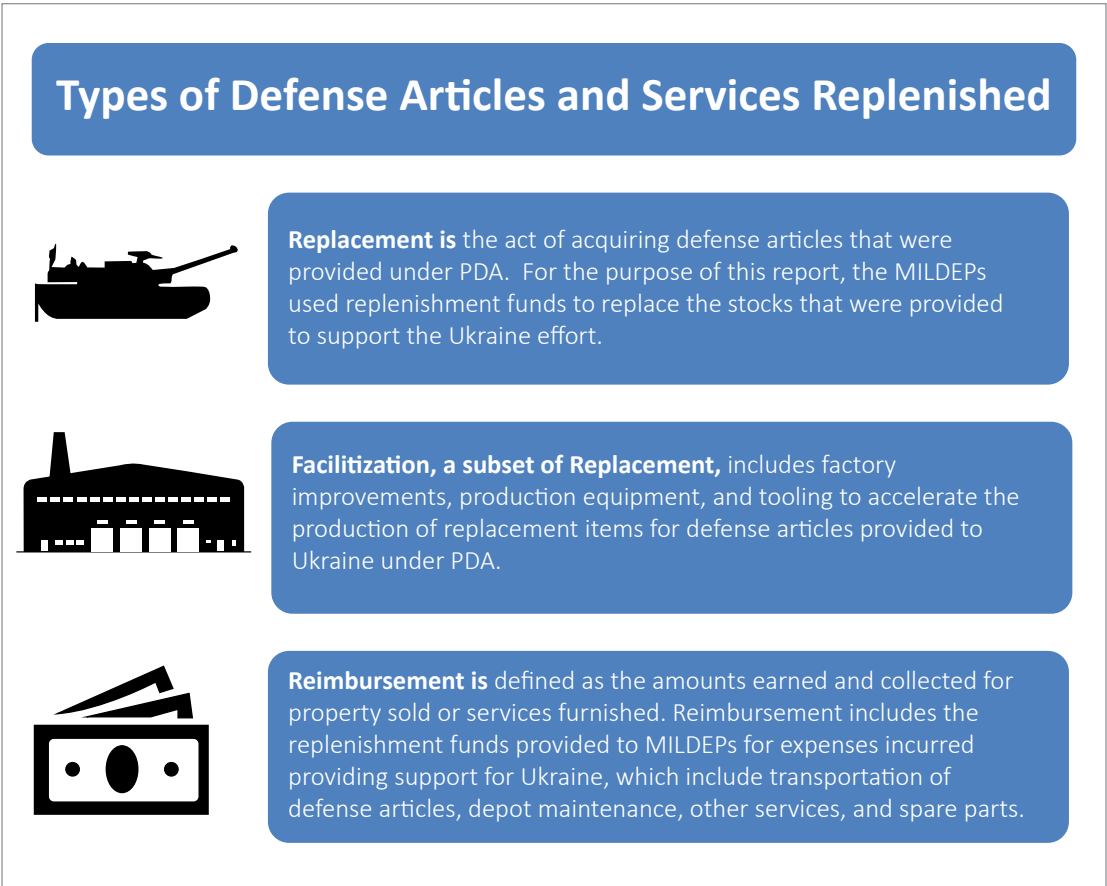
⁹ Questioned costs are incurred costs that are questioned because of an alleged violation of a provision of a law, regulation, contract, grant, cooperative agreement, or other agreement or document governing the expenditure of funds; a finding that, at the time of the audit, such cost is not supported by adequate documentation; or a finding that the expenditure of funds for the intended purpose is unnecessary or unreasonable. We determined there was \$825.4 million in questioned costs related to services and transportation, and another \$194.4 million in questioned costs related to the replacement of defense articles provided to Ukraine. See Appendix C for more details on questioned costs.

¹⁰ The DoD's Ukraine PDA replacement backlog estimate consisted of defense articles and services, valued at \$38.6 billion as of February 2025.

Types of Defense Articles and Service Replenishments

We identified three categories of defense articles and services that had reprogramming actions associated with tranches. These included replacement, facilitization (a subset of replacement), and reimbursement. Figure 3 shows an overview of the types of defense articles and services associated with reprogramming actions.

Figure 3. Types of Defense Articles and Services Replenished Using Ukraine Supplemental Funding



Source: The DoD OIG and DoD Regulation 7000.14-R, “DoD Financial Management Regulation,” “Glossary,” January 2024.

The MILDEPs replaced the defense articles that were transferred to Ukraine with the same items or items with similar characteristics. This included replacing defense articles transferred to Ukraine with similar assets or with upgrades to existing technologies. The MILDEPs calculated replacement costs for defense articles transferred to Ukraine using a variety of different methods; however, the MILDEPs did not have a standard method of estimation. Facilitization estimates were calculated by a variety of methods, such as using contractor quotes, Independent

Government Cost Estimates, or historical costs. Reimbursement of transportation and other services for Ukraine PDA should have been based on the actual costs incurred by the MILDEPs to provide the service.

Government Accountability Office Guidance for Establishing a Supportable Cost Estimate

The DoD and its MILDEPs developed cost estimates as a means of obtaining reprogramming actions for replacement of defense articles and reimbursement of services provided to Ukraine. The Government Accountability Office (GAO) established comprehensive guidance on developing cost estimates.¹¹ In the guidance, the GAO states, “Thorough documentation is essential for validating and defending a cost estimate.” A well-documented cost estimate:

- shows the source data used, the reliability of the data, and the estimating methodology used to derive each element’s cost;
- describes how the estimate was developed so that a cost analyst unfamiliar with the program could understand what was done and replicate it;
- verifies that the technical baseline description and the data in the technical baseline are consistent with the cost estimate; and
- provides evidence that the cost estimate was reviewed and accepted by management.

Delivery of Defense Articles in Prior Reports Found Unreliable

The MILDEPs used the delivery information in the DSCA 1000 System to start the reimbursement request even though there were known issues with the delivery information. The DoD OIG and GAO issued reports that had similar findings showing inadequacies with the delivery of defense articles associated with PDA. Specifically, the reports found that the DoD did not clearly define when MILDEPs should record the delivery of defense articles or provide clear instructions for how to confirm delivery.¹² As a result, MILDEPs recorded defense articles as delivered while they were in transit, weeks before they arrived in Ukraine. MILDEPs used the data in the DSCA 1000 System to request funding for replacement of defense articles transferred to Ukraine through PDA that had already been delivered. As a result of these audit findings, we did not rely on the recorded delivery information in the DSCA 1000 System for testing purposes.

¹¹ Report No. GAO-20-195G, “GAO Cost Estimating and Assessment Guide: Best Practices for Developing and Managing Program Costs,” March 12, 2020.

¹² Report No. DODIG-2025-037, “Evaluation of the Accountability of Presidential Drawdown Authority Defense Item Deliveries to Ukraine,” November 15, 2024. Report No. GAO-24-106289, “DoD Should Improve Data for Both Defense Article Delivery and End-Use Monitoring,” March 2024.

The Military Departments Did Not Provide Supported Reprogramming Actions

The DoD did not effectively maintain internal controls over the use of funds appropriated for the replacement of defense articles and reimbursement for services provided to Ukraine under PDA. Specifically, we identified 32 reprogramming actions, valued at \$5.7 billion, from our sample of 80 reprogramming actions (reprogrammed under Tranches 1 through 23) that did not have proper supporting documentation for the cost estimates used to request replenishment funds. Table 2 shows the reprogramming actions in our sample, organized by type of reprogramming action and whether the actions were supported or unsupported, as well as the dollar value of unsupported actions.

We identified 32 reprogramming actions, valued at \$5.7 billion, from our sample of 80 reprogramming actions that did not have proper supporting documentation.

Table 2. Supported and Unsupported Reprogramming Actions in Our Sample, Organized by Type

| Type of Reprogramming Action | Number of Reprogramming Actions | Supported Reprogramming Actions | Unsupported Reprogramming Actions | Dollar Amount of Unsupported Reprogramming Actions (in Millions) |
|------------------------------|---------------------------------|---------------------------------|-----------------------------------|--|
| Replacement | 71 | 48 | 23 | \$4,452.7 |
| Reimbursement | 9 | 0 | 9 | 1,257.8 |
| Total | 80 | 48 | 32 | \$5,710.5 |

Source: The DoD OIG.

Of the 80 reprogramming actions in our sample, 71 sampled actions related to the replacement of assets, and 9 sampled actions related to the reimbursement for services. The MILDEPs failed to provide supporting documentation for the replacement of assets (equipment, ammunition, missiles, and facilitization) for 23 of the 71 replacement actions in our sample, valued at \$4.5 billion.¹³ For reimbursement of services provided to Ukraine, the MILDEPs failed to provide supporting documentation for all 9 reimbursement actions in our sample, valued at \$1.3 billion.

¹³ For facilitization, there were 15 facilitization actions, valued at \$2.3 billion, that were included in the results of the replacement items tested from our sample. Many of the facilitization actions were included in the same reprogramming actions for replacing defense articles, such as 155mm Artillery Projectiles.

Replacement Actions Lacked Support to Reconcile Estimates

The OUSD(C)/CFO reprogrammed \$20.8 billion to the MILDEPs for replacement of missiles, ammunition, weapons tracked vehicles, body armor, assault crafts, and parts associated with items provided in the PDA drawdown. Although Congress gave the MILDEPs authority to replace DoD equipment that resulted from the PDA drawdown, the MILDEPs did not have effective internal controls in place to maintain documentation to support the cost estimates associated with the replacement of the defense articles. The MILDEPs did not have support for 23 sampled replacement actions, valued at \$4.5 billion, for the cost estimates used to request Ukraine PDA replenishment funds. Table 3 shows the value of MILDEP replacement actions in our sample.

Table 3. Unsupported Replacement Actions in Our Sample, Organized by MILDEP

| MILDEP | Number of Replacement Actions | Dollar Amount of Replacement Actions (in Millions) | Number of Unsupported Replacement Actions | Dollar Amount of Unsupported Replacement Actions (in Millions) |
|------------------|-------------------------------|--|---|--|
| Army | 55 | \$18,585.0 | 18 | \$3,573.7 |
| Marine Corps | 7 | 1,327.6 | 3 | 596.3 |
| Navy | 5 | 205.0 | 0 | 0.0 |
| Air Force | 2 | 532.3 | 1 | 265.7 |
| Defense Agencies | 2 | 163.0 | 1 | 17.0 |
| Total | 71 | \$20,812.9 | 23 | \$4,452.7 |

Source: The DoD OIG.

We requested that the MILDEPs provide documentation to support the amount of funds they received from the OUSD(C)/CFO for replacement. For the 23 replacement actions in our sample, the MILDEPs did not provide requested documentation, or the documentation provided did not include a full reconciliation of the amounts that they received through reprogramming actions. For example, the Army provided information from the DSCA 1000 System and additional documentation from ADVANA to support \$656 million requested for replacement of multiple types of 155mm Artillery Projectiles. However, the DSCA 1000 System and ADVANA are reporting systems and do not provide the source information formulating the basis of the cost estimate. Specifically, the requested documentation for the 23 replacement actions could have included supporting documentation such as an Independent Government Cost Estimate from the Program Management Office or item manager, historical cost information, contractor’s quote, or previous purchase

history adjusted for time.¹⁴ GAO guidance states that a well-documented cost estimate includes the source data used. Figure 4 shows the M777 Howitzer, which fires 155mm Artillery Projectiles, and the Bradley Fighting Vehicle transferred to Ukraine.



Figure 4. Defense Articles Transferred to Ukraine Under PDA
Source: The U.S. Army and DoD websites.

Facilitization Was Supported, but Concerns Still Exist

The DoD and MILDEPs supported the estimated values of the facilitization amounts of all 15 replacement actions in our sample that included facilitization, totaling \$2.3 billion. The DoD and MILDEPs provided evidence that described how the estimate was developed, a description of the needs, the timing for when the work would be completed, and where the work would be performed. The evidence supported what was done, how they came up with the estimate, and enabled us to replicate it. For example, the Navy requested \$65.3 million to expand the Allegany Ballistics Laboratory for additional manufacturing of solid rocket motors, fuzes, warheads, and ammunition for weapons, including many systems deployed in Ukraine. In addition to an information paper, the Navy provided a detailed presentation breaking down the cost elements, including the rationale to support the estimated facilitization costs.

Although the MILDEPs were able to support all 15 sampled replacement actions that included facilitization, they could have provided more documentation to strengthen their support. For example, the Army requested \$308.2 million in facilitization funding to increase production of fuzes, primers, and propellants for the 155mm projectiles. The Army supported this request with an information paper describing the estimated cost, needs, timing, and location. The Army could have strengthened their support by providing additional documentation identified

¹⁴ An Independent Government Cost Estimate may include historical cost information, commercial pricing sources, comparable data from specific firms or industries, contracting office personnel, and economic research.

in the GAO cost estimating guide, such as a risk analysis, a technical detail, the estimating methodology, a statement of work, the Independent Government Cost Estimate, or evidence of supervisory review.

For example, in August 2023, the OUSD(C)/CFO provided the Army with \$308.2 million for facilitization of charges, propellants, and a nitroguanidine facility for 155mm artillery round production. The Army's information papers stated that the completion of the facilitization effort was scheduled for later in FY 2025, but as of March 2025, they had only made \$20.4 million in payments for the facilitization. This could indicate the efforts are either behind schedule or the benefits may not be realized. Although these information papers supported the overall cost of the facilitization estimate, they did not include underlying risks, such as the effects of delays in receiving benefits, projects overcome by events, failure of contractor delivery, or measurements in contractor performance. Figure 5 shows two examples of the types of weapons produced with facilitization funds.



Figure 5. High Mobility Artillery Rocket System Firing a Rocket and 155mm Projectiles Associated with Facilitization
Source: The U.S. Army website.

Reimbursements Were Not Based on Actual Costs Incurred

The MILDEPs did not support the costs incurred for all 9 reimbursement actions in our sample, totaling \$1.3 billion. Specifically, the MILDEPs did not have adequate documentation to support the requests for reimbursement of their O&M accounts using Ukraine PDA replenishment funds. Funds for reimbursement should be provided after costs are incurred. However, the MILDEPs did not use actual costs incurred when requesting reimbursements for transportation, depot maintenance, defense services, and spare parts. Table 4 shows the specific actions in our sample related to reimbursement.

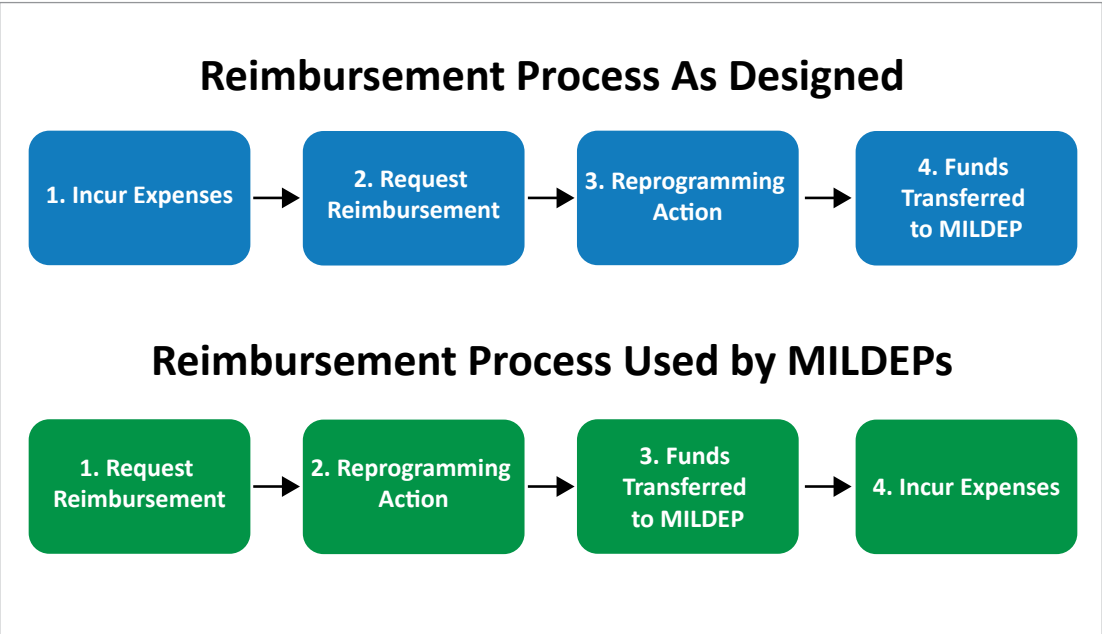
Table 4. Unsupported Reimbursement Actions in Our Sample, Organized by MILDEP

| MILDEP | Number of Reimbursement Actions | Dollar Amount of Reimbursement Actions (in Millions) | Number of Unsupported Reimbursement Actions | Dollar Amount of Unsupported Reimbursement Actions (in Millions) |
|-----------|---------------------------------|--|---|--|
| Army | 3 | \$415.5 | 3 | \$415.5 |
| Navy | 2 | 184.6 | 2 | 184.6 |
| Air Force | 4 | 657.7 | 4 | 657.7 |
| Total | 9 | \$1,257.8 | 9 | \$1,257.8 |

Source: The DoD OIG.

None of the reimbursement actions in our sample were supported by sufficient evidence to demonstrate the MILDEPs incurred the costs before the reprogramming actions. This indicated actual costs were not used as the basis for reimbursement requests from the MILDEPs, thus the funding was used as an advance. This evidence should have included invoices, receipts, billing information, vouchers, and cost transfers to support the reimbursement of services incurred by the MILDEPs executing Ukraine PDA. Figure 6 shows the difference between how the reimbursement process is designed and how the MILDEPs executed it.

Figure 6. Reimbursement Process as Designed Versus How It Was Executed by MILDEPs



Source: The DoD OIG.

For example, in April 2023, the Army received \$276.3 million for reimbursement of defense services, including depot maintenance services for equipment transferred to Ukraine under PDA. The Army was unable to provide documentation to support that it incurred the cost that was the basis for the reimbursement request. The Army returned \$40.2 million back to the Defense-Wide account for future use, but due to the lack of evidence of the Army's claims of costs incurred, we consider the remaining \$236.1 million to be questioned costs.

The MILDEPs did not fully support any of the reimbursements associated with Ukraine PDA. Although the Navy was allowed to incur more costs than it was reimbursed, the Navy did not create its reimbursement requests based on the actual costs incurred but rather used estimated costs. The Navy provided substantial evidence showing that it actually incurred more costs than it was reimbursed. If the Navy had used the actual costs incurred, then it could have received additional funding.

The DoD Was Initially Unprepared for the Scale and Scope of the Ukraine PDA and Replenishment Effort

The DoD did not design adequate processes to handle the size, scale, and tempo of the PDA replenishment program. The DoD did not establish PDA replenishment guidance until the 2023 GBRs were issued. Before the 2023 GBRs

The DoD's management, tracking, and reporting processes and procedures for PDA were not built to sustain a large-scale war effort.

were established, the DoD and MILDEPs had no formal documented procedures to support reprogramming actions for PDA replenishment. Although PDA has existed since the Foreign Assistance Act of 1961, the replacement of defense

articles and reimbursement for services under PDA did not exist before Public Law 117-103, "Consolidated Appropriations Act, 2022," March 15, 2022. As we reported in a previous Ukraine PDA report on valuation of defense articles, the DoD's management, tracking, and reporting processes and procedures for PDA were not built to sustain a large-scale, extended war effort using PDA to support an ally against a significant military power.¹⁵

The DoD and MILDEPs had to create their own processes separately and without guidance for their replenishment requests because a replenishment program to support PDA did not exist. In addition, the DoD often gave very short response times for the MILDEPs to provide replenishment data and information papers. For example, the OUSD(C)/CFO gave MILDEPs 1 week to

¹⁵ Report No. DODIG-2024-095, "Audit of the DoD's Revaluation of the Support Provided to Ukraine Through Presidential Drawdown Authority," June 11, 2024.

develop their reprogramming requests totaling \$5.1 billion. MILDEP leadership, the OUSD(C)/CFO, and the OUSD(A&S) were provided an additional week to fully review and approve the massive tranche before the 15-day congressional notification period. Tranche 28 was released on December 17, 2024. In another example, on Tranche 26, the OUSD(C)/CFO requested that the MILDEPs create the reprogramming estimates in a single day.

The OUSD(C)/CFO created the 2023 GBRs starting with Tranche 13, which provided guidance for the replacement of defense articles and reimbursement for services. The 2023 GBRs set guidelines for the MILDEPs to identify eligible replacement items, costs, and quantities for reprogramming requests. In addition, the OUSD(C)/CFO added a requirement for the MILDEPs to certify that the agency's request complied with the 2023 GBRs. Starting with Tranche 14, the OUSD(C)/CFO began using ADVANA to help monitor PDA and replenishment activity. On January 8, 2025, the OUSD(C)/CFO issued an updated memorandum, the "Update to the General Business Rules for Use of Drawdown Authority and Replacement of Items and Reimbursement for Services Provided Under Drawdown Authority" (2025 GBRs), requiring MILDEPs to maintain sufficient supporting documentation for auditors to reconcile cost estimates to supporting documentation. The 2025 GBRs also address audit recommendations issued by the DoD OIG regarding the DoD's revaluation of the support provided to Ukraine through PDA. In addition, the 2025 GBRs address new automated processes through an ADVANA PDA replacement application and include various changes to streamline and clarify the 2023 GBRs guidance.

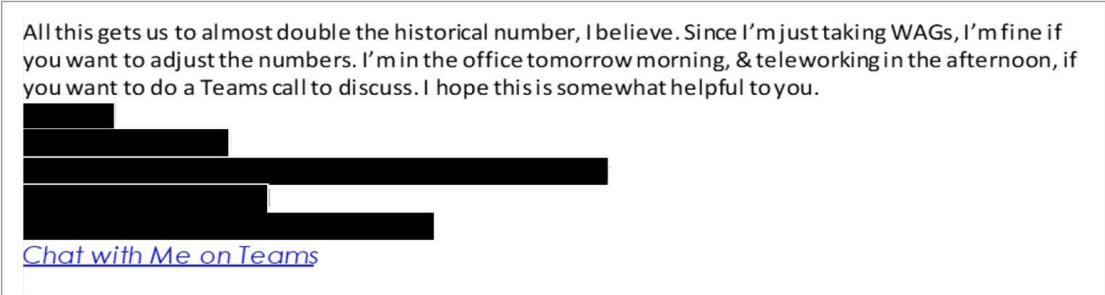
Although the 2025 GBRs are adequate for providing guidance, enhancements are needed for developing and supporting cost estimates associated with the replacement of defense articles and reimbursement for services. Guidance should include establishing requirements for maintaining source documentation, methodologies used to create cost estimates, and management reviews of the cost estimates. The USD(C)/CFO should update the 2025 GBRs to state that MILDEP cost estimates for replacement of defense articles provided for PDA must be supported by source data, estimating methodology, technical baseline descriptions, and evidence of management review. Such documentation should be detailed enough so that a cost analyst and auditor unfamiliar with the program could understand what was done and replicate it. The DoD needs to incorporate the 2025 GBRs into policy. The USD(C)/CFO should include the 2025 GBRs into DoD Regulation 7000.14-R, "DoD Financial Management Regulation."

MILDEPs Used PDA Execution Orders to Support Reimbursement Requests

The MILDEPs did not use actual costs for transportation of defense articles and other services for Ukraine PDA when requesting replenishment funds. Instead, they requested reimbursements based on the original amounts in the Ukraine PDA execution orders. The DoD determined that the MILDEPs were substantially overvaluing defense articles and services provided to Ukraine. In discussions with the MILDEPs on the sources of the overestimated costs for transportation, the MILDEPs stated that the source of the estimates for the PDA execution orders was the U.S. Transportation Command. The MILDEPs used the delivery information in the DSCA 1000 System for the reimbursement request. The MILDEPs did not update the DSCA 1000 System with the delivery information, which includes the actual costs of services provided. The OUSD(C)/CFO did not have any specific transportation or service guidance in the replenishment process. Regardless of the source, the MILDEPs should not have provided requests for reimbursement to the OUSD(C)/CFO that were not based on actual costs incurred.

In discussions with MILDEP personnel, many of the reimbursement estimates were based on “WAGs,” slang for a wild guess. Figure 7 shows an email extract that was provided as source information that includes the term WAGs.

Figure 7. Email from MILDEP Showing Unsupported Estimates Based on WAGs



Source: The U.S. Navy.

The MILDEPs did not have a standardized procedure for verifying and retaining supporting documentation for actual transportation costs for Ukraine PDA. After the DoD established the 2023 GBRs, the MILDEPs were required to use the actual costs of transportation and other services that were confirmed as delivered in the DSCA 1000 System. However, the MILDEPs did not use actual costs for tranche submissions. Instead, they continued to use estimated costs.

The 2023 GBRs and 2025 GBRs state that the MILDEPs must use actual costs for reimbursement of transportation of defense articles and other services for Ukraine PDA. However, the 2025 GBRs do not require MILDEPs to submit

supporting documentation for the actual costs incurred to justify the amounts reprogrammed from the OUSD(C)/CFO. The USD(C)/CFO should update the 2025 GBRs to include the requirement that MILDEPs certify they have supporting documentation for the actual costs incurred for transportation and other services, including depot maintenance. In addition, the USD(C)/CFO, in coordination with the MILDEPs, should require the MILDEPs to develop policies and procedures to ensure that they retain supporting documentation for actual costs for the purpose of reconciling between billed costs and reimbursed amounts.

Limited Evidence of Management Reviews Prior to 2023 GBRs

The DoD did not establish a standard process for management reviews of requests for Ukraine PDA replenishment funds until the 2023 GBRs were created. Before the 2023 GBRs were created, the OUSD(A&S); OUSD(C)/CFO; DSCA; and MILDEPs relied on signed coordination sheets to document the review of reprogramming requests. These coordination sheets did not specify or document the level of review conducted for these requests. The 2023 GBRs stated that the MILDEPs must provide a narrative submission or information paper with each replenishment funding request. The 2023 GBRs required that the requests included a certification statement from both the acquisition and financial offices indicating that they had reviewed and approved the requested submissions. Then, the requests were reviewed by the OUSD(A&S); OUSD(C)/CFO; and DSCA. The MILDEP certification statements required confirmation that the PDA replacement items recorded in the DSCA 1000 System followed the 2023 GBRs. During testing, we did not receive the MILDEP certification statements showing management's review and approval, in accordance with the 2023 GBRs. Upon discovery of the omission of the requested MILDEP certification statements, the OUSD(C)/CFO provided by June 2025, copies of 21 of 22 requested MILDEP certification statements. Although these certifications were compliant with the 2023 GBRs because they documented management reviews and approvals, the MILDEPs did not provide certifications for all reprogramming actions in a timely manner.

In addition, the OUSD(A&S); OUSD(C)/CFO; DSCA; and MILDEPs only provided coordination sheets to support their review of reprogramming actions that occurred before issuance of the 2023 GBRs. They also left the coordination sheets unsigned for Tranches 18 and 23. The USD(C)/CFO and MILDEPs need to ensure evidence of management reviews is maintained and readily available for reprogramming requests associated with PDA replenishment actions.

The DoD Could Lose Replenishment Opportunities

As a result of the lack of effective internal controls over the use of replenishment funds, the MILDEPs ineffectively managed a large amount of funding. These funds could have been used to support the Secretary of Defense’s 17 priority categories investing in the warfighter through the defense industrial base; providing new or modernized equipment, munitions, or missiles; and improving combat effectiveness, lethality, and conflict deterrence. The DoD’s inability to support its estimated costs, properly record and account for its actual costs, and provide supporting documentation to financial auditors increases the risk of improper payments and fraudulent activity. We consider \$1 billion to be questioned costs because the costs were not supported by adequate documentation at the time of the audit. Table 5 shows the amounts we consider to be questioned costs.

Table 5. Reprogramming Actions in Our Sample Considered to Be Questioned Costs, Organized by MILDEP

| MILDEP | Number of Reprogramming Actions Considered Questioned Costs | Dollar Amount of Questioned Costs (in Millions) |
|--------------|---|---|
| Army | 7 | \$483.3 |
| Navy | 1 | 1.0 |
| Air Force | 4 | 535.5 |
| Total | 12 | \$1,019.8 |

Source: The DoD OIG.

For example, the Air Force was advanced \$657.7 million in replenishment funding for the reimbursement of transportation expenses for shipping PDA items to Ukraine for its FY 2022 and FY 2023 O&M appropriations. Although the Air Force returned \$120 million to the OUSD(C)/CFO for further reallocation, we consider \$535.5 million questioned costs due to the Air Force’s inability to provide supporting evidence for incurred costs.¹⁶ The funds we identified as questioned costs could have been put toward the DoD’s Ukraine PDA replacement backlog, consisting of defense articles valued at \$38.6 billion as of February 2025. The USD(C)/CFO, in coordination with the MILDEPs, should review the supporting documentation of the 12 reprogramming actions that total \$1 billion in questioned costs, to determine whether the replenishment funds were used in support of the Ukraine PDA replenishment mission, and take appropriate actions to resolve any costs that are not in support of the Ukraine PDA replenishment mission.

¹⁶ The Air Force was reprogrammed \$657.7 million for reimbursement of transportation expenses. Of that amount, \$120 million was returned, and \$2.2 million of the reprogrammed amounts were estimates for replacement.

Without proper supporting documentation for the estimates provided for requesting Ukraine replenishment funds, the DoD cannot provide assurance or transparency to the public, DoD leadership, and Congress on the DoD's need for replenishment funds. The DoD's inability to support the estimated amounts within our sample limits its ability to manage the use of PDA replenishment funds and could negatively impact the public's perception of the accuracy of information regarding PDA supporting Ukraine and the subsequent replacement of those defense articles.

Recommendations, Management Comments, and Our Response

Recommendation A.1

We recommend that the Under Secretary of Defense (Comptroller)/Chief Financial Officer, DoD:

- a. **Update the January 8, 2025 memorandum, "Update to the General Business Rules for Use of Drawdown Authority and Replacement of Items and Reimbursement for Services Provided Under Presidential Drawdown Authority," to state that cost estimates for replacement of defense articles provided for Presidential Drawdown Authority must be supported by source data, estimating methodology, technical baseline descriptions, and evidence of management review. Such documentation should be detailed enough so that a cost analyst and auditor unfamiliar with the program could understand what was done and replicate it.**

Under Secretary of Defense (Comptroller)/Chief Financial Officer, DoD Comments

The official Performing the Duties of the USD(C)/CFO agreed with the recommendation, stating that the OUSD(C) will update the GBRs by January 31, 2026, to state that cost estimates for replacement of defense articles provided for PDA must be supported by source data, estimating methodology, technical baseline descriptions, and evidence of management review.

Our Response

Comments from the official Performing the Duties of the USD(C)/CFO addressed the specifics of the recommendation; therefore, the recommendation is resolved but will remain open. We will close the recommendation once the DoD provides and we review the updated GBRs.

- b. **Include the January 8, 2025 memorandum, “Update to the General Business Rules for Use of Drawdown Authority and Replacement of Items and Reimbursement for Services Provided Under Presidential Drawdown Authority,” into DoD Regulation 7000.14-R, “DoD Financial Management Regulation.”**

Under Secretary of Defense (Comptroller)/Chief Financial Officer, DoD Comments

The official Performing the Duties of the USD(C)/CFO agreed with the recommendation, stating that the OUSD(C) will incorporate the GBRs into the appropriate sections of the DoD Financial Management Regulation by September 30, 2026.

Our Response

Comments from the official Performing the Duties of the USD(C)/CFO addressed the specifics of the recommendation; therefore, the recommendation is resolved but will remain open. We will close the recommendation once the DoD provides and we review the updated sections of the DoD Financial Management Regulation.

- c. **Update the January 8, 2025 memorandum, “Update to the General Business Rules for Use of Drawdown Authority and Replacement of Items and Reimbursement for Services Provided Under Presidential Drawdown Authority,” to include the requirement that the Military Departments certify they have supporting documentation for the actual costs incurred for transportation and other services, including depot maintenance.**

Under Secretary of Defense (Comptroller)/Chief Financial Officer, DoD Comments

The official Performing the Duties of the USD(C)/CFO partially agreed with the recommendation, stating that the OUSD(C) will update the GBRs by January 31, 2026, including the requirement that the MILDEPs certify they have supporting documentation for the actual costs incurred for transportation and other services, including depot maintenance, when the MILDEPs requests reimbursement based on services provided to an authorized country. The OUSD(C) does not plan to require these certifications when the MILDEPs have notified Congress of plans to provide services to Ukraine and request replenishment funds in advance of incurring actual costs, as authorized by Public Law 118-50.

Our Response

Although the official Performing the Duties of the USD(C)/CFO partially agreed, the comments provided addressed the specifics of the recommendation; therefore, the recommendation is resolved but will remain open. We will close the recommendation once the DoD provides and we review the updated GBRs.

- d. Require the Military Departments, in coordination with the following officials, to develop the policies and procedures needed to ensure that they retain supporting documentation for actual costs for the purpose of reconciling between billed costs and reimbursed amounts associated with Presidential Drawdown Authority replenishment funds.**
 - 1. Assistant Secretary of the Army (Financial Management and Comptroller)**
 - 2. Assistant Secretary of the Navy (Financial Management and Comptroller)**
 - 3. Assistant Secretary of the Air Force (Financial Management and Comptroller)**
 - 4. Assistant Deputy Commandant for Programs and Resources of the Marine Corps**

Under Secretary of Defense (Comptroller)/Chief Financial Officer, DoD Comments

The official Performing the Duties of the USD(C)/CFO agreed with the recommendation, stating that the OUSD(C) will update the GBRs by January 31, 2026, to require the MILDEPs to develop policies and procedures to retain supporting documentation.

Assistant Secretary of the Army (Financial Management and Comptroller) Comments

The Deputy Director of Army Budget, responding for the Assistant Secretary of the Army (Financial Management and Comptroller), agreed with the recommendation, stating that the Army is currently staffing updated policy that outlines procedures for the determination of replenishment estimates, reconciliation, and records retention.

Assistant Secretary of the Navy (Financial Management and Comptroller) Comments

The Associate Director of the Navy's Office of Budget, responding for the Assistant Secretary of the Navy (Financial Management and Comptroller), agreed with the recommendation, stating that the Navy will update policies ensuring proper cost documentation retention in accordance with updated OUSD(C) guidance.

Assistant Secretary of the Air Force (Financial Management and Comptroller) Comments

The Acting Assistant Secretary of the Air Force (Financial Management and Comptroller) agreed with the recommendation, stating that the Air Force will develop policies and procedures needed to ensure they retain supporting documentation for actual costs for the purpose of reconciling between billed costs and reimbursed amounts associated with PDA replenishment funds.

Assistant Deputy Commandant for Programs and Resources of the Marine Corps Comments

The Assistant Deputy Commandant for Programs and Resources of the Marine Corps agreed with the recommendation, stating that the Marine Corps has faced challenges in document retention specifically when coordinating between program managers and the Army. The Marine Corps will support and enforce policy updates pending the OUSD(C) guidance on maintaining appropriate documentation for cost estimates and quotes.

Our Response

Comments from the official Performing the Duties of the Under Secretary, Assistant Secretaries, and Assistant Deputy addressed the specifics of the recommendation; therefore, the recommendation is resolved but will remain open. We will close the recommendation once management officials provide and we review the updated GBRs and MILDEP policies and procedures.

- e. Ensure that each Military Department's evidence of management reviews is maintained and readily available for reprogramming requests associated with Presidential Drawdown Authority replenishment actions.**

Under Secretary of Defense (Comptroller)/Chief Financial Officer, DoD Comments

The official Performing the Duties of the USD(C)/CFO agreed with the recommendation, stating that the GBRs already require the MILDEPs to submit certification statements documenting evidence of management review and compliance with the GBRs for PDA replacement reprogramming actions. The OUSD(C) will ensure that is appropriately emphasized in the January 31, 2026 GBR update.

Our Response

Comments from the official Performing the Duties of the USD(C)/CFO addressed the specifics of the recommendation; therefore, the recommendation is resolved but will remain open. We will close the recommendation once the DoD provides and we review the updated GBRs.

- f. Review the supporting documentation of the 12 reprogramming actions in our sample that total \$1 billion in questioned costs, in coordination with the following officials, to determine whether the replenishment funds were used in support of the Ukraine Presidential Drawdown Authority replenishment mission, and take appropriate actions to resolve any costs that are not in support of the Ukraine Presidential Drawdown Authority replenishment mission.**
 - 1. The Assistant Secretary of the Army (Financial Management and Comptroller) should review the seven reprogramming actions, totaling \$483.3 million in questioned costs.**
 - 2. The Assistant Secretary of the Navy (Financial Management and Comptroller) should review one reprogramming action, totaling \$1 million in questioned costs.**
 - 3. The Assistant Secretary of the Air Force (Financial Management and Comptroller) should review the four reprogramming actions, totaling \$535.5 million in questioned costs.**

Under Secretary of Defense (Comptroller)/Chief Financial Officer, DoD Comments

The official Performing the Duties of the USD(C)/CFO agreed with the recommendation, stating that the OUSD(C) will review the supporting documentation for the questioned costs by November 30, 2025, and work with the MILDEPs to take appropriate actions.

Assistant Secretary of the Army (Financial Management and Comptroller) Comments

The Deputy Director of Army Budget, responding for the Assistant Secretary of the Army (Financial Management and Comptroller), agreed with the recommendation, stating that the Army, in coordination with Department stakeholders, continues to review and reconcile costs associated with drawdown and replenishment execution.

Assistant Secretary of the Navy (Financial Management and Comptroller) Comments

The Associate Director of the Navy's Office of Budget, responding for the Assistant Secretary of the Navy (Financial Management and Comptroller), agreed with the recommendation, stating that the Navy will conduct a preliminary review of the one reprogramming action totaling \$1 million in questioned costs.

Assistant Secretary of the Air Force (Financial Management and Comptroller) Comments

The Acting Assistant Secretary of the Air Force (Financial Management and Comptroller) agreed with the recommendation, stating that the Air Force will review the supporting documentation of the four reprogramming actions in the DoD OIG sample that total \$535.5 million in questioned costs to determine whether the replenishment funds were used in support of the Ukraine PDA replenishment mission, and will take appropriate actions to resolve any costs not in support of the Ukraine PDA replenishment mission.

Our Response

Comments from the official Performing the Duties of the Under Secretary and Assistant Secretaries addressed the specifics of the recommendation; therefore, the recommendation is resolved but will remain open. We will close the recommendation once the DoD provides and we review the results of the MILDEPs' reviews that identify whether replenishment funds were used in support of the Ukraine PDA replenishment mission and any actions taken to resolve any costs not in support of the Ukraine PDA replenishment mission.

Finding B

The DoD's Internal Controls to Monitor and Return Funds Need Improvement

The DoD did not have effective controls to ensure excess funds were consistently returned to the OUSD(C)/CFO for reallocation to replace other defense articles or reimburse other services provided to Ukraine. Although 37 sampled reprogramming actions we tested showed that MILDEPs returned \$1.8 billion in a timely manner, we identified 3 sampled reprogramming actions with untimely returns of \$29.5 million and 33 actions with \$519.6 million in excess funds that were not returned for reallocation.¹⁷ We also determined that the DoD inaccurately reported Ukraine replenishment funding execution to Congress by overstating obligations and disbursements. This occurred because the OUSD(C)/CFO and MILDEPs did not design and implement adequate internal controls to monitor replenishment funding to ensure excess funds were returned in a timely manner and execution was properly reported to Congress.

As a result, when the DoD processed timely returns, it strategically reallocated excess funds to replace other defense articles to increase operational readiness, lethality, and conflict deterrence. However, ineffective policy, inadequate internal controls, and mismanagement of funding led to missed opportunities to use \$920 million of replenishment funding.¹⁸ These funds could have been put to better use by replacing defense articles and modernizing equipment and munitions.¹⁹ Additionally, the mismanagement of replenishment funds impacts the DoD's ability to purchase items from the \$38.6 billion backlog of weapon stocks needing replacement, which adversely affects force readiness, lethality, and conflict deterrence. Until the DoD implements sufficient internal controls to monitor funding execution and ensure excess funds are returned in a timely manner, the DoD cannot provide assurance to the public, DoD leadership, and Congress that the DoD is effectively using replenishment funds.

¹⁷ The sample numbers reported in Finding B will not reconcile to the 80 sampled reprogramming actions we tested because some actions had timely and untimely returns as well as excess funds that were not returned. Additionally, some reprogramming actions did not have any excess funds to return.

¹⁸ This amount includes reprogramming actions in our sample with untimely returns of \$29.5 million and \$519.6 million of excess funds that were not returned, as well as the unsampled amount of \$40.2 million that the audit team identified as expired in the Defense-Wide account. It also includes the excess unexpired funding of \$311.4 million identified by the Army and \$19.3 million identified by the Marine Corps.

¹⁹ "Funds put to better use" means that funds could be used more efficiently if management takes action to implement and complete the recommendations in the audit report, including reducing outlays, de-obligating funds from programs or operations, implementing improvements to operations, or taking other identified actions that will result in avoiding costs or more efficiently using funds. Funds put to better use could be a one-time savings or a recurring amount. See Appendix C for more details on funds put to better use.

Transfers Changed the Funds Period of Availability for Obligations

When the OUSD(C)/CFO transferred replenishment funds to the MILDEPs, the funds Period of Availability (PoA) changed based on the MILDEP appropriation the funds were transferred into, as shown in Table 6.²⁰

Table 6. Examples of the Period of Availability Changing When Funds Were Transferred

| Transfer From | | Transfer To | | |
|-------------------|---------------|---------------------------|---------------|------------|
| Appropriation | PoA Begin/End | Appropriation | PoA Begin/End | PoA Change |
| O&M, Defense-Wide | 2022/2023 | O&M, Army | 2022/2022 | Reduced |
| | | Missile Procurement, Army | 2022/2024 | Extended |

Source: The DoD OIG.

The 2023 GBRs required excess funds to be returned to their originating Defense-Wide account. For example, if the OUSD(C)/CFO provided replenishment funds from the O&M Defense-Wide 2022/2023 account to a MILDEP procurement account, the MILDEP would have to return excess funds to the original O&M Defense-Wide 2022/2023 account. Funds must be returned before the originating PoA expires because funds cannot be transferred into an expired appropriation. The OUSD(C)/CFO and MILDEPs must track the funds’ original Defense-Wide PoA to mitigate the risk of excess funds not being able to be returned and consequently expiring in the MILDEP account. Figure 8 shows an example of the Army returning \$45 million in excess funds to the OUSD(C)/CFO.

Figure 8. Army Documentation Supporting the Return of Excess Funds

| | | |
|----------------|--|--------------|
| Transfer From: | Missile Procurement, Army, 22/24 | \$45,000,000 |
| Transfer To: | Operation and Maintenance, Defense-Wide, 22/23 | \$45,000,000 |

Source: The U.S. Army.

²⁰ According to DoD Regulation 7000.14-R, “DoD Financial Management Regulation,” volume 12, chapter 1, “Funds,” the PoA is the amount of time the entity may create new obligations. A 2023 ending PoA means the funds expired on September 30, 2023, and they are unavailable for obligation after that date.

Internal Controls and Funding Management Need Improvement

The DoD did not have effective internal controls to ensure the MILDEPs consistently returned excess funds for reallocation. Although the DoD returned \$1.8 billion of excess funds in a timely manner for reallocation, we identified 3 sampled reprogramming actions with untimely returns of \$29.5 million and 33 actions with \$519.6 million in excess funds that were not returned for reallocation. In addition, our work showed that the DoD inaccurately reported Ukraine replenishment funding execution to Congress. For example, in its December 2024 report to Congress, the DoD reported that the Air Force disbursed \$265 million, or 100 percent, of its 2022 O&M replenishment funds; however, \$122.9 million was unobligated and expired in the Air Force's account. The DoD's controls to monitor funds need improvement to ensure all excess funds are returned in a timely manner and funding execution is accurately reported to Congress.

Timely Returns Maximize Opportunities to Replace Defense Articles and Increase Force Readiness

We determined 37 sampled reprogramming actions had timely returns of \$1.8 billion of excess replenishment funding. The 2023 GBRs required MILDEPs to return excess funds to their originating Defense-Wide account. Excess and unobligated funds may need to be returned because:

- MILDEPs could not obligate the funds due to unexpected delays with materials and contracts;
- MILDEPs achieved a lower unit price due to the volume of purchases, which resulted in cost savings; or
- MILDEPs used inflated and inaccurate estimates and had excess funds after purchasing their intended replacement quantity or reconciling to reimbursement bills.

For the DoD to maximize replenishment funds to meet the Secretary of Defense's priorities, MILDEPs need to identify and return excess and unobligated funds in a timely manner so that the funds can be reallocated to replace other items, invest in facilitization efforts, or reimburse services provided to Ukraine. Table 7 shows a breakout of reprogramming actions we tested with timely returns.

Table 7. Sampled Reprogramming Actions with Timely Returns

| MILDEP | Number of Sampled Reprogramming Actions | Dollar Amount (in Millions) |
|--------------|---|-----------------------------|
| Army | 34 | \$1,610.4 |
| Marine Corps | 2 | 77.7 |
| Air Force | 1 | 120.0 |
| Total | 37 | \$1,808.1 |

Source: The DoD OIG.

When MILDEPs returned replenishment funds in a timely manner, the OUSD(C)/CFO transferred the funds back to the MILDEPs on a new tranche to replace other defense articles that the MILDEPs provided to Ukraine. According to DoD officials, they fully funded Tranche 21, valued at \$607.6 million, using excess funds that had been returned by the MILDEPs. In Tranche 21, the DoD allocated the Air Force \$103 million to procure Joint Strike Missiles. The Joint Strike Missiles replaced the High-Speed Anti-Radiation Missiles the Air Force provided to Ukraine. Joint Strike Missiles offer precision strike capabilities and can engage both land and maritime targets, which underscores its versatility in addressing diverse mission profiles. Figure 9 shows an F-16 Fighting Falcon aircraft equipped with a Joint Strike Missile.



Figure 9. U.S. Air Force F-16 Fighting Falcon Carrying a Joint Strike Missile
Source: The U.S. Air Force website.

Untimely Returns of Replenishment Funds

We determined that the MILDEPs did not return all excess funds in a timely manner. Specifically, three sampled reprogramming actions we tested had untimely returns totaling \$29.5 million. During testing, we identified an additional \$40.2 million in untimely returns that were not related to our sample. According

to the 2023 GBRs, replenishment funds must be returned before their originating PoA expires. However, this is not the only factor the OUSD(C)/CFO and MILDEPs need to consider when determining when to return funds. Factors such as the time it takes for reprogramming actions, congressional notification, and contracts to be awarded need to be considered when returning funds. Therefore, funds generally should be returned no later than 60 days before the original Defense-Wide account or MILDEP account PoA expires, whichever is earlier. Table 8 identifies \$69.7 million in replenishment funding that was not returned in a timely manner to the Defense-Wide account.

Table 8. Replenishment Funding with Untimely Returns

| MILDEP | Number of Sampled Reprogramming Actions | Return Amount (in Millions) | Return Amount Not in Our Sample (in Millions) | Total Dollar Amount (in Millions) |
|--------------|---|-----------------------------|---|-----------------------------------|
| Army | 3 | \$29.5 | \$13.5 | \$43.0 |
| Marine Corps | 0 | 0.0 | 26.7 | 26.7 |
| Total | 3 | \$29.5 | \$40.2 | \$69.7 |

Source: The DoD OIG.

Excess Funds Were Not Returned for Reallocation

We identified 33 sampled reprogramming actions with \$519.6 million of excess unobligated funds that the MILDEPs did not return before the originating PoA expired. This occurred despite the 2023 GBRs requiring MILDEPs to return excess funds before the originating PoA expired. We found that the MILDEPs and OUSD(C)/CFO did not have reliable internal controls to monitor the funds PoA, especially when the DoD transferred funds to MILDEP accounts with extended PoAs.

The 2023 GBRs also restricted MILDEPs from using excess funds to purchase additional quantities or using the excess funds to reimburse services that they provided to Ukraine. Therefore, excess funds must be returned in a timely manner to maximize the use of replenishment funding. Table 9 shows the reprogramming actions we identified with excess funds that were not returned. At the time of sample testing, the MILDEPs indicated that they had no plans to use the funds because they believed the funds had expired or were unusable.

Table 9. Excess Funds in the MILDEP Accounts

| MILDEP | Sampled Reprogramming Actions with Excess Funds that Were Not Returned | Expired Dollar Amount (in Millions) | Unexpired Dollar Amount (in Millions) | Total Dollar Amount (in Millions) |
|--------------|--|-------------------------------------|---------------------------------------|-----------------------------------|
| Army | 26 | \$85.1 | \$208.3 | \$293.4 |
| Marine Corps | 5 | 5.9 | 65.7 | 71.6 |
| Air Force | 2 | 154.6 | 0.0 | 154.6 |
| Total | 33 | \$245.6 | \$274.0 | \$519.6 |

Source: The DoD OIG.

In response to receiving our preliminary findings, the Army performed an analysis and identified an additional \$311.4 million of excess unexpired funds in its accounts, beyond what we sampled, that cannot be returned for reallocation. A similar review performed by the Marine Corps identified an additional \$19.3 million of excess unexpired funds.

Inaccurate Replenishment Funding Execution Reported to Congress

Although not a specific objective of our audit, during testing, we identified instances in which the DoD inaccurately reported Ukraine replenishment funding execution to Congress by overstating obligations and disbursements. The OUSD(C)/CFO submitted monthly reports to Congress on the execution of Ukraine replenishment funds. We determined that the OUSD(C)/CFO did not coordinate with the MILDEPs to validate the accuracy of the ADVANA data before adjusting the data and reporting numbers to Congress. OUSD(C)/CFO officials stated that they adjusted the data from ADVANA to show full funding execution (obligations and disbursements) to account for cost transfers they believed the MILDEPs should have processed. However, the OUSD(C)/CFO did not provide documentation to support the adjustments were appropriate. Table 10 summarizes discrepancies we identified between our sample documentation and the OUSD(C)/CFO’s report to Congress.

Table 10. Discrepancies in the December 2024 Execution Report Provided to Congress

| December Replenishment Fund Execution Report to Congress | | | | | |
|--|----------------|---------|---------------------------|-----------------------------|--|
| Public Law | MILDEP Account | PoA End | Obligations (in Millions) | Disbursements (in Millions) | Summary of Discrepancy |
| 117-103 | Army O&M | 2022 | \$351.6 | \$351.6 | One sampled reprogramming action accounted for \$67.8 million of the \$351.6 million in obligations. The DoD reported the full obligation amount, or \$351.6 million, had been disbursed. However, documentation from the Army showed only \$1.8 million related to the reprogramming action had been disbursed. |
| 117-128 | Air Force O&M | 2022 | \$265.0 | \$265.0 | Documentation for one sampled reprogramming action showed \$122.9 million of the \$265 million was unobligated and expired. |

Source: The DoD OIG.

Inadequate Policy, Controls, and Management of Funds

The DoD did not have effective internal controls to ensure replenishment funding execution was properly reported and excess funds were consistently returned for reallocation. This occurred because the OUSD(C)/CFO and MILDEPs did not design and implement adequate internal controls to monitor replenishment funding execution. The GAO’s “Standards for Internal Control in the Federal Government,” known as the Green Book, sets the standards for an effective internal control system for Federal agencies and requires management to set objectives to meet the entity’s mission, strategic plan, goals, and requirements of applicable laws and regulations. When establishing the GBRs, the OUSD(C)/CFO’s objective was to maximize the use of funding, ensure funds were obligated quickly, and prevent funds from expiring in the MILDEP accounts. To achieve the objectives, the 2023 GBRs:

The OUSD(C)/CFO and MILDEPs did not implement adequate internal controls to monitor replenishment funding execution.

- required MILDEPs to return excess funds to their originating Defense-Wide account;
- prohibited excess funds from being used to purchase additional quantities or other items for replacement, or to reimburse additional expenses; and
- required the establishment of a risk management internal control program with documented internal controls.

Based on the findings in our report, the DoD's internal controls to monitor replenishment funding execution and return funds in a timely manner need improvement. We determined that the 2023 GBRs did not include a requirement for:

- both excess and unobligated funds to be returned or account for the mandatory congressional notification period when establishing the time frame for returns;
- the MILDEPs to monitor obligations on a regular and recurring basis and validate the accuracy of data in ADVANA;
- the OUSD(C)/CFO to monitor MILDEP obligations and execution data within ADVANA on a regular and recurring basis; or
- details to identify the party responsible for establishing a risk management internal control program.

According to the Green Book, management should identify, analyze, and respond to risks and design controls to achieve objectives.²¹ The OUSD(C)/CFO did not design policy with related controls to prevent unobligated funds from remaining in the MILDEP accounts after the funds originating PoA expired. Common controls in the Green Book include reviews by management at the functional and activity level, establishment and review of performance measures and indicators, and monitoring the design and operating effectiveness of the internal control system. The DoD Financial Management Regulation also requires monitoring of obligations.²²

The OUSD(C)/CFO issued the 2025 GBRs 5 months after the initiation of our audit. Key changes included:

- requirements for both excess and unobligated funds to be returned before the originating PoA expires, unless approval is received by the OUSD(C)/CFO;
- clarification that excess and unobligated funds can be used to purchase additional quantities or other items for replacement, or to reimburse additional expenses if prior approval is received from the OUSD(C)/CFO; and
- clarification that the MILDEPs are expected to establish and document a risk management internal control program to mitigate risks associated with the process workflow.

²¹ GAO-14-704G, "Standards for Internal Control in the Federal Government," September 2014.

²² The DoD Regulation 7000.14-R, "DoD Financial Management Regulation," volume 3, chapter 8, "Standards for Recording and Reviewing Commitments and Obligations," section 15.1, states, "Comptrollers must establish standard procedures for Departmental/Agency level monitoring and review of all obligations and commitments. These reviews must be formally documented in Standard Operating Procedures."

Although the 2025 GBRs address some issues we have identified, additional enhancements to policy and monitoring controls are needed to mitigate the risk of funds expiring and inaccurate reporting to Congress. Therefore, the USD(C)/CFO should update the January 8, 2025 memorandum, “Update to the General Business Rules for Use of Drawdown Authority and Replacement of Items and Reimbursement for Services Provided Under Presidential Drawdown Authority,” to establish set time frames for returns and include requirements for the development and implementation of monitoring controls to ensure unobligated funds are returned in a timely manner and replenishment funding execution is accurately reported to Congress. Additionally, the USD(C)/CFO and MILDEPs should design, document, and implement internal controls to ensure compliance with requirements contained within the GBRs, including subsequent revisions made based on Recommendation B.1.a.

The DoD Missed Opportunities to Replace Stocks, and Replenishment Funds Are Still at Risk of Expiring

As a result, when MILDEPs processed timely returns, the OUSD(C)/CFO was able to strategically reallocate funds to replace weapon stocks, which is an efficient use of funds, increasing lethality and warfighter readiness. However, ineffective policy, internal controls, and mismanagement of funds led to:

- \$69.7 million of excess funds expiring in the Defense-Wide account;
- \$245.6 million of excess funds expiring in the MILDEP accounts; and
- \$604.7 million of dead funds.²³

Consequently, the DoD missed the opportunity to use \$920 million in replenishment funding to replace critical weapons stocks or invest in the defense industrial base.

Using funds for these purposes would have put the DoD in a more effective position to meet the Secretary of Defense’s priorities. Financial management and robust internal controls are essential to ensuring the

The DoD missed the opportunity to use \$920 million in replenishment funding to replace critical weapons stocks or invest in the defense industrial base.

DoD maximizes replenishment funding in support of operational and warfighter readiness. As of February 24, 2025, DoD officials reported an estimated \$38.6 billion

²³ DoD officials defined “dead funds” as excess unobligated funds in an unexpired MILDEP account that cannot be returned for reallocation or used to replace other items provided to Ukraine due to policy restrictions. At times, MILDEPs believed excess unexpired funds had already expired.

backlog of unfunded requirements to replace defense articles and reimburse services that were provided to Ukraine. If the OUSD(C)/CFO and MILDEPs had implemented adequate internal controls to prevent replenishment funding from expiring or becoming dead funds, approximately \$920 million could have been put to better use to replace DoD stocks and, in turn, increase Force readiness. Figure 10 shows an example in which these funds could have potentially been used to replace Strykers, Javelin Missiles, and Bradley Fighting Vehicles from the PDA replacement backlog. In a February 7, 2025 Pentagon Town Hall, the Secretary of Defense stated that the DoD’s core priorities include focusing on readiness, lethality, and warfighting across the spectrum. Additionally, the DoD will focus heavily on ensuring the Pentagon passes a clean audit and is accountable for every dollar spent, because every dollar of waste found is a dollar that can be invested somewhere else.

Figure 10. Potential Replacement Purchases from Funds Put to Better Use



Source: The DoD OIG and DoD websites.

Without proper controls to monitor replenishment funding, the DoD cannot be certain unobligated funds will be identified and returned or that program execution is accurately reported to Congress. The mismanagement of replenishment funds impacts the DoD's ability to maximize replacement of DoD stocks which adversely affects readiness and undermines efforts to support the Secretary of Defense's priorities. Until the DoD implements sufficient policy and related monitoring controls, the DoD cannot provide assurance to the public, DoD leadership, and Congress that the DoD is effectively using Ukraine replenishment funding. Furthermore, on December 17, 2024, the OUSD(C)/CFO reprogrammed the last \$5.1 billion of replenishment funding from Public Law 118-50, "Ukraine Security Supplemental Appropriations Act, 2024," April 24, 2024, to the MILDEPs for execution. These funds are at risk of going unused and expiring in the MILDEP accounts if the OUSD(C)/CFO and MILDEPs do not take action to remediate our findings. Additionally, the dead funds we identified during our audit may be able to be used to replace items from the backlog based on the 2025 GBRs. Therefore, the USD(C)/CFO should coordinate with the MILDEPs to require the MILDEPs to perform a comprehensive review to identify excess replenishment funding in an unexpired MILDEP account that cannot be returned and determine whether any excess funds can be used to replace items from the Ukraine replacement backlog.

The mismanagement of replenishment funds adversely affects readiness and undermines efforts to support the Secretary of Defense's priorities.

Recommendations, Management Comments, and Our Response

Recommendation B.1

We recommend that the Under Secretary of Defense (Comptroller)/Chief Financial Officer, DoD:

- a. Update the January 8, 2025 memorandum, "Update to the General Business Rules for Use of Drawdown Authority and Replacement of Items and Reimbursement for Services Provided Under Presidential Drawdown Authority," to:
 1. Establish a requirement for unobligated funds to be returned no later than 60 days before the period of availability expiration of the originating Defense-Wide Account or Military Department account, whichever is earlier, unless an exemption to policy is approved by the Office of the Under Secretary of Defense (Comptroller)/Chief Financial Officer, DoD.

2. **Establish requirements for the Military Departments to design and implement regular and recurring monitoring controls over replenishment funds, in accordance with the Government Accountability Office's "Standards for Internal Control in the Federal Government," and validate the obligation and execution data within ADVANA are accurate on a monthly basis.**
3. **Establish a requirement for the Office of the Under Secretary of Defense (Comptroller)/Chief Financial Officer, DoD, to design and implement regular and recurring monitoring controls over the obligation and execution data that are validated by the Military Departments.**

Under Secretary of Defense (Comptroller)/Chief Financial Officer, DoD Comments

The official Performing the Duties of the USD(C)/CFO agreed with the recommendations, stating that the GBRs already require the MILDEPs to return excess funds to the originating Defense-Wide account immediately upon determining that the funding is excess. The OUSD(C) will update the GBRs by January 31, 2026, to add a requirement for the MILDEPs to return unobligated balances no later than 60 days before the period of availability expiration unless an exemption to policy is approved by the OUSD(C). Additionally, the OUSD(C) will update the GBRs with requirements for the MILDEPs to validate the accuracy of the replenishment funding data in ADVANA and require the OUSD(C) to implement monitoring controls over the data that is validated by the MILDEPs.

Our Response

Comments from the official Performing the Duties of the USD(C)/CFO addressed the specifics of the recommendations; therefore, the recommendations are resolved but will remain open. We will close the recommendations once the DoD provides and we review the updated GBRs.

- b. Implement internal controls within ADVANA that monitor obligations and automatically send alerts to the Military Departments and the Office of the Under Secretary of Defense (Comptroller)/Chief Financial Officer, DoD, based on the planned obligation date and targeted return date for excess unobligated funds.**

Under Secretary of Defense (Comptroller)/Chief Financial Officer, DoD Comments

The official Performing the Duties of the USD(C)/CFO partially agreed with the recommendation, stating that the ADVANA tools for PDA replacement do not have the connectivity for OUSD(C) to implement the recommendation as written. However, the OUSD(C) will explore enhancements to the ADVANA tools to improve the oversight of unobligated balances by October 31, 2025.

Our Response

Although the official Performing the Duties of the USD(C)/CFO partially agreed, the comments provided addressed the specifics of the recommendation; therefore, the recommendation is resolved but will remain open. We will close the recommendation once we verify monitoring controls over obligations have been implemented to satisfy the intent of the recommendation.

- c. **Require the Military Departments, in coordination with the following officials, to perform a comprehensive review to identify excess replenishment funding in an unexpired account that cannot be returned to the originating account. Upon identification, the Military Departments should evaluate whether the funds can be used to procure items from the Ukraine replenishment backlog and obtain approvals to use the excess funds consistent with the current General Business Rules. The Military Department officials should also design, document, and implement internal controls to ensure compliance with the General Business Rules requirements, including subsequent revisions made based on Recommendation B.1.a.**
 - 1. **Assistant Secretary of the Army (Financial Management and Comptroller)**
 - 2. **Assistant Secretary of the Navy (Financial Management and Comptroller)**
 - 3. **Assistant Secretary of the Air Force (Financial Management and Comptroller)**
 - 4. **Assistant Deputy Commandant for Programs and Resources of the Marine Corps.**

Under Secretary of Defense (Comptroller)/Chief Financial Officer, DoD Comments

The official Performing the Duties of the USD(C)/CFO agreed with the recommendation, stating that the OUSD(C) has been working with the MILDEPs to align excess replenishment funding to backlog requirements since the DoD OIG identified the issue. The comprehensive review was completed on June 25, 2025. The OUSD(C) plans to submit a reprogramming action to align the funds to valid backlog requirements by August 15, 2025.

Assistant Secretary of the Army (Financial Management and Comptroller) Comments

The Deputy Director of Army Budget, responding for the Assistant Secretary of the Army (Financial Management and Comptroller), agreed with the recommendation, stating that the Army is actively identifying excess replenishment funding to address backlog requirements and the Army will enforce policy updates pending further guidance from the OUSD(C).

Assistant Secretary of the Navy (Financial Management and Comptroller) Comments

The Associate Director of Navy's Office of Budget, responding for the Assistant Secretary of the Navy (Financial Management and Comptroller), agreed with the recommendation, stating that any excess replenishment funding will be evaluated to relocate towards the Ukraine PDA backlog and policy will be revised in accordance with the updated guidance from the OUSD(C).

Assistant Secretary of the Air Force (Financial Management and Comptroller) Comments

The Acting Assistant Secretary of the Air Force (Financial Management and Comptroller) agreed with the recommendation, stating that the Air Force will perform a comprehensive review to identify excess replenishment funding and evaluate whether the funds can be used to procure items from the backlog. The Air Force will also design, document, and implement internal controls to ensure compliance with the GBRs.

Assistant Deputy Commandant for Programs and Resources of the Marine Corps Comments

The Assistant Deputy Commandant for Programs and Resources of the Marine Corps agreed with the recommendation, stating that the Marine Corps is actively identifying excess replenishment funds in expiring FY 2023 accounts to fund Marine Corps Ukraine PDA. Additionally, the Marine Corps will also support and enforce policy updates pending further guidance from the OUSD(C).

Our Response

Comments from the official Performing the Duties of the Under Secretary, Assistant Secretaries, and Assistant Deputy addressed the specifics of the recommendations; therefore, the recommendations are resolved but will remain open. We will close the recommendations once we verify the comprehensive review of excess unexpired funds and resulting actions were completed and the MILDEPs submit documentation supporting that internal controls were implemented based on the updated GBRs.

Appendix A

Scope and Methodology

We conducted this performance audit from July 2024 through June 2025 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

To obtain an understanding of each office's role and policies associated with the PDA replenishment process, we met and coordinated with the following DoD Components and offices.

- OUSD(A&S)
- OUSD(C)/CFO
- Office of the Assistant Secretary of the Army (Acquisition, Logistics, and Technology)
- Office of the Assistant Secretary of the Army (Financial Management and Comptroller)
- Department of the Navy, Financial Management Operations and U.S. Marine Corps
- Office of the Assistant Secretary of the Air Force (Financial Management and Comptroller)
- DSCA

We also obtained the following laws, regulations, and guidance relevant to our audit objective.

- Public Law 117-103, "Consolidated Appropriations Act, 2022," March 15, 2022
- Public Law 117-128, "Additional Ukraine Supplemental Appropriations Act, 2022," May 21, 2022
- Public Law 117-180, "Continuing Appropriations and Ukraine Supplemental Appropriations Act, 2023," September 30, 2022
- Public Law 117-328, "Consolidated Appropriations Act, 2023," December 29, 2022
- Public Law 118-50, "Ukraine Security Supplemental Appropriations Act, 2024," April 24, 2024

- Under Secretary of Defense (Comptroller)/Chief Financial Officer, DoD memorandum, “General Business Rules for Use of Drawdown Authority and Replacement of Items and Reimbursement for Services Provided under Drawdown Authority,” June 1, 2023
- Under Secretary of Defense (Comptroller)/Chief Financial Officer, DoD memorandum, “Update to the General Business Rules for Use of Drawdown Authority and Replacement of Items and Reimbursement for Services Provided under Presidential Drawdown Authority,” January 8, 2025
- DoD Regulation 7000.14-R, “DoD Financial Management Regulation,” volume 3, chapter 8, “Standards for Recording and Reviewing Commitments and Obligations,” August 2023
- DoD Regulation 7000.14-R, “DoD Financial Management Regulation,” “Glossary,” January 2024
- Government Accountability Office GAO-20-195G, “Cost Estimating and Assessment Guide: Best Practices for Developing and Managing Program Costs,” March 2020
- Government Accountability Office GAO-14-704G, “Standards for Internal Control in the Federal Government,” September 10, 2014

Audit Universe and Sample Selection

We selected a nonstatistical sample of 80 reprogramming actions, valued at \$22.1 billion, from a population of 421 reprogramming actions from the first 23 tranches, valued at \$30.2 billion.

We used the following rationale and criteria when selecting our sample. We first considered our audit objective and determined a representative sample was not needed. We used nonstatistical sampling to achieve a targeted selection to ensure our sample provided coverage over each MILDEP and contained funds designated for replacement, reimbursement, and facilitization efforts. We reviewed the population and selected a sample of 80 reprogramming actions that provided replenishment funds to the MILDEPs for replacement of high dollar value assets, different weapon systems, investments in the defense industrial base, and reimbursement of services provided to Ukraine. Table 11 shows the amount of replenishment funds transferred to the MILDEPs from the first 23 tranches and the amount we sampled. Our sample of 80 reprogramming actions represents 73 percent of the dollar value of the population of 421 reprogramming actions.

Table 11. *Replenishment Funds Sample, Organized by MILDEP*

| MILDEP | Dollar Amount Received from Tranches 1 to 23 (in Millions) | Dollar Amount of Replenishment Actions (in Millions) | Amount Received (Percent) |
|------------------|--|--|---------------------------|
| Army | \$24,946 | \$19,001 | 76 |
| Marine Corps | 2,530 | 1,328 | 53 |
| Navy | 857 | 390 | 46 |
| Air Force | 1,603 | 1,190 | 74 |
| Defense Agencies | 225 | 163 | 72 |
| Total | \$30,161 | \$22,072 | 73 |

Source: The DoD OIG.

Our results are based on a nonstatistical sampling methodology and, therefore, cannot be used to calculate estimates (projections) for the population.

Sample Testing

To perform testing over the MILDEPs' estimated replacement costs for items and reimbursement for services provided to Ukraine, the audit team reviewed the:

- GAO's Cost Estimating and Assessment Guide, GBRs, and other applicable criteria;
- tranches for each sample to verify what was being replaced or reimbursed;
- execute orders for each sample, which showed the specific asset, quantity, and dollar amount of what was provided to Ukraine through PDA; and
- supporting estimate documentation provided by the MILDEPs.

To perform testing over each MILDEP's execution of replenishment funds, the audit team:

- reviewed applicable public laws, regulations, and guidance;
- reviewed the status of funds documents from each MILDEP accounting system to identify how much funding had been obligated, returned, and disbursed;
- compared the quantity of items provided to Ukraine on the execute orders against the quantity of items replaced based on obligating documents and confirmed the same or like-kind assets were used for replacement;

- reconciled obligating documents to the obligations reported on each MILDEP's status of funds documents;
- reviewed return documentation to verify if any funds related to the reprogramming actions had been returned to the Defense-Wide account in a timely manner;
- verified if excess funds were not returned for reallocation;
- verified if excess funds in the MILDEP accounts had expired or were dead funds; and
- compared the underlying MILDEP data and documentation to the December 2024 Ukraine replenishment funding execution report provided to Congress.

Internal Control Assessment and Compliance

We assessed internal controls and compliance with laws and regulations necessary to satisfy the audit objective. In particular, we assessed the internal control components and underlying principles related to the control environment and control activities. Specifically, we reviewed the DoD's distribution, use, monitoring, and reporting of Ukraine replenishment funds, including the actions established by management through policies and procedures to achieve objectives and respond to risks. During the audit, we found that the DoD did not effectively maintain internal controls over the use of funds appropriated for the replacement of defense articles and reimbursement for services provided to Ukraine under PDA. Additionally, we found that the DoD did not have effective controls to ensure replenishment funding execution was properly reported to Congress and excess funds were consistently returned for reallocation. However, because our review was limited to these internal control components and underlying principles, it may not have disclosed all internal control deficiencies that may have existed at the time of this audit.

Use of Computer-Processed Data

We used computer-processed data to perform this audit, but we did not rely on that data for our findings. Specifically, we used data from the ADVANA system to identify the record control numbers of items the MILDEPs requested for replenishment.²⁴ We also used MILDEP accounting systems to obtain data on the status of replenishment funding obligations. The MILDEP accounting systems used were as follows.

- U.S. Army's General Fund Enterprise Business System
- U.S. Air Force's Defense Enterprise Accounting and Management System
- U.S. Navy's Enterprise Resource Planning System
- U.S. Marine Corps' Defense Agencies Initiative System

To ensure the data from the information systems were reliable, we traced the record control numbers and obligations back to source documentation.

²⁴ The record control number is a unique identifier on an execute order that is tied to specific items and quantities provided to Ukraine.

Appendix B

Prior Coverage

During the last 5 years, the DoD Office of Inspector General (DoD OIG) and GAO issued 13 reports discussing defense articles provided to Ukraine.

Unrestricted GAO reports can be accessed at <http://www.gao.gov>. Unrestricted DoD OIG reports can be accessed at <http://www.dodig.mil/reports.html/>.

DoD OIG

Report No. DODIG-2025-059, “Audit of the Army’s Management of Undefinitized Contract Actions Awarded to Provide Ukraine Assistance,” January 17, 2025

Army contracting personnel did not manage 18 (75 percent) out of the 24 Undefinitized Contract Actions reviewed in accordance with Federal and DoD policies. This mismanagement exposed the DoD to unnecessary financial risks, including increased costs and the potential waste of taxpayer money.

Report No. DODIG-2025-037, “Evaluation of the Accountability of Presidential Drawdown Authority Defense Item Deliveries to Ukraine,” November 15, 2024

The DSCA and the Military Services did not effectively account for the items they delivered to Ukrainian control under PDA.

Report No. DODIG-2025-007, “Audit of the DoD’s Execution of Funds to Assist Ukraine,” October 18, 2024

The DoD did not support the use of Ukraine assistance funds in accordance with the Ukraine Supplemental Appropriations Acts and DoD policies. The DoD was unable to provide sufficient documentation to support the purpose or accuracy of 323 (\$1.1 billion) of the 479 (\$2.1 billion) disbursement transactions reviewed.

Report No. DODIG-2024-131, “Summary of Oversight Reports on Security Assistance to Ukraine Issued from January 2020 Through February 2024, to Inform DoD Efforts to Support Israel and Other Future Security Assistance Efforts,” September 16, 2024

This report provided a summary of 31 DoD OIG oversight reports issued between January 2020 and February 2024 and found that the DoD has continued to face challenges across a variety of areas related to security cooperation for Ukraine. These issues have hindered the DoD’s ability to efficiently support security assistance efforts.

Report No. DODIG-2024-095, “Audit of the DoD’s Revaluation of the Support Provided to Ukraine Through Presidential Drawdown Authority,” June 11, 2024

The DoD’s efforts to revalue defense articles provided to Ukraine under PDA did not result in an accurate valuation. The DoD overvalued selected defense articles by \$1.9 billion.

Report No. DODIG-2024-069, “Management Advisory: The Navy’s Execution of Funds to Assist Ukraine,” March 26, 2024

The Navy over-executed its allotment of Ukraine Assistance Funds by \$398.9 million, requiring three corrective accounting adjustments in FY 2022. This over-execution was caused by the Navy’s failure to address a known deficiency in the Navy Standard Accounting, Budgeting, and Reporting System that prevents accurate fund tracking.

Report No. DODIG-2022-133, “Management Advisory: The DoD’s Use of Additional Ukraine Supplemental Appropriations Act, 2022 Funds,” September 19, 2022

The DoD improved its procedures to report the use of \$20.1 billion in additional Ukraine Supplemental Act, 2022 funds. However, the DoD’s continued use of noncompliant financial systems limited the DoD’s ability to accurately reflect how these funds were spent.

Report No. DODIG-2022-112, “Management Advisory: The DoD’s Use of Ukraine Supplemental Appropriations Act, 2022 Funds,” July 8, 2022

The DoD implemented procedures for DoD Components to follow in reporting the use of \$6.5 billion in Ukraine Supplemental Appropriations Act, 2022 funds. However, the use of financial systems that do not directly feed into ADVANA could limit the transparency of those funds.

GAO

Report No. GAO-24-106763SU, “Ukraine Funding: DoD Needs to Improve Its Reporting, Guidance, and Evaluation Efforts,” September 30, 2024

The report is restricted because it contains controlled unclassified information.

Report No. GAO-24-106934, “Ukraine Assistance: Actions Needed to Properly Value Defense Articles Provided Under Presidential Drawdown Authority,” July 22, 2024

The DoD cannot have assurance that the value of defense articles provided under PDA are accurately valued. The Foreign Assistance Act, which authorizes PDA, and the DoD Financial Management Regulation do not provide a clear

definition of value. Additionally, DoD Components do not consistently follow DoD guidance nor maintain documentation to support the valuation methods used and values reported.

Report No. GAO-24-107232, “UKRAINE: Status and Use of Supplemental U.S. Funding, as of First Quarter, Fiscal Year 2024,” May 30, 2024

This report to congressional committees summarized the examination GAO completed on the status of Ukraine supplemental funding obligated and disbursed by 12 agencies as well as the types of activities this funding supports. This report included supplemental funds used to support the U.S. response to the Ukraine crisis and for other purposes.

Report No. GAO-24-106649, “Ukraine: Status and Challenges of DoD Weapon Replacement Efforts,” April 30, 2024

This report to congressional committees summarized the GAO’s work assessing the status and challenges of weapon replacement efforts related to Ukraine supplemental funding. The GAO provided information on the DoD’s planned use of \$25.9 billion to replace weapons sent to Ukraine and actions the DoD is taking to address defense industrial base challenges that could delay replacement efforts.

Report No. GAO-24-106289, “Ukraine: DoD Should Improve Data for Both Defense Article Delivery & End-Use Monitoring,” March 13, 2024

The DoD was not able to fully track the delivery nor be sure that the \$42 billion in security assistance provided to Ukraine was used for the intended purpose. The DoD has not fully documented the roles and responsibilities of entities involved in the delivery of defense articles nor has the quality data to track delivery of defense articles provided to Ukraine. Additionally, the DoD’s program to monitor the end-use of defense articles provided to Ukraine has not been formally assessed to see if its monitoring procedures are fully effective.

Appendix C

Summary of Potential Monetary Benefits

Many benefits from conducting audits can be expressed in monetary terms. For congressional semiannual reporting purposes, potential monetary benefits are classified as “questioned costs” or “funds put to better use.”

Questioned costs are incurred costs that are questioned because of an alleged violation of a provision of a law, regulation, contract, grant, cooperative agreement, or other agreement or document governing the expenditure of funds; a finding that, at the time of the audit, such cost is not supported by adequate documentation; or a finding that the expenditure of funds for the intended purpose is unnecessary or unreasonable. An unsupported cost is a subcategory of questioned costs, and it is a cost that is questioned by the DoD OIG because the DoD OIG found that, at the time of the audit, such cost was not supported by adequate documentation. Questioned costs are potential monetary benefits that result from costs that auditors questioned at the time of the audit because the cost was not supported by adequate documentation.

During the audit, we based our review of reimbursement actions in our sample on supporting documentation showing the actual costs incurred when MILDEPs requested reimbursements for transportation, depot maintenance, defense services, and spare parts. We determined that to consider a sample as supported, the provided documents had to match our sample data for the amount requested for reimbursement. To be sufficient supporting documentation, we determined that the provided documents had to include an indication that the costs were related to support for Ukraine.

After establishing the methodology for reviewing the sampled amounts, we requested documentation to support the reimbursement actions in our sample. During the reimbursement testing, we determined that the MILDEPs did not use actual costs incurred when requesting reimbursements for transportation, depot maintenance, defense services, and spare parts. After considering returns, we determined that \$825.4 million in the remaining amounts of the reimbursement actions in our sample were questioned costs.

We conducted our review of replenishment funding execution by using documentation supporting the amounts and quantities obligated for each replacement sample. To be considered sufficient supporting documentation, we determined that the provided documents had to materially support the obligation amounts in our sample. During the execution testing, we did not receive adequate supporting

documentation for \$193.4 million worth of obligations in our sample. Additionally, we determined the Navy potentially misused replenishment funds. Specifically, the Navy purchased 33 assault crafts totaling \$3.8 million after being approved to replace the 24 crafts that they provided to Ukraine. Therefore, the Navy purchased an extra nine crafts totaling \$1 million. We determined these amounts from the sample were questioned costs.

To capture the potential monetary benefits derived from the questioned costs, we summarized the reprogramming actions in our sample that contained questioned costs, organized by appropriation in Table 12.

Table 12. MILDEP Questioned Costs by Appropriation Title and Budget Fiscal Year for Recommendation A.1.f

| Appropriation Title | Budget Fiscal Year | Number of Sampled Reprogramming Actions | Amount of Questioned Costs (in Millions) |
|---|--------------------|---|--|
| 2020 – Operations and Maintenance, Army | 2022 | 2 | \$170.4 |
| 2020 – Operations and Maintenance, Army | 2023 | 2 | 277.4 |
| 2033 – Procurement of Weapons and Tracked Combat Vehicles, Army | 2023 | 3 | 35.5 |
| 1810 – Other Procurement, Navy | 2022 | 1 | 1.0 |
| 3400 – Operations and Maintenance, Air Force | 2022 | 1 | 263.6 |
| 3400 – Operations and Maintenance, Air Force | 2023 | 2 | 247.9 |
| 3400 – Operations and Maintenance, Air Force | 2024 | 1 | 24.0 |
| Total | | 12 | \$1,019.8 |

Source: The DoD OIG.

Funds put to better use means that funds could be used more efficiently if management takes action to implement and complete the recommendations in the audit report, including reducing outlays, de-obligating funds from programs or operations, implementing improvements to operations, or taking other identified actions that will result in avoiding costs or more efficiently using funds.

During the audit, we identified \$920 million in replenishment funding that could have been put to better use. This funding could have been used to replace critical weapons stocks or invest in the defense industrial base. Table 13 provides an overview of our determination of funds put to better use.

Table 13. Funds Put to Better Use

| Category of Funds | Amount of Funds (in Millions) |
|--|-------------------------------|
| Dead Funds Unexpired in MILDEP accounts | \$604.7 |
| Excess Funds Expired in MILDEP accounts | 245.6 |
| Excess Funds Expired in a Defense-Wide account | 69.7 |
| Total | \$920.0 |

Source: The DoD OIG.

Management Comments

Under Secretary of Defense (Comptroller)



COMPTROLLER

OFFICE OF THE UNDER SECRETARY OF DEFENSE
1100 DEFENSE PENTAGON
WASHINGTON, DC 20301-1100

JUL 14 2025

MEMORANDUM FOR DEPARTMENT OF DEFENSE OFFICE OF INSPECTOR GENERAL

SUBJECT: Comments on the Department of Defense Inspector General's Draft Report on
"Audit of Controls Over Funds Provided for the Replenishment of Defense Articles
and the Reimbursement for Services Provided to the Government of Ukraine
Through Presidential Drawdown Authority" (Project No. D2024-D000FI-0161.000)

This is the Office of the Under Secretary of Defense (Comptroller) (OUSD(C))'s response to the recommendations in the subject draft report, dated June 26, 2025. The OUSD(C) appreciates the Department of Defense Inspector General's (DoDIG) work on this engagement, as well as the opportunity to review and comment on the draft report.

The OUSD(C) has promptly taken action to address several of DoDIG's findings identified. We revised our approach to execution reporting in April 2025 for supplemental funds to account for completed cost transfers. We are also working closely with the DoD Components to align excess Fiscal Year 2023 replenishment funding to valid backlog requirements and plan to submit a reprogramming action to align those funds later this year.

The OUSD(C) acknowledges receipt of the draft report and notes that DoDIG requests OUSD(C) to provide comments in response to recommendations directed to OUSD(C). We acknowledge the \$1.9 billion of potential monetary benefits identified in the report. We reviewed your recommendations, and our response is attached. My point of contact for this matter is [REDACTED], who may be reached at [REDACTED]
[REDACTED]

Bryn Woollacott MacDonnell
Performing the Duties of the Under Secretary of
Defense (Comptroller)/Chief Financial Officer

Attachment:
As stated

Under Secretary of Defense (Comptroller) (cont'd)

**OFFICE OF THE UNDER SECRETARY OF DEFENSE (COMPTROLLER) (OUSD(C))
RESPONSE TO RECOMMENDATIONS
A.1.a, A.1.b, A.1.c, A.1.d, A.1.e, A.1.f, B.1.a, B.1.b, B.1.c.**

**DEPARTMENT OF DEFENSE OFFICE OF INSPECTOR GENERAL DRAFT REPORT,
“Audit Of Controls Over Funds Provided For The Replenishment Of Defense Articles And
The Reimbursement For Services Provided To The Government Of Ukraine Through
Presidential Drawdown Authority” (Project No. D2024-D000FI-0161.000)**

Recommendation A.1: We recommend that the Under Secretary of Defense (Comptroller)/Chief Financial Officer, DoD:

- a. *Update the January 8, 2025 memorandum, “Update to the General Business Rules for Use of Drawdown Authority and Replacement of Items and Reimbursement for Services Provided Under Presidential Drawdown Authority,” to state that cost estimates for replacement of defense articles provided for Presidential Drawdown Authority must be supported by source data, estimating methodology, technical baseline descriptions, and evidence of management review. Such documentation should be detailed enough so that a cost analyst and auditor unfamiliar with the program could understand what was done and replicate it.*

OUSD(C) Response: Concur. OUSD (Comptroller) will update the General Business Rules by January 31, 2026, to state that cost estimates for replacement of defense articles provided for Presidential Drawdown Authority must be supported by source data, estimating methodology, technical baseline descriptions, and evidence of management review.

- b. *Include the January 8, 2025 memorandum, “Update to the General Business Rules for Use of Drawdown Authority and Replacement of Items and Reimbursement for Services Provided Under Presidential Drawdown Authority,” into DoD Regulation 7000.14-R, “DoD Financial Management Regulation.”*

OUSD(C) Response: Concur. OUSD (Comptroller) will incorporate the General Business Rules by September 30, 2026, into the appropriate sections of the DoD Financial Management Regulation.

- c. *Update the January 8, 2025 memorandum, “Update to the General Business Rules for Use of Drawdown Authority and Replacement of Items and Reimbursement for Services Provided Under Presidential Drawdown Authority,” to include the requirement that the Military Departments certify they have supporting documentation for the actual costs incurred for transportation and other services, including depot maintenance.*

Under Secretary of Defense (Comptroller) (cont'd)

OUSD(C) Response: Partially Concur. The OUSD (Comptroller) will update the General Business Rules by January 31, 2026, to include the requirement that the Military Departments certify they have supporting documentation for the actual costs incurred for transportation and other services, including depot maintenance, when the Military Department requests reimbursement based on services provided to an authorized country. OUSD (Comptroller) does not plan to require these certifications when the Military Departments request a transfer of replacement funds for services notified to Congress for provision to Ukraine prior to incurrence of actual costs, as authorized by Public Law 118-50.

- d. Require the Military Departments, in coordination with the following officials, to develop the policies and procedures needed to ensure that they retain supporting documentation for actual costs for the purpose of reconciling between billed costs and reimbursed amounts associated with Presidential Drawdown Authority replenishment funds.*
- 1. Assistant Secretary of the Army (Financial Management and Comptroller)*
 - 2. Assistant Secretary of the Navy (Financial Management and Comptroller)*
 - 3. Assistant Secretary of the Air Force (Financial Management and Comptroller)*
 - 4. Assistant Deputy Commandant for Programs and Resources of the Marine Corps*

OUSD(C) Response: Concur. OUSD (Comptroller) will update the General Business Rules by January 31, 2026, to require the Military Departments to develop policies and procedures to retain supporting documentation.

- e. Ensure that each Military Department's evidence of management reviews is maintained and readily available for reprogramming requests associated with Presidential Drawdown Authority replenishment actions.*

OUSD(C) Response: Concur. The General Business Rules already require the Military Departments submit certification statements documenting evidence of management review and compliance with the General Business Rules for PDA replacement reprogramming actions. OUSD Comptroller will ensure that is appropriately emphasized in the January 31, 2026, General Business Rule update.

- f. Review the supporting documentation of the 12 reprogramming actions in our sample that total \$1 billion in questioned costs, in coordination with the following officials, to determine whether the replenishment funds were used in support of the Ukraine Presidential Drawdown Authority replenishment mission, and take appropriate actions to resolve any costs that are not in support of the Ukraine Presidential Drawdown Authority replenishment mission.*
- 1. Assistant Secretary of the Army (Financial Management and Comptroller) should review the seven reprogramming actions, totaling \$483.3 million in questioned costs.*

Under Secretary of Defense (Comptroller) (cont'd)

2. *Assistant Secretary of the Navy (Financial Management and Comptroller) should review one reprogramming action, totaling \$1 million in questioned costs.*
3. *Assistant Secretary of the Air Force (Financial Management and Comptroller) should review the four reprogramming actions, totaling \$535.5 million in questioned costs.*

OUSD(C) Response: Concur. OUSD (Comptroller) will review the supporting documentation for the questioned costs by November 30, 2025, and work with the Military Departments to take appropriate actions.

Recommendation B.1: We recommend that the Under Secretary of Defense (Comptroller)/Chief Financial Officer, DoD:

- a. *Update the January 8, 2025 memorandum, "Update to the General Business Rules for Use of Drawdown Authority and Replacement of Items and Reimbursement for Services Provided Under Presidential Drawdown Authority," to:*
 1. *Establish a requirement for unobligated funds to be returned no later than 60 days before the period of availability expiration of the originating Defense-Wide Account or Military Department account, whichever is earlier, unless and exemption to policy is approved by the Office of the Under Secretary of Defense (Comptroller)/Chief Financial Officer, DoD.*

OUSD(C) Response: Concur. The General Business Rules already require the Military Departments to return excess funds to the originating Defense-Wide account immediately upon determining that the funding is excess. OUSD (Comptroller) will update the General Business Rules by January 31, 2026, to add a requirement that the Military Departments return unobligated balances no later than 60 days before the period of availability expiration unless an exemption to policy is approved by OUSD (Comptroller).

2. *Establish requirements for the Military Departments to design and implement regular and recurring monitoring controls over replenishment funds, in accordance with the Government Accountability Office's "Standards for Internal Control in the Federal Government," and validate the obligation and execution data within ADVANA are accurate on a monthly basis.*

OUSD(C) Response: Concur. OUSD (Comptroller) will establish requirements for the Military Departments to validate the obligation and execution data in Advana is accurate in the General Business Rules by January 31, 2026.

3. *Establish a requirement for the Office of the Under Secretary of Defense (Comptroller)/ Chief Financial Officer, DoD, to design and implement regular and recurring monitoring controls over the obligation and execution data that are validated by the Military Departments.*

Under Secretary of Defense (Comptroller) (cont'd)

OUSDC(C) Response: Concur. OUSD (Comptroller) will update the General Business Rules by January 31, 2026, to include this requirement.

b. Implement internal controls within ADVANA that monitor obligations and automatically send alerts to the Military Departments and the Office of the Under Secretary of Defense (Comptroller)/Chief Financial Officer, DoD, based on the planned obligation date and targeted return date for excess unobligated funds.

OUSDC(C) Response: Partially Concur. The Advana tools for PDA replacement do not have the connectivity for the OUSD (Comptroller) to implement this recommendation as written. The OUSD (Comptroller) will explore potential enhancements to the Advana tools to enhance oversight of unobligated balances by October 31, 2025.

c. Require the Military Departments, in coordination with the following officials, to perform a comprehensive review to identify excess replenishment funding in an unexpired account that cannot be returned to the originating account. Upon identification, the Military Departments should evaluate whether the funds can be used to procure items from the Ukraine replenishment backlog and obtain approvals to use the excess funds consistent with the current General Business Rules. The Military Department officials should also design, document, and implement internal controls to ensure compliance with the General Business Rules requirements, including subsequent revisions made based on Recommendation B.1.a.

- 1. Assistant Secretary of the Army (Financial Management and Comptroller)*
- 2. Assistant Secretary of the Navy (Financial Management and Comptroller)*
- 3. Assistant Secretary of the Air Force (Financial Management and Comptroller)*
- 4. Assistant Deputy Commandant for Programs and Resources of the Marine Corps*

OUSDC(C) Response: Concur. OUSD Comptroller has been working closely with the Military Departments to align this excess replacement funding to valid backlog requirements since the DoDIG identified this issue. The comprehensive review was completed on June 25, 2025. OUSD Comptroller will submit a reprogramming action to align these funds to valid backlog requirements by August 15, 2025.

Department of the Army



7/23/25

SAFM-BUI

DEPARTMENT OF THE ARMY
 ASSISTANT SECRETARY OF THE ARMY
 FINANCIAL MANAGEMENT AND COMPTROLLER
 109 ARMY PENTAGON
 WASHINGTON DC 20310-0109

MEMORANDUM FOR Inspector General, Department of Defense, 4800 Mark Center Drive, Alexandria, VA 22350-5000.

SUBJECT: Comments on the Department of Defense Inspector General's Draft Report on "Audit of Controls Over Funds Provided for the Replenishment of Defense Articles and the Reimbursement for Services Provided to the Government of Ukraine Through Presidential Drawdown Authority" (Project No. D2024-D000FI-0161.000)

1. The Army concurs with comment to the Army relevant recommendations contained in the subject report.

- a. **Recommendation A.1.d:** *Require the Military Departments, in coordination with the following officials, to develop the policies and procedures needed to ensure that they retain supporting documentation for actual costs for the purpose of reconciling between billed costs and reimbursed amounts associated with Presidential Drawdown Authority replenishment funds.*

Comment: The Army is currently staffing updated policy that outlines procedures for the determination of replenishment estimates, reconciliation, and records retention.

- b. **Recommendation A.1.f:** *Review the supporting documentation of the 12 reprogramming actions in our sample that total \$1 billion in questioned costs, in coordination with the following officials, to determine whether the replenishment funds were used in support of the Ukraine Presidential Drawdown Authority replenishment mission, and take appropriate actions to resolve any costs that are not in support of the Ukraine Presidential Drawdown Authority replenishment mission. 1. Assistant Secretary of the Army (Financial Management and Comptroller) should review the seven reprogramming actions, totaling \$483.3 million in questioned costs.*

Comment: The Army, in coordination with Department stakeholders, continues to review and reconcile costs associated with drawdown and replenishment execution.

- c. **Recommendation B.1.c:** *Require the Military Departments, in coordination with the following officials, to perform a comprehensive review to identify excess replenishment funding in an unexpired account that cannot be returned to the*

Department of the Army (cont'd)

SAFM-BUI
SUBJECT: Comments on the Department of Defense Inspector General’s Draft Report on “Audit of Controls Over Funds Provided for the Replenishment of Defense Articles and the Reimbursement for Services Provided to the Government of Ukraine Through Presidential Drawdown Authority” (Project No. D2024-D000FI-0161.000)

originating account. Upon identification, the Military Departments should evaluate whether the funds can be used to procure items from the Ukraine

replenishment backlog and obtain approvals to use the excess funds consistent with the current General Business Rules. The Military Department officials should also design, document, and implement internal controls to ensure compliance with the General Business Rules requirements, including subsequent revisions made based on Recommendation B.1.a.

Comment: The Army is actively identifying excess replenishment funding in expiring accounts to address outstanding backlog requirements. The Army supports and will enforce policy updates pending further guidance from the OUSD(C).

2. Points of contact are [REDACTED],
or [REDACTED].

CAREY.HOLLY. [REDACTED]
L. [REDACTED] [REDACTED]
Ms. Holly L. Carey
Deputy Director of Army Budget
Army Budget Office, ASA FM&C

Department of the Navy



DEPARTMENT OF THE NAVY
OFFICE OF THE ASSISTANT SECRETARY
(FINANCIAL MANAGEMENT AND COMPTROLLER)
1000 NAVY PENTAGON
WASHINGTON DC 20350-1000

24 JUN 2025

MEMORANDUM FOR: DEPARTMENT OF DEFENSE INSPECTOR GENERAL

FROM: Associate Director, Deputy Assistant Secretary of the Navy (Budget)

SUBJECT: Response to DoD IG Report No. D2024-D000FI-0161.000 Audit of Controls Over Funds Provided for the Replenishment of Defense Articles and the Reimbursement for Services Provided to the Government of Ukraine Through Presidential Drawdown Authority

Reference: DoD IG Report No. D2024-D000FI-0161.000 dtd 26 June, 2025

This memorandum serves to provide a preliminary response to the following open recommendations from DODIG Report No. D2024-D000FI-0161.000.

DOD IG Response:

Recommendation A.1.d: Require the Military Departments, in coordination with the following officials, to develop the policies and procedures needed to ensure that they retain supporting documentation for actual costs for the purpose of reconciling between billed costs and reimbursed amounts associated with presidential drawdown Authority replenishment funds.

1. Assistant Secretary of the Army (Financial Management and Comptroller)
2. Assistant Secretary of the Navy (Financial Management and Comptroller)
3. Assistant Secretary of the Air Force (Financial Management and Comptroller)
4. Assistant Deputy Commandant for Programs and Resources of the Marine Corps

DON Response Recommendation A.1.d: The Department of Navy (DON) concurs with DODIG's recommendation and will update policies ensuring proper cost documentation retention in accordance with updated OSD Comptroller guidance.

DOD IG Response:

Recommendation A.1.f: Review the supporting documentation of the 12 reprogramming actions in our sample that total \$1 billion in questioned costs, in coordination with the following officials, to determine whether the replenishment funds were used in support of the Ukraine Presidential Drawdown Authority replenishment mission, and take appropriate actions to resolve any costs that are not in support of the Ukraine Presidential drawdown Authority replenishment mission.

Department of the Navy (cont'd)



DEPARTMENT OF THE NAVY
OFFICE OF THE ASSISTANT SECRETARY
(FINANCIAL MANAGEMENT AND COMPTROLLER)
1000 NAVY PENTAGON
WASHINGTON DC 20350-1000

1. The Assistant Secretary of the Army (Financial management and Comptroller) should review the seven reprogramming actions, totaling \$483.3 million in questioned costs.
2. The Assistant Secretary of the Navy (Financial management and Comptroller) should review one reprogramming action, totaling \$1 million in questioned costs.
3. The Assistant Secretary of the Air Force (Financial management and Comptroller) should review the four reprogramming action, totaling \$535.5 million in questioned costs.

DON Response Recommendation A.1.d: The Department of Navy (DON) concurs with DODIG's recommendation and will conduct a preliminary review of the one reprogramming action totaling \$1 million in questioned costs.

DOD IG Response:

Recommendation B.1.c: Require the Military Departments, in coordination with the following officials, to perform a comprehensive review to identify excess replenishment funding in an unexpired account that cannot be returned to the originating account. Upon identification, the Military Departments should evaluate whether the funds can be used to procure items from the Ukraine replenishment backlog and obtain approvals to use the excess funds consistent with the current General Business Rules. The Military Department officials should also design, document, and implement internal controls to ensure compliance with the General Business Rules requirements, including subsequent revisions made based on Recommendation B.1.a.

1. Assistant Secretary of the Anny (Financial Management and Comptroller)
2. Assistant Secretary of the Navy (Financial Management and Comptroller)
3. Assistant Secretary of the Air Force (Financial Management and Comptroller)
4. Assistant Deputy Commandant for Programs and Resources of the Marine Corps

DON Response Recommendation B.1.c: The Department of Navy (DON) concurs with DODIG's recommendation. Any excess expiring replenishment funding will be evaluated to relocate towards Ukraine PDA backlog and policy will be revised in accordance with updated OSD Comptroller guidance.

A handwritten signature in black ink, appearing to read "Mary K. Tompa", is positioned above the printed name.

MARY K. TOMPA
Associate Director
Office of Budget

Department of the Air Force



DEPARTMENT OF THE AIR FORCE
WASHINGTON, DC

OFFICE OF THE ASSISTANT SECRETARY

23 Jul 2025

MEMORANDUM FOR DEPARTMENT OF DEFENSE INSPECTOR GENERAL

FROM: HQ USAF/FM
1120 Air Force Pentagon
Washington, DC 20330

SUBJECT: Department of the Air Force Response to DoD Office of Inspector General Draft Report, “Audit of Controls Over Funds Provided for the Replenishment of Defense Articles and the Reimbursement for Services Provided to the Government of Ukraine Through Presidential Drawdown Authority” (Project No. D2024-D000FI-0161.000)

1. This is the Department of the Air Force (DAF) response to the DoDIG Draft Report, “Audit of Controls Over Funds Provided for the Replenishment of Defense Articles and the Reimbursement for Services Provided to the Government of Ukraine Through Presidential Drawdown Authority” (Project No. D2024-D000FI-0161.000). The DAF agrees with the intent of the report as written and welcomes the opportunity to provide our responses for the applicable recommendations to the DAF, specifically the Assistant Secretary of the Air Force (Financial Management and Comptroller).

2. SAF/FM in coordination with other HQ functional entities and respective Major Commands will assess applicable policies and procedures to provide for corrective issues on those identified in this report and further validated by DAF internal review. We will collectively develop and implement a corrective action plan outlined in the following recommendations:

RECOMMENDATION A.1.d: The DoDIG recommends the Air Force in coordination with the OUSD(C) develop policies and procedures needed to ensure they retain supporting documentation for actual costs for the purpose of reconciling between billed costs and reimbursed amounts associated with Presidential Drawdown Authority replenishment funds.

DAF RESPONSE: SAF/FM agrees with the recommendation and will develop policies and procedures needed to ensure they retain supporting documentation for actual costs for the purpose of reconciling between billed costs and reimbursed amounts associated with Presidential Drawdown Authority replenishment funds. **Estimated Completion Date:** 31 Dec 2025.

RECOMMENDATION A.1.f: The DoDIG recommends the Air Force in coordination with the OUSD(C) review the supporting documentation of the four reprogramming actions in our sample that total \$535.5 million in questioned costs to determine whether the replenishment funds were used in support of the Ukraine Presidential Drawdown Authority replenishment mission, and

Financing the Fight

Department of the Air Force (cont'd)

take appropriate actions to resolve any costs that are not in support of the Ukraine Presidential Drawdown Authority replenishment mission.

DAF RESPONSE: SAF/FM agrees with the recommendation and will review the supporting documentation of the four reprogramming actions in the DoDIG sample that total \$535.5 million in questioned costs to determine whether the replenishment funds were used in support of the Ukraine Presidential Drawdown Authority replenishment mission, and will take appropriate actions to resolve any costs not in support of the Ukraine Presidential Drawdown Authority replenishment mission. **Estimated Completion Date:** 31 Dec 2025.

RECOMMENDATION B.1.c: The DODIG recommends the Air Force in coordination with the OUSD(C) perform a comprehensive review to identify excess replenishment funding in an unexpired account that cannot be returned to the originating account. Upon identification, the Air Force should evaluate whether the funds can be used to procure items from the Ukraine replenishment backlog and obtain approvals to use the excess funds consistent with the current General Business Rules. The Air Force should also design, document, and implement internal controls to ensure compliance with the General Business Rules requirements, including subsequent revisions made based on Recommendation B.1.a.

DAF RESPONSE: SAF/FM agrees with the recommendation and will perform a comprehensive review to identify excess replenishment funding in an unexpired account that cannot be returned to the originating account. Upon identification, SAF/FM will evaluate whether the funds can be used to procure items from the Ukraine replenishment backlog and obtain approvals to use the excess funds consistent with the current General Business Rules. SAF/FM will also design, document, and implement internal controls to ensure compliance with the General Business Rules requirements, including subsequent revisions made based on Recommendation B.1.a. **Estimated Completion Date:** 31 Dec 2025.

3. The SAF/FM point of contact is [REDACTED], SAF/FMBOI, via e-mail at [REDACTED].

SAYER.LARA.C.[REDACTED]

Digitally signed by
SAYER.LARA.C.[REDACTED]

LARA C. SAYER, USAF
Acting Assistant Secretary of the Air Force
(Financial Management and Comptroller)

U.S. Marine Corps

**DODIG DRAFT REPORT DATED JUNE 26, 2025
PROJECT NO. D2024-D000FI-0161.000**

**“AUDIT OF CONTROLS OVER FUNDS PROVIDED FOR THE REPLENISHMENT OF
DEFENSE ARTICLES AND THE REIMBURSEMENT FOR SERVICES PROVIDED TO
THE GOVERNMENT OF UKRAINE THROUGH PRESIDENTIAL DRAWDOWN
AUTHORITY”**

**UNITED STATES MARINE CORPS COMMENTS
TO THE DODIG RECOMMENDATIONS**

RECOMMENDATION A.1.d: DODIG recommends that the Under Secretary of Defense (Comptroller)/Chief Financial Officer, DoD:

d. Require the Military Departments, in coordination with the following officials, to develop the policies and procedures needed to ensure that they retain supporting documentation for actual costs for the purpose of reconciling between billed costs and reimbursed amounts associated with Presidential Drawdown Authority replenishment funds.

1. Assistant Secretary of the Army (Financial Management and Comptroller)
2. Assistant Secretary of the Navy (Financial Management and Comptroller)
3. Assistant Secretary of the Air Force (Financial Management and Comptroller)
4. Assistant Deputy Commandant for Programs and Resources of the Marine Corps

USMC RESPONSE: Concur as written. The Marine Corps has faced challenges in document retention specifically when coordinating between program managers and the Army. The Marine Corps will support and enforce policy updates pending OSD Comptroller guidance on maintaining appropriate documentation for cost estimates and quotes.

RECOMMENDATION B.1.c: DODIG recommends that the Under Secretary of Defense (Comptroller)/Chief Financial Officer, DoD:

c. Require the Military Departments, in coordination with the following officials, to perform a comprehensive review to identify excess replenishment funding in an unexpired account that cannot be returned to the originating account. Upon identification, the Military Departments should evaluate whether the funds can be used to procure items from the Ukraine replenishment backlog and obtain approvals to use the excess funds consistent with the current General Business Rules. The Military Department officials should also design, document, and implement internal controls to ensure compliance with the General Business Rules requirements, including subsequent revisions made based on Recommendation B.1.a.

1. Assistant Secretary of the Army (Financial Management and Comptroller)
2. Assistant Secretary of the Navy (Financial Management and Comptroller)
3. Assistant Secretary of the Air Force (Financial Management and Comptroller)
4. Assistant Deputy Commandant for Programs and Resources of the Marine Corps

U.S. Marine Corps (cont'd)

USMC RESPONSE: Concur as written. The PDA process has been an evolving process. Improvements have been made along the way such as the draft of OSD Comptroller's General Business Rules and implementation of ADVANA. The Marine Corps is actively identifying excess replenishment funds in expiring FY23 funds to fund Marine Corps Ukraine PDA backlog. The Marine Corps will also support and enforce policy updates pending further guidance from OSD Comptroller.


SES, A.N.K. Smith
ADC R, USMC, P&R

Acronyms and Abbreviations

| | |
|--------------------|---|
| ADVANA | Advancing Analytics |
| DSCA | Defense Security Cooperation Agency |
| DSCA 1000 | DSCA Management Information System |
| GBR | General Business Rules |
| MILDEP | Military Department |
| O&M | Operation and Maintenance |
| OUSDA&S | Office of the Under Secretary of Defense for Acquisition and Sustainment |
| OUSDC/CFO | Office of the Under Secretary of Defense (Comptroller)/Chief Financial Officer, DoD |
| PDA | Presidential Drawdown Authority |
| PoA | Period of Availability |
| USD(C)/CFO | Under Secretary of Defense (Comptroller)/Chief Financial Officer, DoD |

Glossary

Dead Funds. Excess unobligated funds in an unexpired MILDEP account that cannot be returned for reallocation or used to replace other items provided to Ukraine due to policy at the time of testing.

Excess Funds. Remaining unused funds when the actual cost to replace defense articles or reimburse services are less than originally estimated.

Facilitization. A subset of replacement which includes factory improvements, production equipment, and tooling to accelerate the production of replacement items for defense articles provided to Ukraine under PDA.

Obligation. A legally binding agreement or action that will result in outlays, immediately or in the future. When authorized agency personnel place an order, sign a contract, award a grant, purchase a service, or take other actions that require the government to make payments to the public or from one government account to another, the agency incurs an obligation.

Period of Availability. The amount of time an entity may create a new obligation. For example, a 2023 ending PoA means the funds expired on September 30, 2023, and they are unavailable for obligation after that date.

Reallocation. To apportion or distribute something in a new or different way. In the context of PDA replenishment funds, excess funds are returned to the OUSD(C)/CFO and reallocated to replace other defense articles or reimburse services.

Reimbursement. The amounts earned and collected for property sold or services furnished. This includes the replenishment funds provided to the MILDEPs for expenses incurred providing support for Ukraine, which includes transportation of defense articles, depot maintenance, other services, and spare parts.

Replacement. The act of acquiring new defense articles that were provided to Ukraine under PDA. For the purpose of this report, the MILDEPs used replenishment funds to replace the stocks that were provided to support the Ukraine effort.

Reprogramming Action. An action processed within the Department that includes reclassifying funds for proper execution into a different line item, program element, or appropriation than where the funds were originally appropriated. This action is used to transfer replenishment funding from the Defense-Wide O&M account to a MILDEP account or within MILDEPs accounts for execution.

Whistleblower Protection

U.S. DEPARTMENT OF DEFENSE

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**For more information about DoD OIG
reports or activities, please contact us:**

Legislative Affairs Division
703.604.8324

Public Affairs Division
public.affairs@dodig.mil; 703.604.8324



www.dodig.mil

DoD Hotline
www.dodig.mil/hotline





DEPARTMENT OF DEFENSE | OFFICE OF INSPECTOR GENERAL

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