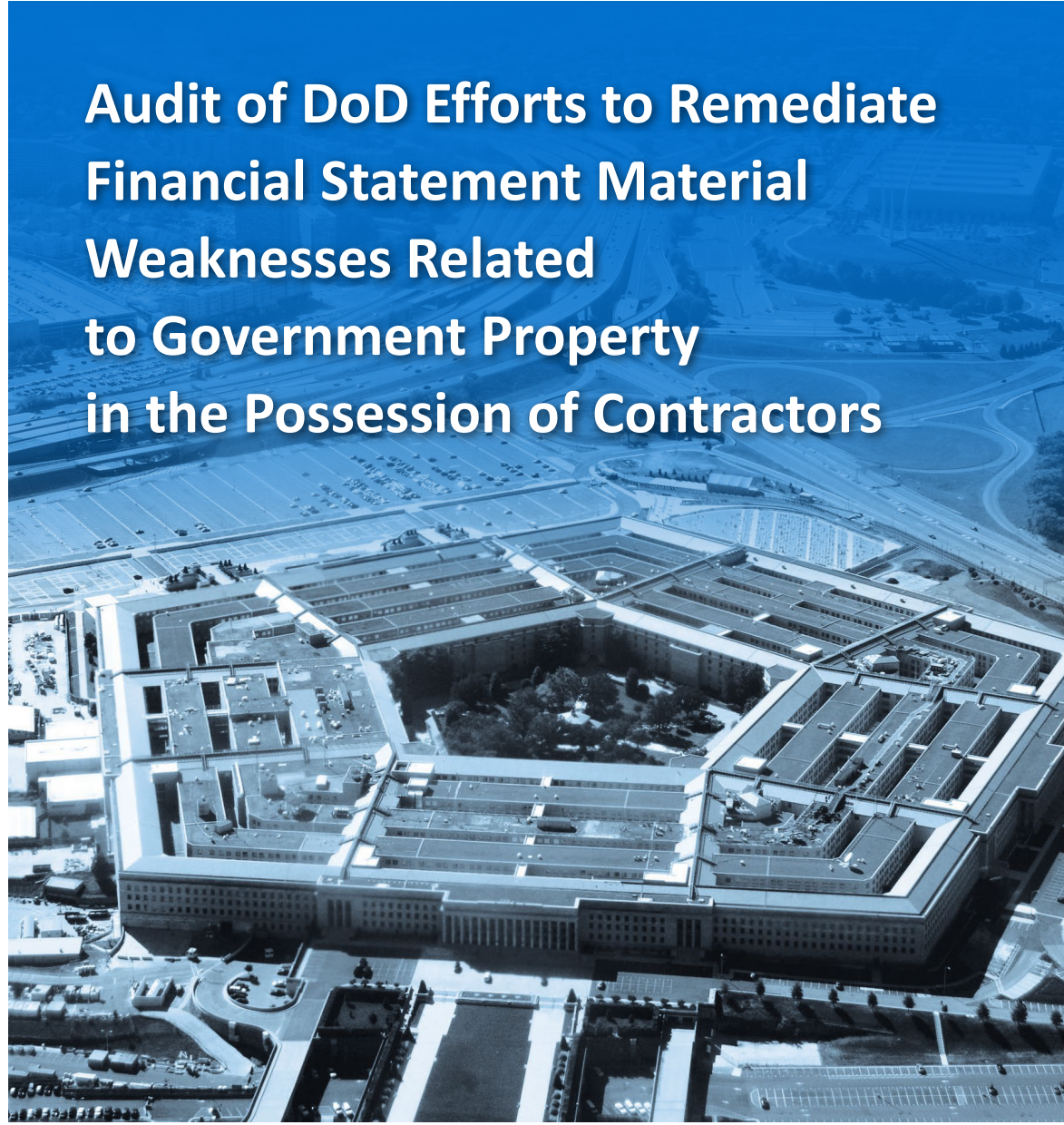




INSPECTOR GENERAL

U.S. Department of Defense

NOVEMBER 24, 2025



Audit of DoD Efforts to Remediate Financial Statement Material Weaknesses Related to Government Property in the Possession of Contractors

INDEPENDENCE ★ INTEGRITY ★ EXCELLENCE ★ TRANSPARENCY





Results in Brief

Audit of DoD Efforts to Remediate Financial Statement Material Weaknesses Related to Government Property in the Possession of Contractors

November 24, 2025

Objective

The objective of the audit was to assess the effectiveness of DoD actions to remediate the financial statement material weakness related to reporting Government Property in the Possession of Contractors (GPIPC).

Background

GPIPC was first reported as a material weakness in FY 2001, and it continues to be an obstacle to the DoD and its Components achieving unmodified (clean) audit opinions. The DoD's corrective action plan (CAP) to remediate the GPIPC material weakness suggests that DoD Components use the Government-Furnished Property (GFP) Module in the Procurement Integrated Enterprise Environment (PIEE) system for GPIPC asset tracking and reporting. We reviewed the CAP to determine whether it would be effective in remediating the GPIPC material weakness.

Finding

Although the DoD has a CAP that, if implemented, should enable the DoD to provide a complete and accurate balance of GPIPC assets, the actions to implement the CAP were ineffective.

The DoD's actions to remediate the DoD financial statement material weakness were ineffective because the:

- Offices of the Under Secretary of Defense for Acquisition and Sustainment (OUSD[A&S]) and the Under Secretary of Defense (Comptroller)/Chief Financial Officer, DoD (OUSD[C]/CFO), did not direct the use of the GFP Module;

Finding (cont'd)

- DoD Components have not updated their Accountable Property Systems of Record (APSRs) to directly interface with the GFP Module; and
- DoD Components have been focused on remediating their Component-level material weaknesses related to GPIPC.

The unremedied GPIPC material weaknesses within the DoD Components have a negative impact on the DoD Agency-Wide financial statements. The DoD Components' inability to accurately account for GPIPC will continue to impede the DoD's ability to achieve an unmodified audit opinion by FY 2028. Accurate financial statements enable Congress and the public to assess how the DoD spends its money, help the DoD improve its operations, identify vulnerabilities in information technology and other systems, and prevent wasteful practices.

Recommendations

We recommend that the USD(A&S) and the USD(C)/CFO provide clarifying information to DoD Components on why the GFP Module is an essential part of the DoD-wide solution for recording and reporting GPIPC. We also recommend that they issue DoD guidance requiring the DoD Components to use the GFP Module for inventory management of GPIPC and work with the DoD Components to implement the GFP Module and necessary interfaces. We recommend that the DoD Components align their Component-level GPIPC material weakness remediation efforts with the OUSD(A&S) CAP and update remediation efforts to require their non-retiring APSRs to directly interface with the GFP Module.

Management Comments and Our Response

The Under Secretary of Defense for Acquisition and Sustainment and the Assistant Secretary of the Navy (Financial Management and Comptroller) agreed to address all of the recommendations;



Results in Brief

Audit of DoD Efforts to Remediate Financial Statement Material Weaknesses Related to Government Property in the Possession of Contractors

Comments (cont'd)

therefore, they are resolved but will remain open. The Acting Assistant Secretary of the Air Force (Financial Management and Comptroller) and the Department of the Air Force Assistant Deputy Chief of Staff for Logistics, Engineering, and Force Protection agreed with the recommendations. The Department of the Air Force Assistant Deputy Chief of Staff for Logistics, Engineering, and Force Protection will address the recommendations; therefore, they are resolved but will remain open. We will close the recommendations when we verify that management has implemented corrective actions.

The Assistant Secretary of the Army (Financial Management and Comptroller) provided unsigned comments to the recommendations, stating that they had no comment. Therefore, the recommendations are unresolved. We request that the management officials with unresolved recommendations provide official, signed comments within 30 days in response to the final report.

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 for Acquisition and Sustainment	None	1.a, 1.b, 1.c	None
Assistant Secretary of the Army (Financial Management and Comptroller)	2.a, 2.b	None	None
Assistant Secretary of the Navy (Financial Management and Comptroller)	None	2.a, 2.b	None
Assistant Secretary of the Air Force (Financial Management and Comptroller)	None	2.a, 2.b	None

Please provide Management Comments by December 24, 2025.

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

November 24, 2025

MEMORANDUM FOR UNDER SECRETARY OF DEFENSE FOR ACQUISITION AND SUSTAINMENT
AUDITOR GENERAL, DEPARTMENT OF THE ARMY
AUDITOR GENERAL, DEPARTMENT OF THE NAVY
AUDITOR GENERAL, DEPARTMENT OF THE AIR FORCE

SUBJECT: Audit of DoD Efforts to Remediate Financial Statement Material Weaknesses
Related to Government Property in the Possession of Contractors
(Report No. DODIG-2026-016)

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 Under Secretary of Defense for Acquisition and Sustainment, the Assistant Secretary of the Navy (Financial Management and Comptroller), the Acting Assistant Secretary of the Air Force (Financial Management and Comptroller), and the Assistant Deputy Chief of Staff for Logistics, Engineering, and Force Protection, 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, within 90 days please provide us your response concerning specific actions in process or completed on the recommendations. Send your unclassified response to [REDACTED].

This report contains recommendations that are considered unresolved because the Assistant Secretary of the Army (Financial Management and Comptroller) did not address the specifics of the recommendations or provide an official, signed response to the report. Therefore, the recommendations remain open. We will track these recommendations until management has agreed to take actions that we determine to be sufficient to meet the intent of the recommendations and management officials submit adequate documentation showing that all agreed-upon actions are completed.

DoD Instruction 7650.03 requires that recommendations be resolved promptly. Therefore, within 30 days please provide us your response concerning specific actions in process or alternative corrective actions proposed on the unresolved 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 DoD actions to remediate the financial statement material weakness related to reporting Government Property in the Possession of Contractors (GPIPC). See Appendix A for a discussion of the scope and methodology and Appendix B for a list of prior audit coverage related to the audit objective.

Background

The “Chief Financial Officers Act of 1990” requires the DoD to prepare auditable financial statements.¹ To comply with this requirement, the DoD produces a set of financial statements that consolidate the financial activity of more than 60 DoD Component reporting entities, including the Military Departments, Defense agencies, and DoD field activities.² The consolidation of these DoD entity financial statements makes up the DoD Agency-Wide financial statements. The National Defense Authorization Act for FY 2024 requires the DoD to receive an unmodified (clean) opinion on the DoD’s Agency-Wide Financial Statements no later than FY 2028.³

The DoD Agency Financial Report (AFR) and Component-level AFRs are created to provide an overview of the financial and operational performance of the DoD and its Components. The U.S. Army, Navy, and Air Force are audited by Independent Public Accountants (IPAs) as individual Military Components, while the DoD OIG audits the DoD as a whole. The DoD OIG issues an annual audit opinion report that is published in the DoD AFR. The audit team provides an opinion on the DoD financial statements and, if necessary, identifies material weaknesses and issues notices of findings and recommendations to be addressed by DoD management. The FY 2024 DoD Agency-Wide Financial Statements received a disclaimer of opinion.⁴

¹ Public Law 101-576, “Chief Financial Officers Act of 1990,” November 15, 1990, as amended.

² For this report, when discussing “DoD Components,” the audit team is referring to the U.S. Army, Navy, and Air Force.

³ An unmodified opinion is the opinion expressed by the auditor when the auditor concludes that the financial statements were presented fairly, in all material respects, in accordance with the applicable financial reporting framework.


Public Law 118-31, “National Defense Authorization Act for Fiscal Year 2024,” December 22, 2023.

⁴ A disclaimer of opinion is issued when planned audit procedures cannot be completed because management is unable to provide sufficient, appropriate evidence for the auditors to base an opinion, and the auditors conclude that the possible effects on the financial statements of undetected misstatements could be both material and pervasive.

Accounting for Government Property in the Possession of Contractors

The Army, Navy, and Air Force are required to prepare and issue their own stand-alone financial statements to meet reporting requirements. The actual value of GPIPC—as it is reported on the Army, Navy, and Air Force financial statements—is unknown. GPIPC is not a stand-alone line item within their Component-level balance sheets. Instead, it is part of several specific line items. However, GPIPC’s estimated value of \$220 billion or more, as reported by the DoD in 2014, indicates that the actual value could be material to the Army, Navy, and Air Force financial statements. See Figure 1 for details on the DoD Component line items that contain GPIPC.

Figure 1. DoD Component Line Items Containing GPIPC

	 ARMY	 NAVY	 AIR FORCE
GENERAL FUND LINE ITEMS	General and Right-to-Use Property, Plant, and Equipment, Net Inventory and Related Property	Property, Plant, and Equipment, Net Inventory and Related Property, Net	General Property, Plant, and Equipment, Net Operating Materials and Supplies, Net
WORKING CAPITAL FUND LINE ITEMS	Inventory and Related Property, Net	Inventory and Related Property, Net	Inventory and Related Property, Net

Source: The DoD OIG.

The financial activity of DoD Components is combined with the financial activity of all DoD entities to prepare the DoD Agency-Wide financial statements. Specifically, the DoD Agency-Wide balance sheet includes the asset lines of “Inventory and Related Property, Net” and “General and Right-to-Use Property, Plant, and Equipment, Net,” which include GPIPC assets. Government-furnished and Contractor-acquired property are both categories of GPIPC.⁵ Examples of GPIPC include special test equipment; spare parts; and property for repair, maintenance, overhaul, or modification of existing assets. A specific example of GPIPC is the F-35 Joint Strike Fighter (JSF) Program inventory. The F-35 JSF Program inventory includes spare parts and equipment required for the upkeep and readiness of the F-35 JSF. Two primary contractors for the F-35 JSF Program

⁵ Government-furnished property is property acquired by the government and subsequently furnished to the contractor for the performance of a contract. Contractor-acquired property is property acquired, fabricated, or provided by the contractor for performance of a government contract.

are responsible for the management and distribution of F-35 JSF inventory. The DoD is required to maintain accountability and records for GPIPC assets, regardless of whether the DoD has physical custody of the assets.

According to a 2023 Government Accountability Office (GAO) audit report, the DoD estimated GPIPC to be at least \$220 billion in 2014, which the GAO believed to be significantly understated.⁶ The DoD has not updated or established the quantity or value of GPIPC at the DoD Agency-Wide level since the 2014 estimate due to the ongoing material weakness and a lack of accuracy within the DoD's accounting records.

Notices of Findings and Recommendations

During the DoD Agency-Wide and Component-level audits, the DoD OIG and IPA auditors may issue notices of findings and recommendations (NFRs). Auditors develop NFRs to communicate to management the condition, cause, and effect of internal control deficiencies. Management then develops corrective action plans (CAPs) to address the NFRs. For the FY 2024 audit year, DoD OIG auditors issued one Agency-Wide NFR related to GPIPC, while IPAs issued eight Component-level NFRs related to GPIPC.

Material Weakness

Auditors determine the severity of NFRs and classify them as control deficiencies, significant deficiencies, or material weaknesses. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, which creates the possibility that a material misstatement of the financial statements will not be prevented, or detected and corrected, in a timely manner. DoD OIG and IPA auditors determined that the possibility of a material misstatement related to GPIPC existed and issued four GPIPC material weaknesses in FY 2024. Specifically, DoD OIG auditors issued one material weakness to the DoD, while IPAs issued individual GPIPC material weaknesses to the Navy and Air Force. The Army's IPA also issued an Inventory material weakness that included GPIPC.

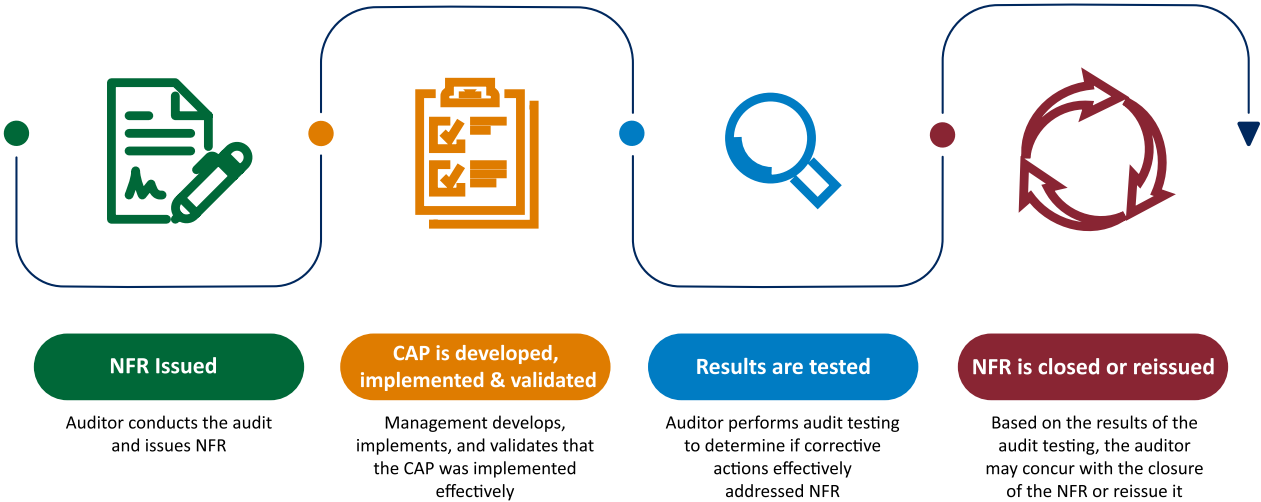
Corrective Action Plans

CAPs are created by DoD management to remediate conditions identified by NFRs or material weaknesses. CAPs are unique to each NFR and material weakness, and they include corrective actions, responsible parties, and an estimated completion date. Once DoD management determines appropriate actions have been taken to remediate the conditions, management notifies the DoD OIG and IPA auditors. The auditors then review audit evidence to determine whether the conditions

⁶ Report No. GAO-23-105198, "DoD Financial Management: Greater Attention and Accountability Needed over Government-Furnished Property," January 2023.

identified within the NFR or material weaknesses are remediated. If the auditors determine the corrective actions failed to remediate the conditions, the auditor returns the CAP to DoD management for additional corrective actions. If the conditions are not corrected by the completion of the audit cycle, the NFR or material weakness is reissued. If CAPs related to financial statement conditions are not properly designed, implemented, and validated, there will continue to be a risk of material misstatement of the DoD’s financial statements. See Figure 2 for the DoD’s process for addressing NFRs issued by financial statement auditors.

Figure 2. The DoD’s Process for Addressing NFRs Issued by Financial Statement Auditors



Source: The DoD OIG.

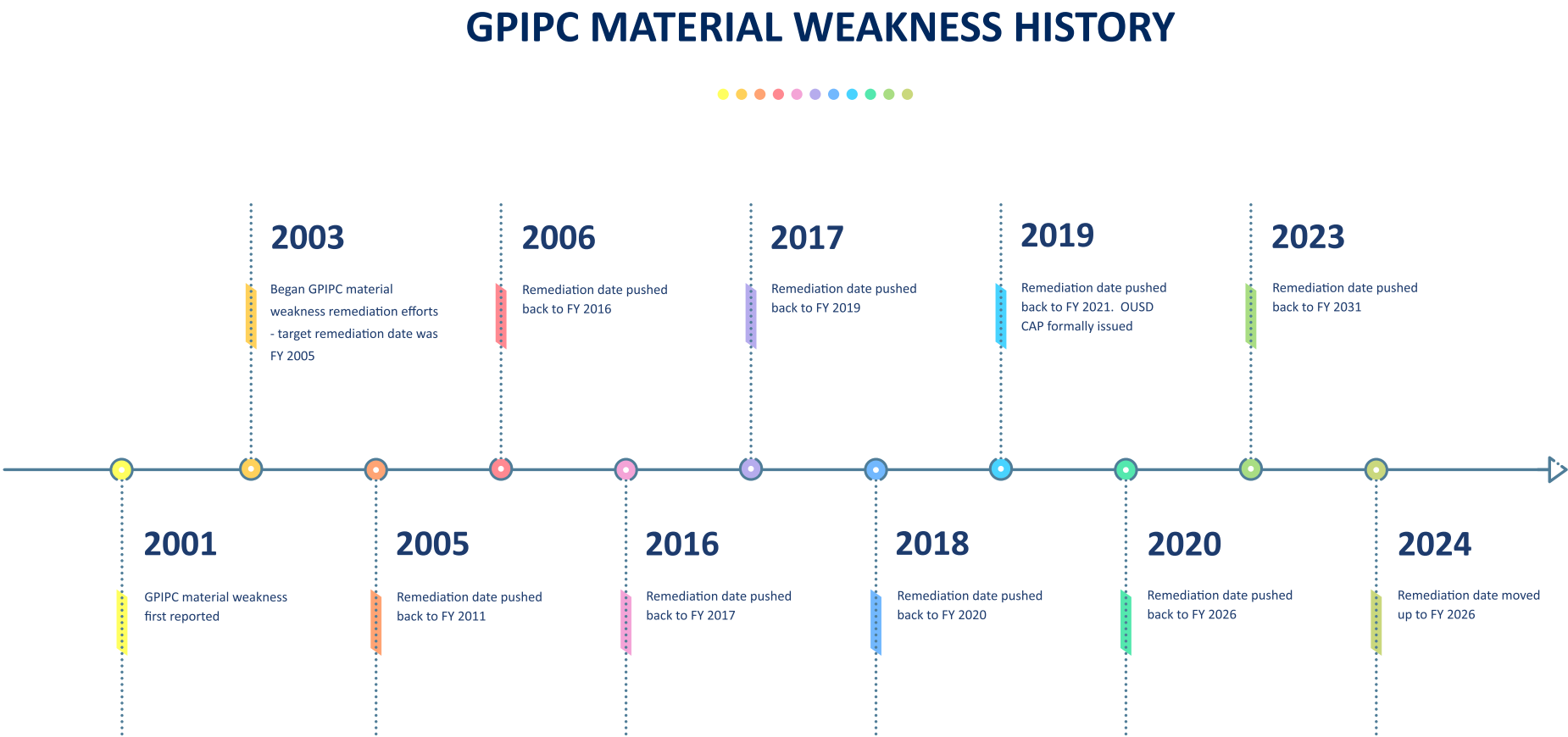
GPIPC Material Weakness History

DoD OIG auditors first reported a material weakness for GPIPC in the FY 2001 DoD AFR. The FY 2001 report stated that the GPIPC values were not included in the financial statements. The report further stated that the DoD was reviewing procedures for collecting and reporting GPIPC values.

The DoD began developing policies and processes to correct the GPIPC material weakness in FY 2003. Because the material weakness identified issues with the accountability, accuracy, and reliability of GPIPC data, the DoD began creating a joint online government property system that would record GPIPC and provide access to both agency officials and contractors. The DoD’s initial remediation date for the corrective actions was the end of FY 2005. In the FY 2005 DoD AFR, the DoD stated that it would begin to input GPIPC data into a property system in FY 2006, which they believed would fully remediate the material weakness by FY 2011.

The DoD pushed the material weakness remediation date out seven times between FY 2003 and FY 2020. The DoD ultimately did not meet its remediation goals, most recently identifying FY 2026 as the remediation date. See Figure 3 for a timeline of the DoD Agency-Wide GPIP material weakness.

Figure 3. GPIP Material Weakness Timeline



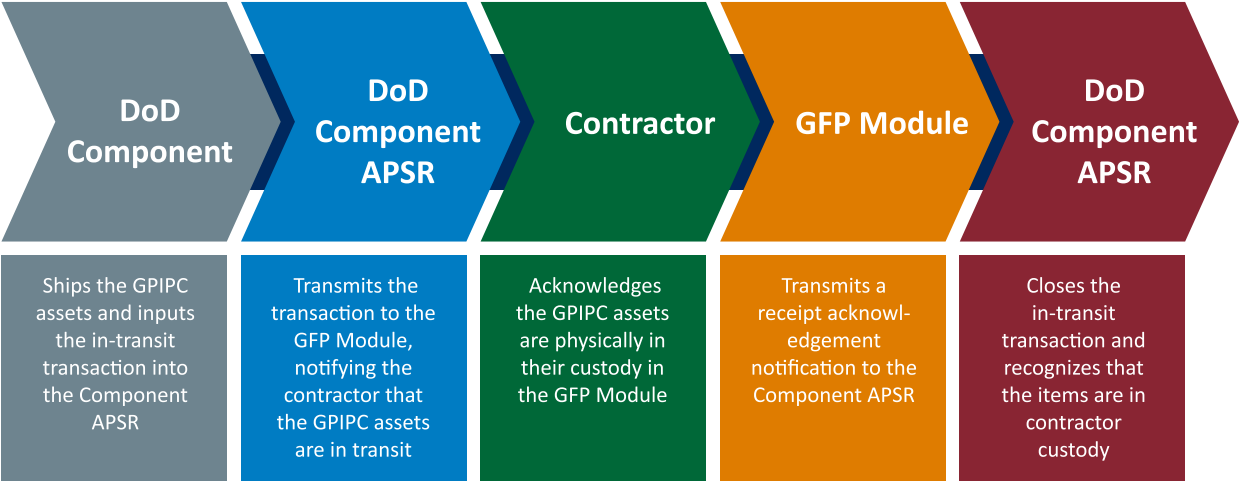
Source: The DoD OIG.

The material weakness has continued to appear in the DoD AFR. The FY 2024 DoD AFR noted the inability of the DoD Components to reconcile GPIP balances reported on their financial statements to their Accountable Property Systems of Record (APSRs). Additionally, the report stated that DoD Components were unable to substantiate the existence and completeness of GPIP reported on the consolidated balance sheet. The potential for significant amounts of unreported GPIP assets will continue to exist if the DoD does not implement CAPs to report reliable GPIP asset totals.

Government-Furnished Property Module

In 2019, the Office of the Under Secretary of Defense (Comptroller)/Chief Financial Officer, DoD (OUSD[C]/CFO), created a CAP suggesting that DoD Components review and validate that all GPIP contracts include property clauses. Property clauses include the Defense Federal Acquisition Regulation Supplement (DFARS) 252.245-7005, “Management and Reporting of Government Property,” which requires contractors to use the Government-Furnished Property (GFP) Module for GPIP asset tracking.⁷ The GFP Module is an application within the Procurement Integrated Enterprise Environment (PIEE) system that can be used by both DoD Components and DoD contractors and, when fully implemented, is intended to be a repository for GPIP asset data that can be traced to the DoD Component APSR. Additionally, it is designed to consolidate all GFP tools, capabilities, and processes into a single location. For example, GPIP assets purchased by and shipped from a DoD Component to a DoD contractor should initiate communication from the DoD Component APSR, notifying the DoD contractor that GPIP assets are in transit. Upon receipt, the DoD contractor should acknowledge the GPIP assets are physically in their custody within the GFP Module. Once the DoD contractor acknowledges receipt of the GPIP assets within the GFP Module, the GFP Module should transmit a receipt acknowledgement notification to the DoD Component APSR. The DoD Component APSR should then close the GPIP asset’s in-transit transaction, recognizing that the items are in contractor custody. See Figure 4 for the shipment process of GPIP from the DoD to a contractor.

Figure 4. GPIP Shipment Process from the DoD to a Contractor



Source: The DoD OIG.

⁷ The Office of the Under Secretary of Defense for Acquisition and Sustainment has been the organization responsible for CAP oversight since 2021.

Although the OUSD CAP suggested in 2019 that all GPIPC contracts contain property clauses, it was not until March 2021 that the OUSD(A&S) issued a memorandum, “Implementation of the Government-Furnished Property Module,” clarifying the use of the GFP Module. The OUSD(A&S) memorandum clarified that the intent of the GFP Module is to consolidate GFP management into a single automated system, which will improve data accuracy and reduce manual input of data.

DoD Accountable Property Systems of Record

APSRs contain the official records that create the basis for accountability of, reporting, and auditing the DoD’s assets. The records are required to reflect the location, financial information, and condition of the asset. Additionally, an APSR should provide financial data that are used to validate the existence, completeness, and value of the assets. The Army, Navy, and Air Force used seven different APSRs for the reporting of GPIPC in FY 2024. Of the seven DoD Component APSRs, only the Defense Property Accountability System (DPAS) directly interfaces with the GFP Module. The DoD is expected to develop interfaces to ensure GPIPC asset data match between the GFP Module and DoD APSRs as items move to or from contractor custody. The DoD believes the increased oversight and visibility of GPIPC provided by the GFP Module will address the DoD material weakness related to GPIPC.

Finding

The DoD's Actions to Remediate the GPIP Material Weakness Were Ineffective

Although the DoD has a CAP that, if implemented, should enable the DoD to provide a complete and accurate balance of GPIP assets, the actions to implement the CAP were ineffective.

The DoD's actions to remediate the DoD financial statement material weakness were ineffective because the:

- OUSD(A&S) and the OUSD(C)/CFO did not direct the use of the GFP Module as the DoD-wide solution for inventory management of GPIP assets;
- DoD Components have not updated their APSRs to directly interface with the GFP Module; and
- DoD Components have been focused on remediating their Component-level material weaknesses related to GPIP, and those efforts were not aligned with the DoD-Wide solution of using the GFP Module.

The unremediated GPIP material weaknesses within the DoD Components have a negative impact on the DoD Agency-Wide financial statements. The DoD Components' inability to accurately account for GPIP will continue to impede the DoD's ability to achieve an unmodified audit opinion by FY 2028. Accurate financial statements enable Congress and the public to assess how the DoD spends its money, help the DoD improve its operations, identify vulnerabilities in information technology and other systems, and prevent wasteful practices before they occur.

The DoD's Actions Will Not Remediate the GPIP Material Weakness

The DoD's actions to remediate the DoD financial statement material weakness related to reporting GPIP were ineffective. The DoD OIG has identified GPIP as a material weakness to the auditability of the DoD financial statements since FY 2001. According to the FY 2024 DoD AFR, DoD Components were unable to reconcile GPIP balances reported on their financial statements to an APSR.

Additionally, DoD Components cannot provide auditors with the basic assertions related to GPIPC, which would allow auditors to form an opinion on the DoD financial statements.⁸ Due to the lack of basic assertions, DoD OIG auditors and IPAs continue to issue material weaknesses related to GPIPC. As a result, the OUSD(C)/CFO created a CAP for the remediation of the GPIPC material weakness in 2019. The CAP details the responsible organization, task owner, and milestone descriptions for remediation of the material weakness. The responsibility for oversight of the CAP shifted to the OUSD(A&S) in 2021. DoD Components were tasked by the OUSD(A&S) with numerous steps throughout the CAP process. Specifically, DoD Components were responsible for modifying existing APSRs or migrating to APSRs able to interface with the GFP Module. The key element to the success of the CAP is the DoD Component APSR's ability to directly interface with the GFP Module and accept GPIPC inventory data.

Importance of the GFP Module

The GFP Module is an application within the PIEE for both DoD and contractor users. In 2019, the OUSD(C)/CFO identified the GFP Module as the sole solution for proper tracking of GPIPC assets. The GFP Module is intended to improve GPIPC asset oversight and visibility across the DoD and contractor community. DoD Components should use the GFP Module to consolidate GFP inventory tracking capabilities and processes into a single location. In September 2023, the OUSD(A&S) issued a memorandum for the record, "Compliance with Government Property Clauses and Use of the Government-Furnished Property Module," which stated that accountability of GPIPC assets has a direct impact on operational military readiness. Specifically, by maintaining complete and accurate GPIPC inventories, quantities, and location of warfighting and other equipment, the status of GPIPC assets should always be available to leadership. In addition, the DoD's responsibility to manage GPIPC is critical to achieving an unmodified financial statement opinion.

In January 2024, the Defense Acquisition Regulation System (DARS) issued DFARS 252.245-7005, "Management and Reporting of Government Property," establishing the requirement for Government contractors to capture GPIPC within the GFP Module.⁹ Specifically, the guidance requires that contractors use the GFP Module to report the receipt, transfer, and shipment of GFP. DFARS 252.245-7005 also calls for Government contractors to be responsible for inputting GPIPC data into the GFP Module.

⁸ Auditors use financial statement assertions when responding to the risks of potential material misstatement. The Financial Audit Manual, volume 1, chapter 235, provides five assertions which represent that financial statements are properly prepared. The five assertions are: (1) existence; (2) completeness; (3) rights and obligations; (4) valuation; and (5) presentation.

⁹ The DARS office creates and maintains the Federal Acquisition Regulation and Defense Federal Acquisition Regulation Supplement.

In February 2024, the OUSD(A&S) issued another memorandum for the record, DFARS Clause 252.245-7005, “Management and Reporting of Government Property,” which discussed specific responsibilities for the implementation of the DFARS clause. Specifically, the memorandum requested the Defense Contract Management Agency use facility-wide contract modifications to ensure DFARS Clause 252.245-7005 is incorporated into existing contracts containing GPIPC assets. Additionally, the memorandum called for Defense Pricing and Contracting to promote the inclusion of required property clauses in new GPIPC contract awards. However, DoD Components can appeal to the OUSD(A&S) Defense Pricing and Contracting Office for temporary relief from the requirements of DFARS 252.245-7005. For example, the Navy requested temporary relief from the requirements of DFARS 252.245-7005 for a specific contractor in 2024. The OUSD(A&S) approved the DFARS deviation in June 2024, and that contractor was not required to input assets obtained for the F-35 JSF Spare Parts Pool into the GFP Module through December 2026. Instead, the contractor was permitted to use its own property management system. Waivers, approved for a limited time, may be appropriate if contractors are also working to implement the GFP Module requirement. The DoD will lose GPIPC asset accountability and visibility if waivers are not temporary. See Appendix C for other matters of interest related to potential control issues with the oversight of data entered into the GFP Module.

Lack of Progress Remediating the DoD GPIPC Material Weakness Directly Related to Delayed Implementation of the OUSD(A&S) CAP

The DoD’s actions to remediate the DoD financial statement material weakness were ineffective because the OUSD(A&S)-identified CAP solution has not been fully implemented. Specifically, the OUSD(A&S) and OUSD(C)/CFO did not direct the use of the GFP Module as a DoD-wide-solution for management of GPIPC inventory as suggested in the CAP.

The DARS office issued DFARS guidance requiring contractors to report GPIPC inventory data in the GFP Module, but the DoD Components were not required to modify their APSRs to interface with the GFP Module. According to an OUSD(A&S) data call, DPAS is the only APSR capable of interfacing with the GFP Module. The OUSD(A&S) CAP recommends that DoD Components “modify existing property systems or migrate to property systems able to consume information from the PIEE, Wide Area Workflow (WAWF), and GFP Module”; however, the DoD Components have not implemented this recommendation for remediating the GPIPC material weakness.

DoD Components used seven different APSRs for the reporting of GPIPC. Of the seven DoD Component APSRs, only DPAS directly interfaces with the GFP Module. The remaining six APSRs require manual inputs of GPIPC inventory data. As stated in the FY 2024 DoD Component-level AFRs, DoD Component APSRs did not provide accurate or complete GPIPC inventory data, leading to the Component-level material weaknesses. See Figure 5 for a list of DoD Component APSRs.

Figure 5. DoD Component APSRs



Source: The DoD OIG.

The memorandum that the OUSD(A&S) issued in March 2021, "Implementation of the Government-Furnished Property Module," stated that the intent of the GFP Module was to require:

- contracting officers to create a GFP attachment in the GFP Module when it is anticipated to be part of a performance contract; and
- DoD contractors to report the loss, receipt, and shipment of GFP within the GFP Module.

However, the OUSD(A&S) memorandum does not have a requirement for DoD Components to update their individual APSRs with the ability to receive GPIPC inventory data from the GFP Module. Although the intent of the OUSD(A&S) memorandum is clear, the DoD has not directly stated that the DoD Components are required to use the GFP Module. As a result, DoD Components are not using the GFP Module for tracking GPIPC inventory. Instead, DoD Components track and manage GPIPC through their own individual processes. The USD(A&S), in coordination with the USD(C)/CFO, should provide clarifying information to DoD Components on why the GFP Module is an essential part of the DoD-wide solution for recording and reporting GPIPC. Additionally, they should issue DoD guidance requiring DoD Components to use the GFP Module for inventory management of GPIPC.

DoD Components Have Not Updated APSRs

DoD Components have not updated their APSRs to directly interface with the GFP Module as suggested by the OUSD(A&S) CAP. APSRs are used by DoD Components for the reporting of accountable property and as the basis for reporting GPIPC amounts on the balance sheet. Although DoD Components have access to view GPIPC inventory data within the GFP Module, the data do not flow into the DoD Component APSRs. Instead, DoD Components update the majority of their APSRs using a series of manual inputs.

In June 2024, the OUSD(A&S) asked for a status update from each DoD Component concerning the CAP remediation progress related to updating the ability of APSRs to accept GFP Module inputs. The Army and Air Force both responded to the request with estimated completion dates for their individual APSRs. For example, the Army stated that the interface between the Global Combat Support System–Army (GCSS-Army) and the GFP Module was not complete. The Army also stated that it expected the communication issues between the two systems to be resolved by August 2025. The Air Force stated that its legacy inventory system, the Stock Control System, does not communicate with the GFP Module. The Air Force also stated that the estimated completion date for communication with the GFP Module is June 2025. The Army and Air Force reported a total of five APSRs that are being updated to accept GPIPC data from the GFP Module.

As of August 2024, the Navy had not responded to the OUSD(A&S) status update request concerning the CAP remediation progress. We contacted the Navy directly to request an update on the CAP remediation. The Navy stated that it was changing to a new Navy Enterprise Resource Planning (ERP) tool, Navy ERP Plus. The new system will be used for financial tracking, which should include an interface with the GFP Module. System capability for moving inventory data to the new system is targeted to begin in 2026. The Navy's Component-level CAPs for GPIPC have target remediation dates as far out as 2030.

The DoD intends to retire 59 systems by the end of FY 2032. Specifically, the Army, Navy, and Air Force plan to retire a total of 31 systems. Each system's retirement date ranges from July 2025 through September 2032. Although none of the Navy or Air Force APSRs that track GPIPC are included in the list, all of the Army's APSRs, except for DPAS, are scheduled to be retired. This means that the Navy and Air Force APSRs will continue to be used for GPIPC asset tracking through FY 2032.

If the USD(A&S) believes the GFP Module will remediate the Agency-Wide GPIPC material weakness, the USD(A&S) should work with DoD Components to update non-retiring APSRs with the ability to directly interface with the GFP Module.

DoD Components Are Not on Schedule to Complete Remediation Actions Prior to the FY 2028 Audit Opinions

The DoD's remediation actions are behind schedule because the DoD Components have been focused on remediating material weaknesses issued at the Component level and not focused on aligning their approach with the DoD Agency-Wide GPIPC material weakness CAP remediation. Each DoD Component goes through an annual audit of its financial statements. IPA firms complete the financial statement reviews with the intention of providing an opinion on the validity and reliability of the financial statement data. If the IPA finds a deficiency, or a combination of deficiencies, in internal controls that creates a reasonable possibility that a material misstatement of the financial statements cannot be prevented, detected, or corrected in a timely manner, then they issue a material weakness. The IPAs that performed the annual audits for the Army, Navy, and Air Force found GPIPC material weaknesses, but no IPAs identified the inability to use the GFP Module as a cause. As a result, DoD Components focused on CAPs specific to their unique conditions and did not consider the larger DoD Agency-Wide material weakness and associated CAP.

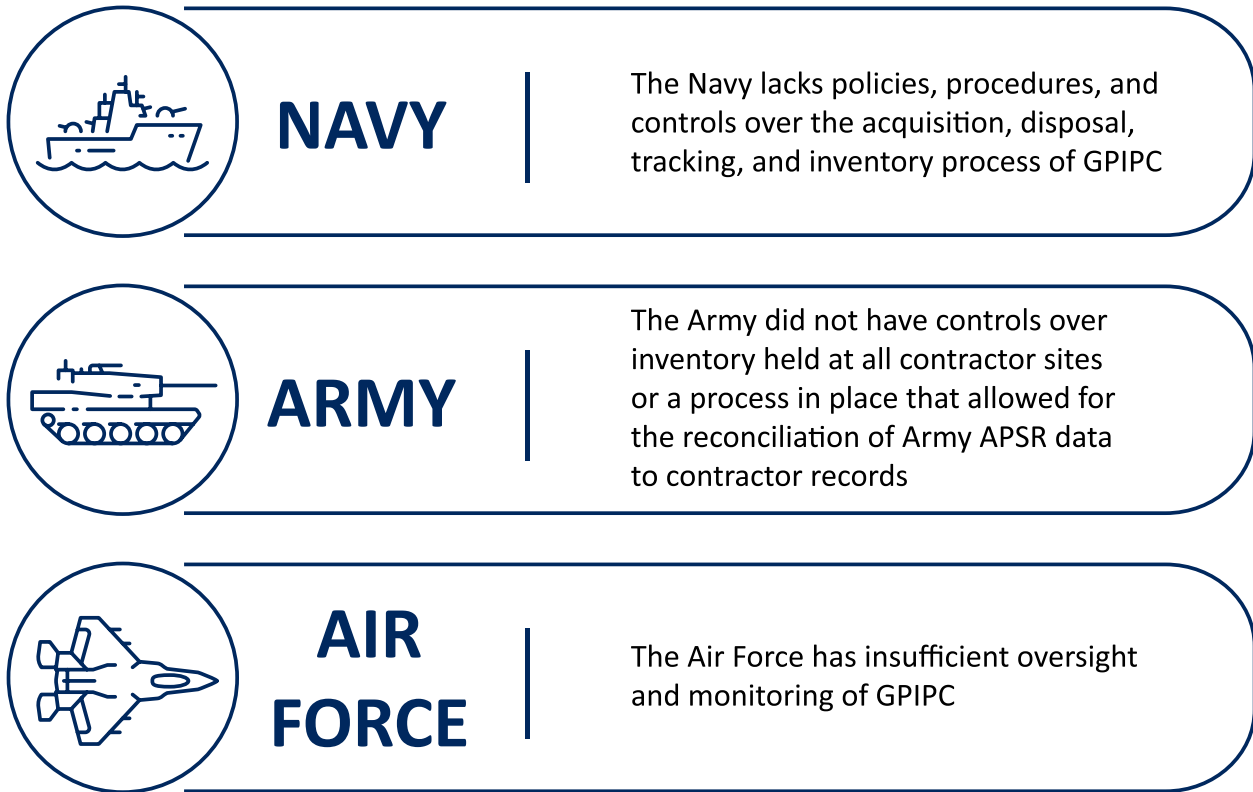
For example, the FY 2024 Army AFR identified inventory as a material weakness. Specifically, the "Inventory Existence and Completeness" section of the material weakness states that the Army did not have controls over inventory held at all contractor sites or a process in place that allowed for the reconciliation of the Army's APSR data to contractor records. Additionally, the Army did not design, document, or implement controls to identify and report GPIPC. The material weakness is supported by two IPA NFRs, "Deficiencies Related to Monitoring Inventory Held by Contractors" and "Deficiencies Related to Reporting Government-Furnished Material and Contractor Acquired Material." Rather than implementing the DoD solution, the Army Materiel Command created a CAP that would implement and require the use of the Total Asset Visibility-Contractor inventory system for GPIPC asset tracking. The Army's solution does not use the required GFP Module.

The FY 2024 Navy AFR identified GPIPC as a material weakness. Specifically, the material weakness states that the Navy lacks policies, procedures, and controls over the acquisition, disposal, tracking, and inventory processes of GPIPC. The material weakness is supported by two IPA NFRs issued during the FY 2024 Navy Financial Statement audits. One specific NFR, “Government-Furnished Equipment Not Included in APSR,” states that the Navy does not comply with oversight guidance regarding requirements for recognizing and reporting GPIPC. The NFR also states that GPIPC is tracked by contractors who have custody of the assets, but the assets do not always appear in an APSR. In response, the Navy created a CAP that detailed the steps required to remediate the material weakness. The Navy CAP acknowledges that the Navy ERP system does not interface with the GFP Module. Additionally, it does not discuss a way forward using the GFP Module as the GPIPC asset tracking solution for the Navy which would be in line with the OUSD(A&S) CAP solution.

The FY 2024 Air Force AFR identified Property and Materials Held by Others as a material weakness. Specifically, the material weakness states that the Air Force has insufficient oversight and monitoring of GPIPC. The material weakness is supported by two IPA NFRs issued during the FY 2024 Air Force Financial Statement audits. One specific NFR, “Lack of Contractor Inventory Control Point (C-ICP) Population Completeness,” states that the Air Force has not identified a complete population of C-ICP or developed policies to identify and monitor the population of C-ICP programs.¹⁰ In response, the Air Force created and issued a CAP that requires the identification of a complete C-ICP population and development of policies and procedures that identify the Air Force’s responsibility for oversight of the C-ICP population. The CAP does not mention using the GFP Module as required by the OUSD(A&S) CAP or the ability for the Air Force APSR to interface with the GFP module. See Figure 6 for an overview of the DoD Component GPIPC material weaknesses for FY 2024. Therefore, to create uniformity across all DoD Components, the Assistant Secretary (Financial Management and Comptroller) of each DoD Component should align their DoD Component-level material weakness remediation efforts with the OUSD(A&S) CAP-recommended solution for GPIPC material weakness remediation. Specifically, the Assistant Secretary (Financial Management and Comptroller) of each DoD Component should update their individual CAPs to include updating APSRs with the ability to directly interface with the GFP Module.

¹⁰ C-ICP represents the portion of Air Force-owned GPIPC assets that are maintained at commercial entity locations.

Figure 6. DoD Component FY 2024 Material Weaknesses



Source: The DoD OIG.

Conclusion

The unremediated GPIPC material weaknesses within the DoD Components have a negative impact on the DoD Agency-Wide financial statements. Because the DoD Components each report the value of GPIPC within various balance sheet line items and not a stand-alone line item, it is important for the DoD Components to work toward the remediation of the GPIPC material weaknesses. Remediation of the material weaknesses would allow the DoD Components to produce an auditable GPIPC universe, which could lead to a decrease in the amount of testing required by IPAs during financial statement oversight work. The additional audit procedures are costly in both time and resources for the DoD. Maintaining an auditable central repository of GPIPC would enhance the DoD's accountability and auditability. The GFP Module could provide the DoD with a repository showing the GPIPC each contractor holds, what condition it is in, and the total value, which improves operational readiness. If the GFP Module is used by all DoD Components for GPIPC asset tracking, it should improve the visibility of DoD decision makers

over the assets and allow for quicker, more reliable decisions on GPIP asset needs. The GFP Module does not replace the requirement to track GPIP in a DoD Component's APSR. The DoD Components' inability to accurately account for GPIP will continue to impede the DoD's ability to achieve an unmodified audit opinion by FY 2028. Accurate financial statements enable Congress and the public to assess how the DoD spends its money, help the DoD improve its operations, identify vulnerabilities in information technology and other systems, and prevent wasteful practices before they occur.

Recommendations, Management Comments, and Our Response

Recommendation 1

We recommend that the Under Secretary of Defense for Acquisition and Sustainment, in coordination with the Under Secretary of Defense (Comptroller)/Chief Financial Officer, DoD:

- a. Provide clarifying information to DoD Components on why the Government-Furnished Property Module is an essential part of the DoD-wide solution for recording and reporting Government Property in the Possession of Contractors.**

Under Secretary of Defense for Acquisition and Sustainment Comments

The Director of Defense Pricing, Contracting, and Acquisition Policy, responding for the Under Secretary of Defense for Acquisition and Sustainment (USD[A&S]), agreed with the recommendation. The Director stated that they will draft a memorandum, in coordination with the DoD Comptroller, to reiterate the Government-Furnished Property Module's recording and reporting requirements.

Our Response

Comments from the Director addressed the specifics of the recommendation. Therefore, it is resolved but will remain open until the USD(A&S) provides evidence that a memorandum has been distributed to DoD Components stating how the Government-Furnished Property Module is an essential part of the DoD-wide solution for recording and reporting Government Property in the Possession of Contractors.

- b. Issue DoD guidance requiring the DoD Components to use the Government-Furnished Property Module for inventory management of Government Property in the Possession of Contractors.**

Under Secretary of Defense for Acquisition and Sustainment Comments

The Director of Defense Pricing, Contracting, and Acquisition Policy, responding for the Under Secretary of Defense for Acquisition and Sustainment (USD[A&S]), agreed with the recommendation. The Director stated that they will draft a memorandum, in coordination with the DoD Comptroller, to elaborate on the requirements for the DoD to use the Government-Furnished Property Module to assist in inventory management of Government-Furnished Property.

Our Response

Comments from the Director addressed the specifics of the recommendation. Therefore, it is resolved but will remain open until the USD(A&S) provides evidence that guidance has been issued requiring DoD Components to use the Government-Furnished Property Module for inventory management of Government Property in the Possession of Contractors.

- c. Work with DoD Components to implement the Government-Furnished Property Module and the necessary interfaces with each Component's non-retiring Accountable Property System of Record.**

Under Secretary of Defense for Acquisition and Sustainment Comments

The Director of Defense Pricing, Contracting, and Acquisition Policy, responding for the Under Secretary of Defense for Acquisition and Sustainment (USD[A&S]), agreed with the recommendation. The Director stated that they will continue to work with the DoD Comptroller and the USD(A&S) on tracking the progress that the DoD Components are making to ensure that the Government-Furnished Property Module interfaces with their Accountable Property Systems of Record.

Our Response

Comments from the Director addressed the specifics of the recommendation. Therefore, it is resolved but will remain open until the USD(A&S) provides details on the process used to track that each DoD Component's Accountable Property System of Record interfaces with the Government-Furnished Property Module.

Recommendation 2

We recommend that the Assistant Secretary of the Army (Financial Management and Comptroller), the Assistant Secretary of the Navy (Financial Management and Comptroller), and the Assistant Secretary of the Air Force (Financial Management and Comptroller):

- a. Align Component-level Government Property in the Possession of Contractors material weakness remediation efforts with the Office of the Under Secretary of Defense for Acquisition and Sustainment Corrective Action Plan.**

Management Comments Required

The Assistant Secretary of the Army (Financial Management and Comptroller) did not address the specifics of the recommendation or provide a signed, official response to the report. Therefore, the recommendation is unresolved. We request that the Assistant Secretary of the Army (Financial Management and Comptroller) provide comments on the final report within 30 days.

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

The Deputy Assistant Secretary of the Navy (Financial Operations), responding for the Assistant Secretary of the Navy (Financial Management and Comptroller), agreed with the recommendation. Specifically, the Deputy Assistant Secretary stated that the Navy will continue to coordinate the Government Property in the Possession of Contractors material weakness remediation efforts with the Under Secretary of Defense for Acquisition and Sustainment (USD[A&S]). The Deputy Assistant Secretary also stated that there has been significant progress made in the Working Capital Fund Inventory and the General Fund Operating Materials and Supplies asset segments. Furthermore, the Deputy Assistant Secretary stated that there have been “robust procedures” implemented to ensure inventory accuracy and financial accountability. The procedures include vendor confirmations of inventory levels and asset testing to establish baselines and identify variances.

Our Response

Comments from the Deputy Assistant Secretary concerning the recommendation detailed the efforts being made to address the OUSD(A&S) corrective action plan. Specifically, the Navy is investing in the implementation of the Navy Enterprise Resource Planning Plus tool (Navy ERP+), which will be the Navy’s new Accountable Property System of Record. Navy ERP+ will have a direct interface with the Government-Furnished Property Module. These actions are sufficient to address the specifics of the recommendation; therefore, it is resolved but open.

We will close the recommendation upon receipt of an updated corrective action plan that aligns the Navy's remediation efforts with the OUSD(A&S) corrective action plan for the Government Property in the Possession of Contractors material weakness.

Assistant Secretary of the Air Force (Financial Management and Comptroller) and Department of the Air Force Assistant Deputy Chief of Staff for Logistics, Engineering, and Force Protection Comments

The Acting Assistant Secretary of the Air Force (Financial Management and Comptroller) agreed with the recommendation but directed corrective actions to the Department of the Air Force Assistant Deputy Chief of Staff for Logistics, Engineering, and Force Protection (AF/A4). The Assistant Deputy Chief of Staff for AF/A4 also responded and agreed with the recommendation. Specifically, the Assistant Deputy Chief of Staff for AF/A4 will align Component-level Government Property in the Possession of Contractors material weakness remediation efforts with the OUSD(A&S) corrective action plan.

Our Response

Comments from the Acting Assistant Secretary and Assistant Deputy Chief of Staff for AF/A4 addressed the specifics of the recommendation. Therefore, it is resolved but will remain open. We will close the recommendation upon receipt of an updated corrective action plan that aligns with the OUSD(A&S) corrective action plan for the Government Property in the Possession of Contractors material weakness.

- b. Update remediation efforts to require each Component's Accountable Property System of Record to directly interface with the Government-Furnished Property Module.**

Management Comments Required

The Assistant Secretary of the Army (Financial Management and Comptroller) did not address the specifics of the recommendation or provide an official, signed response to the report. Therefore, the recommendation is unresolved. We request that the Assistant Secretary of the Army (Financial Management and Comptroller) provide comments on the final report within 30 days.

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

The Deputy Assistant Secretary of the Navy (Financial Operations), responding for the Assistant Secretary of the Navy (Financial Management and Comptroller), disagreed with the recommendation. Specifically, the Deputy Assistant Secretary suggested alternative solutions to a direct interface with the Government-Furnished Property Module be considered while the Navy continues to work toward full development and deployment of Navy ERP+.

Our Response

Comments from the Deputy Assistant Secretary addressed the specifics of the recommendation. While the Deputy Assistant Secretary disagreed with the recommendation, the noted development and deployment of Navy ERP+ would address it. Specifically, the recommendation calls for updated remediation efforts to address a direct connection between the Navy's Accountable Property System of Record and the Government-Furnished Property Module. According to the Deputy Assistant Secretary's written response, Navy ERP+ will become the Navy's Accountable Property System of Record and have a direct interface with the Government-Furnished Property Module upon completion. Therefore, the recommendation is resolved but will remain open. We will close the recommendation once the Navy provides appropriate documentation confirming the full development and implementation of the Navy ERP+ tool.

Assistant Secretary of the Air Force (Financial Management and Comptroller) and Department of the Air Force Assistant Deputy Chief of Staff for Logistics, Engineering, and Force Protection Comments

The Acting Assistant Secretary of the Air Force (Financial Management and Comptroller) agreed with the recommendation but directed corrective actions to the Department of the Air Force Assistant Deputy Chief of Staff for Logistics, Engineering, and Force Protection (AF/A4). The Assistant Deputy Chief of Staff for AF/A4 also responded and agreed with the recommendation. Specifically, the Assistant Deputy Chief of Staff for AF/A4 will update remediation efforts to require their applicable Accountable Property System of Record to directly interface with the Government-Furnished Property Module.

Our Response

Comments from the Acting Assistant Secretary of the Air Force and Assistant Deputy Chief of Staff for AF/A4 addressed the specifics of the recommendation. Therefore, it is resolved but will remain open. We will close the recommendation once the Air Force provides appropriate documentation confirming that their Accountable Property System of Record directly communicates with the Government-Furnished Property Module.

Appendix A

Scope and Methodology

We conducted this performance audit from June 2024 through July 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 objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We assessed the DoD's remediation efforts related to the Government Property in the Possession of Contractors (GPIPC) material weakness on the DoD's financial statements. The scope specifically consisted of reviewing policies and procedures for the DoD's systems, including property systems of record and financial reporting systems; reviewing corrective action plans in place at the DoD and Component level to remediate the material weakness; and conducting interviews with various DoD officials, including those from the OUSD(A&S), OUSD(C)/CFO, Navy, Army, Air Force, and Defense Contract Management Agency. When interviewed by the audit team, the DoD Components explained their processes for accounting for GPIPC, remediation efforts for their individual corrective actions plans, and their plans to incorporate the GFP Module. As part of the scope of the audit, DoD OIG auditors walked through the process of inputting data into the Government-Furnished Property (GFP) Module with the OUSD(A&S). DoD OIG auditors were provided with a demonstration of the GFP Module from the standpoint of the receiving and shipping of goods. DoD OIG auditors discussed this process with OUSD(A&S) personnel.

We reviewed the DoD Components' systems, policies and procedures, and corrective action plans to determine whether the corrective actions would result in meaningful progress in their remediation efforts for their financial statement audits. When determining whether progress was being made by the DoD in this area, DoD OIG auditors considered whether changing priorities, changing leadership, or other factors led to the DoD missing remediation milestones for the material weakness. The DoD OIG auditors conducted interviews with various officials from the DoD Components, OUSD(A&S), and OUSD(C)/CFO to further understand the DoD's efforts to address and remediate the GPIPC material weakness and determine whether additional remediation efforts are necessary.

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 whether different internal control processes were relevant and significant to the audit objective within the Military Components' accounting for GPIPC. For all of the processes identified, internal controls were considered significant to the audit. Although having proper internal controls in place are significant to achieving positive results in the remediation efforts for addressing the material weakness regarding GPIPC, the DoD OIG audit team did not perform testing specifically related to internal controls because of the scope of the audit. Furthermore, because our review was limited to this internal control component 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 did not use computer-processed data to perform this audit. Although we did not use computer-processed data, it is important to note that a System and Organization Controls (SOC) 1 Report was completed on the Defense Logistics Agency's Procurement Integrated Enterprise Environment (PIEE) System and the Government-Furnished Property (GFP) application. The Defense Logistics Agency is a division of the DoD. For FY 2024, its GFP application and the system controls were determined to be suitably designed and operating effectively.

Appendix B

Prior Coverage

During the last 5 years, the DoD Office of Inspector General (DoD OIG) issued 20 reports discussing organization operations and financial conditions. In addition, the Government Accountability Office (GAO) issued one January 2023 report discussing the DoD's lack of accountability over GPIPC.

Unrestricted DoD Annual Financial Reports can be accessed at <https://comptroller.defense.gov/odcfo/afr>. Unrestricted GAO reports can be accessed at <http://www.gao.gov>. Unrestricted Army Annual Financial Reports can be accessed at <https://www.asafm.army.mil/Audit>. Unrestricted Navy Annual Financial Reports can be accessed at <https://www.secnav.navy.mil/fmc/Pages/fr.aspx>. Unrestricted Air Force Annual Financial Reports can be accessed at <https://www.saffm.hq.af.mil/FM-Resources/Air-Force-Annual-Financial-Statement>.

DoD OIG

DoD

The following reports cover the DoD's financial status, as well as the GPIPC weakness. These weaknesses were due to the DoD Components being unable to reconcile GPIPC balances, as well as being unable to substantiate the existence, completeness, valuation, presentation, and disclosure of GPIPC reported on the consolidated balance sheet.

"United States Department of Defense Agency Financial Report
Fiscal Year 2024," November 2024

"United States Department of Defense Agency Financial Report
Fiscal Year 2023," November 2023

"United States Department of Defense Agency Financial Report
Fiscal Year 2022," November 2022

"United States Department of Defense Agency Financial Report
Fiscal Year 2021," November 2021

"United States Department of Defense Agency Financial Report
Fiscal Year 2020," November 2020

Army

The following reports state that the Army had material weaknesses concerning GPIPC. These weaknesses were due to management not consistently designing, implementing, or documenting controls over equipment, such as cyclical inventory counts of general equipment stored at contractor facilities.

“Fiscal Year 2024 United States Army Annual Financial Report,” November 2024

“Fiscal Year 2023 United States Army Annual Financial Report,” November 2023

“Fiscal Year 2022 United States Army Annual Financial Report,” November 2022

“Fiscal Year 2021 United States Army Annual Financial Report,” November 2021

“Fiscal Year 2020 United States Army Annual Financial Report,” November 2020

Navy

These reports state that the Navy had a material weakness concerning GPIPC. The Navy lacked adequate monitoring and oversight procedures to produce accurate financial information to effectively manage Government-Furnished Property (GFP). These weaknesses were due to the lack of or inadequate policies and procedures, including controls and related documentation, and the lack of sufficient contractor oversight for Trident assets, Ordnance, and General Equipment Remainder.

“United States Department of the Navy Agency Financial Report,” November 2024

“United States Department of the Navy Agency Financial Report,” November 2023

“United States Department of the Navy Agency Financial Report,” November 2022

“United States Department of the Navy Agency Financial Report,” November 2021

“United States Department of the Navy Agency Financial Report,” November 2020

Air Force

These reports state that the Air Force had a material weakness concerning GPIPC. The material weakness was caused by the Air Force’s reliance on other organizations, such as other Defense agencies and commercial contractors, to hold or repair inventory for which they struggled to maintain internal controls over the quantities of the inventory.

“Department of the Air Force FY 2024 Agency Financial Report,” November 2024

“Department of the Air Force FY 2023 Agency Financial Report,” November 2023

“Department of the Air Force FY 2022 Agency Financial Report,” November 2022

“Department of the Air Force FY 2021 Agency Financial Report,” November 2021

“Department of the Air Force FY 2020 Agency Financial Report,” November 2020

GAO

The GAO found that Department-wide efforts to address the GFP-related material weakness have not been comprehensive and sufficiently detailed. Without a comprehensive Department-wide strategy, the DoD is at an increased risk that its efforts to remediate the GFP material weakness will continue to be insufficient and continue to push back target remediation dates.

Report No. GAO-23-105198, “DoD Financial Management: Greater Attention and Accountability Needed over Government-Furnished Property,” January 2023

Appendix C

Other Matters of Interest

During our audit work, we identified topics related to the scope of our audit, but not directly tied to our objective, that could prevent the DoD from receiving a clean financial statement opinion. Specifically, guidance has not been established for reviewing the existence and completeness of GPIPC assets that are input into the GFP Module. As required by DoD Regulation 7000.14-R, “DoD Financial Management Regulation,” volume 4, chapter 25, “General Equipment,” recognition of general equipment for financial reporting purposes must occur upon delivery and acceptance to the acquiring DoD Component. Specifically, for general equipment acquired by a contractor on behalf of a DoD Component, the assets must be recognized upon delivery. The FY 2024 Agency-Wide AFR noted that DoD Components have relied on contractors to account for GPIPC without effective oversight. The OUSD(A&S) CAP does not require the establishment of oversight for reviewing the existence and completeness of GPIPC assets entered in the GFP Module. The OUSD(A&S) and OUSD(C)/CFO, in coordination with the Component Financial Management and Comptroller offices, need to consider developing an inventory review process for accuracy of the data entered into the GFP Module.

Management Comments

Under Secretary of Defense for Acquisition and Sustainment



ACQUISITION
AND SUSTAINMENT

OFFICE OF THE UNDER SECRETARY OF DEFENSE
3000 DEFENSE PENTAGON
WASHINGTON, DC 20301-3000

MEMORANDUM FOR DEPARTMENT OF DEFENSE OFFICE OF INSPECTOR GENERAL

SUBJECT: Audit of Department of Defense Efforts to Remediate Financial Statement Material Weaknesses Related to Government Property in the Possession of Contractors (D2024-D000FS-0138.000) dated August 1, 2025

This is the DoD response to the DoD Inspector General recommendations in the subject draft report, dated August 1, 2025. Defense Pricing, Contracting, and Acquisition Policy appreciates the Department of Defense Inspector General’s work on this engagement, as well as the opportunity to provide feedback on this draft report.

Attached are my comments to the draft report recommendations. My point of contact is [REDACTED].

TENAGLIA.JOHN. [REDACTED]
M [REDACTED] Date: 2025.09.04 12:22:54 -04'00'

John M. Tenaglia
Principal Director,
Defense Pricing, Contracting, and
Acquisition Policy

Attachments:
As stated

Under Secretary of Defense for Acquisition and Sustainment (cont'd)

Department of Defense Inspector General draft report D2024-D000FS-0138.000 dated August 1, 2025

"Audit of DoD Efforts to Remediate Financial Statement Material Weaknesses Related to Government Property in the Possession of Contractors"

DEPARTMENT OF DEFENSE COMMENTS TO THE GAO RECOMMENDATIONS

Recommendation 1: We recommend that the Under Secretary of Defense for Acquisition and Sustainment, in coordination with the Under Secretary of Defense (Comptroller)/Chief Financial Officer, DoD:

a. Provide clarifying information to DoD Components on why the Government-Furnished Property Module is an essential part of the DoD-wide solution for recording and reporting Government Property in the Possession of Contractors.

DoD Response: Concur. We agree that issuing additional guidance to the DoD Components on why the Government-Furnished Property Module is essential for resolving the GPiPOC Material Weakness is necessary given the findings in the draft report. We will draft a memorandum in coordination with DoD Comptroller to reiterate the GFP Module recording and reporting requirements, which benefits both audit and accountability and increases efficiency.

b. Issue DoD guidance requiring the DoD Components to use the Government-Furnished Property Module for inventory management of Government Property in the Possession of Contractors.

DoD Response: Concur. We agree that issuing specific guidance emphasizing the requirements for the DoD Components to use the GFP Module for inventory management of GPiPOC is warranted. We will issue the information in a memorandum in coordination with DoD Comptroller input to elaborate on the requirements for DoD to use the GFP Module to assist in inventory management of GFP.

c. Work with DoD Components to implement the Government-Furnished Property Module and the necessary interfaces with each Component's non-retiring Accountable Property System of Record.

DoD Response: Concur. We are working closely with DoD Comptroller and with OUSD (Sustainment) on tracking the progress that the DoD Components are making to ensure that the GFP Module interfaces with their APSRs. We discuss these issues at a number of different working groups and DoD Component events, including the PiPOC Material Weakness Working Group and the GFP Working Group.

Assistant Secretary of the Navy (Financial Management and Comptroller)



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

MEMORANDUM FOR: DEPARTMENT OF DEFENSE INSPECTOR GENERAL

FROM: Deputy Assistant Secretary of the Navy (Financial Operations)

SUBJECT: Response to DoD IG Report No. D2024-D000FS-0138.000 Audit of DoD Efforts to Remediate Financial Statement Material Weaknesses Related to Government Property in the Possession of Contractors

Reference: DoD IG Report No. D2024-D000FS-0138.000 dtd 1 August, 2025

This memorandum serves to provide a response to the recommendations contained in the referenced Draft Report of the Audit of DoD Efforts to Remediate Financial Statement Material Weaknesses Related to Government Property in the Possession of Contractors. The draft report contains five (5) recommendations overall, two (2) of which apply to the Department of the Navy (DON).

- **DOD IG Recommendation 2.a:** *We recommend that the Assistant Secretary of the Army (Financial Management and Comptroller), the Assistant Secretary of the Navy (Financial Management and Comptroller), and Assistant Secretary of the Air Force (Financial Management and Comptroller):*
 - a. *Align Component-level Government Property in the Possession of Contractors material weakness remediation efforts with the Office of the Under Secretary of Defense for Acquisition and Sustainment Corrective Action Plan.*

DON Response: Concur. Navy continues to coordinate progress in its GFP MW remediation efforts with OSD in support of DoD audit objectives, including significant progress made in reconciling and accounting for government furnished property (GFP) in contractor custody, ensuring accurate financial reporting and compliance with audit requirements. This effort spans across multiple asset segments, including both Working Capital Fund Inventory (WCF-INV) and General Fund Operating Materials and Supplies (GF-OM&S) with robust procedures implemented to provide assurance of inventory accuracy and financial accountability. See Attachment I for further details.

- **DOD IG Recommendation 2.b:** *We recommend that the Assistant Secretary of the Army (Financial Management and Comptroller), the Assistant Secretary of the Navy (Financial Management and Comptroller), and Assistant Secretary of the Air Force (Financial Management and Comptroller):*
 - b. *Update remediation efforts to require each Component's Accountable Property Systems of Record to directly interface with the Government-Furnished Module.*

DON Response: Non-Concur. Navy suggests that equivalent solutions to align APSR data with data within the GFP Module of PIEE be considered as well. Navy continues to invest in implementation of Navy ERP+, the Department's "to be" environment, where there will be a

Assistant Secretary of the Navy (Financial Management and Comptroller) (cont'd)

direct interface to the GFP module. The Navy's short term solution is implementing an alternate solution to have a direct interface to the GFP Module to minimize changes to the current environment of Navy ERP.

My point of contact for this action is [REDACTED].



Mobola A. Kadiri
Deputy Assistant Secretary of the Navy
(Financial Operations)

Attachment:

1_Navy's Position on GFP Reconciliation and Financial Reporting

Assistant Secretary of the Navy (Financial Management and Comptroller) (cont'd)

NAVY'S POSITION ON GFP RECONCILIATION AND FINANCIAL REPORTING

Summary

The Department of the Navy (DON) has made significant progress in reconciling and accounting for government furnished property (GFP) in contractor custody, ensuring accurate financial reporting and compliance with audit requirements. This effort spans across multiple asset segments, including both Working Capital Fund Inventory (WCF-INV) and General Fund Operating Materials and Supplies (GF-OM&S) with robust procedures implemented to provide assurance of inventory accuracy and financial accountability.

Background

1. Working Capital Fund Inventory (WCF INV)
 - Financial Value (GFP): \$9 billion, representing 19% of the NWCF-INV population.
 - Inventory Accuracy: 99% confirmed for Big 12 vendors, with \$8.9 billion reconciled.
 - Progress: WCF continues to establish inventory baselines for Navy-managed and third-party vendors, critical for the FY26 audit.
 - Assurance: Testing and reconciliation procedures have resulted in high accuracy levels, with a variance of only \$29 million across tested inventory.
2. Ordnance inventory (GF-OM&S)
 - Financial Value (GFP): \$2.7 billion, representing 6% of the ordnance population.
 - Inventory Accuracy: 100% confirmed for Navy-managed and Army-managed ordnance.
 - Progress: Ordnance reconciliation efforts have established a nearly complete baseline for Navy-managed, Army-managed, and commercial vendors, ensuring compliance with audit standards
3. Trident Missiles (GF-OM&S)
 - Financial Value (GFP): As of FY25Q3, \$11 billion total reported, with \$4 billion in contractor custody.
 - Sustainment: Tridents are in sustainment, with inventory oversight procedures implemented and efforts to establish contractor inventory confirmations to support accurate reporting and accountability for assets in contractor possession
4. General Financial Reporting
 - Asset Categories: The Navy has accounted for \$353 billion in assets across vessels, aircraft, real property, Trident missiles, uninstalled aircraft engines, and other equipment and operating supplies.

Assistant Secretary of the Navy (Financial Management and Comptroller) (cont'd)

NAVY'S POSITION ON GFP RECONCILIATION AND FINANCIAL REPORTING

- Inventory Accuracy: 100% reconciliation achieved for vessels, aircraft, and ordnance, with prioritized efforts for FY26 and FY27 to address remaining equipment and operating supplies.

Assurance and Procedures

The Navy has implemented comprehensive controls and reconciliation procedures, including:

- Vendor Confirmations: Collaboration with major vendors (e.g., Big 12) to confirm inventory accuracy and financial values.
- Site Testing: Rigorous testing across Navy-managed and third-party sites to establish baselines and identify variances.
- Audit Readiness: Prioritization of inventory categories for FY26 and FY27 audits, ensuring compliance with financial reporting standards.

Way Ahead

The Navy's reconciliation efforts demonstrate a strong commitment to financial accountability and audit readiness. With high inventory accuracy levels and robust controls in place, the Navy is well-positioned to address concerns in the Inspector General (IG) report and ensure continued compliance with financial reporting requirements. These efforts provide assurance that property in contractor custody is fully accounted for and accurately reported in financial statements.

Department of the Air Force Assistant Deputy Chief of Staff for Logistics, Engineering, and Force Protection



DEPARTMENT OF THE AIR FORCE
WASHINGTON DC

OFFICE OF THE ASSISTANT SECRETARY

September 16, 2025

MEMORANDUM FOR DEPARTMENT OF DEFENSE OF INSPECTOR GENERAL

FROM: SAF/FM
1130 Air Force Pentagon
Washington, DC 20330-1130

SUBJECT: Department of the Air Force Response to DoD Office of Inspector General Draft Report, Audit of DoD Efforts to Remediate Financial Statement Material Weaknesses Related to Government Property in the Possession of Contractors, (Project No. D2024-D000FS-0138.000)

1. This is the Department of the Air Force (DAF) response to the DoD Office of Inspector General (DoD OIG) draft report titled "Audit of DoD Efforts to Remediate Financial Statement Material Weaknesses Related to Government Property in the Possession of Contractors" (Project No. D2024-D000FS-0138.000). The DAF concurs with recommendation 2 and supports the overarching goals of improving accountability and transparency in the management of Government property.

2. However, the recommendation below was incorrectly directed to the Assistant Secretary of the Air Force (Financial Management and Comptroller) (SAF/FM):

Recommendation 2:

The DoDIG recommends that the Assistant Secretary of the Air Force (Financial Management and Comptroller):

- a. Align Component-level Government Property in the Possession of Contractors material weakness remediation efforts with the Office of the Under Secretary of Defense for Acquisition and Sustainment Corrective Action Plan.
- b. Update remediation efforts to require each Component's Accountable Property Systems of Record to directly interface with the Government-Furnished Property Module.

DAF Response:

While SAF/FM agrees with the intent and importance of Recommendation 2, SAF/FM is not the appropriate Office of Primary Responsibility (OPR) for the actions described. Specifically:

- SAF/FM does not oversee the development or execution of corrective action plans related to Government-Furnished Property (GFP) population completeness.

Department of the Air Force Assistant Deputy Chief of Staff for Logistics, Engineering, and Force Protection (cont'd)

- SAF/FM does not possess the authority to mandate interface requirements between Accountable Property Systems of Record (APSRs) and the GFP Module.

Given the nature of the recommendation, the appropriate OPRs are the DAF Deputy Chief of Staff for Logistics, Engineering and Force Protection (AF/A4) and the Assistant Secretary of the Air Force (Acquisition, Technology, and Logistics) (SAF/AQ). These offices are responsible for logistics policy, acquisition oversight, and property accountability systems, and are best positioned to implement the recommended actions.

Therefore, SAF/FM respectfully requests that Recommendation 2 be reassigned to AF/A4 and SAF/AQ for appropriate action.

3. The SAF/FM point of contact is [REDACTED]

SAYER.LARA.C [REDACTED]

Date: 2025.09.17 12:25:58 -04'00'

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

cc:
AF/A4
SAF/AQ

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



DEPARTMENT OF THE AIR FORCE

15 September 2025

MEMORANDUM FOR DEPARTMENT OF DEFENSE INSPECTOR GENERAL

FROM: HQ USAF/A4
1030 Air Force Pentagon Suite 4C1088
Washington, DC 20330-1030

SUBJECT: Department of the Air Force Response to DoD Office of Inspector General Draft Report, Audit of DoD Efforts to Remediate Financial Statement Material Weaknesses Related to Government Property in the Possession of Contractors, (Project No. D2024-D000FS-0138.000)

1. This is the Department of the Air Force response to the DoDIG Report, "Audit of DoD Efforts to Remediate Financial Statement Material Weaknesses Related to Government Property in the Possession of Contractors, (Project No. D2024-D000FS-0138.000)". The DAF agrees with intent of the report and welcomes the opportunity to provide comments.
2. The DAF/A4 will correct issues identified in this report that are the responsibility of logistics, and update existing corrective action plans outlined in the following recommendations:

RECOMMENDATION 2: The DODIG recommends that the Assistant Secretary of the Air Force (Financial Management and Comptroller):

- a. Align Component-level Government Property in the Possession of Contractors material weakness remediation efforts with the Office of the Under Secretary of Defense for Acquisition and Sustainment Corrective Action Plan.
- b. Update remediation efforts to require each Component's Accountable Property Systems of Record to directly interface with the Government-Furnished Property Module.

DAF RESPONSE 2.a: DAF/A4 agrees with the recommendations and will Align Component-level Government Property in the Possession of Contractors material weakness remediation efforts with the Office of the Under Secretary of Defense for Acquisition and Sustainment Corrective Action Plan. **Estimated Completion Date:** 31 March 2026.

DAF RESPONSE 2. b: DAF/A4 agrees with the recommendations and will update remediation efforts to require applicable Accountable Property Systems of Record to directly interface with the Government-Furnished Property Module. **Estimated Completion Date:** 31 March 2026.

Assistant Secretary of the Air Force (Financial Management and Comptroller) (cont'd)

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3. The DAF/A4 point of contact is [REDACTED]

BAITY.ANTHONY [REDACTED]
.RAY [REDACTED] Date: 2025.09.17 10:17:03 -0400

ANTHONY R. BAITY, SES, USAF
Asst DCS/Logistics, Engineering & Force Protection

Acronyms and Abbreviations

AFR	Agency Financial Report
APSR	Accountable Property System of Record
CAP	Corrective Action Plan
C-ICP	Contractor Inventory Control Point
DARS	Defense Acquisition Regulation System
DFARS	Defense Federal Acquisition Regulation Supplement
DPAS	Defense Property Accountability System
ERP	Enterprise Resource Planning
FMR	Financial Management Regulation
GAO	Government Accountability Office
GCSS	Global Combat Support System
GFP	Government-Furnished Property
GPIPC	Government Property in the Possession of Contractors
IPA	Independent Public Accountant
JSF	Joint Strike Fighter
NFR	Notice of Finding and Recommendation
OUSD(A&S)	Office of the Under Secretary of Defense for Acquisition and Sustainment
OUSD(C)/CFO	Office of the Under Secretary of Defense (Comptroller)/Chief Financial Officer, DoD
PIEE	Procurement Integrated Enterprise Environment

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