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United States Senate

COMMITTEE ON THE JUDICIARY

WASHINGTON, DC 20510-6275

August 12, 2025

VIA ELECTRONIC TRANSMISSION

Mr. Steven A. Stebbins
Acting Inspector General
Department of Defense

Dear Acting Inspector General Stebbins:

For years, I've raised concerns about the inability of the Department of Defense (DOD) and military services to earn clean opinions on annual financial audits.¹ So far, just one of the military services, the United States Marine Corps, has succeeded and did so only through brute force manual labor.² The DOD's audit record is disgraceful and unacceptable. This issue has persisted for decades and undermines the integrity of federal financial reporting.³ Aggressive oversight and corrective action are mandatory now.

The term "Universe of Transactions" (UOTs) has been part of DOD financial audit terminology for years, but it was introduced without much explanation or clarification. Now, suddenly, it's spotlighted in a recent Government Accountability Office (GAO) report as the epicenter of audit failures.⁴ That GAO report sheds light on the seemingly insoluble DOD financial audit dilemma.⁵ In a few sentences, the report provides a clear, understandable reason why the DOD can't earn clean opinions on annual financial audits:

According to the DOD IG, a significant hurdle to making progress on DOD's financial statement auditability is DOD's inability to produce a complete, accurate, and reconcilable universe of transactions. A complete universe of transactions is a record of every financial event, or transaction, that affects the financial statement balance for a given fiscal year, such as transactions related to DOD's inventory, property, and payroll.⁶

The DOD does not have control of the money at the transaction level. The total number of DOD transactions, and therefore scope of the UOTs, is unknown.⁷

¹ Letter from Sen. Chuck Grassley to Sec'y of Def. Chuck Hagel, *Re: Defense Finance and Accounting Service Inspector General Report* (Nov. 20, 2013), <https://www.grassley.senate.gov/imo/media/doc/Defense-Oversight-11-21-13-letter-to-Hagel-Rymer-on-DFAS-IG-Report.pdf>; Press Release, Sen. Chuck Grassley, *Grassley Reports Possible Audit Misconduct at Defense Department* (Nov. 22, 2013), <https://www.grassley.senate.gov/news/news-releases/grassley-reports-possible-audit-misconduct-defense-department>; Press Release, Sens. Bernie Sanders, Chuck Grassley & Ron Wyden, *Sander's Grassley and Wyden Decry Pentagon's Wasteful Spending and Inability to Pass an Audit* (Mar. 7, 2023), <https://www.grassley.senate.gov/news/news-releases/sanders-grassley-and-wyden-decry-pentagons-wasteful-spending-and-inability-to-pass-an-audit>; Letter from Sen. Chuck Grassley to Sec'y of Def. Lloyd Austin, *Re: Financial Management Systems and Audits* (Aug. 22, 2024), https://www.grassley.senate.gov/imo/media/doc/grassley_to_dod_-_financial_management_systems_and_audits.pdf; Press Release, Sen. Chuck Grassley, *Grassley "Raises Cain" over the Pentagon's Long-Time Financial Mismanagement* (Jan. 30, 2025), <https://www.grassley.senate.gov/news/remarks/grassley-raises-cain-over-the-pentagons-long-time-financial-mismanagement>.

² Jen Judson, *Marine Corps Passes Second Straight Audit as Other Services Lag Behind*, Defense News (Feb. 4, 2025), <https://www.defensenews.com/naval/2025/02/04/marine-corps-passes-second-straight-audit-as-other-services-lag-behind>.

³ U.S. Dep't of Def., Off. of Inspector Gen., *Understanding the Results of the Audit of the FY 2024 DOD Financial Statements* at 23 (Feb. 28, 2025), <https://oversight.house.gov/wp-content/uploads/2025/04/DoD-OIG-Report-Part-1-Understanding-the-Results-of-the-Audit-of-the-FY-2024-DoD-Financial-Statements.pdf>; House Comm. on Oversight & Accountability, Subcomm. on Government Operations, *Hearing Wrap Up: DOD Must Obtain Clean Audit to Protect Taxpayer Dollars, Ensure Military Readiness* (April 29, 2025), <https://oversight.house.gov/release/hearing-wrap-up-dod-must-obtain-clean-audit-to-protect-taxpayer-dollars-ensure-military-readiness/#:~:text=However%2C%20as%20of%20fiscal%20year,financial%20management%20and%20system%20weaknesses.%E2%80%9D>.

⁴ U.S. Gov't Accountability Off., *DOD Financial Management: Accelerated Timelines Needed to Address Longstanding Issues and Fraud Risk*, (GAO-25-108191) (April 29, 2025), <https://www.gao.gov/assets/gao-25-108191.pdf>.

⁵ *Id.*

⁶ *Id.*

⁷ *Id.*

Given the importance of ensuring that the DOD and all its components are doing everything possible to provide a reliable accounting of tax dollars spent, I am requesting the DOD IG investigate and respond to the following:

1. List the major issue(s) currently prohibiting the DOD from achieving a reliable list of UOTs.
2. Explain where and how the DOD can improve the management of its financial systems to ensure it is able to achieve an accurate list of UOTs.
3. Explain what the effect of achieving an accurate and complete list of UOTs would have on the DOD's ability to then achieve a clean opinion on the annual financial audit.

As the chief of oversight at the Pentagon, you have a solemn responsibility to identify root causes for such problems and make hard-hitting recommendations to address and resolve those issues. I hope you will tackle this problem with courage and determination and help guide the Pentagon audit effort to a successful conclusion.

Your cooperation and prompt attention to this matter would be appreciated. If you have any questions, please contact Tucker Akin on my Committee staff at (202) 224-5225.

Sincerely,



Charles E. Grassley
Chairman
Committee on the Judiciary