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United States Senate

COMMITTEE ON THE JUDICIARY

WASHINGTON, DC 20510-6275

March 18, 2026

VIA ELECTRONIC TRANSMISSION

Mr. Jules W. Hurst III
 Performing the Duties of the Under Secretary of Defense (Comptroller)
 Department of Defense

Dear Mr. Hurst:

On July 25, 2025, I wrote to you regarding my ongoing concerns about the inability of the Department of Defense (DoD) and the military branches to earn a clean opinion on financial audits.¹ My letter highlighted DoD's failure to establish a credible Universe of Transactions (UOTs) and the role this failure has played in DoD's inability to achieve a clean audit.² In my letter, I requested information on how DoD planned to obtain a full accounting of the agency's UOTs and the systems being implemented to work towards that goal.³ I also requested DoD provide my office with a list of transactions which were defined as "high-risk," or subject to fraud, waste, and abuse, as defined by the Government Accountability Office (GAO).⁴

On August 25, 2025, you replied with a letter to my office.⁵ Unfortunately, that letter failed to completely and fully respond to my letter. Specifically, the DoD failed to fully answer questions 2, 3, and 4.⁶ In December 2025, your staff provided a briefing to mine to further discuss the issue of failed audits and the role that establishing UOTs may play in providing a solution.⁷ The briefing did not resolve all issues.

Separately, on August 12, 2025, I wrote to the DoD Inspector General (DoD IG) requesting information on UOTs and how they interact with the ability of the military to control and track its spending at the transaction level.⁸ The DoD IG responded on December 8, 2025, with a letter that included a much stronger recognition of the importance that UOTs play.⁹ The DoD IG stated, "[e]stablishing an accurate and complete UOTs removes one of the major hurdles for supporting accurate financial reporting by providing auditors with a transparent and supportable list of transactions that can be audited, significantly driving down the cost and timeline of the audit."¹⁰ In addition, the DoD IG pointed out a number of issues it sees currently prohibiting the DoD from achieving a reliable and complete UOTs.¹¹ The DoD IG stated some of those largest issues are DoD's lack of progress in system limitations, controls, and support documentation.¹² Regarding controls, the DoD IG stated the "DoD does not have sufficient internal controls, policies, and procedures to maintain a complete universe of transactions to support the DoD Agency-Wide financial statements."¹³

¹ Letter from Sen. Charles E. Grassley, Chairman, Senate Judiciary Committee, to Ms. Bryn Woollacott MacDonnell, Performing the Duties of the Under Secretary of Defense (Comptroller), Department of Defense (Jul. 25, 2025), www.grassley.senate.gov/imo/media/doc/grassley_to_dod_-_universe_of_transactions.pdf.

² *Id.*

³ *Id.*

⁴ *Id.*; U.S. Gov't Accountability Off., High Risk List, <https://www.gao.gov/high-risk-list> ("GAO's list, updated at the start of each new Congress, of programs and operations with serious vulnerabilities to waste, fraud, abuse, or mismanagement, or in need of transformation.").

⁵ Letter from Jules W. Hurst III, Performing the Duties of the Under Secretary of Defense (Comptroller), Department of Defense, to Sen. Charles E. Grassley, Chairman, Senate Judiciary Committee (Aug. 25, 2025), Exhibit 1.

⁶ *Id.*

⁷ Notes and emails on file with Committee staff.

⁸ Letter from Sen. Charles E. Grassley, Chairman, Senate Judiciary Committee, to Mr. Steven A. Stebbins, Acting Inspector General, Department of Defense (Aug. 12, 2025), https://www.grassley.senate.gov/imo/media/doc/grassley_to_dod_ig_-_universe_of_transactions.pdf.

⁹ Letter from Steven A. Stebbins, Acting Inspector General, Department of Defense, to Sen. Charles E. Grassley, Chairman, Senate Judiciary Committee (Dec. 8, 2025), Exhibit 1.

¹⁰ *Id.*

¹¹ *Id.*

¹² *Id.*

¹³ *Id.*

More recently, on December 22, 2025, DoD announced it failed to pass the annual audit once again.¹⁴ Auditors found “26 material weaknesses and ‘two significant deficiencies related to the DoD’s internal controls over financial reporting.’”¹⁵ DoD has received “a failing grade on every audit since Congress mandated annual reviews beginning in 2018, and is the only one of the government’s 24 major agencies never to pass.”¹⁶ That unacceptable streak of failing the American taxpayer continues for yet another year.

Congress has set a mandate for the DoD to achieve a clean audit by fiscal 2028.¹⁷ All of my work in this area has been and continues to be with the goal of helping the military achieve a clean audit.¹⁸ Regrettably, I remain skeptical the DoD will meet the 2028 mandate of a clean audit while it seemingly continues to downplay the importance of the UOTs in achieving this.

Given the importance of ensuring that the DoD and all its components are doing everything possible to achieve a clean audit by or before 2028, I am requesting answers to the following no later than April 1, 2026:

1. The DoD IG recommends that to assist in allowing the DoD to achieve a reliable UOTs, the DoD must have a complete and total list of the systems its components use to track transactions. Does the DoD have a complete and accurate list of these systems? If not, why not? If yes, please provide a complete list of the systems.
2. The DoD IG recommends that to assist in allowing the DoD to achieve a reliable UOTs, the DoD must expeditiously retire its outdated systems and develop proper controls around the remaining systems. Has the DoD taken steps to retire systems and develop proper controls? Please explain why or why not.
3. The DoD IG recommends that to assist in allowing the DoD to achieve a reliable UOTs, the DoD should reduce redundant systems, use DoD-wide systems, and use systems that perform multiple functions rather than single functions. Has the DoD taken steps to utilize systems that adhere to those recommendations? If yes, please describe in detail how, and if not, why not?
4. The DoD IG recommends that to assist in allowing the DoD to achieve a reliable UOTs, the DoD must have sufficient internal controls, policies, and procedures to maintain a complete UOTs to support the DoD Agency-wide financial statements. Please describe all internal controls, policies, and procedures currently in place that act in furtherance of achieving a reliable UOTs.

¹⁴ Michele Sandiford, Federal News Network, *Defense Department unable to pass its annual audit, again* (Dec. 22, 2025), <https://federalnewsnetwork.com/federal-newscast/2025/12/defense-department-unable-to-pass-its-annual-audit-again/>.

¹⁵ *Id.*

¹⁶ Tanya Noury, DefenseNews, *Pentagon fails financial audit for 8th year in a row* (Dec. 19, 2025), <https://www.defensenews.com/news/pentagon-congress/2025/12/19/pentagon-fails-financial-audit-for-8th-year-in-a-row/>.

¹⁷ Michele Sandiford, Federal News Network, *DoD goal for a clean 2028 audit in jeopardy, IG finds* (Dec. 8, 2025), <https://federalnewsnetwork.com/federal-newscast/2025/12/dod-goal-for-clean-2028-audit-in-jeopardy-ig-finds/>.

¹⁸ Letter from Sen. Charles E. 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. Charles E. 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, Charles E. 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. Charles E. 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. Charles E. 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>.

5. The DoD IG recommends that to assist in allowing the DoD to achieve a reliable UOTs, the DoD must maintain sufficient documentation to support their financial statements. Please describe all documentation that is maintained in support of DoD's financial statements.
6. According to a DoD IG report published on January 19, 2024, compliance with the *Federal Financial Management Improvement Act of 1996* may be the key to earning clean opinions.¹⁹ The report indicates that DoD's accounting systems do not comply with these and other standards. What steps is the DoD taking to ensure that its accounting systems comply with the law?

As I said in my last letter, as CFO you are responsible for bringing the DoD's accounting controls up to necessary standards and ensuring they support credible financial statements.

Thank you in advance for your prompt attention to these matters. Should you have any questions, please contact Tucker Akin with my committee staff at (202) 224-5225.

Sincerely,



Charles E. Grassley
Chairman
Committee on the Judiciary

¹⁹ Department of Defense, Office of the Inspector General, Audit of the DoD's Plans to Address Longstanding Issues with Outdated Financial Management Systems (Jan. 19, 2024), Rep. No. DODIG-2024-047, <https://media.defense.gov/2024/Jan/23/2003380087/-1/-1/1/DODIG-2024-047%20SECURE.PDF>.



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

December 8, 2025

The Honorable Charles E. Grassley
Chairman
Committee on the Judiciary
United States Senate
Washington, DC 20510

Dear Mr. Chairman:

We appreciate your August 12, 2025, correspondence concerning the Department of Defense's (DoD's) inability to produce a complete, accurate, and reconcilable universe of transactions, which is a complete list of the DoD's financial transactions. Major issues with the DoD's financial management systems impede its ability to build and maintain a reliable universe of transactions (UOTs). In addition to our response to your questions listed below, the following reports describe our findings and recommendations related to DoD financial management and systems:

- "Part 2. Understanding the Results of the Audit of the FY 2024 DoD Financial Statements" (Report No. DODIG-2025-112),
- "Financial Management System Modernization" Material Weakness of the DoD OIG's Report on Internal Control Over Financial Reporting (Report No. DODIG-2025-040),¹ and
- "Audit of the DoD's Plans to Address Longstanding Issues with Outdated Financial Management Systems" (Report No. DODIG-2024-047).

1. List the major issue(s) currently prohibiting the DoD from achieving a reliable list of universe of transactions.

The DoD has acknowledged that maintaining a timely, accurate, and comprehensive Agency-wide UOTs is essential to preparing its financial statement and achieving a clean audit opinion. However, the Department's lack of progress in the following areas hampers its efforts.

- System limitations. DoD components use a complex mix of 283 major systems. Many of these systems are redundant, serve a single function, and do not comply with the Federal Financial Management Improvement Act of 1996. Further, the DoD does not have a complete and accurate list of these systems.
- Controls. DoD does not have sufficient internal controls, policies, and procedures to maintain a complete universe of transactions to support the DoD Agency-Wide financial statements.
- Support documentation. DoD components lack sufficient documentation to support their financial statements.²

¹ This material weakness is located on page 78 of the DoD's Agency Financial Report, found here: https://comptroller.war.gov/Portals/45/Documents/afir/fy2024/4-Financial_Section.pdf.

² This statement refers to those DoD components who have not received an unmodified (clean) opinion on their financial statements.

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.

To help address the UOTs issue, the DoD should:

- expeditiously retire its outdated systems to simplify and modernize its system environment, and
- develop appropriate controls around the remaining systems.

The DoD currently uses 283 major systems for financial management. We assess that the DoD plans to maintain too many outdated, noncompliant systems, with many systems being years away from retirement. As stated in our reports listed above, we recommend that the DoD focus on the following areas.

- Simplify – Reduce redundant systems and instead use DoD-wide systems and U.S. Treasury programs.
- Integrate – Use systems that perform multiple functions rather than single business functions.
- Secure – Address the control deficiencies in the remaining systems to secure the DoD's system environment.

3. Explain what the effect of achieving an accurate and complete list of universe of transactions would have on the DoD's ability to then achieve a clean opinion on the annual financial audit.

To achieve a clean financial statement opinion, the DoD must establish internal controls to ensure that all its transactions are properly recorded, processed, and summarized to allow for the preparation of reliable financial statements. Establishing an accurate and complete UOTs removes one of the major hurdles for supporting accurate financial reporting by providing auditors with a transparent and supportable list of transactions that *can* be audited, significantly driving down the cost and timeline of the audit. Further, a complete and accurate UOTs allows the DoD and independent auditors to more quickly identify and correct financial issues.

My staff and I are available to provide additional information on our work in this area. If you have any questions, please contact Mr. Jaryd Bern, Assistant Inspector General for Legislative Affairs and Communications, by email at jaryd.bern@dodig.mil or phone at (703) 699-7372.

Sincerely,



Steven A. Stebbins
Acting