**Statement of Ranking Member Adam Smith**

House Armed Services Committee Hearing: “Department of Defense Update on the Financial Improvement and Audit Readiness (FIAR) Plan”

January 10, 2018

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I thank the Chairman for holding this important and timely hearing, and I appreciate Mr. David Norquist, the Comptroller and Chief Financial Officer for the Department of Defense for appearing before this Committee to discuss this important issue. Your knowledge of the Financial Improvement and Audit Readiness effort is essential as we work to develop the National Defense Authorization Act (NDAA) for FY 2019.

We can all agree the Department of Defense’s development and execution of an enterprise-wide audit will have a valuable impact on the Department and its internal operations. Creating sound financial management systems and controls will benefit the Department’s ability to control costs and anticipate future costs, thereby shaping the Department’s strategic and budgetary planning process. Improved financial management systems and controls will also help ensure accountability, measure performance, and enhance the Department’s ability to prevent and detect fraud, waste, and abuse.

Congress has moved this effort forward by requiring DOD to develop and maintain a plan to ensure all DOD financial statements are validated as audit-ready by September 30, 2017, as part of the National Defense Authorization Act for FY 2010. In 2011, the House Armed Services Committee formed a panel on Defense Financial Management and Auditability Reform and conducted a six-month review to examine the progress and impediments to reaching this goal. In FY2014, Congress also required a full audit of the Department’s FY 2018 financial statements.

While the Department of Defense has certified its audit readiness and is taking the necessary steps to begin the audit, it could, and probably, will be, years before we see a clean audit of the Pentagon.

To quote GAO, “without accurate, timely, and useful financial information, the Department is severely hampered in making sound decisions affecting the department’s operations.” To say you have your work cut out for you is an understatement, but we appreciate DOD’s continued commitment to this challenging task. The Department of Defense has the largest budget and this audit will give taxpayers more confidence in knowing their dollars are being spent wisely. Our service members and the taxpayers deserve to have trust not only in DOD’s superior mission capabilities but also in its financial management.