

Bill Number: H.B. No. \_\_\_\_, S.B. No. \_\_\_\_

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An Act relating to the audit of the Department of Defense and the imposition of accountability penalties on leadership for repeated audit failures

BE IT ENACTED BY THE LEGISLATURE OF THE UNITED STATES OF AMERICA:

**I. Title**

A. This Act may be cited as the Pentagon Accountability and Leadership Integrity Act.

**II. Purpose/Findings**

A. The Department of Defense (DoD) is the only major federal agency that has never achieved a clean audit opinion and has recently recorded its eighth consecutive department-wide financial audit failure.

B. The Department is unable to account for approximately 63 percent of its \$3.8 trillion in assets, creating a financial black box that facilitates systemic waste, including overshooting spare parts needs by nearly \$1 billion.

C. Between Fiscal Years 2017 and 2024, the Department of Defense reported \$10.8 billion in confirmed fraud, while the full extent of fraud exposure remains unknown due to inadequate tracking and reporting systems.

D. These persistent audit failures reflect a fundamental failure of leadership and accountability, rather than isolated technical or administrative errors.

**III. Definitions**

**A. Clean Audit Opinion:** An unmodified or unqualified audit opinion in which independent auditors conclude that financial statements are presented fairly, in all material respects, in

accordance with applicable standards.

**B. Scope-Limiting Material Weakness:** A deficiency in internal controls or records that prevents auditors from performing sufficient procedures to conclude the fair presentation of financial statements.

**C. Senior Leadership:** Any official serving in the Senior Executive Service (SES) or at the General or Flag Officer level who holds responsibility for financial management, acquisition, procurement, or business systems oversight.

**D. Archaic Business Systems:** Legacy financial or business information systems, often 15 to more than 30 years old, that are non-communicative and prevent end-to-end transaction traceability.

#### IV. Substantive Provisions

**A. Audit Mandate:** The Department of Defense shall achieve a department-wide unmodified clean audit opinion no later than December 31, 2028.

**B. System Modernization:** The Secretary of Defense shall accelerate the retirement of 89 outdated information systems identified by the Inspector General, with projected savings of \$760 million annually.

**C. Taxpayer Transparency and Oversight:** The Department shall implement digital tools that allow the public to identify and flag waste and shall provide clear, accessible reporting on how taxpayer funds are spent.

**D. Integrity Training:** All senior defense officials shall complete a Building Integrity training program designed to address cultural contributors to corruption, inefficiency, and weak accountability.

**E. Revolving Door Restrictions:** No senior official with procurement or acquisition

authority may work for, represent, or lobby on behalf of a defense contractor for a period of five years following separation from government service.

#### **V. Enforcement/Administration**

- A. The Secretary of Defense and the Under Secretary of Defense (Comptroller) are responsible for implementing this Act across all military branches and defense agencies.
- B. The Department of Defense Office of Inspector General and the Government Accountability Office shall provide independent oversight, including validation of audit progress and the closure of material weaknesses.
- C. Each noncompliant program shall designate a Senior Executive who will be personally accountable for meeting measurable remediation milestones.

#### **VI. Penalties**

- A. Leadership Salary Caps:** If the Department exceeds seven consecutive failed department-wide audits, mandatory salary caps shall be imposed on Senior Executive Service officials and General or Flag Officers responsible for financial or acquisition oversight.
- B. Mandatory Removal:** Senior officials found responsible for the continued use of non-communicating legacy systems or for obstructing reform efforts shall be subject to immediate removal from office or termination of employment.
- C. Administrative Funding Reductions:** If the Department fails to achieve a clean audit opinion by the end of Fiscal Year 2028, a mandatory 5 percent reduction in non-essential administrative accounts shall be imposed, along with a freeze on discretionary funding flexibility.

#### **Analysis of Research**

The central theme of this research is that the Pentagon's audit crisis is not a technical accounting

issue, but a fundamental failure of leadership and accountability. This failure has enabled the institutional capture of national defense policymaking by a symbiotic “Iron Triangle” composed of military leadership, defense contractors, and political elites. Within this system, opaque budgeting and corporate profit are often prioritized over fiscal transparency and public accountability. Another recurring theme is the “corruption spillover effect.” The absence of integrity and oversight in the defense sector sustains a broader network of intermediaries and practices that normalize corruption and weaken accountability across other areas of government.

The case for legislative intervention is supported by substantial empirical evidence:

1. **Persistent audit failure:** The Department of Defense has recorded its eighth consecutive department-wide audit failure and has received a disclaimer of opinion every year since full-scope audits began in Fiscal Year 2018.
2. **The financial “black box”:** The Pentagon cannot account for 63 percent of its \$3.8 trillion in assets, leaving trillions of dollars in property and equipment effectively invisible to leadership.
3. **Systemic waste:** Due to inadequate inventory tracking, the military overshot its spare parts needs by nearly \$1 billion, often purchasing equipment it already owned.
4. **Elevated fraud risk:** Between Fiscal Years 2017 and 2024, the Department reported \$10.8 billion in confirmed fraud, while the true scope of losses is likely higher due to insufficient monitoring and reporting mechanisms.

The consequences of continued audit failure affect multiple stakeholders:

1. **American taxpayers:** Taxpayers are deprived of meaningful oversight and are required to subsidize systemic waste within the nation’s largest federal budget.
2. **Military Personnel:** Inefficient financial systems create operational delays that slow equipment repairs and increase the risk that defective or fraudulent parts enter the supply chain, potentially placing service members in danger.
3. **Senior leadership:** Senior Executive Service officials and General or Flag Officers currently face few personal or professional consequences for repeated audit failures, contributing to a culture of impunity.
4. **The defense industry:** Large contractors benefit from weak oversight and, in some cases, have charged the government to produce reports on government-owned property already in their possession.

Existing statutory frameworks, including the Chief Financial Officers Act of 1990 and the Government Management Reform Act of 1994, established audit requirements but failed to include

enforceable penalties for noncompliance. As a result, repeated audit failures have carried few consequences for leadership. Additionally, the Pentagon's current goal of achieving a clean audit by 2028 is frequently treated as a guideline rather than a binding deadline. Critics have described this approach as bureaucratic stalling disguised as incrementalism. There is currently no statutory mechanism to impose salary caps or removal from office for leaders who fail to modernize financial and business systems.

Several data points and case studies support the policy approach proposed in this bill:

1. The U.S. Marine Corps achieved and sustained clean audit opinions in Fiscal Years 2023 and 2024, demonstrating that audit compliance is possible when leadership commits fully to reform.
2. Retiring just 89 outdated financial systems is projected to generate at least \$760 million in annual savings through Fiscal Year 2029.
3. The DCAF framework identifies Building Integrity training and internal self-assessment tools as effective, practical reforms for improving accountability within defense institutions. The Government Accountability Office has designated the Department of Defense's financial management as a High-Risk area since 1995, reflecting more than three decades of institutional resistance to reform. Despite managing approximately 82 percent of the federal government's physical assets and nearly half of all discretionary spending, the Department remains the only major federal agency that has never passed a financial audit. This persistent lack of oversight undermines Congress's constitutional power of the purse and limits lawmakers' ability to make informed decisions about federal spending and the national debt.

### **Bipartisan Appeal**

The Pentagon Accountability and Leadership Integrity Act is intentionally structured as a Common Ground solution that transcends partisan divides by focusing on shared American values of transparency, accountability, and fiscal stewardship. By transforming the Department of Defense from a financial black box into a transparent and accountable institution, the bill appeals to the "Real Silent Majority" of both conservatives and progressives who believe government should serve the public interest rather than special interests.

1. **Decency and integrity:** The bill restores a service-first mindset to Pentagon leadership, aligning with the public expectation that powerful institutions operate with honesty and respect for taxpayer resources.
2. **Real taxpayer oversight:** It reinforces the principle that citizens have a right to clear, public reporting on how tax dollars are spent, along with digital tools that allow waste to be identified

and flagged.

3. **Stewardship of public resources:** The legislation recognizes that every dollar lost to audit failure is a dollar that does not support national defense or the American people.

#### Alignment with Conservative and Progressive Priorities

##### **Conservative priorities supported:**

1. **Fiscal responsibility:** Requires accurate accounting of resources before additional funding is requested, directly addressing patterns of bad budgeting.
2. **Deficit reduction:** Reducing systemic waste is essential to any realistic long-term plan to balance the federal budget.
3. **Constitutional order:** Reasserts Congress's constitutional power of the purse by restoring legislative oversight of military spending.

##### **Progressive priorities supported:**

1. **Anti-corruption:** Targets the opaque financial structures and intermediaries that benefit from a lack of oversight.
2. **Human security:** Enables funds recovered from waste to be redirected toward urgent public needs such as healthcare pricing transparency and food security.
3. **Corporate accountability:** Ends corporate welfare by holding defense contractors responsible for the government property they manage.

#### The bill is grounded in value-for-money principles that produce measurable economic benefits:

1. **Immediate savings:** Retiring and modernizing just 89 outdated information systems is projected to save \$760 million annually.
2. **Inventory optimization:** Ending unnecessary purchases caused by poor tracking could recover nearly \$1 billion in overshot spare parts spending.
3. **Fraud mitigation:** A clean audit framework strengthens detection and prevention of fraud, which totaled \$10.8 billion between 2017 and 2024, with actual losses likely higher.

#### Public safety, economic, or community-based justifications

1. **Military Personnel Safety:** Audit failure creates real security risks by allowing defective or fraudulent components, such as faulty machine gun bipods, to enter the supply chain.
2. **Mission readiness:** Improved financial systems reduce operational delays and ensure that equipment repairs and resource movement are not slowed by invisible inventory.
3. **Local community benefits:** For residents of Florida's 13th District, the billion-dollar savings

generated by this bill can support seniors, including proposals such as ending federal income taxes for citizens over 65.

#### Bipartisan Legislative Precedent:

**1. Chief Financial Officers Act of 1990 and Government Management Reform Act of 1994:**

These laws established audit requirements for federal agencies, which the DoD has failed to meet, while every other major agency complied.

**2. National Defense Authorization Act for Fiscal Year 2024:** Already includes a bipartisan mandate for the DoD to achieve a clean audit by 2028, which this bill strengthens through enforceable penalties.

**3. Party platform consensus:** Both the Republican and Democratic party platforms have historically supported auditing the Pentagon, marking it as a rare area of broad political agreement.

#### Procedural/Administrative Provisions

If any part of this Act is found to be unconstitutional, the rest of the Act will still remain in effect. This Act takes effect on \_\_\_\_\_. Any existing laws or rules that conflict with this Act are repealed to the extent of that conflict. This Act replaces earlier audit turnaround goals set under the National Defense Authorization Act for Fiscal Year 2024 that were treated as guidelines rather than requirements. Those goals are now enforceable legal requirements, with firm deadlines and mandatory consequences for leadership. Any administrative rules that allow agencies to treat audit compliance as a box-checking exercise or rely on non-binding milestones are repealed to ensure the 2028 audit deadline is final and cannot be delayed.

#### 8. Summary/Digest

The Pentagon Accountability and Leadership Integrity Act is meant to fix a long-standing problem: the Department of Defense does not know where much of its money and equipment is going. After failing eight straight audits and being unable to account for 63 percent of its \$3.8 trillion in assets, this bill turns promises into real, enforceable rules.

The bill sets a firm deadline of December 31, 2028, for the Pentagon to pass a clean audit. If leadership continues to fail, the bill requires real consequences, including salary limits, removal of responsible officials, and cuts to non-essential administrative spending. It also forces the Department to retire outdated financial systems that waste money and replace them with more reliable systems, saving

an estimated \$760 million each year. To prevent these problems from continuing, the bill strengthens ethics rules, limits the revolving door between defense leadership and contractors, and gives the public better tools to see how defense dollars are spent and flag waste.

Overall, this Act brings the Pentagon in line with the basic financial standards every other federal agency already follows. It restores Congress's authority over military spending and ensures that money lost to waste and mismanagement is redirected toward military readiness and important domestic priorities.

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