

GAO Highlights

Highlights of [GAO-22-104652](#), a report to congressional committees

Why GAO Did This Study

DOD manages one of the largest real property portfolios within the federal government. This engagement was initiated in connection with the statutory requirement for GAO to audit the U.S. government's consolidated financial statements.

DOD remains the only major federal agency that has been unable to obtain a financial audit opinion, partially because of its material weakness in internal control over financial reporting for real property assets.

To help the department move to an unmodified ("clean") audit opinion, DOD updated its policy, in March 2019, to assign the financial reporting responsibility for real property assets to the installation host, which is generally the military service or Washington Headquarters Services installation or base on which the asset is located.

This report examines the instructions, approaches, and internal controls that the DOD components used to identify and record the real property assets to be transferred. GAO interviewed Office of the Secretary of Defense (Comptroller) and component officials, reviewed instructions, and analyzed key data to determine the approaches and internal controls that the military services followed to identify and record the transfers.

What GAO Recommends

GAO is recommending that as DOD implements a department-wide real property strategy, it develop detailed instructions with adequate internal controls to fully implement the updated policy. DOD concurred.

View [GAO-22-104652](#). For more information, contact Kristen Kocielek at (202) 512-2989 or kocielek@gao.gov.

June 2022

DEFENSE REAL PROPERTY

Developing Department-Wide Instructions and Adequate Internal Controls Should Help DOD Improve Recording of Transferred Assets

What GAO Found

The Department of Defense (DOD) did not issue department-wide instructions with actionable steps for the military services—the Air Force, Army, Navy, and Marine Corps—and other defense organizations (ODO) to follow in identifying and recording the real property reporting responsibility transfers to be made in accordance with DOD's updated policy. Without department-wide instructions, the military services independently developed written instructions and implemented inconsistent approaches for identifying and recording the asset transfers.

GAO previously reported on issues related to inconsistent approaches among military services when implementing a DOD-wide directive requiring existence and completeness verifications. GAO recommended that DOD develop and implement a department-wide strategy to remediate real property control issues.

For the real property transfers, DOD and the military services did not have adequately designed control activities, such as (1) performing reconciliations to help ensure that both the entity losing financial reporting responsibility for a real property asset and the entity gaining financial reporting responsibility accurately and completely recorded all transfers and (2) maintaining sufficient supporting documentation for all transfers. For example, the military services attempted, in some cases, to compare the ODO individual real property asset details to the information in the military services' real property systems for transferred assets and to identify differences. But the critical steps of researching and resolving the differences and recording any necessary adjustments were not fully completed.

Three Steps of the Reconciliation Process



Comparing two or more sets of records



Researching and resolving any differences



Recording adjustments if necessary

Source: GAO. | [GAO-22-104652](#)

Because the components did not complete all steps of the reconciliation process, GAO found discrepancies between the military services' and ODOs' listings of transferred assets. In addition, DOD did not design adequate control activities to help ensure that the gaining entities were provided with sufficient supporting documentation according to the updated policy.

Without comprehensive department-wide instructions and adequate internal control activities, the accuracy and completeness of the transactions that both the losing and gaining entities recorded in transferring financial reporting responsibility for real property assets cannot be reasonably assured.