

DEFENSE CONTRACT AUDIT AGENCY

Management Discussion and Analysis

FY 2025



One Agency, One Team, One Direction

DEFENSE CONTRACT AUDIT AGENCY
FY 2025 MANAGEMENT DISCUSSION AND ANALYSIS

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MESSAGE FROM THE DIRECTOR



I am pleased to present the Defense Contract Audit Agency's (DCAA) Management Discussion and Analysis (MD&A) for Fiscal Year (FY) 2025. This MD&A provides an executive overview of DCAA's purpose, operations, performance highlights, financial condition and future outlook to complement our annual report to Congress and financial statement.

DCAA promotes timely acquisition decisions and maximizes buying power to deliver Department of War (DoW) capabilities to deter war and protect our national security. DCAA's FY 2025 performance was marked by significant achievements. We realized a return on investment of \$7.6 per \$1 spent during FY 2025. DCAA examined \$788.4 billion in contract costs, issued 2,480 audit reports and 7,047 memos, and identified \$5.3 billion in savings. DCAA continues to both examine its audit programs and work with Congress and the DoW to reduce the burden of government contracting. DCAA has contributed to the Federal Acquisition Regulation (FAR) 2.0 review as well as the Cost Accounting Standards (CAS) Board by providing expert advice as the team seeks to bring common sense and remove unnecessary complexity in these regulations. This same approach is being used for DCAA's audit programs where unnecessary or redundant steps are being removed. Last year, DCAA's efforts in the incurred cost audit program resulted in a 25 percent reduction in hours to complete audits, and our goal is to achieve similar results with our other audit programs. These accomplishments demonstrate DCAA's impact upon the DoW's readiness and lethality.

DCAA also demonstrated our commitment to efficiency by implementing a reorganization plan to reduce levels of management and eliminate stovepipes. Effective October 2025, DCAA streamlined from a headquarters with eight subordinate organizations based on geography to a functional headquarters structure with three subordinate organizations focused on military capabilities related to Air, Land, and Sea and emphasizing direct mission support. Additionally, DCAA updated our Quality Management System (QMS) to align with new Government Accountability Office (GAO) Yellow Book requirements. With training, administrative, and organizational changes largely completed, DCAA's QMS will be fully implemented by December 2025.

I am pleased to announce that DCAA received its 25th consecutive unmodified audit opinion on its financial statements. Our emphasis on financial management, effective governance and organizational controls strengthened DCAA's performance and contributed to our success. By continually assessing our processes, leveraging industry best practices, and harnessing data to improve outcomes and value in acquisitions, DCAA advanced DoW's mission and capabilities.

A handwritten signature in black ink that reads "Jennifer L. Desautel". The signature is fluid and cursive.

Jennifer L. Desautel
Director

ABOUT DCAA

DCAA operates under the authority, direction, and control of the Under Secretary of War (Comptroller)/Chief Financial Officer. DCAA's mission is to conduct contract audits and deliver accounting and financial advisory services regarding contracts and subcontracts to all DoW components responsible for procurement and contract administration. DCAA may also provide contract audit services to other federal agencies, as appropriate. DCAA focusses solely on auditing and providing financial information and advice on proposed or existing contracts and contractors. DCAA's role in the financial oversight of government contracts is critical to enable DoW to maximize its buying power. DCAA has no role in determining which companies are awarded defense contracts, and DCAA does not perform any internal auditing functions in DoW.

DCAA's work supports the DoW's deter mission of providing ready and lethal military forces to deter war and protect our national security, as well as the Secretary of War's priorities of reestablishing deterrence, rebuilding the military, and reviving the warrior ethos. DCAA audits and financial advisory services maximize DoW's buying power by enabling contracting officials to make necessary investments to deliver capabilities to our warfighters while minimizing the resources required. DCAA's outreach to small business owners strengthens and diversifies the defense industrial base by enhancing their understanding of requirements and audit processes. Through outreach to industry, we strive to learn their challenges and, when possible, ease the burden of defense contracting.

We have been fulfilling our important mission by providing cost oversight of Defense contractors since DCAA's founding in 1965. Over the years, DCAA has transformed in response to changes in contracting guidance, the defense industrial base, and technology while maintaining our core mission focus. DCAA continues to deliver contract audits and advisory services characterized by independent, professional reviews of financial representations made by defense contractors, and provides reasonable assurance that DoW contract costs are allowable, allocable, and reasonable.

OVERVIEW

Mission

DCAA delivers contract audit and advisory services that exceed our customers' expectations to promote timely acquisition decisions and maximize buying power, so DoW has the necessary capabilities to deter current and emerging threats.

Organization and Staffing

Organizational Structure. DCAA's FY 2025 organizational structure consisted of Headquarters, four Corporate Audit Directorates organized by major contractors, three geographical Regions primarily focused on other large, mid-sized and small contractors, and a Field Detachment organized to support classified work. DCAA had just under 200 offices located throughout the United States, Europe, and the Middle East.

In FY 2025, DCAA planned and initiated an enterprise reorganization. The Corporate Audit Directorates are integrated into Regional Directorates focused on the capabilities related to Air, Land, and Sea. The Field Detachment audit offices are merged within the Air, Land, and Sea Directorates most closely related to their customer's product, while special access program work is merged within the headquarters' Operations Directorate. These changes emphasize DCAA's mission focus for each directorate to deliver improved customer service. This reorganization also establishes a Central Audit Function (CAF), currently organized within the headquarters' Contract Audit Standards and Assurance (CASA) Directorate to manage high priority audits such as Truth in Negotiation (TIN) audits as well as work related to DoW's Financial Improvement and Audit Readiness (FIAR) mission. Although the implementation of management and personnel alignments have been implemented, DCAA is perfecting the administrative and system changes to fully implement this new organizational model. Until these actions are complete, DCAA's formal organization consists of:

Headquarters is located at Fort Belvoir, Virginia. Principal elements are the Director, Deputy Director, Office of the General Counsel, Office of the Inspector General, and the Operations, Contract Audit Standards and Assurance (formerly Policy and Quality), and Human Capital and Resource Management Directorates.

Regional Offices/Field Detachment are in Smyrna, Georgia; Irving, Texas; Lone Tree, Colorado; and Reston, Virginia. Each region directs and administers the DCAA audit mission at locations near the contractor base. Each region is staffed with about 600 employees and serves 1,200 to 1,800 contractors. Regions are structured with subordinate branch offices, strategically located to provide audit coverage within their assigned geographical areas. The Field Detachment has nearly 475 employees to serve 600 contractors.

Corporate Audit Directorates (CAD) are in Lowell, Massachusetts (General Dynamics/RTX); McLean, Virginia (Northrop Grumman); St. Louis, Missouri (Boeing); and Irving, Texas (Lockheed Martin/BAE). Each CAD is staffed with about 300 employees that serve their designated major defense contractors.

Resident offices are established at specific contractor locations of both regions and CADs

where the audit workload justifies the assignment of a permanent staff of auditors and support staff. These offices allow auditors to work on location with the largest major industrial manufacturers, from which the government makes purchases.

DCAA liaison activities are conducted at DoW acquisition or contract administration offices to directly communicate and coordinate audit processes.

Defense Contract Audit Institute, located in Atlanta, Georgia, provides specialized contract audit training for DCAA's audit staff, and leadership and interpersonal skills training to new supervisors and other DCAA employees.

DCAA's Professional Workforce. For FY 2025, DCAA had 3,778 authorized personnel. About 89 percent of DCAA employees are auditors and 11 percent are professional support staff in various fields, including administrative support, budget, human resources, information technology, and legal support. Roughly 93 percent of employees have a bachelor's degree, with 46 percent having a master's or higher-level degree. In addition, 25 percent of the workforce have a professional certification such as Certified Public Accountant (CPA), Certified Fraud Examiner (CFE), Certified Internal Auditor (CIA), or Certified Information Systems Auditor (CISA).

Management Initiatives

DCAA's initiatives this year focused on support to DoW priorities and improving the quality and efficiency of audit and agency processes.

At the end of FY 2024, DCAA completed the configuration of new audit management software. This new software captures the necessary data to enable data decision making, share data with other DoW agencies, and increase visibility of individual audits. This software has proven its worth as DCAA can now focus leadership on those areas that are not meeting standards in time to bring necessary resources to return to tolerance. The software also shares data with DoW systems of record to bring increased visibility to other agencies. DCAA also continued to introduce new business applications to the audit process. The newest process automates an audit request from a contracting office connecting the request to the cognizant DCAA office streamlining and bringing efficiency to the process. To continue these efforts, DCAA is now building a data lake to connect additional DoW systems enabling enterprise-wide visibility.

DCAA is also significantly contributing to DoW's FIAR efforts. After completing a pilot to provide information regarding the accuracy of contractor government property inventory records of 27 Air Force contracts with equipment in 93 locations, DCAA is now leading the effort among the DoW audit agencies to complete a second pilot examining both large and mid-sized contractors. These inventories ensure the accuracy of contractor records and verify asset

value, location, and existence, which is essential for DoW to pass a financial statement audit.

Internally, DCAA is examining its audit programs to streamline our audit processes to enhance efficiency and reduce redundancy while maintaining quality. The effort resulted in 25 percent time savings for DCAA's incurred cost audit program and has expanded to additional program reviews. Combined with the use of the automated audit leveraging tool, DCAA's program examinations are increasing audit efficiency without sacrificing effectiveness. Finally, DCAA is updating its Quality Management System (QMS) to conform to the standards in the GAO Yellow Book. The new process, checklists, and training are complete and DCAA is ready to meet the new requirements by December 15, 2025.

These accomplishments were achieved despite personnel losses from the Deferred Resignation Program. This shows the professionalism and dedication of the workforce.

PERFORMANCE

Strategic Plan

DCAA's 2024-2030 Strategic Plan has four goals focused on optimizing value and customer service, cultivating a premier workforce, capitalizing on technological innovation and influencing the business environment. This plan acknowledges the ever-changing budgetary and security landscape that demands we operate at peak efficiency to reduce the cost of acquisition while increasing speed to ensure our warfighters get what they need when they need it. In FY 2025, DCAA executives conducted a review of the plan identifying where updates were necessary to better support DoW priorities. This updated plan will be completed in the second quarter of FY 2026.

Goals, Objectives, and Results

During FY 2025, DCAA examined \$788.4 billion on 2,480 audit reports and 7,047 memos issued, identified \$5.3 billion in savings, and produced a return on investment of about \$7.6 per \$1 spent. Although there are no specific goals for savings and return on investment, the results provide a significant indication of the value of DCAA's audit services to the U.S. taxpayer.

DCAA complied with the incurred cost audit statutory requirements and continues to find ways to more efficiently execute these audits. DCAA also placed special emphasis on Forward Pricing Audits and established a Central Audit Function (CAF); to manage high priority audits such as Truth in Negotiation (TIN) audits as well as work related to DoW's Financial Improvement and Audit Readiness (FIAR) mission.

FINANCIAL

Appropriated Funding

DCAA has five sources of appropriated funding that include Operation and Maintenance (O&M); Research, Development, Test, and Evaluation (RDT&E); Defense Acquisition Workforce Development (DAWD); Defense Security Cooperation Agency (DSCA) direct funding; and reimbursable funding provided by non-defense agencies. The total allocated funding for FY 2025 was \$707.9 million.

O&M appropriation pays for goods and services used during the normal course of business in the fiscal year for which the funds are appropriated. Examples of expenses include civilian salaries and benefits, recruiting, training and education, travel, information technology, leased office space, and business assets.

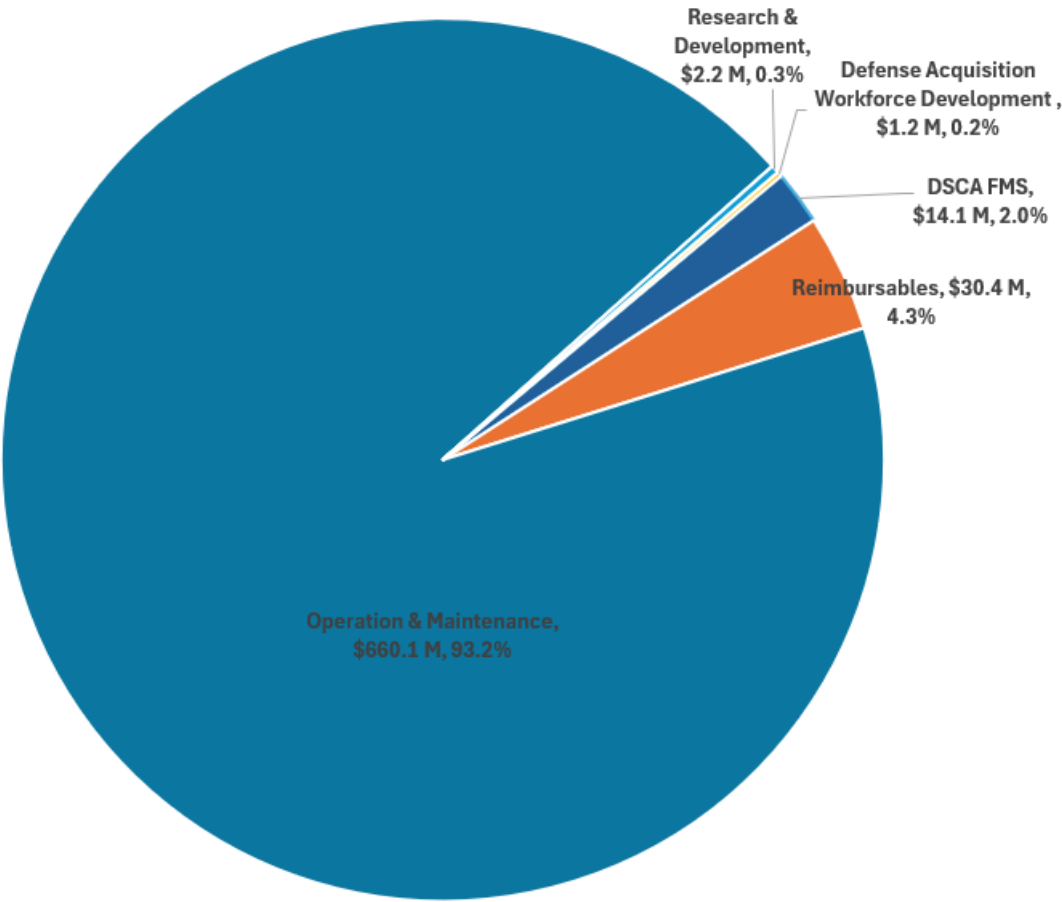
RDT&E appropriation finances research, development, test, and evaluation efforts performed by contractors in the development of equipment, material, or computer application software. This includes services, equipment, components, materials, end items and weapons used in such efforts.

DAWDA appropriation is used to recruit and train acquisition personnel. This appropriation is part of the Office of the Under Secretary of Defense for Acquisition and Sustainment [OUSD (A&S)] financial reporting and is not shown on DCAA's financial statements. The DAWDA appropriation has been a valuable program for DCAA, allowing us to grow, train, and sustain the audit workforce.

DSCA's appropriated fund is provided directly to DCAA to pay for Foreign Military Sales (FMS) Contract Audit Support (CAS) work accomplished by the Agency. This fund is part of DSCA financial reporting and is not shown on DCAA's financial statements.

Reimbursable work is paid for by non-DoW agencies for DCAA's audit services. DCAA's largest customers include Foreign Military Sales, Department of Energy, NASA, Department of State, and Department of Homeland Security.

**Sources of Funds
For the Year Ended September 30, 2025**



Analysis of the Financial Statements

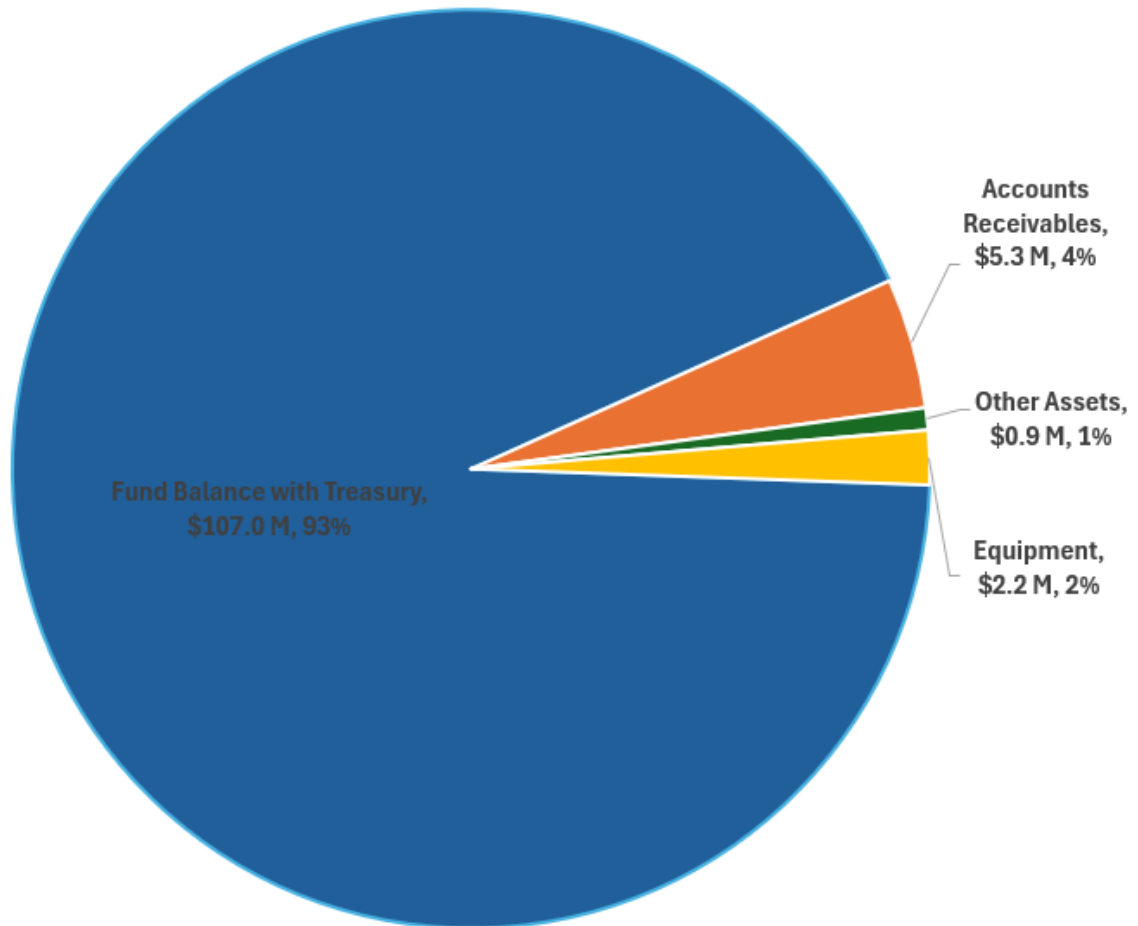
The tables and graphs below summarize information regarding the financial statements. The Balance Sheet presents the total amounts available for use by DCAA (assets) against the amounts owed (liabilities) and amounts that comprise the difference (net position). DCAA's total assets are largely composed of Fund Balance with Treasury (FBwT) and accounts receivable. Below is a list of DCAA's major balance sheet categories as of September 30, 2025, September 30, 2024, and a comparison between the two.

Balance Sheet \$ in millions

| Assets | FY 2025 | FY 2024 | \$ Change |
|----------------------------|-----------------|-----------------|------------------|
| Fund Balance with Treasury | \$ 107.0 | \$ 96.0 | \$ 11.0 |
| Accounts Receivables | 5.3 | 6.9 | (1.6) |
| Other Assets | 0.9 | 0.5 | 0.4 |
| Equipment | 2.2 | 2.9 | (0.7) |
| Total Assets | \$ 115.4 | \$ 106.3 | \$ 9.1 |
| Liabilities | | | |
| Accounts Payable | \$ 7.6 | \$ 4.6 | \$ 3.0 |
| Payroll Tax Payable | 8.0 | 6.2 | 1.8 |
| Accrued Payroll & Leave | 14.8 | 8.4 | 6.4 |
| Unfunded FECA Liability | 4.0 | 4.2 | (0.2) |
| Unfunded Leave | 32.8 | 40.4 | (7.6) |
| Actuarial FECA Liability | 19.4 | 21.8 | (2.4) |
| Total Liabilities | \$ 86.6 | \$ 85.6 | \$ 1.0 |

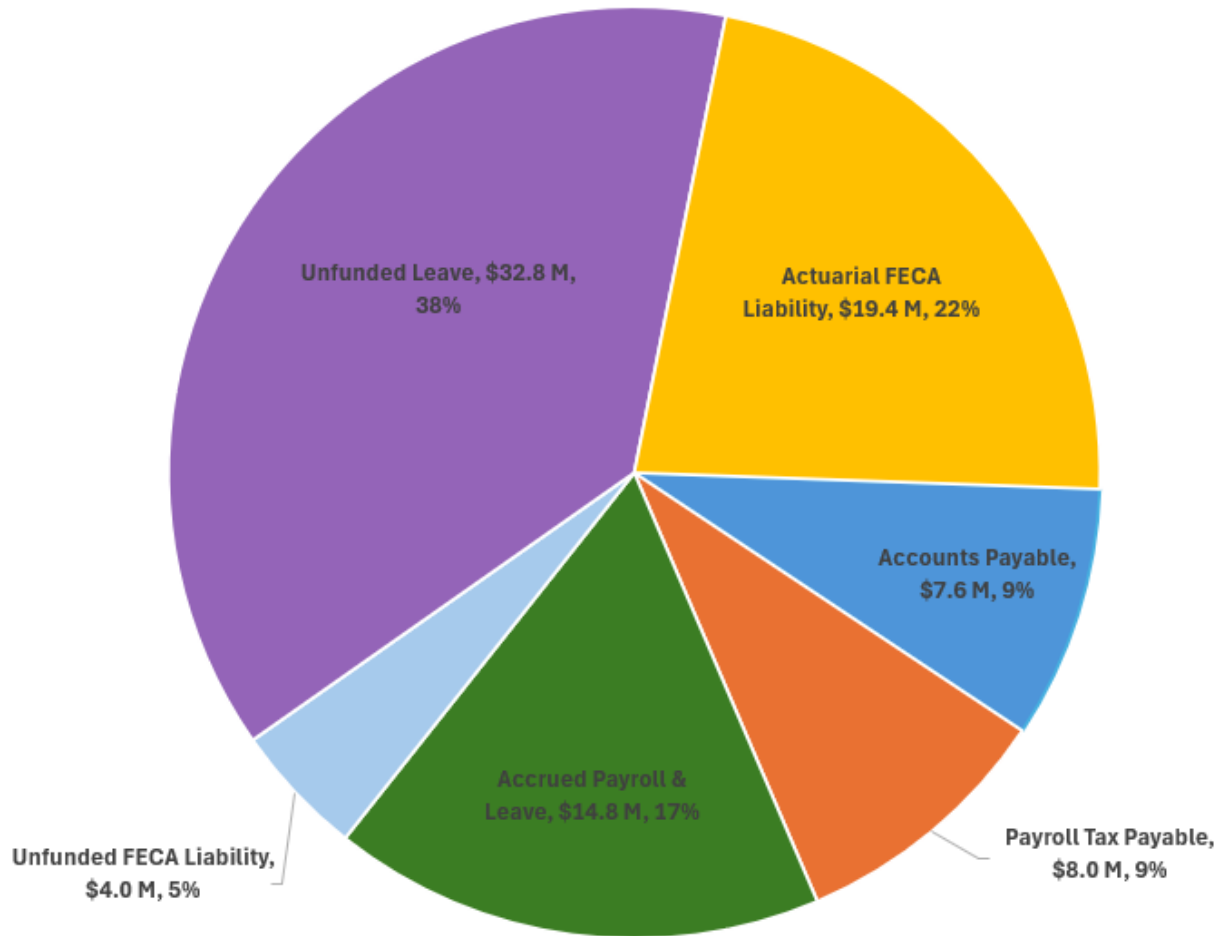
DCAA's Assets of \$115.4 million are comprised of the Fund Balance with Treasury (FBwT), Accounts Receivable, Other Assets, and Equipment. This represents an increase of \$9.1 million compared to last year's balance, primarily driven by changes in the FBwT. The net change includes an \$11 million increase in fund balance, partially offset by a \$1.9 million decrease in accounts receivable and equipment. The decrease in accounts receivable reflects fewer outstanding invoices-and reduced equipment value due to depreciation.

**Composition of Assets
For the Year Ended September 30, 2025**



DCAA's Liabilities of \$86.6 million are classified as either funded (covered by current budgetary resources) or unfunded (covered by future budgetary resources). Funded liabilities include accounts payable, payroll tax payable, and current accrued payroll and leave. Unfunded liabilities consist primarily of employment benefits, estimated future Federal Employment Compensation Act (FECA) liabilities, and leave earned but not yet taken. DCAA's total liabilities increased by \$1 million.

**Composition of Liabilities
For the Year Ended September 30, 2025**

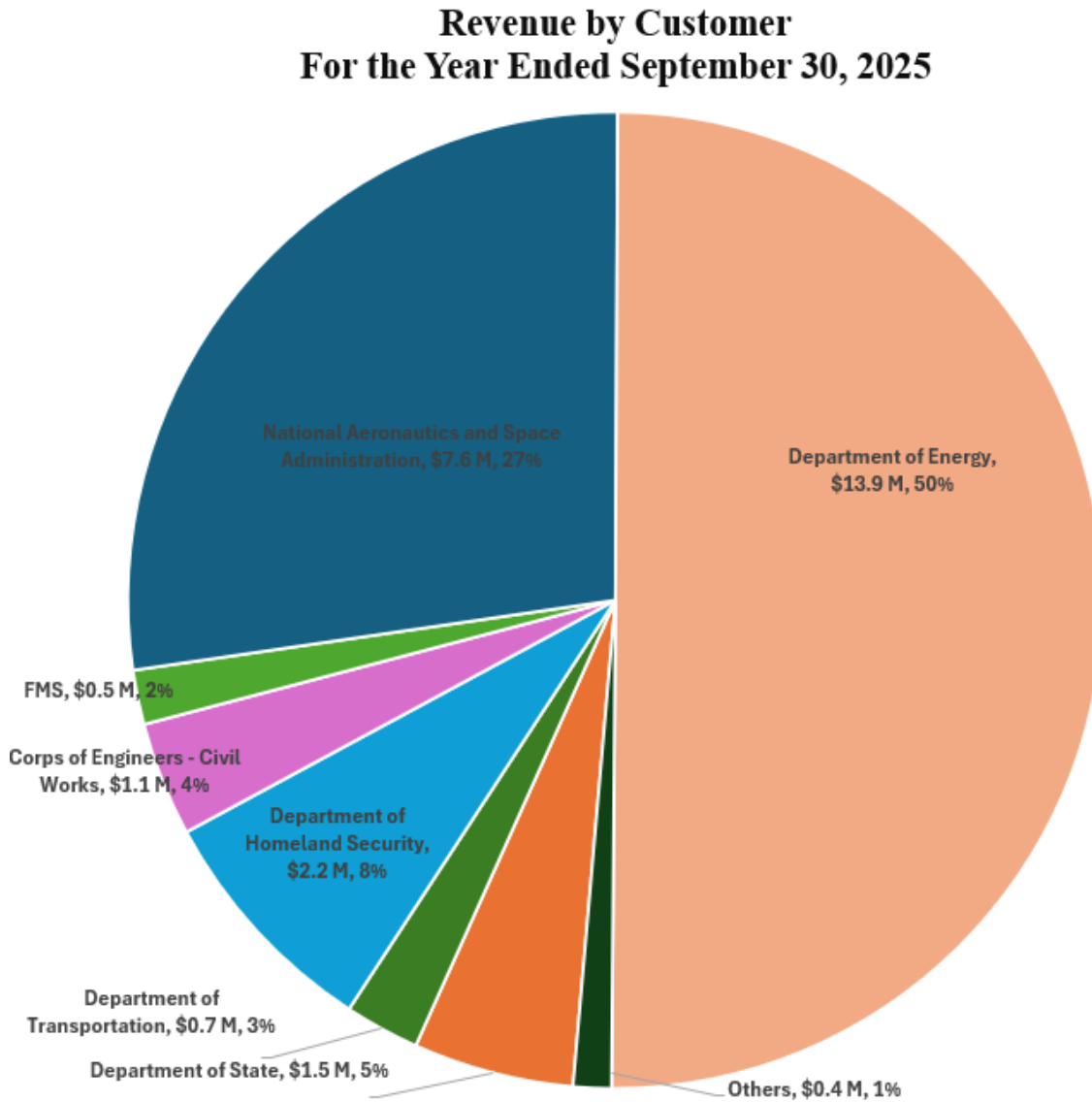


The Consolidated Statement of Net Cost presents the annual costs of operating programs. The net cost of each specific program's operation equals the program's gross costs less any earned revenue. The following table presents DCAA's major cost categories for the fiscal years ending September 30, 2025, and September 30, 2024.

Consolidated Statement of Net Cost
\$ in millions

| Gross Cost | FY 2025 | FY 2024 | \$ Change |
|----------------------------|-----------------|-----------------|------------------|
| Employee Compensation | \$ 421.0 | \$ 425.3 | \$ (4.3) |
| Employee Benefits | 114.1 | 112.3 | 1.8 |
| Payroll Taxes | 105.4 | 105.7 | (0.3) |
| Purchase Goods or Services | 96.9 | 98.6 | (1.7) |
| Total Gross Cost | \$ 737.4 | \$ 741.9 | \$ (4.5) |
| Less: Earned Revenue | (26.50) | (26.70) | 0.20 |
| Net Cost Operation | \$ 710.9 | \$ 715.2 | \$ (4.3) |

The graph below shows DCAA's FY 2025 revenue by trading partner.



The following table presents comparative data for the Net Position and Results of Operations as of September 30, 2025, and September 30, 2024.

| Change in Net Position and Cumulative Result of Operations | | | |
|---|----------------|----------------|------------------|
| \$ in millions | | | |
| | FY 2025 | FY 2024 | \$ Change |
| Unexpended Appropriations | \$ 84.3 | \$ 86.0 | \$ (1.70) |
| Cummulative Results of Operations | (55.5) | (65.4) | 9.9 |
| Total Net Position | \$ 28.8 | \$ 20.6 | \$ 8.2 |
| | | | |
| Operation Beginning Balance | \$ (65.4) | \$ (67.0) | \$ (1.62) |
| Financing Sources | 720.8 | 716.8 | 4.0 |
| Net Operations | 710.9 | 715.2 | (4.30) |
| Net Change | 9.9 | 1.6 | 8.3 |
| Cumulative Results of Operations | (55.5) | (65.4) | 6.7 |

Net Position represents the difference between assets and liabilities. The net position results from changes that occur within the Cumulative Results of Operations and Unexpended Appropriations. The unexpended appropriations represent the number of undelivered orders and unobligated balances of budgetary authority. Our net position increased by \$8.2 million; from \$20.6 million in FY 2024 to \$28.8 million in FY 2025. The decrease is attributed to a \$1.7 million change in unexpended appropriation and offset by increases of a \$9.9 million change in cumulative results of operations when compared to September 30, 2024. DCAA's reflects financial health, greater fiscal flexibility and positive operational performance.

Cumulative Results of Operations represent the net difference between expenses and losses, and financing sources (including appropriations used, imputed financing, transfer in/out, and other adjustments). DCAA had Financing Sources of \$720.8 million and a Net Cost of Operations totaling \$710.9 million. The Net Cost of Operations includes accrued expenses for annual leave liability, employee benefits liability, and actuarial liability; future appropriations will fund these liabilities. The Net Change was \$6.7 million, which is the difference between Financing Sources and the Net Cost of Operations.

DCAA's Net Cost of Operations represents the difference between the costs incurred by programs and less associated revenues. Funding is received through Congressional Appropriations and reimbursement for services provided to other federal agencies. Net Cost of Operations for the year ended September 30, 2025, totaled \$710.9 million. The FY 2025 Net Cost of Operations change is \$ 4.3 million in this fiscal year. This decrease is partly due to the hiring freeze, which has lowered employee compensation costs.

Limitations of the Financial Statements

The Defense Finance and Accounting Service (DFAS), in collaboration with DCAA, prepares DCAA's financial statements. The principal financial statements report on DCAA's financial position and results of operations, pursuant to the requirements of 31 U.S.C. 3515 (b). DFAS prepares the statements from an agency's financial records in accordance with Office of Management and Budget (OMB) Circular No. A-136 and uses generally accepted accounting principles for Federal entities. The statements are also used to monitor and control budgetary resources. The statements should be read with the understanding that they are for a component of the U.S. Government.

SYSTEMS CONTROLS, AND LEGAL COMPLIANCE

DCAA uses an enterprise resource planning system, Defense Agencies Initiative (DAI), and DFAS prepared DCAA's financial statements based on data entered in DAI. Departments and agencies under the Executive Branch did not produce annual financial statements until required by the Chief Financial Officers (CFO) Act of 1990.

The Federal Financial Management Improvement Act (FFMIA) of 1996 requires that audit reports state whether agency financial management systems comply substantially with Federal financial management systems requirements, applicable Federal accounting standards, and the U.S. Government Standard General Ledger at the transaction level. Federal agencies must fully disclose financial data, including the costs of Federal programs and activities. DCAA continues to develop and implement improved business processes that support the accuracy and auditability of its financial statements.

DCAA's accounting system is adequate to ensure transactions are executed in accordance with applicable appropriations statutes. Reasonable assurance is provided to ensure that assets are properly acquired, used, and safeguarded to deter theft, accidental loss or unauthorized disposition, and fraud.

Management Assurance

In its Annual Statement of Assurance (SoA) for FY 2025, DCAA provided reasonable assurance to the Secretary of War that DCAA's internal controls met the objectives of the Federal Managers' Financial Integrity Act (FMFIA) of 1982.

DCAA has a rigorous system of internal financial and administrative controls to ensure effective management of Agency resources. This system provides the reasonable assurance required to

certify that the objectives of the FMFIA are achieved. The FMFIA requires federal agencies to assess the effectiveness of internal controls for program, operational, and administrative areas, as well as accounting and financial management.

As an audit organization, DCAA is aware of the importance of management internal controls. As part of its quality control process, DCAA performed specific reviews during the past year to evaluate the adequacy and consistency in implementing audit and procedural guidance. Other objectives of these reviews include identifying areas requiring additional policy coverage and determining the adequacy of existing coverage.

Internal Control Assessment and Results

DCAA maintains a robust internal control framework consistent with the FMFIA, OMB Circular A-123, the GAO Standards for Internal Control in the Federal government (Green Book), and related federal guidance. This framework provides reasonable assurance that agency operations are effective and efficient, financial reporting is reliable, and assets are protected from fraud, waste, and abuse.

DCAA's Financial Management Oversight Branch leads oversight, assessment, and monitoring of internal controls across all mission and support functions, with remediation actions implemented as needed. The objectives of this framework are to provide reasonable assurance of:

- Effective and efficient operations,
- Reliable financial reporting,
- Compliance with applicable laws and regulations, and
- Information systems compliance with FMFIA requirements.

Oversight and Governance

The Risk Management Internal Control (RMIC) Program integrates internal controls into agency governance by requiring appointed Assessable Unit Managers (AUM) to perform annual self-assessments and certifications. These reviews evaluate both operational and financial controls, ensuring compliance with statutory and regulatory requirements. In FY 2025, DCAA expanded the number of assessable units from five to fifteen, reflecting both financial and non-financial functions. Independent reviews were conducted over high-risk processes including:

- **Property Management** – Ensuring accountability of government assets through accurate recording, safeguarding, and timely disposition.
- **Fund Balance with Treasury** – Ensuring accurate reconciliation of DCAA records with Treasury accounts and proper stewardship of cash resources.

- **Financial Reporting** – Reviewing journal vouchers, trial balance reconciliations, and financial statement preparation controls for accuracy and timeliness.

Results of the FY 2025 Assessment

Our evaluation of internal control processes drew from various sources, including internal reviews and an external audit. The results of the annual internal control assessment indicate that, overall, controls are designed and operating effectively. We did not identify any material weaknesses or significant deficiencies. However, opportunities for improvement were identified in areas such as records management, documentation consistency, and standardized filing methodology. Corrective action plans were developed, assigned to responsible managers, and are being actively monitored to ensure timely resolution. Other achievements and key indicators of our success in implementing key controls include:

- For FY 2025, DCAA reported no Anti-Deficiency Action violations and had no external corrective actions from previous years that resulted in receipt of 25 consecutive “unmodified opinions” on our financial statements from independent public auditors.
- DCAA successfully completed an external peer review by Acuity Consulting, Inc., conducted in accordance with Generally Accepted Government Auditing Standards and the Council of the Inspectors General on Integrity and Efficiency Guide for Conducting Peer Reviews of Audit Organizations of Federal Offices of Inspector General. The review, which covered audits performed for the year ending September 30, 2024, resulted in the highest possible rating of “Pass,” with no recommendations and no letter of comment, affirming full compliance with applicable audit standards.
- DCAA and DFAS assessed internal control effectiveness over financial reporting according to the OMB Circular No. A-123, Appendix A, Management of Reporting and Data Integrity Risk, for the following:
 - Fund Balance with Treasury
 - Accounts Receivable
 - Accounts Payable
 - Financial Statement Compilation
 - Other Liabilities
 - Appropriations Received
 - Payroll
 - Travel

Integration with Enterprise Risk Management

Internal control activities are closely aligned with DCAA’s Enterprise Risk Management framework. DCAA performed risk assessments in FY 2025 that guided management’s

prioritization of resources, enabling a direct link between internal controls and strategic objectives. By expanding the RMIC Program's scope, DCAA leadership can better evaluate risk responses, monitor corrective actions, and strengthen assurance over both financial and operational processes. DCAA determined an overall risk of *Medium* and continues to monitor areas of fraud risk across six key areas to ensure proactive identification and mitigation of emerging risks.

Continuous Improvement Efforts

DCAA remains committed to advancing the maturity of its internal control program. Key actions during FY 2025 included:

- **Developing Process Control Narratives (PCNs)** to document key and complementary user entity controls, supporting financial reporting reliability.
- **Enhancing centralized documentation** by mandating the use of SharePoint for all financial statement preparation and audit support.
- **Conducting independent reviews** that provided actionable recommendations and informed management decisions.
- **Expanding fraud awareness initiatives** to reinforce a strong tone-at-the-top and promote a culture of accountability by having each employee sign a fraud certification statement.

Internal Control Overall Assessment

DCAA is postured to maintain an unmodified audit opinion through December 31, 2028, in accordance with the National Defense Authorization Act for FY 2024. Ongoing monitoring of critical audit remediation efforts will ensure that corrective actions are completed well in advance of the FY 2028 financial statement audit. Through these initiatives, DCAA reaffirms our commitment to sound stewardship of resources, compliance with federal requirements, and transparency in financial reporting. These efforts reinforce stakeholder confidence, sustain DCAA's record of clean audit opinions, and directly support mission success.

As the Department navigates decreasing budgets, DCAA remains a vital partner in achieving the best value for every defense dollar. Our strategic outlook is strong, with continued emphasis on delivering high-quality audit products, providing exceptional service to our customers, and supporting the growth and resilience of our workforce.