

119TH CONGRESS
2D SESSION

S. 3902

To provide for auditable financial statements for the Department of Defense,
and for other purposes.

IN THE SENATE OF THE UNITED STATES

FEBRUARY 24, 2026

Ms. ERNST introduced the following bill; which was read twice and referred
to the Committee on Armed Services

A BILL

To provide for auditable financial statements for the
Department of Defense, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Reviewing Every Check
5 and Each Invoice Purchasing Troops’ Supplies Act” or the
6 “RECEIPTS Act”.

7 **SEC. 2. FINDINGS.**

8 Congress makes the following findings:

9 (1) Section 9 of Article I of the Constitution of
10 the United States requires all agencies of the Fed-

1 eral Government, including the Department of De-
2 fense, to publish “a regular Statement and Account
3 of the Receipts and Expenditures of all public
4 Money”.

5 (2) Section 3515(a) of title 31, United States
6 Code, requires the agencies of the Federal Govern-
7 ment, including the Department of Defense, to
8 present auditable financial statements beginning not
9 later than March 1, 2003. The Department has not
10 complied with this law.

11 (3) The Federal Financial Management Im-
12 provement Act of 1996 (title VIII of division A of
13 Public Law 104–208; 31 U.S.C. 3512 note) requires
14 financial systems acquired by the Federal Govern-
15 ment, including the Department of Defense, to be
16 able to provide information to leaders to manage and
17 control the cost of Government. The Department has
18 not complied with this law.

19 (4) The financial management of the Depart-
20 ment of Defense has been on the “High-Risk” list
21 of the Government Accountability Office, which
22 means that the Department is not consistently able
23 to “control costs; ensure basic accountability; antici-
24 pate future costs and claims on the budget; measure

1 performance; maintain funds control; [and] prevent
2 and detect fraud, waste, and abuse”.

3 (5) In 2005, the Department of Defense cre-
4 ated a Financial Improvement and Audit Readiness
5 (FIAR) Plan, overseen by a directorate within the
6 office of the Under Secretary of Defense (Comp-
7 troller), to improve Department business processes
8 with the goal of producing timely, reliable, and accu-
9 rate financial information that could generate an
10 audit-ready annual financial statement. In December
11 2005, that directorate, known as the FIAR Direc-
12 torate, issued the first of a series of semiannual re-
13 ports on the status of the Financial Improvement
14 and Audit Readiness Plan.

15 (6) Section 1003 of the National Defense Au-
16 thorization Act for Fiscal Year 2010 (Public Law
17 111–84; 123 Stat. 2439) required regular status re-
18 ports on the Financial Improvement and Audit
19 Readiness Plan described in paragraph (5), and
20 codified as a statutory requirement the goal of the
21 Plan in ensuring that Department of Defense finan-
22 cial statements were validated as ready for audit not
23 later than September 30, 2017. In addition, section
24 1005 of the National Defense Authorization Act for
25 Fiscal Year 2013 (Public Law 112–239) required

1 that the statement of budgetary resources of the De-
 2 partment of Defense be validated as ready for audit
 3 by not later than September 30, 2014. The Depart-
 4 ment of Defense did not meet these deadlines.

5 (7) At a June 2025 hearing in the Committee
 6 on Armed Services of the Senate, the Department's
 7 Acting Comptroller committed to audit-ready budget
 8 statements for the Department of War by 2028 by
 9 stating, "Within the next three years, under the sec-
 10 retary's guidance, the remainder of the department
 11 will achieve the clean audit opinion."

12 **SEC. 3. ENHANCED REPROGRAMMING AUTHORITY FOL-**
 13 **LOWING ACHIEVEMENT BY DEPARTMENT OF**
 14 **DEFENSE AND MILITARY DEPARTMENTS OF**
 15 **AUDIT WITH UNQUALIFIED OPINION OF ITS**
 16 **FINANCIAL STATEMENTS FOR FISCAL YEARS**
 17 **AFTER FISCAL YEAR 2028.**

18 (a) DEPARTMENT OF DEFENSE GENERALLY.—If the
 19 Department of Defense obtains an audit with an unquali-
 20 fied opinion on financial statements for any fiscal year
 21 after fiscal year 2028, the limitation on the total amount
 22 of authorizations that the Secretary of Defense may trans-
 23 fer pursuant to general transfer authority available to the
 24 Secretary in the national interest in the succeeding fiscal
 25 year shall be the greater of \$10,000,000,000 or 1 percent

1 of the total budget authority available to the Department
2 of Defense for that succeeding fiscal year.

3 (b) MILITARY DEPARTMENTS, DEFENSE AGENCIES,
4 AND DEFENSE FIELD ACTIVITIES.—If a military depart-
5 ment, Defense Agency, or Department of Defense Field
6 Activity obtains an audit with an unqualified opinion on
7 its financial statements for any fiscal year after fiscal year
8 2028, the thresholds for reprogramming of funds of such
9 military department, Defense Agency, or Department of
10 Defense Field Activity, as the case may be, without prior
11 notice to Congress for the succeeding fiscal year shall be
12 deemed to be the thresholds as follows:

13 (1) In the case of an increase or decrease to the
14 program base amount for a procurement program,
15 \$60,000,000.

16 (2) In the case of an increase or decrease to the
17 program base amount for a research program,
18 \$30,000,000.

19 (3) In the case of an increase or decrease to the
20 amount for a budget activity for operation and
21 maintenance, \$45,000,000.

22 (4) In the case of an increase or decrease to the
23 amount for a budget activity for military personnel,
24 \$30,000,000.

1 (c) RULE OF CONSTRUCTION.—Nothing in this sec-
 2 tion shall be construed to alter or revise any requirement
 3 (other than a threshold amount) for notice to Congress
 4 on transfers covered by subsection (a) or reprogrammings
 5 covered by subsection (b) under any other provision of law.

6 (d) DEFINITIONS.—In this section, the terms “pro-
 7 gram base amount”, “procurement program”, “research
 8 program”, and “budget activity” have the meanings given
 9 such terms in chapter 6 of volume 3 of the Financial Man-
 10 agement Regulation of the Department of Defense (DoD
 11 7000.14R), dated March 2011, or any successor regula-
 12 tion.

13 **SEC. 4. CESSATION OF APPLICABILITY OF REPORTING RE-**
 14 **QUIREMENTS REGARDING THE FINANCIAL**
 15 **STATEMENTS OF THE DEPARTMENT OF DE-**
 16 **FENSE AFTER OBTAINING A CLEAN AUDIT**
 17 **OPINION.**

18 (a) CESSATION OF APPLICABILITY.—

19 (1) MILITARY DEPARTMENTS.—The financial
 20 statements of a military department shall cease to
 21 be covered by the reporting requirements specified in
 22 subsection (b) upon the issuance of an unqualified
 23 audit opinion on such financial statements.

24 (2) DEPARTMENT OF DEFENSE.—The reporting
 25 requirements specified in subsection (b) shall cease

1 to be effective when an unqualified audit opinion is
2 issued on the financial statements of the Depart-
3 ment of Defense, including each of the military de-
4 partments and the other reporting entities defined
5 by the Office of Management and Budget.

6 (b) REPORTING REQUIREMENTS.—The reporting re-
7 quirements specified in this subsection are the following:

8 (1) The requirement for annual reports in sec-
9 tion 892(b) of the Ike Skelton National Defense Au-
10 thorization Act for Fiscal Year 2011 (Public Law
11 111–383; 124 Stat. 4311).

12 (2) The requirement for semi-annual reports in
13 section 1003(b) of the National Defense Authoriza-
14 tion Act for Fiscal Year 2010 (Public Law 111–84;
15 123 Stat. 2440).

16 (3) The requirement for annual reports in sec-
17 tion 817(d) of the Bob Stump National Defense Au-
18 thorization Act for Fiscal Year 2003 (Public Law
19 107–314; 116 Stat. 2610).

20 (4) The requirement for periodic reports in sec-
21 tion 908(b) of the Defense Acquisition Improvement
22 Act of 1986 (Public Law 99–500; 100 Stat. 1783–
23 140; 10 U.S.C. 2326 note) and duplicate require-
24 ments as provided for in section 6 of the Defense

1 Technical Corrections Act of 1987 (Public Law 100–
 2 26; 101 Stat. 274; 10 U.S.C. 2302 note).

3 **SEC. 5. ADDITIONAL DUTIES AND QUALIFICATIONS FOR**
 4 **FAILURE TO OBTAIN AUDITS WITH UNQUALI-**
 5 **FIED OPINION OF FISCAL YEAR 2028 FINAN-**
 6 **CIAL STATEMENTS OF THE DEPARTMENT OF**
 7 **DEFENSE.**

8 (a) IN GENERAL.—If the Department of Defense
 9 fails to obtain an audit with an unqualified opinion on its
 10 financial statements for fiscal year 2028 by December 31,
 11 2028, the following shall take effect on January 1, 2029:

12 (1) ADDITIONAL QUALIFICATIONS AND DUTIES
 13 OF USD (COMPTROLLER).—

14 (A) QUALIFICATIONS.—Any individual
 15 nominated for appointment to the position of
 16 Under Secretary of Defense (Comptroller)
 17 under section 135 of title 10, United States
 18 Code, shall be an individual who is a Certified
 19 Public Accountant (CPA) and has served—

20 (i) as the chief financial officer or
 21 equivalent position of a Federal or State
 22 agency that has received an audit with an
 23 unqualified opinion on such agency’s finan-
 24 cial statements during the time of such in-
 25 dividual’s service; or

(ii) as the chief financial officer or equivalent position of a public company that has received an audit with an unqualified opinion on such company's financial statements during the time of such individual's service.

(B) DUTIES AND POWERS.—The duties and powers of the individual serving as Under Secretary of Defense (Comptroller) shall include, in addition to the duties and powers specified in section 135(c) of title 10, United States Code, such duties and powers with respect to the financial management of the Department of Defense as the Deputy Secretary of Defense (acting in the capacity of Chief Management Officer of the Department of Defense) or a successor official in the Department of Defense (acting in such capacity) may prescribe.

(2) ADDITIONAL QUALIFICATIONS AND RESPONSIBILITIES OF ASA FOR FINANCIAL MANAGEMENT.—

(A) QUALIFICATIONS.—Any individual nominated for appointment to the position of Assistant Secretary of the Army for Financial Management under section 7016 of title 10, United States Code, shall be an individual who

1 is a Certified Public Accountant (CPA) and
2 who has served—

3 (i) as the chief financial officer or
4 equivalent position of a Federal or State
5 agency that has received an audit with an
6 unqualified opinion on such agency's finan-
7 cial statements during the time of such in-
8 dividual's service; or

9 (ii) as the chief financial officer or
10 equivalent position of a public company
11 that has received an audit with an unquali-
12 fied opinion on such company's financial
13 statements during the time of such individ-
14 ual's service.

15 (B) RESPONSIBILITIES.—The responsibil-
16 ities of the individual serving as Assistant Sec-
17 retary of the Army for Financial Management
18 shall include, in addition to the responsibilities
19 specified in section 7016(b)(4) of title 10,
20 United States Code, such responsibilities as the
21 Deputy Secretary of Defense (acting in the ca-
22 pacity of Chief Management Officer of the De-
23 partment of Defense) or a successor official in
24 the Department of Defense (acting in such ca-
25 pacity) may prescribe.

1 (3) ADDITIONAL QUALIFICATIONS AND RESPON-
2 SIBILITIES OF ASN FOR FINANCIAL MANAGEMENT.—

3 (A) QUALIFICATIONS.—Any individual
4 nominated for appointment to the position of
5 Assistant Secretary of the Navy for Financial
6 Management under section 8016 of title 10,
7 United States Code, shall be an individual who
8 is a Certified Public Accountant (CPA) and
9 who has served—

10 (i) as the chief financial officer or
11 equivalent position of a Federal or State
12 agency that has received an audit with an
13 unqualified opinion on such agency's finan-
14 cial statements during the time of such in-
15 dividual's service; or

16 (ii) as the chief financial officer or
17 equivalent position of a public company
18 that has received an audit with an unquali-
19 fied opinion on such company's financial
20 statements during the time of such individ-
21 ual's service.

22 (B) RESPONSIBILITIES.—The responsibil-
23 ities of the individual serving as Assistant Sec-
24 retary of the Navy for Financial Management
25 shall include, in addition to the responsibilities

1 specified in section 8016(b)(4) of title 10,
2 United States Code, such responsibilities as the
3 Deputy Secretary of Defense (acting in the ca-
4 pacity of Chief Management Officer of the De-
5 partment of Defense) or a successor official in
6 the Department of Defense (acting in such ca-
7 pacity) may prescribe.

8 (4) ADDITIONAL QUALIFICATIONS AND RESPON-
9 SIBILITIES OF ASAF FOR FINANCIAL MANAGE-
10 MENT.—

11 (A) QUALIFICATIONS.—Any individual
12 nominated for appointment to the position of
13 Assistant Secretary of the Air Force for Finan-
14 cial Management under section 9016 of title 10,
15 United States Code, shall be an individual who
16 is a Certified Public Accountant (CPA) and
17 who has served—

18 (i) as the chief financial officer or
19 equivalent position of a Federal or State
20 agency that has received an audit with an
21 unqualified opinion on such agency's finan-
22 cial statements during the time of such in-
23 dividual's service; or

24 (ii) as the chief financial officer or
25 equivalent position of a public company

1 that has received an audit with an unquali-
2 fied opinion on such company's financial
3 statements during the time of such individ-
4 ual's service.

5 (B) RESPONSIBILITIES.—The responsibil-
6 ities of the individual serving as Assistant Sec-
7 retary of the Air Force for Financial Manage-
8 ment shall include, in addition to the respon-
9 sibilities specified in section 9016(b)(4) of title
10 10, United States Code, such responsibilities as
11 the Deputy Secretary of Defense (acting in the
12 capacity of Chief Management Officer of the
13 Department of Defense) or a successor official
14 in the Department of Defense (acting in such
15 capacity) may prescribe.

16 (b) PUBLIC COMPANY DEFINED.—In this section, the
17 term “public company” has the meaning given the term
18 “issuer” in section 2(a)(7) of the Sarbanes-Oxley Act of
19 2002 (15 U.S.C. 7201(7)).

1 **SEC. 6. REQUIRING THE SECRETARY OF DEFENSE TO**
2 **TRANSFER NON-DEFENSE OPERATIONS OF**
3 **THE DEFENSE FINANCE AND ACCOUNTING**
4 **SERVICE (DFAS) AFTER FAILURE TO OBTAIN**
5 **AUDITS WITH UNQUALIFIED OPINION OF FIS-**
6 **CAL YEAR 2028 FINANCIAL STATEMENTS OF**
7 **THE DEPARTMENT OF DEFENSE.**

8 (a) IN GENERAL.—If the Department of Defense
9 fails to obtain an audit with an unqualified opinion on its
10 financial statements for fiscal year 2028 by December 31,
11 2028, the Secretary of Defense shall, in coordination with
12 the Secretary of the Treasury and the Director of the Of-
13 fice of Management and Budget (OMB), transfer the non-
14 defense payroll and finance services performed by Defense
15 Finance and Accounting Service (DFAS) to another pay-
16 roll and finance service in the United States Government.

17 (b) DEFINITION.—The term “non-defense payroll
18 and finance services”—

19 (1) refers to services DFAS provides for other
20 Federal agencies other than the Department of De-
21 fense, including the Department of Health and
22 Human Services; and

23 (2) does not refer to any payroll and finance
24 services provided for military retirees, the Depart-
25 ment of Veterans Affairs, or the Executive Office of
26 the President.

1 **SEC. 7. CHANGE IN MISSION STATEMENT FOR DFAS.**

2 The Secretary shall direct DFAS to amend its mis-
3 sion statement and vision to incorporate the following
4 principles:

5 (1) DFAS is a critical part of the United States
6 military's financial management and accounting
7 team and is not solely providing a pay and finance
8 service to the military services.

9 (2) DFAS is jointly responsible with the mili-
10 tary services for—

11 (A) accounting for military spending by ac-
12 curately and timely recording, analyzing, sum-
13 marizing, and classifying military service finan-
14 cial transactions;

15 (B) ensuring military service financial
16 transactions are recorded in the military serv-
17 ices' financial statements; and

18 (C) achieving an unqualified audit opinion
19 for the Department of Defense's financial state-
20 ments.

1 **SEC. 8. AUTHORIZATION FOR ARTIFICIAL INTELLIGENCE,**
2 **INCLUDING AGENTIC ARTIFICIAL INTEL-**
3 **LIGENCE, TO OBTAIN AUDITS WITH UNQUALI-**
4 **FIED OPINION OF FISCAL YEAR 2028 FINAN-**
5 **CIAL STATEMENTS OF THE DEPARTMENT OF**
6 **DEFENSE.**

7 (a) SENSE OF CONGRESS.—It is the sense of Con-
8 gress that the Department of Defense should, to the max-
9 imum extent practicable, utilize technology and software
10 to automate its efforts to prepare and audit its financial
11 statements and minimize the use of additional contractor
12 personnel for this function.

13 (b) AUTHORIZATION OF APPROPRIATIONS.—In addi-
14 tion to amounts otherwise available, there is authorized
15 to be appropriated for the Department of Defense the fol-
16 lowing sums:

17 (1) \$150,000,000 for the deployment of auto-
18 mation and artificial intelligence to accelerate the
19 audits of the financial statement of the Department.

20 (2) \$150,000,000 for business systems replace-
21 ments to accelerate and improve the accuracy of the
22 financial statements of the Department of Defense
23 pursuant to chapter 9A and section 2222 of title 10,
24 United States Code.

25 (c) OFFSET REQUIRED.—The Secretary of Defense
26 shall terminate for convenience existing contracts for con-

1 tractor support for consulting services regarding the audit
 2 and preparation of financial statements in amounts equal
 3 to amounts appropriated pursuant to subsection (b).

4 **SEC. 9. ESTABLISHMENT OF DEPARTMENT OF DEFENSE**
 5 **AUDIT COMMITTEE AND AMENDMENT OF DE-**
 6 **PARTMENT OF DEFENSE INSPECTOR GEN-**
 7 **ERAL ROLE IN AUDIT OF FINANCIAL STATE-**
 8 **MENTS.**

9 (a) ESTABLISHMENT.—The Secretary of Defense
 10 shall establish a committee to be known as the Audit Com-
 11 mittee to select and oversee the audit of the financial
 12 statements of the Department as performed by an inde-
 13 pendent external auditor.

14 (b) MEMBERSHIP.—The Audit Committee shall be
 15 composed of the following members:

16 (1) The Deputy Secretary of Defense, who shall
 17 serve as the Chairman of the Audit Committee.

18 (2) The Chief Information Officer of the De-
 19 partment of Defense.

20 (3) The Deputy Inspector General (Audit) of
 21 the Department of Defense.

22 (4) An individual appointed by the Chairman of
 23 the Committee on Armed Services of the Senate.

1 (5) An individual appointed by the Ranking
2 Member of the Committee on Armed Services of the
3 Senate.

4 (6) An individual appointed by the Chairman of
5 the Committee on Armed Services of the House of
6 Representatives.

7 (7) An individual appointed by the Ranking
8 Member of the Committee on Armed Services of the
9 House of Representatives.

10 (8) An individual appointed by the Secretary of
11 Defense from the Defense Business Board.

12 (c) EXCLUDED INDIVIDUALS.—The Audit Committee
13 shall not include the following individuals currently serv-
14 ing in the following roles:

15 (1) The Under Secretary of Defense (Comp-
16 troller)/Chief Financial Officer.

17 (2) The Deputy Under Secretary of Defense
18 (Comptroller).

19 (3) The Director, Defense Finance and Ac-
20 counting Service (DFAS).

21 (d) QUALIFICATION.—Members of the Audit Com-
22 mittee appointed by the Chairman of the Committee on
23 Armed Services of the Senate and the Chairman of the
24 Committee on Armed Services of the House of Represent-
25 atives shall be appointed to the Commission from among

1 individuals who are Certified Public Accountants (CPAs)
2 and who have demonstrated knowledge and experience in
3 the audit of Federal agency financial statements.

4 (e) AUDITS BY AGENCIES.—Section 3521(a) of title
5 31, United States Code, is amended—

6 (1) by inserting “(1)” after “(a)”; and

7 (2) by adding at the end the following para-
8 graph:

9 “(2) The audit required under paragraph (1) for the
10 Department of Defense shall be performed by an inde-
11 pendent external auditor.”.

○