



MESSAGE FROM THE SECRETARY OF DEFENSE

November 15, 2022

I am pleased to present the Department of Defense Agency Financial Report for Fiscal Year 2022 to the President, Congress, and the American people. This report assesses our management of the resources entrusted to the Department in fiscal year 2022 and underscores our commitment to transparency and responsible stewardship of those resources as we keep our country safe today and into the future.

Throughout the past fiscal year, the Department has continued to focus on three top priorities: defending the Nation; taking care of our people; and succeeding through teamwork.

We defend our country by standing ready to deter aggression, no matter if it emanates from the People's Republic of China, our number one pacing challenge, or from Iran, North Korea, or transnational terrorist groups. In the face of Russia's baseless and reckless war of choice against Ukraine, the United States has provided an unprecedented amount of security assistance to the Ukrainian people as they fight valiantly for their democracy, their sovereign territory, and their freedom. Earlier this year, I established the Ukraine Defense Contact Group to rally our allies and partners to support Ukraine in its hour of need. That work continues to make a difference for Ukraine's defenders, and it has shown how we succeed through teamwork when like-minded countries defend shared values.

The Department is also investing in our most precious resource—our people. This is a national security imperative, and I am proud of our work to make necessities like housing and food more affordable, strengthen support to families (such as child care), and boost pay allowances for qualifying military households. I am grateful to each member of the DoD workforce for remaining steadfast through a time of great challenges, including the ongoing COVID-19 pandemic. As we continue our vital work, the Department remains committed to its annual financial statement audit regimen. The Statement of Assurance within the Management's Discussion and Analysis section outlines my assessment of the effectiveness of internal controls over financial reporting, comprising the material weakness areas impeding the completeness and reliability of our performance and financial data, as well as compliance with relevant laws and regulations. In addition, the Financial Section provides the Independent Auditor's Report that details the results of this year's audit, which includes a disclaimer of opinion that identified multiple areas for improvement. These findings and recommendations will help us better target and prioritize corrective actions to improve the quality of our financial reporting process and data. The Summary of Financial Statement Audit and Management Assurances within the Other Information section provides the corrective actions the Department is taking to address these inadequacies to include remediation efforts for my three audit priority areas of Fund Balance with Treasury, Access Control, and Universe of Transactions.

The audit remediation effort and our goal of achieving an unmodified audit opinion are key parts of ensuring the Department responsibly manages our resources. We remain committed to modernizing and reforming our business practices to better fulfill our mission to keep our country safe. The Department of Defense is grateful to Congress for its support and investment in that mission, and I am confident that this report demonstrates the Department's effective and responsible use of its resources and will help us do even better in the future.

Lloyd J. Austin III

PAGE INTENTIONALLY LEFT BLANK

