

SEC. 1003. AUDIT READINESS OF FINANCIAL STATEMENTS OF THE DEPARTMENT OF DEFENSE.

(a) Financial Improvement Audit Readiness Plan-

(1) IN GENERAL- The Chief Management Officer of the Department of Defense shall, in consultation with the Under Secretary of Defense (Comptroller), develop and maintain a plan to be known as the 'Financial Improvement and Audit Readiness Plan'.

(2) ELEMENTS- The plan required by paragraph (1) shall--

(A) describe specific actions to be taken and the costs associated with--

(i) correcting the financial management deficiencies that impair the ability of the Department of Defense to prepare timely, reliable, and complete financial management information; and

(ii) ensuring the financial statements of the Department of Defense are validated as ready for audit by not later than September 30, 2017;

(B) systematically tie the actions described under subparagraph (A) to process and control improvements and business systems modernization efforts described in the business enterprise architecture and transition plan required by section 2222 of title 10, United States Code;

(C) prioritize--

(i) improving the budgetary information of the Department of Defense, in order to achieve an unqualified audit opinion on the Department's statements of budgetary resources; and

(ii) as a secondary goal, improving the accuracy and reliability of management information on the Department's mission-critical assets (military and general equipment, real property, inventory, and operating materials and supplies) and validating its accuracy through existence and completeness audits; and

(D) include interim goals, including--

(i) the objective of ensuring that the financial statement of each of the Department of the Army, the Department of the Navy, the Department of the Air Force, and the Defense Logistics Agency is validated as ready for audit: and

(ii) a schedule setting forth milestones for elements of the military departments and financial statements of the military departments to be made ready for audit as part of the progress required to meet the objectives established pursuant to clause

(i) of this subparagraph and clause (ii) of subparagraph (A) of this paragraph.

(b) Semi-annual Reports on Financial Improvement and Audit Readiness Plan-

(1) IN GENERAL- Not later than May 15 and November 15 each year, the Under Secretary of Defense (Comptroller) shall submit to the congressional defense committees a report on the status of the implementation by the Department of Defense of the Financial Improvement and Audit Readiness Plan required by subsection (a).

(2) ELEMENTS- Each report under paragraph (1) shall include, at a minimum--

(A) an overview of the steps the Department has taken or plans to take to meet the objectives specified in subsection (a)(2)(A), including progress toward achieving the interim goals and milestone schedule established pursuant to subsection (a)(2)(D); and

(B) a description of any impediments identified in the efforts of the Department to meet such objectives, and of the actions the Department has taken or plans to take to address such impediments.

(3) ADDITIONAL ISSUES TO BE ADDRESSED IN FIRST REPORT- The first report submitted under paragraph (1) after the date of the enactment of this Act shall address, in addition to the elements required by paragraph (2), the actions taken or to be taken by the Department as follows:

(A) To develop standardized guidance for financial improvement plans by components of the Department.

(B) To establish a baseline of financial management capabilities and weaknesses at the component level of the Department.

(C) To provide results-oriented metrics for measuring and reporting quantifiable results toward addressing financial management deficiencies.

(D) To define the oversight roles of the Chief Management Officer of the Department of Defense, the chief management officers of the military departments, and other appropriate elements of the Department to ensure that the requirements of the Financial Improvement and Audit Readiness Plan are carried out.

(E) To assign accountability for carrying out specific elements of the Financial Improvement and Audit Readiness Plan to appropriate officials and organizations at the component level of the Department.

(F) To develop mechanisms to track budgets and expenditures for the implementation of the requirements of the Financial Improvement and Audit Readiness Plan.

(G) To develop a mechanism to conduct audits of the military intelligence programs and agencies and to submit audited financial statements for such agencies to Congress in a classified manner.

(c) Relationship to Existing Law- The requirements of this section shall be implemented in a manner that is consistent with the requirements of section 1008 of the National Defense Authorization Act for Fiscal Year 2002 (Public Law 107-107; 115 Stat. 1204; 10 U.S.C. 2222 note).