

**Defense Information Systems Agency  
General Fund  
Agency Financial Report  
Fiscal Year 2025**



## **About the Defense Information Systems Agency Financial Report**

This Fiscal Year (FY) 2025 Agency Financial Report (AFR) refers to the Department of Defense (DoD) in accordance with statutory requirements. While mindful of the recent *Executive Order 14347* and ongoing legal determinations regarding the Department's name, this report utilizes the designation "Department of Defense" because the AFR is a statutorily mandated report, all relevant legislation designates the Department as the "Department of Defense," and the funding for programs discussed herein were issued to the Department of Defense. We may use the "Department of War" designation in other, non-statutory communications, as allowed by the Executive Order.

## Message From the Defense Information Systems Agency

As the Defense Information Systems Agency (DISA) director, I am pleased to present the Agency Financial Report (AFR) for the DISA General Fund (GF), as of Sept. 30, 2025. The information presented in this AFR, along with its accompanying footnotes, encompasses the required management discussion and analysis, performance data, and financial statements. The AFR has been prepared according to the guidelines outlined in Office of Management and Budget Circular A-136 and includes the auditor's signed report. As agency head, I have evaluated the financial and performance data within this report and am confident in its completeness and reliability. Further details regarding this assessment and its resulting actions are provided in this letter.

In FY 2025, DISA continues to be a trusted partner throughout the Department of Defense (DoD), leading the way in providing information technology (IT) and telecommunication support to our warfighters. We safeguard communications to enable our nation's success, from the battlefield to the White House. We deploy, maintain and secure a comprehensive suite of command, control and communications capabilities, along with a universally accessible information infrastructure. This enables our military to maintain a lethal advantage, fight when necessary and win – on land, at sea, in the air, space and in cyberspace. DISA's strategy for FY 2025-2029, DISA Next, outlines how the agency is solving enterprise-level, hard, and complex IT and telecommunications problems. The DISA director's priorities center around first, **Readiness** emphasizes ensuring personnel are well-trained, confident, and prepared to execute as a cohesive team. Second, **Campaigning** focuses on understanding the mission and effectively leveraging resources to deliver impactful solutions to the Warfighter. Third, **Continuous Modernization** encourages embracing innovation and strategically shaping the cyber terrain to our advantage. Finally, **Establish Lethality** requires developing and deploying superior capabilities to maintain an advantage over evolving threats.

This year, we have continued to make improvements in our financial processes based on feedback by our independent public accounting (IPA) firm Kearney & Company. The IPA reported material weaknesses and significant deficiencies, which DISA is addressing through mitigating controls, specifically in Fund Balance with Treasury, accounts receivable/revenue, accounts payable/expense, budgetary resources, and property, plant, and equipment. The DISA GF transitioned to Financial Accounting Management Information System (FAMIS), effective 1 October 2024 as a single accounting system for both WCF and GF to support efficient and effective business processes that meet statutory requirements and to improve the ability to support an auditable business environment. DISA can provide reasonable assurance of the effective operation of internal controls over financial reporting, operations, and compliance as of Sept. 30, 2025. DISA GF has established corrective action plans to address material weakness findings on DISA's GF financial statements. DISA will continue to gain efficiencies by expanding our usage of automation. The agency continues to improve its posture with a sound internal control environment to execute our strategy effectively while prioritizing command and control, driving force readiness through innovation, and improving cost management.



A handwritten signature in black ink, appearing to read 'Paul T. Stanton'.

PAUL T. STANTON, Ph.D.  
Lieutenant General, USA  
Director

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# **DISA General Fund**

## **Management's Discussion and Analysis**

**Fiscal Year 2025, Ending Sept. 30, 2025**

The Defense Information Systems Agency (DISA) is pleased to present a Management Discussion and Analysis (MD&A) to accompany its fiscal year (FY) 2025 financial statements and footnotes. The key sections within this MD&A include the following:

- 1. Context for the Financial Information in the MD&A**
- 2. Analysis of Financial Statements**
- 3. Analysis of Systems, Controls, and Legal Compliance**
- 4. Forward-Looking Information**

## **Context for the Financial Information in the MD&A**

### **History and Enabling Legislation**

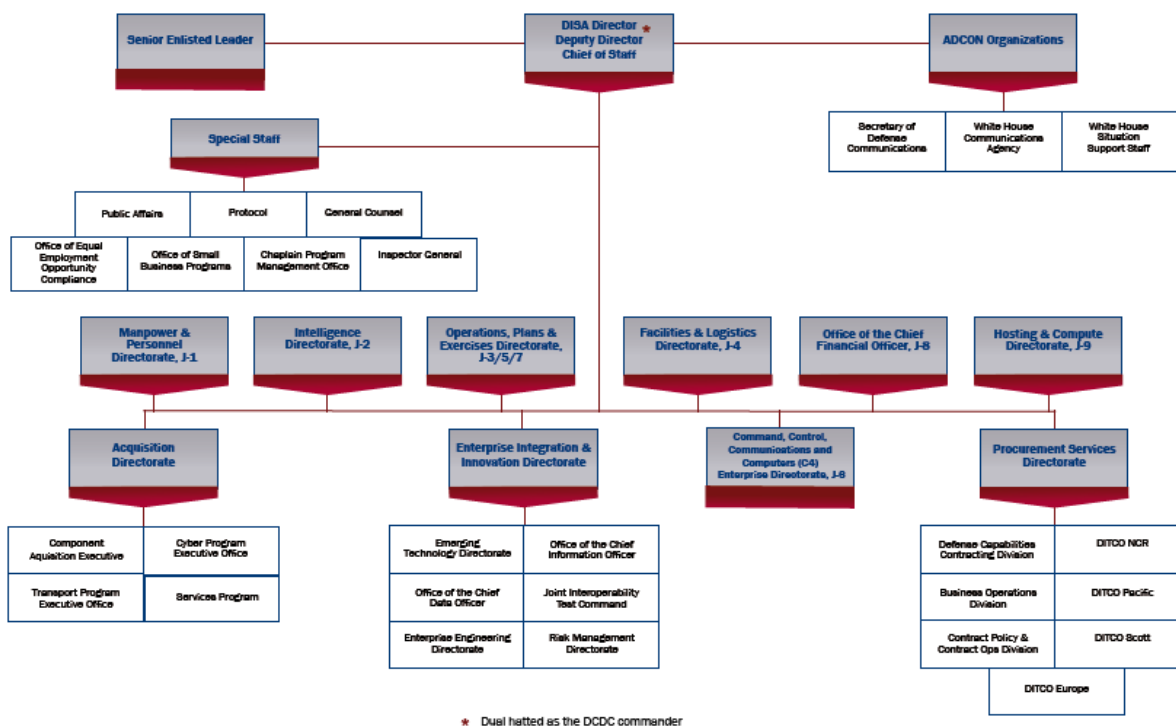
DISA, a combat support agency, provides, operates, and assures command and control, information sharing capabilities, and a globally accessible enterprise information infrastructure in direct support of joint warfighters, national level leaders, and other mission and coalition partners across the full spectrum of operations. DISA implements the Secretary of Defense's Defense Strategic Guidance and reflects the Department of Defense (DoD) Chief Information Officer's (CIO) Capability Planning Guidance. The DoD CIO vision is "to be the trusted provider to connect and protect the warfighter in cyberspace."

DISA serves the needs of the president, vice president, secretary of defense, Joint Chiefs of Staff (JCS), combatant commands, and other DoD components during peace and war. In short, DISA provides global net-centric solutions in the form of networks, computing infrastructure, and enterprise services to support information sharing and decision-making for the nation's warfighters and those who support them in defense of the nation. DISA is charged with connecting the force by linking processes, systems, and infrastructure to people.

In FY 2018, the organization that came to be known as the Joint Service Provider (JSP) declared full operational capability and moved into its new place in the Defense Department's organizational chart as a subcomponent of DISA. It marked a major expansion of mission and budget authority for DISA, which now controls the funding and personnel that provide most information technology (IT) services for the Pentagon and other DoD headquarters functions in the National Capital Region (NCR). DISA continues to offer DoD information systems support, taking data services to the forward deployed warfighter.

## Organization

To fulfill its mission and meet strategic plan objectives, DISA operates under the direction of the DoD CIO, who reports directly to the secretary of defense. The organizational structure for DISA as of September 2025 is depicted below:



The agency is budgeted to support the IT needs and requirements of the entire Defense Department, including the offices of the secretary of defense and of the chairman and vice chairman of the Joint Chiefs of Staff, the Joint Staff, military services, combatant commands, and defense agencies. DISA also provides support to the White House and many federal agencies through a number of capabilities and initiatives.

In accordance with *Statement of Federal Financial Accounting Standards (SFFAS) 47: Reporting Entity*, DISA Working Capital Fund (WCF) does not have any consolidation or disclosure entities that are required to be disclosed within these notes. Although component reporting entities of the federal government may significantly influence each other, component reporting entities are subject to the overall control of the federal government and operate together to achieve the policies of the federal government and are not considered related parties. Therefore, component reporting entities need not be disclosed as related parties by other component reporting entities. Disclosure entities are not consolidation entities. Disclosure entities may provide the same or similar goods and services that consolidation entities do but are more likely to provide them on a market basis.

## DISA's Appropriated Budget

Through its appropriated budget, DISA is funded by Congress through the National Defense Authorization Act, the U.S. federal law specifying the budget and expenditures for DoD, and defense appropriations bills authorizing DoD to spend money. This budget enables the agency to implement the White House's national security strategy, the secretary's planning and programming guidance, and the initiatives of the DoD CIO. DISA receives four categories of appropriations: Operations and Maintenance (O&M); Procurement (PROC); Research, Development, Test, and Evaluation (RDT&E); and Military

Construction (MILCON). Refer to the Combining Statement of Budgetary Resources (SBR) in the Required Supplemental Information section and the Statement of Net Cost (SNC) in the Analysis of Financial Statements section for a breakout of DISA General Fund's (GF) budgetary resources and costs for each appropriation category. These appropriations fund DISA's six mission areas, which reflect DoD's goals and allow DISA to execute its core missions and functions.

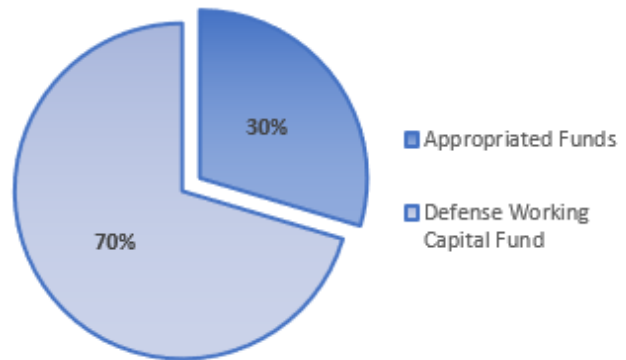
1. "Transition to the Net-Centric Environment" funds capabilities and services that transform the way that DoD shares information by making data continuously available in a trusted environment. This mission area includes enterprise services, engineering services, and technical strategies developed by DISA's chief technology officer.
2. "Eliminate Bandwidth Constraints" focuses on capabilities and services that build and sustain the Global Information Grid (GIG) transport infrastructure, while eliminating bandwidth constraints and rapidly surging to meet demands. Capabilities funded in this category include the Pathways program, DoD teleport program, Defense Spectrum Organization activities, and Defense Information Systems Network (DISN) enterprise activities, such as non-recurring costs for commercial circuits, commercial satellites, and special communications requirements.
3. "GIG Network Operations and Defense" funds the operation, protection, defense, and sustainment of the enterprise infrastructure and information-sharing services, as well as enabling command and control. This mission area includes funding for network operations; the information assurance/public key infrastructure program; cybersecurity initiatives; and budgets for DISA's field offices, which support the Combatant Commands, and for the Joint Staff Support Center, which supports the chairman, vice chairman, and Joint Chiefs of Staff in the Pentagon.
4. "Exploit the GIG for Improved Decision-Making" focuses on transitioning to DoD enterprise-wide capabilities for communities of interest, such as command and control, and combat support that exploit the GIG for improved decision-making. This mission area funds the Global Command and Control System-Joint program, Global Combat Support System-Joint program, and senior leader and coalition information-sharing activities.
5. "Deliver Capabilities Effectively/Efficiently" finances the means by which the agency effectively, efficiently, and economically delivers capabilities based on established requirements. This area funds the command staff and the personnel costs for DISA's shared service units.
6. "Special Mission Areas" enables the agency to execute special missions to provide the communications support required by the president as commander-in-chief, including day-to-day management, fielding, operation, and maintenance of communications and information technology. The White House Communications Agency (WHCA) and the Communications Management Control Activity in the Network Services Directorate are budgeted out of this mission area.

**Resources:** DISA is a combat support agency of the DoD with a \$12.5 billion annual budget.



## BUDGET

Appropriated \$3.7 Billion  
Defense Working Capital Funds \$8.8 Billion  
  
Total DISA Budget \$12.5 Billion



### Global Presence

DISA is a global organization of approximately 6,800 civilian employees; 1,500 active-duty military personnel from the Army, Air Force, Navy, and Marine Corps; and over 11,000 defense contractors. This data is as of September 2025. DISA's headquarters is at Fort Meade, Maryland, and has a presence in 25 states and the District of Columbia within the United States, and in seven countries, and Guam (U.S. territory), with 51 percent of its people based at Fort Meade and the National Capital Region, and 49 percent based in field locations.

In addition, the following organizations are a part of DISA: Office of the Chief Financial Officer, Component and Acquisition Executive, Chief of Staff, Inspector General, Department of Defense Cyber Defense Command (DCDC), Operations and Infrastructure Center, Procurement Services Directorate, Risk Management Executive, White House Communications Agency and Workforce Services and Development Directorate. DISA provides a core enterprise infrastructure of networks, computing centers, and enterprise services (internet-like information services) that connect 4,300 locations, reaching 90 nations supporting DoD and national interests.

DISA is the combat support agency entrusted with the Defense Department's information system network. It is our responsibility to transform and integrate our capabilities and services to best support the DoD. The strategic planning framework aligns agency day-to-day efforts to the National Defense Strategy (NDS).

The first two strategic imperatives and four operational imperatives describe DISA's daily mission. As a combat support agency, DISA is designed and chartered to execute these critical functions. These imperatives align to the NDS priorities and reflect how DISA enables the Defense Department and Joint Force as they deter, defend and campaign.

Strategic Imperative 1 is to Operate and Secure the DISA Portion of the DoD Information Network. Operate refers to the 24/7 management of DISA's terrain, whereas secure refers to DISA's responsibility to protect DISA's terrain, data at rest and data in transit.

The first Operational Imperative is to provide relevant, modern enterprise and business tools. DISA must provide state-of-the-art capabilities that will not only meet current requirements but will posture their customers to take advantage of emerging capabilities that provide competitive advantages in a contest environment. The second Operational Imperative is to provide resilient and redundant Defense Information System Network backbone. To ensure there are no breaks in service and that all traffic arrives at its destination unimpeded, it is critically important that DISA build survivability into the DISN. The third Operational Imperative is to manage the agency. DISA's administrative activities that are crucial in this endeavor include governance, facility management, human capital initiatives and internal processes.

Strategic Imperative 2 is to Support Strategic Command, Control and Communications. DISA is key to supporting systems, capabilities, networks and processes that enable command and control and allow senior leaders to communicate securely across the globe. The fourth Operational Imperative is to Operationalize the Cloud. DISA's cloud service will be operationalized, meaning the agency will provide a secure cloud environment so warfighters may access data at the breadth, width and speed of modern combat operations.

*DISA Approach* as outlined in the FY 2025-2029 Strategic Plan include:



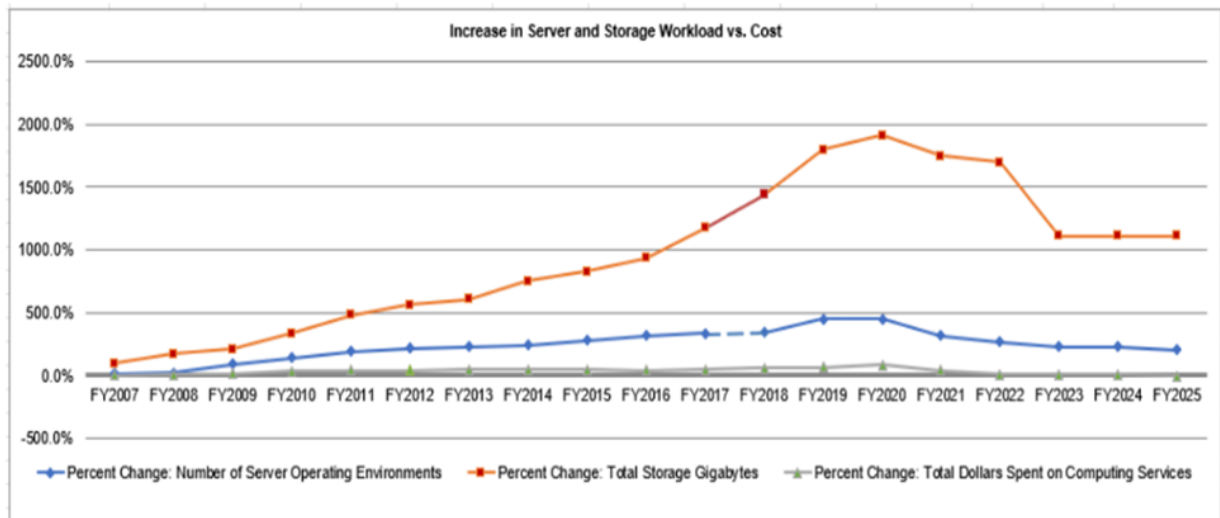
The overarching drive of the DISA Next Strategy is that DISA must: campaign; respond well in crisis, fight and win; gain and maintain relative advantage in cyberspace; and make the DoD better. This is achieved through the strategic imperatives and their coordinating operational imperatives described. The imperatives suggest forward motion toward the future, arriving at the goals of next generation DISN, hybrid cloud environment, national leadership command capability, joint/coalition warfighting tools, a consolidated network, zero-trust tools, data management, and workforce.

### ***Program Performance***

DISA's information services play a key role in supporting the DoD's operating forces. As a result, DISA is held to high performance standards. In many cases, performance measures are detailed in service-level agreements with individual customers that exceed the general performance measures discussed in the following paragraphs.

## **DISA Working Capital Fund (WCF) Performance Measures**

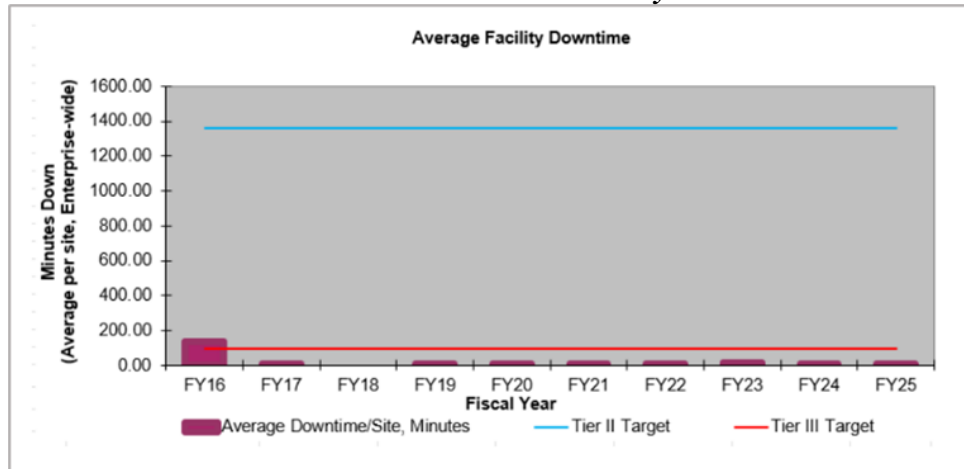
The table below represents the increased demand for DISA's server and storage computing services, which has grown significantly since FY 2007. Since that year, the number of customer driven server operating environments has increased by 202 percent, and total storage gigabytes have increased by 1,110 percent. Over the same timeframe, the cost to deliver all computing services has decreased by only 4 percent. In short, customers are demanding considerably more services and are at the same time benefiting from DISA's unique ability to leverage robust computing capacity at DISA data centers.



The Computing Services (PE54) business area tracks its performance and results through the agency director's Quarterly Performance Reviews. There are two key operational metrics that are presented to the DISA director in conjunction with regular, recurring Quarterly Program Reviews. These two metrics depicted in the following tables reflect the availability of critical applications in the Core Data Centers.

The first metric, "Core Data Center Availability," expressed in minutes per year, represents application availability from the end user's perspective and includes all outages or downtime regardless of root cause or problem ownership. Tier II requires achieving 99.75 percent availability, which limits downtime to approximately 1,361 minutes per year. Tier III, the standard for all DoD-designated Core Data Centers, requires achieving 99.98 percent availability, which limits downtime to approximately 95 minutes per year.

### Core Data Center Availability

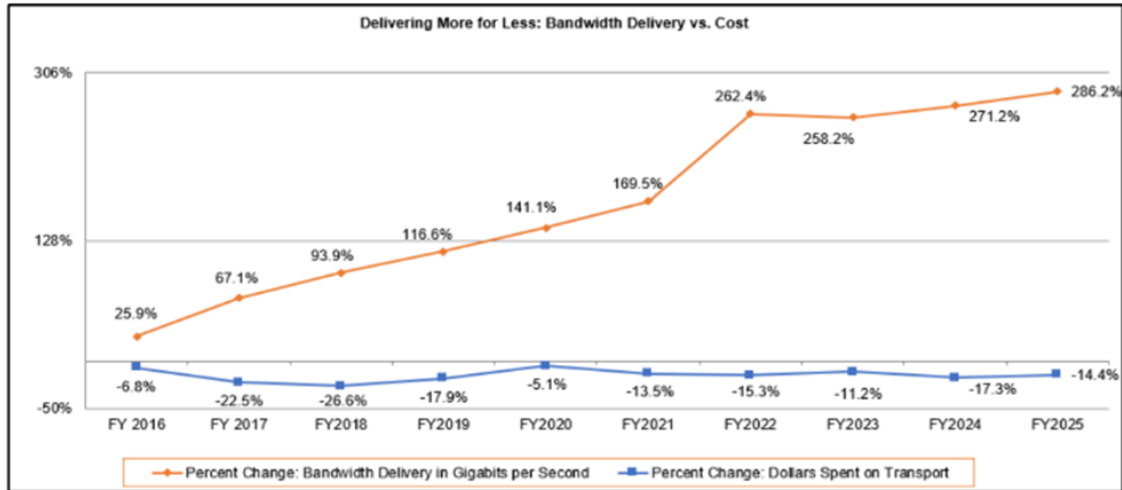


The second metric, “Capacity Service Contract Equipment Availability,” represents DISA’s equipment availability by technology, i.e., how well DISA is executing its responsibilities exclusive of factors outside the agency's control such as last-mile communications issues, base power outages, or the like. The “threshold” refers to system uptime and capacity availability for intended use; this is the level required by contract. The “objective” is the value agreed on by the vendor and the government to be an ideal target, and the vendor reports the actual value on a monthly basis.

**Figure 1 - Capacity Services Contract Equipment Availability**

	Threshold	Objective	Actual
IBM System z Mainframe	99.95%	99.99%	100%
Unisys Mainframe	99.95%	99.99%	100%
P Series Server	99.95%	99.99%	100%
SPARC Server	99.95%	99.99%	100%
X86 Server	99.95%	>99.95%	99.99%
Itanium	99.95%	>99.95%	100%
Storage	99.95%	>99.95%	99.99%
Communications Devices	99.95%	>99.95%	99.99%

The Telecommunications Services (PE55) business area provides a set of high quality, reliable, survivable, and secure telecommunications services to meet the department’s command and control requirements. The major component of Telecommunications Services is the DISN, a critical element of the Department of Defense Information Network (DoDIN) that provides the warfighter with essential access to timely, secure, and operationally relevant information to ensure the success of military operations. The DISN is a collection of robust, interrelated telecommunications networks that provide assured, secure, and interoperable connectivity for the DoD, coalition partners, national senior leaders, combatant commands, and other federal agencies. Specifically, the DISN provides dynamic routing of voice, data, text, imagery (both still and full motion), and bandwidth services. The robustness of this telecommunications infrastructure has been demonstrated by DISA’s repeated ability to meet terrestrial and satellite surge requirements in southwest Asia while supporting disaster relief and recovery efforts throughout the world. Overall, the DISN provides a lower customer price through bulk quantity purchases, economies of scale, and reengineering of current communication services. In spite of this continuing upward trend in demand, DISA has delivered transport services at an overall cost decrease to mission partners, as shown in the subsequent chart:



The previous chart compares the bandwidth delivery, including multiprotocol label switching connections, with transport costs. Since FY 2016, DISA has increased transport bandwidth delivery capacity 286.2 percent to meet customer demand. The increase is driven by internet traffic, DoD Enterprise Services, full motion video collaboration, and intelligence, surveillance, and reconnaissance requirements. Over the same timeframe, transport costs associated with the physical connections between sites have decreased by 14.4 percent. Additionally, DISA has been able to keep these costs down without any degradation in service. The DISN continues to meet or exceed network performance goals for circuit availability and latency, two key performance metrics.

The DISN has operating metrics tied to the department's strategic goal of information dominance. These operational metrics include the cycle time for delivery of data and satellite services as well as service performance objectives, such as availability, quality of service, and security measures. These categories of metrics have guided the development of the Telecommunication Services budget submission.

**Figure 2 - Major Performance and Performance Improvement Measures**

SERVICE OBJECTIVE	FY 2025 Operational Goal	FY 2026 Operational Goal	FY 2027 Operational Goal
Non-Secure Internet Protocol Router Network access circuit availability	98.5%	98.50%	98.50%
Secure Internet Protocol Router Network latency (measurement of network delay) in the continental United States	<= 100 milliseconds	<= 100 milliseconds	<= 100 milliseconds
Optical Transport network availability	99.50%	99.50%	99.50%

The Enterprise Acquisition Services (EAS) (PE56) business area is the department's ideal source for procurement of best-value and commercially competitive IT. EAS provides contracting services for IT and telecommunications acquisitions from the commercial sector and contracting support to the DISN programs, as well as to other DISA, DoD, and authorized non-defense customers. These contracting services are provided through DISA's Defense Information Technology Contracting Organization (DITCO) and include acquisition planning, procurement, tariff surveillance, cost and price analyses, and contract administration. These services provide end-to-end support for the mission partner.

**Figure 3 - EAS Performance Measures**

<b>SERVICE OBJECTIVE</b>	<b>FY 2025 Estimated ACTUAL</b>	<b>FY 2025 Operational Goal</b>	<b>FY 2026 Operational Goal*</b>	<b>FY 2027 Operational Goal*</b>
Percent of total eligible contract dollars completed	73.00%	73.00%	73.00%	73.00%
Percent of total eligible contract dollars awarded to small businesses	22.00%	25.00%	20.00%	20.00%

\*FY 2026 and FY 2027 goals for percent of total eligible contract dollars competed are estimates based on the released FY 2025 goal. The goals have not yet been released by the Defense Procurement Acquisition Policy (DPAP).

In addition to the program performance measures outlined above, DISA has increased accountability of its assets by linking performance standards to internal control standards. Each Senior Executive Service member at DISA has included in their performance appraisal a standard to achieve accountability of property. This standard has filtered down to managers across the agency. This increased focus on accountability for managers has had a significant impact on the critical area of safeguarding assets. DISA's AFR will be published at <https://www.disa.mil/about/legal-and-regulatory/budget-and-performance-reports> by Nov. 17, 2025.



## Analysis of Financial Statements

### Background

The DISA prepares annual financial statements in conformity with accounting principles generally accepted in the United States. The accompanying financial statements and footnotes are prepared in accordance with Office of Management and Budget (OMB) Circular A-136, *Financial Reporting Requirements*. DISA records accounting transactions on both an accrual and budgetary basis of accounting. Under the accrual method, revenue is recognized when earned and costs/expenses are recognized when incurred, without regard to receipt or payment of cash. Budgetary accounting facilitates compliance with legal constraints and controls over the use of federal funds.

DISA has had an established audit committee to oversee progress towards financial management reform and audit readiness. DISA leadership participates in audit committee meetings to fully support the audit and maintain senior leader tone-at-the-top. The DISA Audit Committee is composed of three members who are not part of DISA. The current mission of the DISA Audit Committee is to serve in an advisory role to DISA senior managers. The committee is tasked with developing, raising, and resolving matters of financial compliance and internal controls with the purpose of ensuring DISA's consistent demonstration of accurate and supportable financial reports. The committee develops and enforces guidance established for this purpose.

### Defense General Fund Financial Highlights

The following section provides a brief description of the nature of each GF financial statement, and significant balances to help clarify their link to DISA operations.

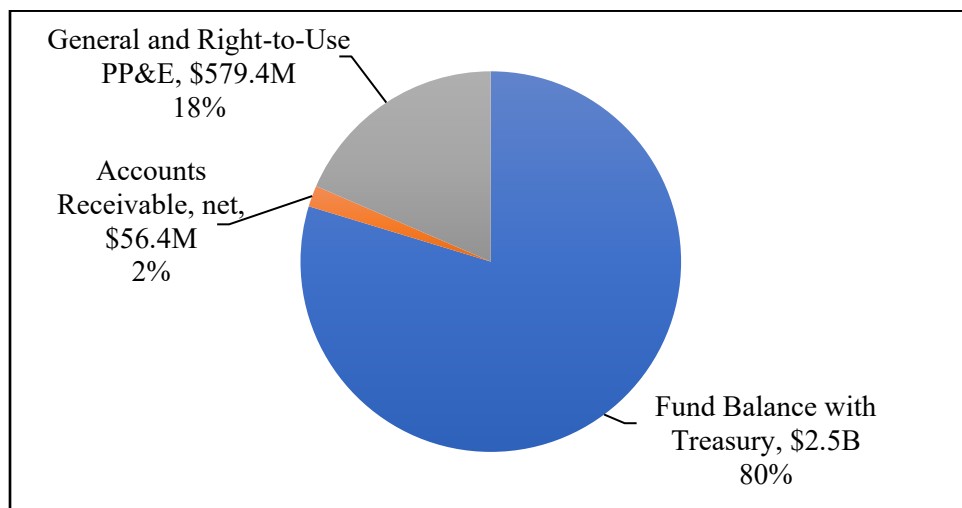
**Figure 4 - Illustrative Table of Key Measures**

(thousands)	
DISA GF	9/30/2025
<b>COSTS</b>	
Gross Program Costs	\$ 4,432,701
Less: Earned Revenue	(363,156)
<b>Net Cost of Operations</b>	<u>4,069,545</u>
<b>NET POSITION</b>	
Assets:	
Fund Balance with Treasury	2,495,952
Accounts Receivable, Net	56,395
PP&E, Net	579,441
<b>Total Assets</b>	<u>3,131,788</u>
Liabilities:	
Accounts Payable, Net	528,446
Federal Employee Salary, Leave, and Benefits Payable	63,954
Veterans, Pensions, and Post Employment-Related Benefits	3,975
Advances from Others and Deferred Revenue	4,432
Other Liabilities	29,451
<b>Total Liabilities</b>	<u>630,258</u>
<b>Net Position (Assets minus Liabilities)</b>	<u>\$ 2,501,530</u>

## Financial Position

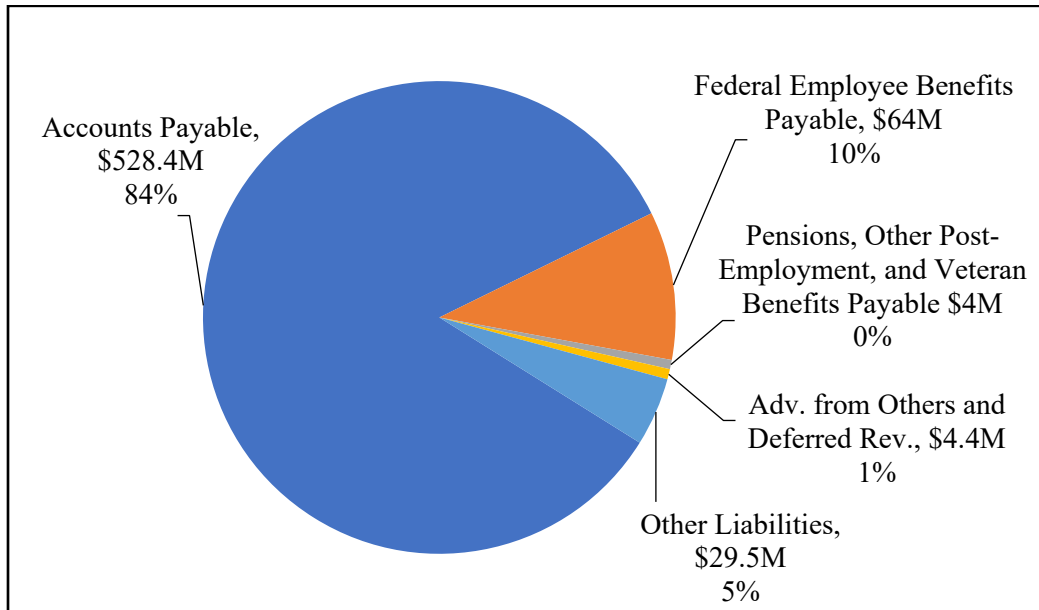
The DISA GF reported a positive net position, the difference between total assets of \$3.1 billion and total liabilities of \$630 million, on its balance sheet. As of Sept. 30, 2025, net position totaled \$2.5 billion. DISA's largest asset balance is Fund Balance with Treasury (FBWT) at \$2.5 billion, or 80 percent of total assets, followed by General and Right-to-Use Property, Plant, and Equipment (PP&E) and Intragovernmental Accounts Receivable, representing an additional combined total of approximately \$635.8 million, or 20 percent of total assets. Significant liabilities include Accounts Payable of \$528.4 million, or 84 percent of total liabilities; followed by Federal Employee Salary, Leave, and Benefits Payable; Veterans, Pensions, and Post Employment-Related Benefits; Other Liabilities; and Advances from Others and Deferred Revenue, which together account for a combined total of \$101.8 million, or 16 percent of total liabilities.

**Figure 5 - Summary of Total Assets**

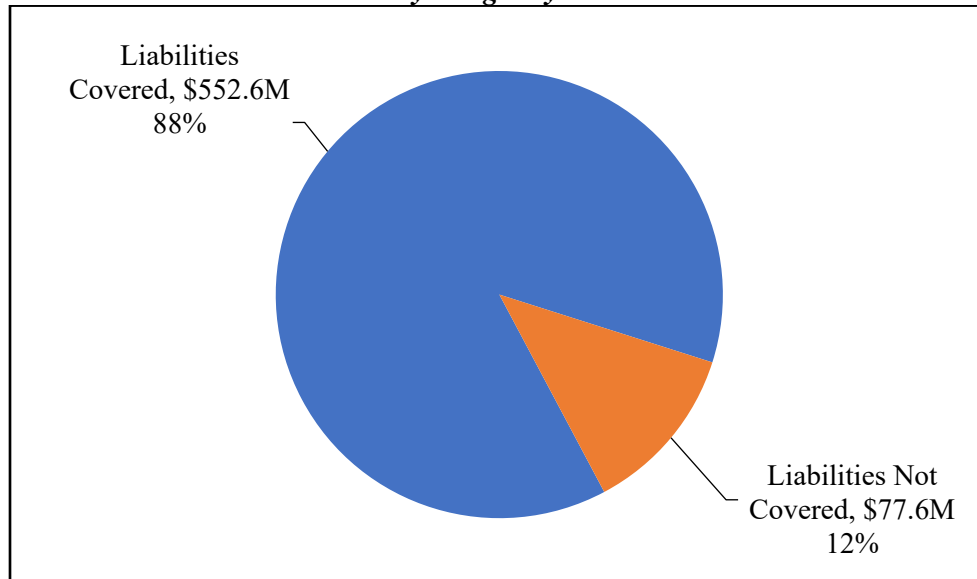




**Figure 6 - Summary of Total Liabilities**



**Figure 7 - Liabilities Covered/Not Covered by Budgetary Resources**



As of Sept 30, 2025, \$77.6 million (12 percent) of DISA GF's liabilities were not covered by budgetary resources.

## STATEMENT OF NET COST

The Statement of Net Cost (SNC) for DISA GF presents the net cost of its programs and organizations, funded by appropriated funds or other means, to ensure accountability and transparency in the use of taxpayer dollars. Its primary goal is to provide cost information related to program outputs and outcomes, enabling performance evaluation and informed resource allocation decisions. DISA GF reconciles

balances with trading partners and adjusts expenses to ensure accuracy in reporting costs to federal and non-federal entities, further supporting its commitment to efficient and effective use of appropriated funds.

The Washington Headquarters Service (WHS), Foreign Military Sales (FMS), Navy GF, Air Force GF, Army GF, and DISA Working Capital Fund are DISA GF's largest customers based on total revenue for the fourth quarter of FY 2025.

**Figure 8 - Net Cost of Operations**

	(thousands)		
	<b>Gross Costs</b>	<b>Revenue</b>	<b>2025 Net Cost</b>
O&M (0100)	\$ 3,625,154	\$ (323,563)	\$ 3,301,591
PROC (0300)	496,755	(564)	496,191
RDT&E (0400)	310,741	(39,029)	271,712
MILCON (0500)	51	-	51
<b>Consolidated</b>	<b>\$ 4,432,701</b>	<b>\$ (363,156)</b>	<b>\$ 4,069,545</b>

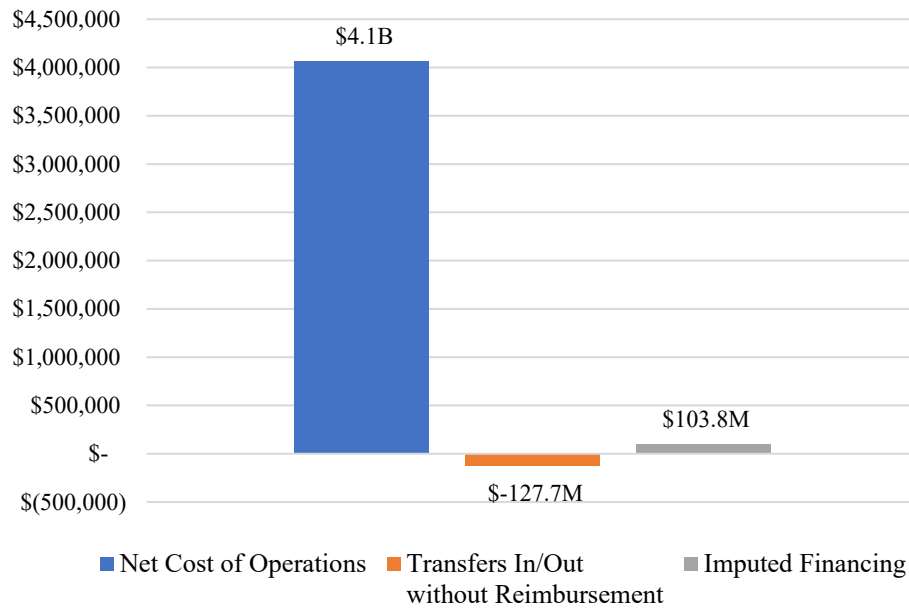
DISA GF categorizes its various costs incurred during the fiscal year into four major categories:

- **Operations and Maintenance (O&M):** DISA GF's costs under this category cover personnel salaries and benefits, imputed costs (health, life, and retirement), operating expenses like rent, transportation, and travel, facility and equipment maintenance, and contracted services for O&M of equipment, advisory and assistance services. Major programs funded by GF O&M include the Joint Service Program (JSP), the Defense Information Systems Network (DISN), Cybersecurity (Thunderdome), the National Leadership Command Capability (NLCC), and the Cloud, which includes Joint Warfighting Cloud Capability (JWCC) and Joint Operational Edge (JOE).
- **Procurement (PROC):** DISA GF's costs under this category cover equipment and associated depreciation, amortization, and depletion costs, cost capitalization offsets for PP&E, and contracted services. Major programs funded by GF PROC include the JSP, the DISN, Cybersecurity (Thunderdome), the NLCC, and Fourth Estate Network Optimization (4ENO).
- **Research, Development, Test and Evaluation (RDT&E):** DISA GF's costs under this category cover equipment and contracted services, specifically for research and development, advisory and assistance services, and equipment. Major areas funded by GF RDT&E include the Joint Interoperability Test Command (JITC) and the NLCC.
- **Military Construction (MILCON):** Costs under this category cover the construction, renovation, and repair of facilities. DISA GF's MILCON costs are driven by construction requirements for the Joint Interoperability Test Command at Fort Huachuca, Arizona, serviced by the U.S. Army Corp of Engineers.

## STATEMENT OF CHANGES IN NET POSITION

The Statement of Changes in Net Position presents the change in net position during the reporting period. DISA GF net position is affected by changes to its two components, other financing sources (transfers in/out without reimbursement and imputed financing from costs absorbed by others), and Net Cost of Operations (Cumulative Results of Operations).

**Figure 9 - Statement of Changes in Net Position**



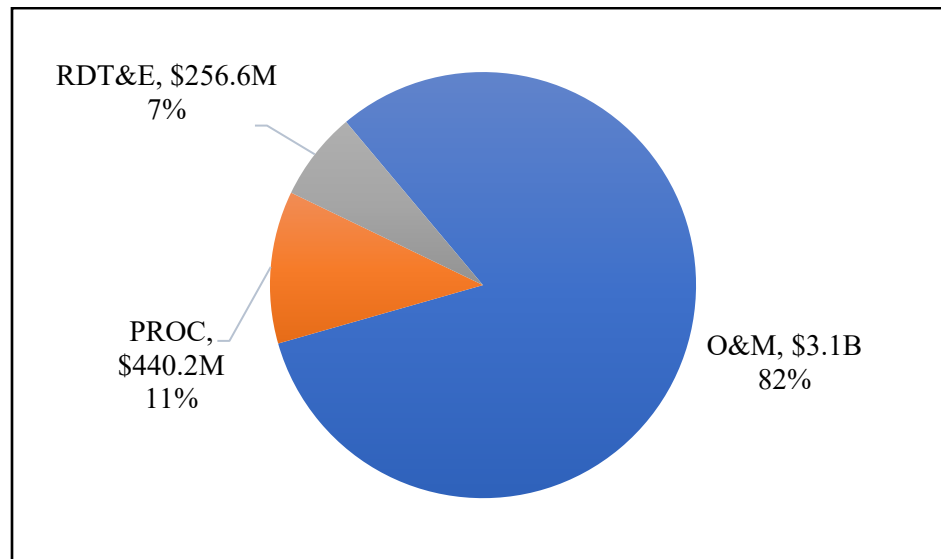
## STATEMENT OF BUDGETARY RESOURCES

The Statement of Budgetary Resources (SBR) presents DISA GF's total budgetary resources, their status at the end of the period, and the relationship between the budgetary resources and the outlays made against them. In accordance with federal statutes and related regulations, obligations may be incurred and payments made only to the extent that budgetary resources are available to cover such items. The SBR is the only financial statement derived entirely from the budgetary United States Standard General Ledger (USSGL) accounts, and is presented in a combined, not consolidated basis to remain consistent with the SF133, Report on Budget Execution and Budgetary Resources.

**Figure 10 - Statement of Budgetary Resources**

(thousands)		
<b>DISA GF</b>		<b>9/30/2025</b>
<b>O&amp;M (0100)</b>		
Obligations Incurred	\$	3,557,444
Unobligated Balances		295,322
Undelivered Orders		(977,559)
Unfilled Customer Orders		(65,674)
Outlays		3,218,658
<b>PROC (0300)</b>		
Obligations Incurred		574,996
Unobligated Balances		198,603
Undelivered Orders		(412,142)
Unfilled Customer Orders		(1,824)
Outlays		506,703
<b>RDT&amp;E (0400)</b>		
Obligations Incurred		306,845
Unobligated Balances		90,282
Undelivered Orders		(108,156)
Unfilled Customer Orders		(27,033)
Outlays		273,061
<b>MILCON (0500)</b>		
Obligations Incurred		484
Unobligated Balances		10,351
Undelivered Orders		(1,140)
Outlays		1,888
<b>Consolidated</b>		
Obligations Incurred	\$	4,439,769
Unobligated Balances	\$	594,558
Undelivered Orders	\$	(1,498,997)
Unfilled Customer Orders	\$	(94,531)
Outlays	\$	4,000,310

**Figure 11 - FY 2025 DISA GF Appropriations**



## **LIMITATIONS**

The principal financial statements are prepared to report the financial position, financial condition, and results of operations, pursuant to the requirements of 31 U.S.C. § 3515(b). The statements are prepared from records of federal entities in accordance with federal Generally Accepted Accounting Principles (GAAP) and the formats prescribed by DDRS. Reports used to monitor and control budgetary resources are prepared from the same records. Users of the statements are advised that the statements are for a component of the U.S. government.

The statements should be read with the realization that they are for a defense agency of the U.S. government, a sovereign entity.

## **Analysis of Systems, Controls, and Legal Compliance**

### **Management Assurances**

DISA, Office of the Chief Financial Officer (J8 -OCFO/Comptroller), has oversight of DISA's Risk Management and Internal Control (RMIC) Program. Agency assessable unit managers (AUMs) perform testing and report results for Internal Controls Over Reporting - Operations (ICOR-O) Non-Financial.

Tests and reports of results are conducted for the Internal Controls Over Reporting - Financial Systems (ICOR-FS) for the agency. In addition, the OCFO conducts testing and reports on the overall Internal Controls Over Reporting - Financial Reporting (ICOR-FR) for the agency.

Reviews, testing, and evaluations are conducted to assess if the internal control structure is compliant with the components of the Government Accountability Office (GAO) Green Book objectives of operations, reporting, and compliance. DISA's senior management has reviewed and evaluated the system of internal controls in effect during the fiscal year as of the date of this memorandum, according to the guidance in OMB Circular No. A-123 and the GAO Green Book. Included is our evaluation of whether the system of internal controls for DISA is compliant with standards prescribed by the Comptroller General.

The objectives of the system of internal controls are to provide reasonable assurance for:

- Operations: effectiveness and efficiency of operations.
- Reporting: reliability of financial and non-financial reporting for internal and external use.
- Compliance: adherence to applicable laws and regulations, including financial information systems compliance with the Federal Financial Management Improvement Act (FFMIA) of 1996 (Public Law 104-208).

The evaluation of internal controls extends to every responsibility and activity undertaken by DISA and applies to program, administrative, and operational controls, making adherence of RMIC not only the responsibility of management, but also every DISA employee. The concept of reasonable assurance recognizes that DISA's mission objectives are achieved, and managers must carefully consider the appropriate balance among risk, controls, costs, and benefits in our mission-support operations.

Too many controls can result in inefficiencies, while too few controls might increase risk to an unacceptable level. In that premise, errors or irregularities may occur and not be detected because of inherent limitations in any system of internal controls, including those limitations resulting from resource constraints, congressional restrictions, and other factors. Projection of any system evaluation to future periods is subject to the risk that procedures may be inadequate because of changes in conditions or that the degree of compliance with procedures may deteriorate. Therefore, this statement of reasonable assurance is provided within the limits of the preceding description.

DISA management evaluated the system of internal controls in accordance with the guidelines identified above. The results indicate that the system of internal controls of DISA, in effect as of the date of this memorandum taken as a whole, complies with the requirement to provide reasonable assurance that the above-mentioned objectives were achieved for reporting, operations, and compliance.

Based upon this evaluation establishing and integrating internal control into its operations in a risk-based and cost beneficial manner, DISA provides reasonable assurance that our internal controls over reporting, operations, and compliance are operating effectively. Reasonable assurance has been achieved. This position on reasonable assurance is within the limits described in the preceding paragraph.



## DEFENSE INFORMATION SYSTEMS AGENCY

P. O. BOX 549  
FORT MEADE, MARYLAND 20755-0549

MEMORANDUM FOR OFFICE of the UNDER SECRETARY OF DEFENSE (COMPTROLLER)  
(OUSD(C)) DEPUTY CHIEF FINANCIAL OFFICER (DFCO)

SUBJECT: Annual Statement of Assurance Required Under the Federal Managers' Financial Integrity Act (FMFIA) for Fiscal Year (FY) 2025

As Director of the Defense Information Systems Agency (DISA), I recognize DISA is responsible for managing risks and maintaining effective internal controls to meet the objectives of Sections 2 and 4 of the Federal Managers' Financial Integrity Act (FMFIA) of 1982. The DISA conducted its assessment of risk and internal controls in accordance with the Office of Management and Budget (OMB) Circular No. A-123, "Management's Responsibility for Enterprise Risk Management and Internal Control" and the Green Book, GAO-14-704G, "Standards for Internal Control in the Federal Government." This internal review also included an evaluation of the internal controls around our Security Assistance Accounts (SAA) activities. Based on the results of the assessment, the DISA can provide reasonable assurance that internal controls over operations, financial reporting, and compliance are operating effectively as of September 30, 2025. DISA's Working Capital Fund (WCF) from September 2024 through the current FY has no material weaknesses. As of July 31, 2024, there were six categories of General Funds (GF) material weaknesses (MWs) and WCF and GF significant deficiencies (SDs) that DISA is correcting or has mitigating controls in place: accounts receivable/revenue; accounts payable/expense; budgetary resources; fund balance with Treasury; financial reporting; and property, plant and equipment (PPE).

The DISA conducted its assessment of the effectiveness of internal controls over operations in accordance with OMB Circular No. A-123, the GAO Green Book, and the FMFIA. Internal reviews also included an evaluation of the internal controls around our SAA activities. Based on the results of the assessment, the DISA can provide reasonable assurance that internal controls over operations and compliance are operating effectively as of September 30, 2025.

The DISA conducted its assessment of the effectiveness of internal controls over reporting (including internal and external financial reporting) in accordance with OMB Circular No. A-123, Appendix A. This assessment also included an evaluation of the internal controls around our SAA activities. Based on the results of the assessment, the DISA can provide reasonable assurance that internal controls over reporting (including internal and external reporting) and compliance are operating effectively as of September 30, 2025.

The DISA also conducted an internal review of the effectiveness of the internal controls over the integrated financial management systems in accordance with FMFIA and OMB Circular No. A-123, Appendix D. This internal review also included an evaluation of the internal controls around our SAA activities. Based on the results of this assessment, DISA can provide reasonable assurance that the internal controls over the financial systems are in compliance with

DISA Memo, *Annual Statement of Assurance Required Under the Federal Managers' Financial Integrity Act (FMFIA) for Fiscal Year (FY) 2025*

the FMFIA, Section 4; Federal Financial Management Improvement Act (FFMIA), Section 803; and OMB Circular No. A-123, Appendix D, as of September 30, 2025.

DISA conducted an assessment of entity-level controls including fraud controls in accordance with the Green Book, OMB Circular No. A-123, the Payment Integrity Information Act of 2019, and GAO Fraud Risk Management Framework. In FY 2025, there has been increased focus on improper payment activity. The DISA has validated that it does have an immaterial amount of improper travel payments, and the majority of improper payments identified do not have a monetary value impact. Fraud has not been identified as a contributing factor for improper payments. A corrective action plan has been put into place to mitigate travel discrepancies. Based on the results of the assessment, DISA can provide reasonable assurance that entity-level controls including fraud controls are operating effectively as of September 30, 2025.

DISA is hereby reporting that no Anti-Deficiency Act (ADA) violation has been discovered/identified during our assessments of the applicable processes or ADA violations have been discovered/identified during our assessments of the applicable processes.

If there are any questions regarding this SoA for FY 2025, my point of contact is Mr. Justin Sponseller, at [justin.c.sponseller.civ@mail.mil](mailto:justin.c.sponseller.civ@mail.mil) or (614) 692-0686.

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PAUL T. STANTON, Ph.D.  
Lieutenant General, USA  
Director

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Attachments:  
As stated



### ***FY 2025 Internal Control Program Initiatives and Execution***

In addition to the foundational sources of guidance such as OMB Circular A-123 and the GAO Greenbook, DISA also receives direction from and coordinates with the Office of Under Secretary of Defense Comptroller (OUSD (C)) to execute its RMIC Program. The OUSD Comptroller RMIC Team issues the FY 2025 DoD Statement of Assurance (SoA) Handbook that requires deliverables throughout the reporting cycle. The Handbook provides practical guidance to carry out the Program. There is continued emphasis on Entity Level Controls (ELCs), mitigating and closing auditor Notice of Findings and Recommendations (NFR), corrective action plan (CAP) initiation, and testing, to pave the way in support of CAP implementation. In FY 2025 remediation efforts align with the Department's overall financial statement audit objectives; however, there is more focus on integrating an Agency risk profile that identifies risks, fraud that may potentially impact the agency's strategic objective, and improper payments.

Throughout the process, DISA has provided several templates and deliverables to support not only DISA, but the overall DoD RMIC Program. During the course of the year, DISA has submitted end-to-end process control narratives and key controls; an Agency risk assessment; material weakness and deficiencies reporting and removals; an entity level control testing validation; a GAO fraud risk management (FRM) framework assessment; ICORs – FR & FS relevant systems process control narratives; ICOR – FR & FS system inventory assertion; Complementary User Entity Controls (CUEC) analysis; corrective action plans; a summary of Management's approach to internal control evaluation; and a data quality controls matrix in support of the Program.

#### ***Correction of Prior Year Significant Deficiencies and Material Weaknesses:***

One of the Department's focus areas is to make progress towards resolution of prior year MWs and conditions impeding audit progress. DISA WCF has successfully closed NFRs and has no material weaknesses. DISA has made concentrated efforts for GFs to resolve and clear prior year issues and continues in its progress in strengthening its internal control structure.

#### ***Entity Level Controls (ELCs):***

ELCs include Control Environment; Risk Assessment; Control Activities; Information and Communication; and Monitoring. Underlying these five control components, the Green Book states seventeen control principles which represent fundamental elements associated with each component of control and recognizes that there are significant interdependencies among the various control principles. ELCs represent the overriding management controls that create an environment of management oversight for the financial and non-financial activities of the Department and DISA as an Agency.

#### ***Enterprise Approach to Risk Management:***

Each year, DISA kicks off its internal control program and begins by performing a risk assessment in which DISA has taken an enterprise approach that covers key business processes. Risk management has been aligned to the National Defense Strategy (NDS) and the National Defense Business Operations Plan (NDBOP). DISA supports NDS Strategic Priority 5: Address Institutional Management Priorities through identifying associated control activities and evaluating risk and control effectiveness. In addition, DISA adheres to the NDBOP goal of "undergo an audit and improve the quality of budgetary and financial information that is most valuable in managing the DoD," through its audit and continuous environment of improvement and refining processes.

The RMIC Program is managed through a three-tiered approach, which provides a structure to identify risk at an enterprise level, as well as a more granular level. The first tier, the DISA Director provides a "Tone-at-the-Top" memo which defines management's leadership and commitment towards an effective internal control structure. The second tier is supported by the Internal Control team, consisting of subject-

matter experts providing guidance and execution of the program throughout the Agency. The third tier is supported by the Assessable Unit Managers (AUMs) who manage the J-Code organizational structure within the Agency. Each Directorate's senior leadership, within each Assessable Unit (AU), collaborates with AUMs to identify areas of risks in their respective area. The coordination and consolidation of risk identifies the overall assessment of risk at the enterprise risk management level, while also reviewing DISA's detail transactions. This results in reviews and Letters of Assurance (LoAs) from each area that are integrated in the annual SoA assessment.

***Oversight and Monitoring:***

DISA's internal control structure of training provides assistance to AUMs; ELCs; risk assessments; continuous testing in mandatory and high-risk areas, reviews; updates and management approval of process narratives and cycle-memos; CAPs; and accountable officials LoAs are all core to an integral program of oversight and monitoring. In addition, the Senior Assessment Team (SAT) meeting occurred on August 20, 2025, providing oversight to the internal control program through discussion of results and outcomes reported in the FY 2025 SoA.

***CARES Act/COVID-19:***

The Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was signed on March 2, 2020, (Public Law 116-136), to support response to the public health emergency domestically and internationally. The CARES Act provides the DoD flexibility in executing contract actions to expedite disbursement of these funds efficiently and effectively. In execution of this funding, the risk of fraud, waste, and abuse is heightened when internal controls are relaxed. COVID19-related activity continues to be reviewed and tested. Operations and Maintenance funding in support of the CARES Act is canceled as of September 2025 and is in an expiring phase for research, development, testing and evaluation appropriations. There have been no laws identified that have been compromised, or major issues detected leading to fraud, waste, or abuse as validated through testing results in FY 2025.

***Fraud Controls:***

In FY 2025, DISA executed a fraud controls assessment on DISA's environment. The review incorporated components of GAO Fraud Risk Management Framework leading practices to detect gaps that require designing new or additional controls. These practices were employed in review of ICOR-O, ICOR-FR, and ICOR-FS for high-risk focus areas.

***Data Accountability and Transparency Act (DATA) Quality Testing:***

The OMB published memorandum 18-16, Appendix A to OMB Circular A-123, Management of Reporting and Data Integrity Risk, dated June 6, 2018, that outlines guidance for agencies to develop a Data Quality Plan (DQP) to achieve the objectives of the Data Accountability and Transparency Act (DATA) Act. DISA has established a DQP that provides an emphasis on a structure for data quality on financial data elements; procurement data reporting; data standardization; and data reporting. In FY 2025, in compliance with mandatory reviews, the internal control program has executed data quality testing to review data integrity. Testing results have documented that there are no major issues with the established attributes from the initial testing in 2022 through the current FY 2025.

***Records Management:***

The DISA Records Management Team incorporates a robust records management review into its processes. The results support that DISA has established 100% coverage and accountability throughout the organization with appointments of Records Liaisons (RLs). As an Agency, the Records Management Self-Assessment (RMSA) for the National Archives and Records Administration (NARA) and the Federal Electronic Records and Email Management Maturity Model Report (FEREM) for NARA are conducted.

***Payment Integrity/ Improper Payment Recovery:***

In compliance with the Payment Integrity Information Act of 2019 (Public Law 116-117, 31, United States Code § 3352 and § 3357), DISA has an internal control structure in place to mitigate improper payments that could result in payment recovery actions. Actions taken to prevent overpayments include testing and review of civilian time and attendance (T&A), travel payments, and purchase card transactions. Controls are in place through established policy and procedures; training; separation of duties; and data mining to identify risks and fraud vulnerabilities. Additionally, the Defense Finance and Account Services (DFAS), as DISA's accounting service provider, performs overpayment recapture functions on behalf of DISA. The DFAS includes DISA transactions in their sampling populations for improper payment testing for civilian payroll and travel. In FY 2025, improper payments have been detected; however, the majority of those identified have an immaterial or no financial impact (attributable to timing of authorization and supporting documentation). A CAP has been implemented to mitigate future inconsistencies.

Key Areas for FY 2025: In continual improvement to the RMIC Program, the following areas were in focus for this FY cycle of assessment and reporting:

- Conduct verification and validation procedures on controls and processes to support closure of NFRs
- Leverage internal control activities to accelerate weakness remediation
- FMS: Incorporate control activity into narratives, policy, and processes
- Systems and Emerging Technologies: Leverage emerging technology to automate processes
- Implementation of FRM: Payment integrity for high-risk activity. Validate effective internal controls supporting visibility and alignment with GAO FRM best practices and strategy.
- Senior Officials and AUMs document and conduct oversight and monitoring efforts across respective environments.

The DISA utilizes the Committee of Sponsoring Organizations (COSO) framework principles to facilitate the flow of information between internal organizations and staff. In an effort to improve the risk and internal controls management process, DISA has developed a robust program to train individual organizations on the internal controls review process and manage internal control testing through review and assessment.

To further align the fraud risk management requirements to the GAO FRM Framework, the DISA conducts an FRM Framework Assessment.

***Internal Control Structure***

Using the process described below, the DISA evaluated its system of internal control and maintains sufficient documentation and an audit trail to support its evaluation and level of assurance. The DISA manages the RMIC Program through a three-tiered approach. The first tier is supported by the DISA SAT, which provides guidance and oversight to the RMIC Program. In FY 2025, the DISA Director signed a "Tone-at-the-Top" memo which defines management's leadership and commitment towards an effective RMIC program drawing attention to openness, honesty, integrity, and ethical behavior. The memo directed the Agency to follow a risk-based and results-oriented program to align with the GAO Green Book and OMB A-123. The Tone-at-the Top is established and incorporated throughout DISA by all levels of management and has a trickle-down effect to all employees.

The second tier is supported by a subject matter expert team. The team coordinates requirements with the OUSD Comptroller regarding the RMIC Program, in addition to providing training, guidance, oversight, and review in accordance with directives to the AUMs. The DISA provided internal control kick-off

training for the AUMs in November 2024 and conducted three additional workshops in the FY 2025 reporting cycle to address risk assessments, testing grids, and LoAs. The RMIC team compiles AU submissions for the Agency's SoA, facilitates information sharing between AUMs, consolidates results, and communicates outcomes to OUSD and agency leadership.

The third tier is supported by the AUMs, who manage at the program/Directorate level within the organization. Each AU is led by at least one member of the Senior Executive Service (SES) or Military Flag Officer, and carries a distinct mission within DISA, which in turn results in the AU's unique operational risks that requires evaluation.

***Identifying Key Controls:***

Mandatory testing for all organizations is required to identify the functions performed within their area, in addition to the required testing areas of the Defense Travel System (DTS); Time and Attendance; and property, plant, and equipment (PP&E) to identify the level of process documentation available and determine the associated risk of those functions. Additionally, AUMs are responsible for identifying and documenting the key controls within their AUs in accordance with DoD Instruction 5010.40. The internal control team documented processes and key controls for all ICOR-FR functions through detailed cycle memoranda and narratives. Each AU documents its key processes and risks on the Risk Assessment Template. The OCFO RMIC team advises the AUMs to test, at a minimum, those key processes that were self-identified as high risk, as well as safety, security (if applicable), and the required testing areas. In addition, a checklist for records management was prepared by each AUM.

Each AU performed a risk assessment considering what is important to each area, such as those processes that may be high or medium risk and associated processes that are central to an area. It involves identifying the risk category (e.g., financial, compliance, operational, etc.); risk description (e.g., if policy is not implemented); overall impact, likelihood, risk rating, and control activities (such as review and documented policy); whether risks are mitigated or residual; overall likeliness; and residual risk rating, process documentation, and financial statement impact. At the AU level and across the agency, this process developed an overarching risk assessment, approved by senior leadership. From this process, tests are developed for those areas that are high risk or into which management should look further.

***Developing the Test Plan/Executing the Test:***

Each AU completed a plan to test the controls in place for each process identified to be tested. The development of the plan included consideration of the nature, extent (including sampling technique), and timing of the execution of the controls tested. Additionally, the risk magnitude (high, medium, or low), objective type, risk type, risk response, and tolerance rate are also identified. The test method (or type) is identified within the plan.

***Test Results:***

After the tests are conducted and results are revealed, the test grid forms the basis for reporting the results in the LOA. The LOA will reflect the data reported on the test grid.

Internal Control Currently in Place (Control Objective)	Control Criteria	Control Type	Control Frequency	Tolerance Rate	Test Plan (Description)	Test Type	Sample Size	Summary of Test Results	Significant Deficiency?	Material Weakness?

**A. Travel (DTS):**

- a. Test Plan Description: Describe how your organization conducted testing (consider the nature, extent including sampling technique) and timing of the execution of the control tests:
- b. Did you use a checklist?
- c. Test Type: Test method (inquiry, observation, inspection, or re-performance):
- d. Sample size: Sample size/sampling technique/tolerance rate:
- e. Internal Control Currently in Place Describe control(s):
- f. Summarize test results:
- g. Describe any findings, significant deficiencies or material weaknesses:
- h. If any significant deficiencies or material weaknesses were identified, was a Corrective Action Plan (CAP) prepared?**
- i. Level of Assurance (unmodified, modified, or no assurance):**

\*LOA information should reflect the data reported on your test grids

## ***Snapshot in Review***

### ***Internal Controls Over Reporting - Operations***

Mandatory testing is required for all organizations. An AUM in coordination with senior management identifies the functions performed within their area, in addition to the required testing areas of DTS, T&A, and PP&E, to identify the level of process documentation available, and determine the associated risk of those functions. In addition, Government Purchase Card and Records Management are tested by process owners and the results of these tests are reported in each respective area's LoAs.

### ***Internal Controls Over Reporting - Financial Systems***

The implementation of Enterprise Resource Planning (ERP) approved systems as of FY 2019 resolved compliance issues associated with the legacy systems. Some key indicators for underlying sound internal controls include that DISA consistently provides timely and reliable financial statements to OMB within 21 calendar days at the end of the first through third quarters and unaudited financial statements to OMB, GAO, and Congress by 15 November each year.

DISA has not reported anti-deficiency violations in more than a decade, and we continue to demonstrate compliance with laws and regulations.

DISA's core financial management systems routinely provide reliable and timely information for managing day-to-day operations, as well as providing information used to prepare financial statements and maintain effective internal controls. These factors are key indicators of FFMIA compliance.

Additionally, DISA provides application hosting services for the Department's service providers. As a result, DISA is responsible for most of the information technology general controls over the computing environment in which many financial, personnel, and logistics applications reside. For service providers and components to rely on automated controls and documentation within these applications, controls must be appropriately and effectively designed.

DISA has developed and annually executes its System and Organization Controls Report (SOC 1) CUEC review and documentation processes which is outlined in the Agency's "SOC 1 Report and CUEC Review" Standard Operating Procedures (SOP). In accordance with this process, DISA executes the following activities:

- Monitors and communicates with its service providers to understand the status of their annual Statement on Standards for Attestation Engagements (SSAE) 18 examinations and identifies anticipated changes to the services or controls they perform, CUECs, and any other relevant content in their respective SOC 1 reports;
- Performs a risk assessment to identify service providers that are relevant to financial reporting; reviews all SOC 1 reports issued by relevant service organizations and subservice organizations to assess and document the effectiveness of their SOC's and the impact to DISA's financial reporting;
- Assesses the CUECs listed in each SOC 1 report; and documents and tests DISA's controls that correspond to each relevant CUEC.

DISA performs annual testing to evidence the design, implementation, and operating effectiveness of these CUECs, based on our risk assessment of each relevant CUEC. For CUECs determined to be common across multiple systems or SOC 1 reports (i.e. "common CUECs"), testing is performed every year for those assessed as high risk. DISA also tests lower risk common CUECs each year, in accordance with the testing schedule that is based on our risk assessment. In addition, DISA has expanded testing of non-common CUECs, using a phased approach for a subset of service organizations each year, and prioritizing selected controls based on our risk assessment. Using this defined process, DISA continues to make substantial progress toward evidencing the implementation of relevant CUECs, in support of the Secretary of Defense audit priorities.

#### ***Internal Controls Over Reporting - Financial Reporting***

The OCFO documented end-to-end business processes and identified key internal control activities supporting key business processes for ICOR-FR. DISA conducted an internal risk assessment that evaluated the results of prior year audits, internal analyses of the results of financial operations, and known upcoming business events. An internal control assessment was conducted within DISA for mission specific key processes. The Internal Control Team annually reviews and updates narratives and cycle memos of key processes. The Internal Control Team maintains a Control Evaluation Matrix which provides a detailed analysis and documents the control activities identified in the narratives and includes mapping to a Financial Improvement and Audit Readiness (FIAR) Financial Reporting Objective; FIAR Risk of Material Misstatement; test of Design and Implementation Effectiveness details; and test of Operating Effectiveness details.

**Summary of Internal Control Evaluation Approach:** DISA's approach to internal controls extends to all responsibilities and activities undertaken within DISA. The adherence of RMIC Program internal controls is not only the responsibility of Management, but every DISA employee. In addition to compliance with applicable laws and regulations, internal controls are embedded in DISA's day-to-day processes. Internal controls have been evaluated in a top down and bottom-up approach resulting in reasonable assurance that financial reporting, operations, and systems are operating effectively.

#### **Financial Management Systems Framework, Goals, and Strategies**

DISA's financial system implementations have been planned and designed within the framework of the Business Enterprise Architecture (BEA) established within DoD, which facilitates a more standardized framework for systems in the department. Financial system-related initiatives target implementation of a

standardized financial information structure that will be compliant with FFMIA and BEA requirements and provide DISA with cost accounting data and timely accounting information that enable enhanced decision-making.

During FY 2025, DISA continued to operate, enhance, and sustain the Financial Accounting and Management Information System (FAMIS), which supports the full breadth of DISA's WCF lines of business. The FAMIS-WCF solution provided DISA with DoD Standard Line of Accounting and USSGL compliance in support of a clean audit opinion for the WCF. Additionally, FAMIS deployed the first phase of the future state compliant telecom Business Enterprise Architecture (BEA) solution. This solution enables DISA to begin the sunset activity of legacy telecom systems and provides a compliant and automated solution that complies with DoD policies. FAMIS continued to maintain a strong security posture, receiving a 3-Year Authority to Operate (ATO). Additional capabilities and modernizations deployed into FAMIS included enhanced automation and reconciliation of core cash matching functionalities, enabling DISA's WCF to maintain its record of zero unmatched disbursements.

DISA migrated its GF accounting system solution out of the Defense Agencies Initiative (DAI) solution and into FAMIS in FY 2025. The implementation of FAMIS as a Service (FaaS) across both DISA's WCF and GF improves operational efficiencies, ensures data integrity, and supports compliance of financial standards while leveraging the capabilities of the existing FAMIS baseline. Go-live operational capability for DISA's GF occurred in October 2024. Finally, FAMIS began laying the groundwork to migrate to a commercial cloud environment.

In addition to the accounting system, DISA's financial system's environment is complemented by a select group of integrated financial tools and capabilities. These include:

- The functionality to provide customer and internal users with the ability to view details behind their telecommunication and contract IT invoices.
- A WCF information/execution management tool that provides users with the ability to view financial and non-financial (workload) data/consumption at a detailed level and a standardized method for cost allocations, budget preparation, rate development, and execution tracking with on-demand reports, ad-hoc queries, and table proof listings for analysis and decision-making.
- A web-based WCF budgeting system and financial dashboard that allows program financial managers to formulate budgets, project future estimates, prepare required budget exhibits, and monitor budget execution.
- A financial dashboard on a web-based business intelligence platform that enables users across the enterprise to access financial information for GF and DWCF funds through static reports, interactive data cubes, and customizable dashboards.

These capabilities, combined with key interfaces to acquisition, contracting, and ordering systems, underpin DISA's automated framework of financial budgeting, execution, accounting, control, and reporting. Moving forward, DISA continues solution improvements to its suite of financial tools by leveraging new technologies, evaluating opportunities to eliminate functional duplication where it exists, and reducing the footprint (and associated costs) of business systems.

In that regard, DISA continues to standardize the customer order provisioning process to include a single integrated order entry solution for all orders while validating the solutions that integrate with DISA's financial and contracting systems and tools. DISA's financial systems strategy is purpose driven to continually innovate and increase its use of technologies, such as robotic process automation and artificial intelligence, to improve and automate financial and contractual transactions. As a result of DISA's experience using its newly modernized/compliant accounting systems for the previous five years, its accounting operations have stabilized, and it is taking advantage of its capabilities to improve accounting processes and audit readiness, and to set the course for further financial modernization efforts across its

business ecosystem. This includes identifying and assessing opportunities to sunset older legacy supporting systems by consolidating and/or migrating functionality to more modern and flexible technologies and architectures.

One example of this modernization is the current undertaking to accredit and stand up a new financial system called the DISA Integrated Management and Execution System (DIMES). DIMES is an Enterprise Performance Management (EPM) solution based on the OneStream platform that supports budgeting, forecasting, financial reporting, and data quality management. DISA implemented the budget execution phase of the project in FY 2025 supporting spend planning; subsequent phases to include budget formulation and reporting will be kicked off in FY 2026. Once completed, DIMES will be the single platform for users to access budget formulation and execution data for both the GF and WCF and as such, will replace DFMS and DBS (DISA Financial Management System and DWCF Budgeting System).

These advancements will result in increased automation, transparency, access, and control of financial information to support financial managers, mission partners, and higher echelon leaders.

### **Forward-Looking Information**

The DoD is undergoing an IT environment transformation, aiming to converge communications, computing, and enterprise services into a unified joint platform that can be leveraged for all department missions. DISA is at the forefront of this evolution, uniquely positioned to deliver enterprise solutions through the development, integration, and synchronization of technical plans, programs, and capabilities. This presents both significant opportunities and critical risks that must be managed by DISA.

**Opportunities:** DISA expects the following opportunities to yield long-term financial benefits and contribute to overall budgetary efficiency.

- **Modernized Infrastructure and Services:** DISA can drive modernization with initiatives like:
  - **Defense Enterprise Office Solutions (DEOS):** A commercially provided, cloud-based enterprise service for common communication, collaboration, and productivity services, leading to the decommissioning of legacy email, video, and audio-conferencing services.
  - **Fourth Estate Network Optimization:** This reform initiative converges DoD networks, service desks, and operations centers into a consolidated, secure, and effective environment.
  - **Joint Warfighting Cloud Capability (JWCC):** This multiple award contract vehicle provides the DoD with direct access to multiple Cloud Service Providers (CSPs) to acquire commercial cloud capabilities and services at the speed of mission – at all classification levels, from headquarters to the tactical edge. Direct awards with the CSPs also allows for streamlined provisioning of cloud services, fortified security, and commercial pricing parity.
- **Cloud Leadership:** By delivering an on-premises, cloud hosting capability and commercial cloud access infrastructure, DISA can reduce the data center footprint, streamline cybersecurity, and provide warfighters with access to data when and where it is needed. This includes the transition of network management tools to the commercial cloud, modernizing the management and efficiency of the network backbone.
- **Optimized Computing Services:** The Compute Operations model (formerly Ecosystem) supports computing services for mission partners worldwide by aligning like-functions across a single computing enterprise and establishing a unified computing structure operating under a single



command (one large virtual data center). This model prioritizes excellence in service delivery, process efficiency, and standardization for tools and processes. These optimization efforts have already yielded savings of \$717 million over 10 years.

However, realizing these opportunities hinge on effectively mitigating critical risks associated with DISA's strategic imperatives.

**Significant Risks:** DISA has determined the following risks would likely negatively impact financial results if left unaddressed:

- **Compromised Mission Effectiveness & Competitive Disadvantage:** Failure to provide relevant, modern enterprise and business tools will hinder Combatant Commands (CCMDs), Military Departments (MILDEPs), and Defense Agencies and Field Activities (DAFAs), resulting in a competitive disadvantage and vulnerability to cyberattacks. Outdated tools create inefficiencies and impede the ability to adapt to emerging threats.
- **Service Disruptions and Data Integrity Issues:** Failure to maintain a resilient and secure DISN backbone could lead to service disruptions, compromised data integrity, and increased vulnerability to attacks, hindering mission-critical applications and situational awareness.
- **Delayed Decision-Making & Compromised Cyber Defense:** Failure to operationalize data could lead to a lack of situational awareness, delayed decision-making, and an inability to effectively defend against cyber threats. This includes outdated policies, reduced compliance, and ineffective threat mitigation.
- **Siloed Networks & Inconsistent Security:** Failure to unify the network could result in inconsistent security postures, increased complexity, limited interoperability, and missed opportunities for cost savings.
- **Increased Vulnerabilities & Higher Costs:** Failure to divest technical debt will likely lead to increased security vulnerabilities, higher maintenance costs, reduced performance, and the diversion of resources from critical modernization efforts.

DISA must continue to address these risks, while capitalizing on the opportunities presented by the DoD's IT transformation. By prioritizing the strategic imperatives of operating and securing the DoDIN, supporting Command, Control, and Communications (C3), optimizing the network, and operationalizing data, DISA can ensure that the Department of Defense remains secure, effective, and adaptable in a rapidly evolving threat landscape.

**Defense Information Systems Agency  
General Fund  
Principal Statements  
Fiscal Year 2025, Ending Sept. 30, 2025**

**Department of Defense**  
**Defense Information Systems Agency GF**  
**Balance Sheet**  
**As of Sept. 30, 2025**  
**(\$ in thousands)**

**Figure 12 - Balance Sheet**

	<b>2025 Unaudited</b>
<b>Intragovernmental assets:</b>	
Fund Balance with Treasury (Note 2)	\$ 2,495,952
Accounts receivable, Net (Note 3)	55,704
Total Intragovernmental Assets	<u>2,551,656</u>
<b>Other than intragovernmental assets:</b>	
Accounts receivable, net (Note 3)	691
General and Right-to-Use property, plant and equipment, net (Note 4)	579,441
Total other than intragovernmental assets	<u>580,132</u>
<b>Total Assets</b>	<u>\$ 3,131,788</u>
<b>Liabilities (Note 7)</b>	
<b>Intragovernmental liabilities:</b>	
Accounts payable	\$ 465,495
Other Liabilities (Notes 7 and 9)	3,853
Total intragovernmental liabilities	<u>469,348</u>
<b>Other than intragovernmental liabilities:</b>	
Accounts payable	62,951
Federal employee salary, leave, and benefits payable (Note 6)	63,954
Pension, post-employment, and Veteran Benefits payable (Note 6)	3,975
Advances from others and Deferred Revenue	4,432
Other Liabilities (Notes 7, 8, and 9)	25,598
Total other than intragovernmental liabilities	<u>160,910</u>
<b>Total liabilities</b>	<u>630,258</u>
<b>Commitments and contingencies (Note 9)</b>	
<b>Net Position:</b>	
Cumulative Results from Operations	2,003,122
Total Cumulative Results of Operations (Consolidated)	498,408
Total Net Position	<u>2,501,530</u>
<b>Total Liabilities and Net Position</b>	<u>\$ 3,131,788</u>

\*The accompanying notes are an integral part of these statements.

**Department of Defense**  
**Defense Information Systems Agency GF**  
**Statement of Net Cost**  
**As of Sept. 30, 2025**  
**(\$ in thousands)**

*Figure 13 - Statement of Net Cost*

Gross Program Costs	2025 Unaudited
Gross Costs	\$ 4,432,701
Less: Earned Revenue	(363,156)
<b>Net Cost of Operations</b>	<u>\$ 4,069,545</u>
Operations & Maintenance	3,625,154
Procurement	496,755
Research, Development Test & Evaluation	310,741
Military Construction	51
Less: Earned revenue	(363,156)
<b>Net other program costs:</b>	<u>\$ 4,069,545</u>

\*The accompanying notes are an integral part of these statements.

**Department of Defense**  
**Defense Information Systems Agency GF**  
**Statement of Changes in Net Position**  
**As of Sept. 30, 2025**  
**(\$ in thousands)**

*Figure 14 - Statement of Changes in Net Position*

	<b>2025</b>
<b>CUMULATIVE RESULTS OF OPERATIONS</b>	<b>Unaudited</b>
<b>Unexpended Appropriations</b>	\$ 2,477,634
Appropriations received	3,776,377
Appropriations transferred-in/out	27,105
Other adjustments (+/-)	(124,184)
Appropriations used	(4,153,810)
Change in Unexpended Appropriations	(474,512)
<b>Total Unexpended Appropriations</b>	<b>2,003,122</b>
<b>CUMULATIVE RESULTS OF OPERATIONS:</b>	
Beginning balances, as adjusted	\$ 438,101
Appropriations used	4,153,810
Transfers-in/out without reimbursement	(127,743)
Imputed financing	103,784
Other	1
Net Cost of Operations	4,069,545
Change in Cumulative Results of Operations	60,307
<b>Cumulative Results of Operations: ending</b>	<b>498,408</b>
<b>Net Position</b>	<b>\$ 2,501,530</b>

\*The accompanying notes are an integral part of these statements.

**Department of Defense**  
**Defense Information Systems Agency GF**  
**Statement of Budgetary Resources**  
**As of Sept. 30, 2025**  
**(\$ in thousands)**

**Figure 15 - Statement of Budgetary Resources**

	<b>2025</b>
	<b>Unaudited</b>
<b>Budgetary Resources</b>	
Unobligated balance from prior year budget authority, net	\$ 887,872
Appropriations (discretionary and mandatory)	3,805,364
Spending Authority from offsetting collections	341,091
Total Budgetary Resources	<u>\$ 5,034,327</u>
<b>Status of Budgetary Resources</b>	
New obligations and upward adjustments (total) (Note 11)	\$ 4,439,769
Apportioned, unexpired accounts	198,269
Unexpired unobligated balance, end of year	198,269
Expired unobligated balance, end of year	396,289
Unobligated balance, end of year (total)	<u>594,558</u>
Total Budgetary Resources	<u>\$ 5,034,327</u>
<b>Outlays, Net (Note 38)</b>	
Outlays, net (total) (discretionary and mandatory)	<u>\$ 4,000,310</u>
Agency Outlays, net (discretionary and mandatory)	<u>\$ 4,000,310</u>

\*The accompanying notes are an integral part of these statements.

**Defense Information Systems Agency  
General Fund  
Notes to the Principal Statements  
Fiscal Year 2025, Ending Sept. 30, 2025**

## **Note 1. Reporting Entity and Summary of Significant Accounting Policies**

### **1A. Reporting Entity**

The Defense Information Systems Agency (DISA), a combat support agency within the DoD, is a “Component Reporting Entity,” as defined by *SFFAS 47: Reporting Entity*, and consolidated into the financial statements of the Department of Defense (DoD).

The DoD includes the Office of the Secretary of Defense (OSD), Joint Chiefs of Staff, DoD Office of the Inspector General (OIG), military departments, defense agencies, DoD field activities, and combatant commands, which are considered, and may be referred to as DoD components. The military departments consist of the Departments of the Army, the Navy (of which the Marine Corps is a component), and the Air Force (of which the Space Force is a component).

DISA provides, operates, and assures command and control, information-sharing capabilities, and a globally accessible enterprise information infrastructure in direct support to joint warfighters, national level leaders, and other mission and coalition partners across the full spectrum of operations. DISA implements the secretary of defense’s strategic guidance and reflects the DoD Chief Information Officer (CIO) capability planning guidance.

In accordance with *SFFAS 47: Reporting Entity*, DISA General Fund (GF) does not have any consolidation, related party or disclosure entities that are required to be disclosed within these notes. Although component reporting entities of the federal government may significantly influence each other, component reporting entities are subject to the overall control of the federal government and operate together to achieve the policies of the federal government and are not considered related parties. Therefore, component reporting entities need not be disclosed as related parties by other component reporting entities. Disclosure entities are not consolidation entities. Disclosure entities may provide the same or similar goods and services that consolidation entities do but are more likely to provide them on a market basis.

### **1B. Accounting Policies**

DISA GF financial statements and supporting trial balances are compiled from the underlying financial data and trial balances of DISA GF organizational elements. The underlying data is largely derived from budgetary transactions (obligations, disbursements, and collections), nonfinancial feeder systems, and accruals made for major items such as payroll expenses and accounts payable.

DISA GF presents the Balance Sheet, Statement of Net Cost, and Statement of Changes in Net Position on a consolidated basis, which are the summation of the DoD components less the eliminations of intradepartmental activity. The Statement of Budgetary Resources (SBR) is presented on a combined basis, which is the summation of the DoD components; therefore, DoD intradepartmental activity has not been eliminated. The financial transactions are recorded on both a proprietary accrual basis and a budgetary basis of accounting. Under the proprietary accrual basis, revenues are recognized when earned, and expenses are recognized when incurred, without regard to the timing of receipt or payment of cash. Under the budgetary basis, the legal commitment or obligation of funds is recognized in advance of the proprietary accruals and in compliance with legal requirements and controls over the use of federal funds.

DISA GF adopted updated accounting standards and other authoritative guidance issued by the Federal Accounting Standards Advisory Board (FASAB) as listed below:

- *SFFAS 50: Establishing Opening Balances for General Property, Plant, and Equipment: Amending SFFAS 6, 10, and 23, and Rescinding SFFAS 35: Issued Aug. 4, 2016. Effective for periods beginning after Sept. 30, 2016.*
- *SFFAS 53: Budget and Accrual Reconciliation: Amending SFFAS 7 and 24, and Rescinding*



- *SFFAS 22: Issued Oct. 27, 2017: Effective for reporting periods beginning after Sept. 30, 2018.*
- *SFFAS 54, Leases: An Amendment of SFFAS 5, Accounting for Liabilities of the Federal Government and SFFAS 6, Accounting for Property, Plant, and Equipment: Issued April 17, 2018. The requirements of SFFAS 54 were deferred to reporting periods beginning after Sept. 30, 2023 under SFFAS 58, Deferral of the Effective Date of SFFAS 54, Leases: Issued June 19, 2020. Early adoption is not permitted. For additional information, see SFFAS 60, Omnibus Amendments 2021: Leases-Related Topics Technical Release 20, Implementation Guidance for Leases, and Technical Bulletin 2023-1, Intragovernmental Leasehold Reimbursable Work Agreements.*
- *Technical Bulletin 2020-1: Loss Allowance for Intragovernmental Receivables. Issued Feb. 20, 2020; Effective upon issuance.*

DISA GF has implemented Standard Financial Information Structure compliant accounting systems and improved processes based on independent reviews and compliance with OMB Circular No. A-136 and U.S. Generally Accepted Accounting Principles (GAAP).

In FY 2024, DISA adopted the reporting guidelines of *SFFAS 54: Leases*, detailing the recognition of right-to-use lease assets and the corresponding lease liabilities. These reports pertain to non-intragovernmental and non-short-term contracts where DISA retains exclusive rights to specific transoceanic cables that facilitate network and telecommunication services acquired through communication service authorizations (CSAs) within the optical transport network.

The financial statements should be read with the realization that they are for a component of the U.S. government. Additionally, some of the assets and liabilities reported by the entity may be eliminated for government-wide reporting because they are offset by assets and liabilities of another U.S. government entity.

### **1C. Fund Balance with Treasury**

The Fund Balance with Treasury (FBWT) represents the aggregate amount of DISA GF available budget spending authority available to pay current liabilities and finance future authorized purchases. DISA GF monetary resources of collections and disbursements are maintained in Department of the Treasury (Treasury) accounts. The disbursing offices of the Defense Finance and Accounting Service (DFAS), the military departments, the U.S. Army Corps of Engineers, and the Department of State's financial service centers process the majority of the Department of Defense's cash collections, disbursements, and adjustments worldwide. Each disbursing station reports to Treasury on checks issued, electronic fund transfers, interagency transfers, and deposits.

FBWT is an asset of a component entity and a liability of the Treasury General Fund. The amounts represent commitments by the government to provide resources for programs, but they do not represent net assets to the government as a whole.

In addition, DFAS reports to Treasury by appropriation on interagency transfers, collections received, and disbursements issued. Treasury records these transactions to its applicable Fund Balance.

DISA GF does not report deposit fund balances on its financial statements. For additional information, see the *Fund Balance with Treasury, Note 2*.

### **1D. Revenue and Other Financing Sources**

As a component of the government-wide reporting entity, DISA GF is subject to the federal budget process, which involves appropriations that are provided annually and appropriations that are provided on a permanent basis. The financial transactions resulting from the budget process are generally the same transactions reflected in the agency and the government-wide financial reports.

DISA GF budgetary resources reflect past congressional action and enable the entity to incur budgetary obligations, but do not reflect assets to the government. Budgetary obligations are legal obligations for goods, services, or amounts to be paid based on statutory provisions (e.g., Social Security benefits). After budgetary obligations are incurred, Treasury will make disbursements to liquidate the budgetary obligations and finance those disbursements in the same way it finances all disbursements, which, as noted above, is to borrow from the public if there is a budget deficit.

DISA receives congressional appropriations and funding as general and working capital (revolving) and uses these appropriations and funds to execute its missions and subsequently report on resource usage.

General funds are used for collections not earmarked by law for specific purposes, the proceeds of general borrowing, and the expenditure of these monies. DoD appropriations funding covers costs including personnel, operations and maintenance, research and development, procurement, and military construction.

DISA GF receives congressional appropriations as financing sources for general funds, and on occasion, will also receive congressional appropriations for the (Working Capital Fund) WCFs. These funds either expire annually, some on a multi-year basis, or do not expire. When authorized by legislation, these appropriations are supplemented by revenues generated by sales of goods or services. DISA GF recognizes revenue resulting from costs incurred for goods and services provided to other federal agencies and the public. Full-cost pricing is DISA GF standard policy for services provided as required by OMB Circular A-25, "User Charges." In some instances, revenue is recognized when bills are issued.

DISA GF net position consists of unexpended appropriations and cumulative results of operations. Unexpended appropriations represent the amounts of budget authority that are unobligated and have not been rescinded or withdrawn. Unexpended appropriations also represent amounts obligated for which legal liabilities for payments have not been incurred.

Cumulative results of operations represent the net difference between expenses and losses and financing sources (including appropriations, revenue, and gains) since inception. The cumulative results of operations also include donations and transfers in and out of assets that were not reimbursed.

In accordance with *SFFAS 7 "Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting,"* DISA recognizes nonexchange revenue when there is a specifically identifiable, legally enforceable claim to the cash or other assets of another party that will not directly receive value in return. Typically, DISA nonexchange revenue is composed of immaterial amounts of public interest receivable and accumulated penalties and administrative fees as reported in the Monthly Debt Management Report Contract Debt System.

Deferred revenue is recorded when the DoD receives payment for goods or services that have not been fully rendered. Deferred revenue is reported as a liability on the balance sheet until earned.

The DoD does not include non-monetary support provided by U.S. allies for common defense and mutual security in amounts reported in the Statement of Net Cost. The U.S. has cost sharing agreements with countries, through mutual or reciprocal defense agreements, where U.S. troops are stationed or where the U.S. fleet is in a port.

## **1E. Budgetary Terms**

The purpose of federal budgetary accounting is to control, monitor, and report on funds made available to federal agencies by law and help ensure compliance with the law.

The department's budgetary resources reflect past congressional action and enable the entity to incur budgetary obligations, but do not reflect assets to the government. Budgetary obligations are legal obligations for goods, services, or amounts to be paid based on statutory provisions (e.g., Social Security benefits). After budgetary obligations have incurred, Treasury will make disbursements to liquidate the

budgetary obligations and finance those disbursements.

The following budgetary terms are commonly used:

- Appropriation is a provision of law (not necessarily in an appropriations act) authorizing the expenditure of funds for a given purpose. Usually, but not always, an appropriation provides budget authority.
- Budgetary resources are amounts available to incur obligations in a given year. Budgetary resources consist of new budget authority and unobligated balances of budget authority provided in previous years.
- Obligation is a binding agreement that will result in outlays, immediately or in the future. Budgetary resources must be available before obligations can be incurred legally.
- Offsetting collections are payments to the government that, by law, are credited directly to expenditure accounts and deducted from gross budget authority and outlays of the expenditure account, rather than added to receipts. Usually, offsetting collections are authorized to be spent for the purposes of the account without further action by Congress. They usually result from business-like transactions with the public, including payments from the public in exchange for goods and services, reimbursements for damages, gifts or donations of money to the government and from intragovernmental transactions with other government accounts. The authority to spend collections is a form of budget authority.
- Offsetting receipts are payments to the government that are credited to offsetting receipt accounts and deducted from gross budget authority and outlays, rather than added to receipts. Usually, they are deducted at the level of the agency and subfunction, but in some cases they are deducted at the level of the government as a whole. They are not authorized to be credited to expenditure accounts. The legislation that authorizes the offsetting receipts may earmark them for a specific purpose and either appropriate them for expenditures for that purpose or require them to be appropriated in annual appropriations acts before they can be spent. Like offsetting collections, they usually result from business-like transactions with the public, including payments from the public in exchange for goods and services, reimbursements for damages, gifts or donations of money to the government, and from intragovernmental transactions with other government accounts.
- Outlays are the liquidation of an obligation that generally takes the form of an electronic funds transfer. Outlays are reported both gross and net of offsetting collections and they are the measure of government spending.

For further information about budget terms and concepts, see the “Budget Concepts” chapter of the *Analytical Perspectives* volume of the President’s Budget: [Analytical Perspectives | The White House](#).

## **1F. Changes in Entity or Financial Reporting**

As required for all significant reporting entities by OMB Circular A-136, for FY 2025, single-year statements should be presented.

## **1G. Classified Activities**

Accounting standards allow certain presentations and disclosures to be modified, if needed, to prevent the disclosure of classified information.

Accounting standards require all reporting entities to disclose that accounting standards allow certain presentations and disclosures to be modified, if needed, to prevent the disclosure of classified information.

## 1H. Parent-Child Reporting

DISA GF is a party to allocation transfers with other federal agencies as a receiving (child) entity. An allocation transfer is an entity's legal delegation of authority to obligate budget authority and outlay funds on its behalf. Generally, all financial activity related to allocation transfers (e.g., budget authority, obligations, outlays) is reported in the financial statements of the parent entity. Exceptions to this general rule apply to specific funds for which OMB has directed that all activity be reported in the financial statements of the child entity.

DISA receives allocation transfers from the Defense Acquisition University.

## 1I. Standardized Balance Sheet, the Statement of Changes in Net Position and Related Footnotes – Comparative Year Presentation

The format of the Balance Sheet has changed to reflect more detail for certain line items, as required for all significant reporting entities by OMB Circular A-136. This change does not affect totals for assets, liabilities, or net position and is intended to allow readers of this Report to see how the amounts shown on the DoD-wide Balance Sheet are reflected on the Government-wide Balance Sheet, thereby supporting the preparation and audit of the Financial Report of the United States Government. The presentation of the fiscal year 2023 Balance Sheet and the related footnotes were modified to be consistent with the fiscal year 2024 presentation. The mapping of U.S. Standard General Ledger (*USSGL*) accounts, in combination with their attributes, to particular Balance Sheet lines and footnotes is directed by the guidance published periodically under TFM, USSGL Bulletins, *Section V*. The footnotes affected by the modified presentation are *Federal Employee and Veteran Benefits Payable*, *Other Liabilities*, and *Reconciliation of Net Cost to Net Outlays*.

Effective in FY 2024, the presentation of the Statement of Net Cost has changed to align with the Department's new definition of major programs. Office of Management and Budget *Circular No. A-136* states that the Statements of Net Cost must present the net cost of operations by an agency's defined major programs. As such, the Department updated their major programs. See *Suborganization Program Costs* note for further information.

### Note 2. Fund Balance with Treasury

The Treasury records cash receipts and disbursements on DISA GF's behalf and are available only for the purposes for which the funds were appropriated. The DISA GF balances with Treasury consists of appropriation accounts.

The status of FBWT, as presented below, reflects the reconciliation between the budgetary resources supporting FBWT (largely consisting of unobligated balance and obligated balance not yet disbursed) and those resources provided by other means. The total FBWT reported on the balance sheet reflects the budgetary authority remaining for disbursements against current or future obligations.

The unobligated balance of \$595 million represents the cumulative amount of budgetary authority set aside to cover future obligations.

The obligated balance not yet disbursed in the amount of \$2 billion represents funds obligated for goods and services but not paid.

Non-budgetary FBWT includes accounts without budgetary authority, such as deposit funds unavailable receipt accounts, clearing accounts and nonentity FBWT accounts.

Non-FBWT budgetary accounts create budget authority and unobligated balances, but do not record to FBWT as there has been no receipt of cash or direct budget authority, such as appropriations. The DISA GF balance in the amount of \$147 million for non-FBWT budgetary accounts are primarily composed of

unfilled orders without advance from customers and receivables.

Treasury securities provide DISA GF with budgetary authority and enable DISA GF to access funds to make future benefit payments or other expenditures. DISA GF must redeem these securities before they become part of the FBWT.

Unfilled customer orders without advance – receivables provide budgetary resources when recorded. The FBWT is only increased when reimbursements are collected, not when orders are accepted or have been earned.

The FBWT reported in the financial statements has been adjusted to reflect the DISA GF balance as reported in the Cash Management Report (CMR). The difference between FBWT in the DISA GF general ledgers and FBWT reflected in the CMR is attributable to transactions that have not been posted to the individual detailed accounts in the DISA GF general ledger as a result of timing differences or the inability to obtain valid accounting information prior to the issuance of the financial statements. When research is completed, these transactions will be recorded in the appropriate individual detailed accounts in the DISA GF general ledger accounts.

**Figure 16 - Fund Balance with Treasury**

(thousands)	
DISA GF	2025 Unaudited
Unobligated Balance	\$ 594,558
Obligated Balance not yet Disbursed	2,048,425
Non-FBWT Budgetary Accounts:	
Unfilled Customer Orders without Advance	(90,099)
Budgetary Receivables from Federal Sources	(56,932)
<b>Total Non-FBWT Budgetary Accounts</b>	<u>(147,031)</u>
<b>Total FBWT</b>	<u>\$ 2,495,952</u>

### Note 3. Accounts Receivable, Net

Accounts receivable represent DISA GF's claim for payment from other entities. Claims with other federal agencies are resolved in accordance with the business rules published in Appendix 5 of Treasury Financial Manual, Volume I, Part 2, Chapter 4700. Allowances for uncollectible accounts due from the public are based on an estimation methodology using three years of historical collection data and are calculated on consolidated receivable balances.

The FASAB issued Technical Bulletin 2020-1, *Loss Allowance for Intragovernmental Receivables*, which clarified previously issued guidance. An allowance recorded to recognize an intragovernmental receivable at net realizable value on the financial statements does not alter the underlying statutory authority to collect the receivable or the legal obligation of the other intragovernmental entity to pay. In FY 2023, the intragovernmental allowance was calculated using the same methodology as for public receivables. DISA GF developed its policy related to the allowance for uncollectible accounts for intragovernmental receivables.

For FY 2025, DFAS changed the methodology for calculating the Allowance for Doubtful Accounts and has determined that the intragovernmental and non-federal amounts for DISA GF are \$0.

**Figure 17 - Accounts Receivable, Net**

(thousands)			
DISA GF 2025 Unaudited	Gross Amount Due	Allowance for Estimated Uncollectibles	Accounts Receivable, Net
Intragovernmental Receivables	\$ 55,704	\$ -	\$ 55,704
Non-Federal Receivables (From the Public)	691	-	691
Total Accounts Receivable	\$ 56,395	\$ -	\$ 56,395

**Note 4. General and Right-to-Use Property, Plant, and Equipment, Net**

The DISA GF general and right-to-use Property, Plant and Equipment (PP&E) is composed of right-to-use lease assets, construction-in-progress, equipment, and software with a net book value of \$579.4 million.

The DISA GF PP&E consists of telecommunications equipment, computer equipment, computer software, right-to-use lease assets, and construction-in-progress.

The DISA GF capitalizes improvements to existing general and right-to-use PP&E assets when the improvements equal or exceed the capitalization threshold and extend the useful life or increase the size, efficiency, or capacity of the asset.

There are no restrictions on the use or convertibility of DISA GF's property and equipment, and all values are based on acquisition cost.

Information concerning deferred maintenance and repairs is discussed in unaudited required supplementary information.

Starting in FY 2024, Federal reporting entities are required to report a right-to-use lease asset and a lease liability for non-intragovernmental, no-short-term contracts or agreements, when the entity has the right to obtain and control access to economic benefits or services from an asset under the terms of the contract or agreement. See Leases note for additional lease related information.

The following table provides a summary of the activity for the current fiscal year.

**Figure 18 - Reconciliation: General and Right-to-Use PP&E, Net**

(thousands)	
DISA GF	2025 Unaudited
General and Right-to-use PP&E, Net beginning of year unadjusted	\$ 508,705
Balance beginning of year, adjusted	508,705
Capitalized Acquisitions	316,753
Right-to-use lease assets, CY activity	730
CY Amortization of right-to-use lease assets	(217)
Dispositions	(26,500)
Transfers in/(out) without reimbursement	(127,103)
Depreciation Expense	(121,455)
Other	28,528
<b>Balance at end of year</b>	<b>\$ 579,441</b>

The chart below provides the depreciation method, service life, acquisition value, depreciation, and net book value for the different categories in a comparative view.

**Figure 19 - Major General and Right-to-Use PP&E Asset Classes**

(thousands)

<b>DISA GF 2025 Unaudited Major Asset Classes</b>	<b>Depreciation/Amortization Method</b>	<b>Service Life</b>	<b>Acquisition Value</b>	<b>(Accumulated Depreciation/Amortization)</b>	<b>Net Book Value</b>
Internal Use Software	S/L	2-5 or 10	\$ 39,861	\$ (37,300)	\$ 2,561
General Equipment	S/L	Various*	868,747	(614,048)	254,699
Right-to-Use Lease Asset	S/L	Lease term	1,004	(222)	782
Construction-in-Progress	N/A	N/A	321,399	N/A	321,399
<b>Total General and Right-to-Use PP&amp;E</b>			<b>\$ 1,231,011</b>	<b>\$ (651,570)</b>	<b>\$ 579,441</b>

S/L= Straight Line N/A= Not Applicable

\*GF uses 5 years for depreciation, unless otherwise specified (10/20 years). DISA follows the Financial Management Regulation (FMR) Vol. 4 Ch. 25 Table 25-2 for useful life unless specifically stated in contract documents.

## **Note 5. Liabilities Not Covered by Budgetary Resources**

Liabilities not covered by budgetary resources require future congressional action whereas liabilities covered by budgetary resources reflect prior congressional action. Regardless of when the congressional action occurs, when the liabilities are liquidated, Treasury will finance the liquidation in the same way that it finances all other disbursements, using some combination of receipts, other inflows, and borrowing from the public (if there is a budget deficit).

Intragovernmental liabilities-Other consists of \$949 thousand of unfunded Federal Employees' Compensation Act (FECA) liabilities related to bills from the Department of Labor (DOL) that are not funded until the billings are received.

Other than intragovernmental liabilities primarily consist of \$45.8 million federal employee and veteran benefits, \$25.6 million in other liabilities, \$4 million in pension, post-employment, and veterans benefits payable, and \$1.3 million in accounts payable. The federal employee and veterans benefits include unfunded annual leave liability reflecting earned amounts of annual leave to be paid from future appropriations. Pension, post-employment, and veterans benefits payable includes various employee actuarial FECA liabilities not due and payable during the current fiscal year. Other liabilities include \$24.8 million in legal contingent liabilities and an unfunded lessee lease liability further discussed below. For additional information, refer to the Federal Employee and Veteran Benefits Payable note.

Starting in FY 2024, Federal agencies are required to report right-to-use lease assets and corresponding lease liabilities for material, non-intragovernmental long-term contracts for which it has the right to control access to and/or obtain economic benefits from the use of the real property, equipment, or other assets. DISA GF had \$782 thousand for unfunded lessee lease liability for the fourth quarter of FY 2025.

**Figure 20 - Liabilities Not Covered by Budgetary Resources**

(thousands)

<b>DISA GF</b>	<b>2025 Unaudited</b>
<b>Intragovernmental Liabilities</b>	
Other	\$ 949
<b>Total Intragovernmental Liabilities</b>	949
<b>Other than Intragovernmental Liabilities</b>	
Accounts Payable	1,258
Federal employee and veteran benefits payable	45,845
Pension, post-employment, and veterans benefits payable	3,975
Other Liabilities	25,598
<b>Total Other than Intragovernmental Liabilities</b>	76,676
<b>Total Liabilities Not Covered by Budgetary Resources</b>	77,625
<b>Total Liabilities Covered by Budgetary Resources</b>	552,633
<b>Total Liabilities</b>	<u>\$ 630,258</u>

**Note 6. Federal Employee and Veteran Benefits Payable**

**Expense Components**

For FY 2025, the only expense component pertaining to other actuarial benefits for DISA GF is the FECA expense. The Department of Labor (DOL) provides the expense data to DISA. The staffing ratio data from DISA headquarters determines the allocation of the expense to DISA GF.

The DOL provided an estimate for DISA's future workers' compensation benefits of \$8.6 million in total, of which \$4.0 million was distributed to DISA GF based upon staffing ratios. DISA made the distribution using DISA's normal methodology of apportioning FECA liability to GF based upon relative staffing levels. DISA used the same apportionment methodology in prior years.

**Changes in Actuarial Liability**

Fluctuations in the total liability amount charged to DISA by DOL will cause changes in FECA liability. FECA liability, which falls under other actuarial benefits, decreased \$272 thousand due to fluctuations in Cost of Living Adjustments (COLA) and Consumer Price Index Medical (CPI-M) inflation factors that in turn adjusted the actuarial liability estimate provided by DOL (<http://www.dol.gov/ocfo/publications.html>).



**Figure 21 - Federal Employee and Veteran Benefits Payable**

(thousands)

DISA GF 2025 Unaudited	Liabilities	(Assets Available to Pay Benefits)	Unfunded Liabilities
Other Benefits			
FECA	\$ 3,975	\$ -	\$ 3,975
Total Other Benefits	3,975	-	3,975
Pensions, other Post-employment, and Veteran Benefits Payable	3,975	-	3,975
Federal Employee and Veteran Benefits Payable	63,954	(18,109)	45,845
Other benefit-related payables included in Intragovernmental Other Liabilities on the Balance Sheet	3,853	(2,904)	949
<b>Total Federal Employee and Veterans Benefits Payable</b>	<b>\$ 71,782</b>	<b>\$ (21,013)</b>	<b>\$ 50,769</b>

## Note 7. Other Liabilities

### Intragovernmental

- Federal employee and veteran benefits payable of \$3.9 million: This liability represents the employer portion of payroll taxes and employer contributions for health benefits, life insurance, and retirement, as well as unfunded FECA liability.

### Other Than Intragovernmental

- Legal contingent liabilities of \$24.8 million: The contingent liability records the amount of liability recognized as a result of past events or exchange transactions in which a future outflow or other sacrifice of resources is both probable and measurable. A quarterly analysis is performed to determine the pending/threatened litigation and unasserted claims, administrative or judicial proceedings, lawsuits, and/or other legal actions filed against DISA that could ultimately result in settlements.
- Right-to-use lease liability of \$782 thousand: This liability records the amount of unfunded liability for future lease payments. Refer to the *Leases* note for additional details.

DISA GF's life and other insurance programs covering civilian employees are provided through the U.S. Office of Personnel Management (OPM). DISA GF does not negotiate the insurance contracts and incurs no liabilities directly to the insurance companies. Employee payroll withholdings related to the insurance and employer matches are submitted to OPM.

**Figure 22 - Other Liabilities**

(thousands)				
DISA GF 2025 Unaudited		Current Liability	Non-Current Liability	Total
<b>Intragovernmental</b>				
Other Liabilities reported on <i>Federal Employee and Veteran Benefits Payable Note</i>		\$ 3,340	\$ 513	\$ 3,853
<b>Total Intragovernmental</b>		\$ 3,340	\$ 513	\$ 3,853
<b>Other than Intragovernmental</b>				
Contingent Liabilities		-	24,816	24,816
Right-to-Use Lease Liability		-	782	782
<b>Total Other than Intragovernmental</b>		-	25,598	25,598
<b>Total Other Liabilities</b>		\$ 3,340	\$ 26,111	\$ 29,451

#### Note 8. Leases

In FY 2024, DISA adopted the reporting guidelines of *SFFAS 54, Leases* detailing the recognition of right-to-use lease assets and the corresponding lease liabilities. According to *SFFAS 54*, a lease is characterized as a contractual arrangement in which the lessor grants the lessee control over the use of PP&E, known as the underlying asset.

DISA GF has intragovernmental leases for office equipment, vehicles, land and buildings, commercial space, and telecommunications. The largest portion of these costs are reimbursements to the Pentagon Reservation Maintenance Fund. DISA does not receive copies of leases but obtains individual occupancy agreements and is billed according to the space it occupies. Prior-year tables for future minimum lease payments are not presented. Occupancy agreements are also maintained with the Washington Headquarters Service and the General Services Administration (GSA), based on the specific space utilized by DISA GF.

DISA has elected to execute the embedded lease accommodation through Sept. 30, 2026, in accordance with paragraphs 96A-96E of *SFFAS 54*.

#### Land and Building Leases

DISA GF currently leases a variety of properties, including office buildings, warehouses, and floor space, totaling 28 building leases across multiple locations. Terms range from one to twelve years for offices, five years for warehouses, and one to ten years for floor space, with some leases offering renewal options. The annual lease expense for building leases in FY 2025 is \$40.2 million.

#### Equipment Leases

DISA GF leases 20 pieces of equipment across various sites, covering items such as photocopiers, printers, a digital press system, a forklift, and vehicles. Photocopiers are leased for five to ten years, while vehicle leases range from one to ten years; several leases include renewal options. Additionally, DISA GF reimburses WCF for one non-federal, long-term lease of a multifunction printer with a three-year lease term. The annual equipment lease expense for FY 2025 is \$1 million.

DISA GF recognizes two right-to-use assets for non-federal, long-term leases for multifunction printers, with respective lease terms of three and five years.

## Other Leases

DISA GF maintains two lease agreements. One is for a secured space with an eight-year term, and the other pertains to an antenna with a nine-year term. In addition, DISA GF reimburses WCF for two non-federal, long-term lease arrangements, each exceeding 24 months. The first arrangement involves data centers located in Miami, FL, and Culpeper, VA, with a five-year lease term. The second arrangement supports bandwidth services through a ground facility agreement that remains in effect for four years. The annual expense for these agreements in FY 2025 is \$1.5 million.

## Telecommunication Leases

DISA GF obtains telecommunication services from DISA WCF through communication service authorizations (CSAs). These services often involve circuit connectivity supported by a physical component known as a "trunk," which are considered the underlying asset essential for lease accounting. As of September 30, 2025, DISA GF is the lessee in 17 intragovernmental CSA arrangements with DISA WCF. The total annual lease expense for these telecommunications leases in FY 2025 is \$257 thousand.

The following table provides the current right-to-use asset (RTUA) asset cost and accumulated amortization as of Sept. 30, 2025, for leases other than (1) short-term leases, (2) contracts or agreements that transfer ownership, and (3) intragovernmental agreements:

**Figure 23 - Right-to-Use Asset Net Book Value**

(thousands)

Right-to-Use Asset	Accumulated Amortization	Net Book Value
\$ 1,004	\$ 222	\$ 782

The following table provides future lease payments, as of Sept. 30, 2025, for leases other than (1) short-term leases, (2) contracts or agreements that transfer ownership, and (3) intragovernmental agreements:

**Figure 24 - Future Payments Right-to-Use Leases**

(thousands)

DISA GF 2025 Unaudited				
Asset Class: Equipment (Non-Federal)				
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	
Fiscal Year				
2026	\$ 231	\$ 24	\$ 255	
2027	231	16	247	
2028	150	9	159	
2029	156	4	160	
2030	13	-	13	
2031-2035	-	-	-	
2036 and after	-	-	-	
<b>Total</b>	<b>\$ 781</b>	<b>\$ 53</b>	<b>\$ 834</b>	

The following is a summary of the range of interest rates used to calculate lease liability. These are based on marketable Treasury securities of similar maturity to the term of the lease. Interest rates are rounded down to the nearest maturity:

**Figure 25 - Interest Rate Range**

Term in Years	Interest rate range
3	3.375% - 4.625%
5	3.375% - 4.875%

DISA GF does not currently have any intragovernmental or non-federal lessor arrangements.

#### **Note 9. Commitments and Contingencies**

DISA GF is a party in various administrative proceedings, legal actions, and other claims awaiting adjudication which may result in settlements or decisions adverse to the Federal government. These matters arise in the normal course of operations; generally, relate to equal opportunity and contractual matters; and their ultimate disposition is unknown. In the event of an unfavorable judgment against the Government, some of the settlements are expected to be paid from the *Treasury Judgment Fund*. In most cases, DISA GF does not have to reimburse the Judgment Fund; reimbursement is only required when the case comes under either the *Contracts Disputes Act* or the *No FEAR Act*.

In accordance with *SFFAS 5, Accounting for Liabilities of the Federal Government, as amended by SFFAS 12, Recognition of Contingent Liabilities Arising from Litigation*, an assessment is made as to whether the likelihood of an unfavorable outcome is considered probable, reasonably possible, or remote.

DISA GF has accrued contingent liabilities for material contingencies where an unfavorable outcome is considered probable, and the amount of potential loss is measurable. The estimated liability may be a specific amount or a range of amounts. If some amount within the range is a better estimate than any other amount within the range, that amount is recognized, and the range is disclosed. If no amount within the range is a better estimate than any other amount, the minimum amount in the range is recognized and the range and a description of the nature of the contingency should be disclosed. No amounts have been accrued for contingencies where the likelihood of an unfavorable outcome is less than probable, where the amount or range of potential loss cannot be estimated due to a lack of sufficient information, or for immaterial contingencies. The presented amounts accrued for legal contingent liabilities are included within the contingent liabilities amount reported in the *Other Liabilities* note.

**Figure 26 - Summary of Legal Contingent Liabilities**

	(thousands)					
DISA GF	Accrued Liabilities	Estimated Range of Loss				
		Lower End		Upper End		
Legal Contingent Liabilities						
Reasonably Possible	\$	16,200	\$	-	\$	16,200

#### **Note 10. Suborganization Program Costs**

The Statement of Net Cost (SNC) represents the net cost of programs and organizations of DISA GF supported by appropriations or other means. The intent of the SNC is to provide gross and net cost information related to the amount of output or outcome for a given program or organization administered by a responsible reporting entity. The DoD's current processes and systems capture costs based on appropriations groups as presented in the schedule below. The DoD is in the process of reviewing available data and developing a cost reporting methodology required by the SFFAS 4, "*Managerial Cost Accounting Concepts and Standards for the Federal Government*," as amended by SFFAS No. 55, "*Amending Inter-Entity Cost Provisions*."

The Defense Department implemented SFFAS 55 in FY 2018, which rescinded SFFAS 30, "*Inter-Entity*

*Cost Implementation: Amending SFFAS 4, Managerial Cost Accounting Standards and Concepts and Interpretation 6, Accounting for Imputed Intra-departmental Costs: An Interpretation of SFFAS 4.”*

Intragovernmental costs and revenue are related to transactions between two reporting entities within the federal government. Public costs and revenue are exchange transactions made between DISA GF and a non-federal entity.

DISA GF reports exchange revenues for inflows of earned resources. They arise from exchange transactions, which occur when each party to the transaction sacrifices value and receives value in return. Exchange revenues arise when DISA GF provides something of value to the public or another government entity at a price. Pricing policy for exchange revenues is derived by recovering costs.

DISA GF employs a trading partner reconciliation throughout the year to validate buyer-side and seller-side balances and collaborates with its major DoD partners to identify and resolve material differences. Generally, in accordance with DoD FMR Volume 6B, Chapter 13, paragraph 13201, the internal DoD buyer-side balances are adjusted to agree with internal seller-side balances for revenue. For variances that remain unreconciled at the end of the period, the DISA GF expenses are adjusted by reclassifying amounts between federal and non-federal expenses or by accruing additional accounts payable and expenses.

**Figure 27 - Costs and Exchange Revenue by Major Program**  
(thousands)

<b>DISA GF</b>	<b>2025 Unaudited</b>
<b>Operations, Readiness &amp; Support</b>	
Gross Cost	\$ 3,625,154
Less: Earned Revenue	(323,563)
Net Program Costs	<u>3,301,591</u>
<b>Procurement</b>	
Gross Cost	496,755
Less: Earned Revenue	(564)
Net Program Costs	<u>496,191</u>
<b>Research, Development, Test &amp; Evaluation</b>	
Gross Cost	310,741
Less: Earned Revenue	(39,029)
Net Program Costs	<u>271,712</u>
<b>Family Housing &amp; Military Construction</b>	
Gross Cost	51
Net Program Costs	<u>51</u>
<b>Consolidated</b>	
Gross Cost	4,432,701
Less Earned Revenue	(363,156)
<b>Total Net Cost</b>	<u><u>\$ 4,069,545</u></u>

#### **Note 11. Statement of Budgetary Resources**

DISA GF operates primarily with funding derived from direct appropriations that are subject to cancellation by the time-period in which funds may be used. An additional funding source is the use of reimbursable authority obtained from customer orders for services provided.

As of Sept. 30, 2025, DISA GF incurred \$4.4 billion in obligations, of which \$354.3 million are reimbursable, \$4.1 billion are direct and none of which are exempt from apportionment.

The total unobligated balance available as of Sept. 30, 2025, is \$594.6 million and represents the cumulative amount of budgetary authority that has been set aside to cover future obligations for the current period.

The DISA GF SBR includes intra-entity transactions because the statements are presented as combined.

As of Sept. 30, 2025, DISA GF's net amount of budgetary resources obligated for undelivered orders is \$1.5 billion.

DISA GF does not have any legal arrangements affecting the use of unobligated budget authority and has not received permanent indefinite appropriations.

The amount of obligations incurred by DISA GF may not be directly compared to the amounts reported in the Budget of the United States Government because DISA GF funding is received and reported as a component of the "Other Defense Funds" program. The "Other Defense Funds" is combined with the service components and other DoD elements and then compared to the Budget of the United States government at the defense agency level.

**Figure 28 - Net Adjustments to Unobligated Balance Brought Forward, October 1**

(thousands)

<b>DISA GF</b>	<b>2025 Unaudited</b>
Unobligated balance brought forward, October 1	\$ 630,067
Unobligated balance transferred (to)/from other accounts	(6,799)
Unobligated balance transfers between expired and unexpired accounts	(1,800)
Recoveries of prior year unpaid obligations	384,327
Other balances withdrawn to Treasury	(118,106)
Recoveries of prior year paid obligations	183
<b>Unobligated Balance from Prior Year Budget Authority, Net (Discretionary and Mandatory)</b>	<b>\$ 887,872</b>

**Figure 29 - Budgetary Resources Obligated for Undelivered Orders at the End of the Period**

(thousands)

<b>DISA GF</b>	<b>2025 Unaudited</b>
Intragovernmental	
Unpaid	\$ 1,325,864
<b>Total Intragovernmental</b>	<b>1,325,864</b>
Non-Federal	
Unpaid	173,133
<b>Total Non-Federal</b>	<b>173,133</b>
<b>Total Budgetary Resources Obligated for Undelivered Orders at the End of the Period</b>	<b>\$ 1,498,997</b>

## **Note 12. Reconciliation of Net Cost to Net Outlays**

The reconciliation of net cost to net outlays demonstrates the relationship between DISA GF's net cost of operations, reported on an accrual basis on the SNC, and net outlays, reported on a budgetary basis on the SBR. While budgetary and financial (proprietary) accounting are complementary, the reconciliation explains the inherent differences in timing and in the types of information between the two during the reporting period.

The accrual basis of financial accounting is intended to provide a picture of DISA GF's operations and financial position, including information about costs arising from the consumption of assets and the incurrence of liabilities. Budgetary accounting reports on the management of resources and the use and receipt of cash by DISA GF. Outlays are payments to liquidate an obligation, excluding the repayment to the Treasury of debt principal.

**Figure 30 - Reconciliation of Net Cost to Net Outlays (Budget to Accrual Reconciliation)**  
(thousands)

<b>DISA GF 2025 Unaudited</b>	<b>Intragov.</b>	<b>Public</b>	<b>Total</b>
<b>Net Cost of Operations (SNC)</b>	\$ 3,438,378	\$ 631,167	\$ 4,069,545
<b>Components of Net Cost That Are Not Part of Net Outlays:</b>			
Property, plant, and equipment depreciation expense	-	(121,455)	(121,455)
Property, plant and equipment disposals and revaluations	-	(125,075)	(125,075)
Lessee Lease Amortization	-	(217)	(217)
<b>Increase/(Decrease) in Assets:</b>			
Accounts receivable, net	46,988	80	47,068
<b>(Increase)/Decrease in Liabilities:</b>			
Accounts payable, net	(129,859)	(49,973)	(179,832)
Lessee Lease Liability	-	214	214
Federal employee salary, leave, and benefits payable	-	(8,455)	(8,455)
Veterans, pensions, and post-employment related benefits	-	272	272
Advances from others and deferred revenue	-	(68)	(68)
Other liabilities	(588)	(21,171)	(21,759)
<b>Financing Sources:</b>			
Imputed cost	(103,784)	-	(103,784)
<b>Total Components of Net Operating Cost Not Part of Net Outlays</b>	<b>(187,243)</b>	<b>(325,848)</b>	<b>(513,091)</b>
<b>Components of the Budgetary Outlays That Are Not Part of Net Operating Cost:</b>			
Acquisition of capital assets	-	316,753	316,753
<b>Financing Sources:</b>			
Transfers (in)/out without reimbursements	127,103	-	127,103
<b>Total Components of the Budgetary Outlays That Are Not Part of Net Operating Cost</b>	<b>127,103</b>	<b>316,753</b>	<b>443,856</b>
<b>Total Net Outlays</b>	<b>\$ 3,378,238</b>	<b>\$ 622,072</b>	<b>\$ 4,000,310</b>
<b>Budgetary Agency Outlays, Net (SBR)</b>			<b>\$ 4,000,310</b>
<b>Unreconciled difference</b>			<b>\$ -</b>

### Note 13. Disclosure Entities and Related Parties

Pursuant to *SFFAS 47: Reporting Entity* reporting disclosure requirements, related parties are considered related if: (1) one party to an established relationship, has the ability to exercise significant influence over the other party in making policy decisions and (2) the relationship is of such significance that it would be misleading to exclude information about it. After reviewing *SFFAS 47*, appendix B and the associated

criteria, it was determined DISA does not have consolidated entities, disclosure entities nor related parties.

**Note 14. Reclassification of Financial Statement Line Items for Financial Report Compilation Process**

The Statement of Changes in Net Position reports the change in net position for the period, which results from changes to cumulative results of operations. During FY 2025, changes for DISA GF primarily consist of budgetary financing sources for appropriations received, transferred-in/out, and used.

DISA GF does not have funds from dedicated collections. In accordance with OMB A-136 II.3.8, if DISA GF received funds from dedicated collections, a crosswalk for line items used to prepare the government-wide SNC would be disclosed in this note.



**Defense Information Systems Agency  
General Fund  
Required Supplementary Information  
Fiscal Year 2025, Ending Sept. 30, 2025**

## Deferred Maintenance and Repairs Disclosures

In accordance with FASAB *SFFAS 42: Deferred Maintenance and Repairs: Amending Statements of Federal Financial Accounting Standards 6, 14, 29 and 32*, and FMR 6B, Chapter 12, DISA is to report material amounts of deferred maintenance and repairs (DM&R) as supplementary information on its financial statements. In FY 2025, DISA GF has DM&R to report of \$53.9 million.

Generally, due to the nature of DISA's business providing IT, telecommunications and computing services in support of combat missions, all required maintenance is funded within the period required to meet performance requirements of DISA missions.

DM&R determination is based on development and annual review of an integrated project list of life-cycle replacement items and identification of needed maintenance. Analysis determines and identifies any replacement of life-cycle items in the year that the items are needed. A review is conducted annually to rank and prioritize maintenance and repairs (M&R) activities among other activities. The criteria for prioritizing M&R activities are life, safety, health, mission, and general repairs. The integrated project listing review and preventative maintenance (PM) contracts from the project manager on equipment are considered in determining acceptable condition standards when deferred maintenance is not required. PM is performed on equipment at least quarterly on systems based on operations and maintenance contracts. In FY 2025, DISA transferred out all GF real property assets. The DISA GF has DM&R related to capitalized general PP&E, non-capitalized or fully depreciated general PP&E. DISA does not have stewardship PP&E or PP&E for which management does not measure and/or report DM&R. The rationale for excluding any PP&E asset other than if not capitalized, or it is fully depreciated, is the item does not meet the applicable capitalization criteria, is not on the integrated project list, or there are preventative maintenance contracts in place to address maintenance needs in the current year.

Significant entities are required to: (1) describe their method for estimating deferred maintenance and repairs and how inflation in labor and materials costs is used to annually adjust the estimates and (2) report the minimum maintenance and repair amount needed to ensure that mission critical facilities remain mission capable. Deferred Maintenance is based on estimated costs from mission partners as they are the executing organizations. Maintenance and repairs are based on manufacturers' life cycle replacement criteria. Also building condition assessments are conducted to capture all systems, components, and sub-components. The assessments provide greater detail to forecast and budget for these repairs in the outyears. Funding is requested in the POM. There are limited funds even though forecasting has identified repair projects. An annual facility data call is issued to the organizations. Repair/Sustainment projects are prioritized: life safety, mission critical and repairs. Mission critical facilities have not been impacted by deferred maintenance. These facilities remain mission capable. Projects which are deferred to the following year have an escalation factor 2.1%.

There have been changes in the identification of DM&R that have occurred since the last fiscal year. In FY 2025, DISA GF further refined its identification of DM&R, and reported deferred maintenance of \$53.9 million for general PP&E. DISA GF will continue to review its process and enhance its identification of deferred maintenance reporting as needed.

**Defense Information Systems Agency General Fund**  
**As of Sept. 30, 2025 (Unaudited)**  
**(thousands)**

**Figure 31 - Combining Statement of Budgetary Resources**

	O&M	PROC	RDT&E	MILCON	COMBINED
<b>Budgetary Resources (discretionary and mandatory):</b>					
Unobligated balance from PY budget authority, net	\$ 433,987	\$ 332,159	\$ 110,891	\$ 10,835	\$ 887,872
Appropriations	3,108,581	440,169	256,614	-	3,805,364
Spending Authority from offsetting collections	310,198	1,271	29,622	-	341,091
<b>Total Budgetary Resources</b>	<b>3,852,766</b>	<b>\$773,599</b>	<b>\$397,127</b>	<b>\$10,835</b>	<b>\$5,034,327</b>
<b>Status of Budgetary Resources:</b>					
New obligations and upward adjustments	3,557,444	\$ 574,996	\$ 306,845	\$ 484	\$ 4,439,769
<i>Unobligated balance, end of year:</i>					
Apportioned, unexpired accounts	25,097	115,038	52,558	5,576	198,269
Unexpired unobligated balance, end of year	25,097	115,038	52,558	5,576	198,269
Expired unobligated balance, end of year	270,225	83,565	37,724	4,775	396,289
Unobligated balance, end of year (total)	295,322	198,603	90,282	10,351	594,558
<b>Total Budgetary Resources</b>	<b>3,852,766</b>	<b>\$773,599</b>	<b>\$397,127</b>	<b>\$ 10,835</b>	<b>\$ 5,034,327</b>
<b>Outlays, net:</b>					
Outlays, net (total) (discretionary and mandatory)	3,218,658	506,703	273,061	1,888	4,000,310
Agency Outlays, net (discretionary and mandatory)	\$ 3,218,658	\$ 506,703	\$ 273,061	\$ 1,888	\$ 4,000,310

**Defense Information Systems Agency  
General Fund  
Other Information  
Fiscal Year 2025, Ending Sept. 30, 2025**

**Summary of Financial Statement Audit and Management Assurances**

Audit Opinion: Disclaimer of Opinion

Restatement: No

***Figure 32 - Summary of Financial Statement Audit***

Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Ending Balance
Fund Balance with Treasury	0	0	0	0	0
Accounts Payable/Expense	4	0	2	0	2
Accounts Receivable/Revenue	3	0	2	0	1
Unmatched Transactions	1	0	1	0	0
Financial Reporting	0	0	0	0	0
Undelivered Orders	2	1	0	0	3
Unfilled Customer Orders	1	0	0	0	1
PPE	1	0	0	0	1
Total Material Weaknesses	12	1	5	0	8

**Figure 33 - Effectiveness of Internal Control over Financial Reporting - Federal Financial Management Improvement Act (FMFIA§ 2)**

**Statement of Assurance:** Disclaimer of Opinion

Material Weakness	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Fund Balance with Treasury	0	0	0	0	0	0
Accounts Payable/Expense	4	0	2	0	0	2
Accounts Receivable/Revenue	3	0	2	0	0	1
Internal Controls	0	0	0	0	0	0
Unmatched Transactions	1	0	1	0	0	0
Financial Reporting	0	0	0	0	0	0
Undelivered Orders	2	1	0	0	0	3
Unfilled Customer Orders	1	0	0	0	0	1
PPE	1	0	0	0	0	1
<b>Total Material Weaknesses</b>	<b>12</b>	<b>1</b>	<b>5</b>	<b>0</b>	<b>0</b>	<b>8</b>

**Figure 34 - Effectiveness of Internal Control over Operations (FMFIA§ 2)**

**Statement of Assurance:** Disclaimer of Opinion

Material Weakness	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
<b>Total Material Weaknesses</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

**Figure 35 - Conformance with Federal Financial Management System Requirements (FMFIA§ 4)**

**Statement of Assurance:** Disclaimer of Opinion

Non-Conformances	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
IT-Related	0	0	0	0	0	0
<b>Total non-conformance</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

**Figure 36 - Compliance with Section 803(a) of the Federal Financial Management Improvement Act (FFMIA)**

Compliance Objective	Agency	Auditor
Federal Financial Management System Requirements	No lack of compliance noted except as noted in IT related material weaknesses above	Lack of substantial compliance noted
Applicable Federal Accounting Standards	No lack of compliance noted except as noted in financial reporting related material weaknesses above	Auditor was Unable to Conclude
USSGL at Transaction Level	No lack of compliance noted	Auditor was Unable to Conclude

## Management Challenges



DEFENSE INFORMATION SYSTEMS AGENCY  
P. O. BOX 549  
FORT MEADE, MARYLAND 20755-0549

23 October 2025

SUBJECT: Top Management and Performance Challenges Facing the Defense Information Systems Agency (DISA) in Fiscal Year 2026

The Reports Consolidation Act of 2000 requires the DISA Office of the Inspector General (OIG) to issue a report summarizing what the OIG considers as serious management and performance challenges facing DISA and assessing the Agency's progress in addressing those challenges. DISA is required to include this report in its agency financial report. This report represents DISA OIG's independent assessment of the top management challenges facing DISA in fiscal year 2026.

In developing this report, the DISA OIG considered several criteria including items such as the impact on safety and cyber security, documented vulnerabilities, large dollar implications, high risk areas, and the ability of DISA to effect change. We reviewed recent and prior internal audits, evaluations, and investigation reports; reports published by other oversight bodies; and input received from DISA senior leadership.

The DISA OIG identified four challenges this year. The challenges are not listed in a specific order and all are considered to be significant to DISA's work. DISA's Top Management and Performance Challenges for Fiscal Year 2026 include:

- Artificial Intelligence
- Human Capital
- Property Management and Accountability
- Increasing and Maintaining Readiness

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Stephen M. Ryan  
Inspector General

# Challenge 1

## Artificial Intelligence

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Artificial intelligence (AI) refers to the ability of machines to perform tasks that normally require human intelligence. For example, AI includes recognizing patterns, learning from experience, drawing conclusions, and making predictions. Examples of AI enabled technology include chatbots that facilitate writing, tools for intelligence analysis, and autonomous targeting and weapon systems.

AI will transform warfare, and failure to adopt AI technology could hinder national security. According to the previous DISA Director, generative AI is “probably one of the most disruptive technologies and initiatives in a very long, long time. Those who harness that and can understand how to best leverage it, but also how to best protect against it, are going to be the ones that have the high ground.”

In response to this challenge, the 2018 DoD AI Strategy directs the DoD to accelerate the adoption of AI and the creation of a force that can protect the security of our nation. In 2022, DoD also published a Responsible AI (RAI) Strategy and Implementation pathway that illuminates the path forward by defining and communicating a framework for harnessing AI. In 2025, the White House published a national AI Action Plan that focuses on innovation, infrastructure, and international diplomacy and security.

While DISA is moving forward in the pursuit of integrating the use of AI into DISA’s mission, the Agency faces a unique set of challenges. For example, AI requires significant computational power and storage, posing challenges for existing IT infrastructure and data management systems. Another challenge is integrating AI systems with existing legacy systems and infrastructure. Additionally, customizing generative AI models requires extensive datasets and DISA faces challenges in generating sufficient proprietary data to customize and train its AI tools. There is also an increased challenge of ensuring government-related materials, both Classified and Controlled Unclassified Information (such as Personal Identifiable Information (PII)) is protected from being uploaded into publicly available Generative AI tools. DISA also faces the risk of relying on a limited number of companies for AI services. Vendor lock-in could limit DISA’s flexibility, stifle innovation by preventing exploration of alternative solutions and potentially create a single point of failure.



## Challenge 2

### Human Capital

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Retaining and recruiting individuals with the right talent is critical and continues to be a top management challenge. Whether individuals are recent college graduates, high-performing industry professionals, or federal workers with years of experience in the field, DISA's challenge is to make the Agency a place sought out by high-caliber talent.

A significant challenge DISA faces is that the Agency competes for talent with the private sector. For example, DISA often struggles to compete with the private sector's higher salaries and more attractive compensation packages for highly skilled tech and cybersecurity professionals. Additionally, the need for specialized skills in areas like AI, machine learning, and advanced cybersecurity is growing at a faster pace than the government's ability to recruit and train new talent.

DISA's ability to retain and recruit faces additional pressures due to the recent changes in telework policies and the reduction in workforce. Since March of 2025, DISA employees have returned to the office fulltime; however, employees, especially those with in-demand skills, may prioritize work-life balance and flexible work arrangements, which may not always be readily available or perceived as available within the government sector. Additionally, DISA's reduction of its workforce by 10 percent through Deferred Resignation Program (DRP) and Voluntary Early Retirement Authority (VERA), coupled with a hiring freeze have introduced a set of unique challenges. Specifically, the DRP and VERA have incentivized the departure of experienced and tenured employees, including those in critical technical and leadership roles. This exodus risks a significant loss of institutional knowledge and expertise, impacting the agency's ability to maintain operations, respond to complex challenges, and mentor newer employees.

At the same time, DISA has expanded its mission requirements. For example, DISA has acquired IT service responsibilities for the Defense Advanced Research Projects Agency (DARPA), expanded Zero Trust architecture, accelerated secure cloud adoption, and adapted advanced AI tools. With fewer personnel, remaining employees may experience heavier workloads and increased pressure to maintain operations and deliver on mission-critical objectives. The added stress and workload can lead to burnout, decreased morale, and potentially contribute to further departures, creating a vicious cycle of attrition.

While acknowledging the challenges, the DISA Director said downsizing provides an opportunity to "ruthlessly realign and optimize" the agency to address its evolving mission. Specifically, DISA is also reorganizing its workforce, strategically refocusing on key priorities, and "surgically rehiring" to fill 210 critical gaps. DISA continues to strengthen the work culture, invest in key initiatives to attract and retain a talent pool skilled in critical thinking and diverse in ideas, backgrounds, and technical expertise. DISA is also forecasting needed skills through succession planning and improving how DISA markets career opportunities within the agency.

## **Challenge 3**

### **Property Management and Accountability**

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Property management includes the functions of determining property requirements, receipt, storage, distribution, utilization, and disposal of property. DoD Instruction 5000.64 requires DoD components to maintain accurate property records for all government property acquired for \$5,000 or more; government property furnished to a contractor; and as required by law, policy, regulation, or agency direction.

Property management and accountability is a challenge across DoD. The DoD IG identified material weaknesses in property management policies, procedures, and internal controls over inventory processes for DoD and its Components.

Property management and accountability is a top management challenge for DISA. For FY 2024, Property, Plant, and Equipment (PP&E) reported on DISA's balance sheets included General Fund (GF) amount of \$509 million and Working Capital Fund (WCF) amount of \$1.5 billion. In FY 2024, DISA's WCF Agency Financial Report (AFR) included a repeat significant deficiency pertaining to untimely asset activations and transfers between the GF and WCF. Similarly, the FY 2024 GF AFR reported a material weakness concerning timely activation of assets. Poor communication between program officials responsible for the assets and GF/WCF officials responsible for property accounting was cited as the cause for the lack of timeliness, resulting in material misstatements to PP&E as recorded on DISA's GF and WCF Balance Sheets.

The DISA OIG conducted several property audits and reported concerns relating to property management and accountability at DISA. Specifically, concerns included: property record accuracy, inventory management, organization and completeness of property loss reporting, proper oversight, property obsolescence, backlogs of property awaiting final disposal, and accountability of mobile devices. Furthermore, the DoD IG also found DISA did not maintain complete or accurate classified mobile device inventory records. These audit findings illustrate the challenges facing DISA when managing and accounting for property. The DISA OIG has made several recommendations to help improve the internal controls for property accountability.

DISA continues to improve oversight of accountable property. DISA's J4 is developing and updating overarching guidance for property management and accountability to improve internal controls.

## **Challenge 4**

### **Increasing and Maintaining Readiness**

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DISA, as a Combat Support Agency (CSA), faces the ongoing challenge of maintaining a high level of readiness to deliver secure and reliable information technology and communications capabilities to the warfighter. This challenge requires strategic balancing between embracing technological modernization and ensuring robust operational capabilities, particularly in the light of evolving threats and dynamic operational environments. Failure in either domain can severely impact warfighter effectiveness and potentially jeopardize national security, highlighting the critical need for proactive management across key areas.

A critical component of DISA's readiness is its personnel. Addressing the skill gap caused by rapid technological advancements requires continuous learning and development programs focused on emerging technologies like cloud computing and cybersecurity. Ensuring certification alignment with operational needs and DoD directives is also paramount, alongside attracting and retaining top talent through a culture of innovation and competitive compensation. Fostering cross-functional expertise further enhances agility and collaboration, ensuring the workforce can effectively tackle complex challenges.

Operational exercises play a vital role in validating DISA's readiness and identifying areas for improvement. Exercises must accurately simulate real-world scenarios and encompass end-to-end system functionality, requiring sufficient resource allocation and data-driven analysis. Exercising seamless communication and information sharing between mission partners and allies is crucial during crises. By implementing a comprehensive exercise program that integrates lessons learned, DISA can continuously refine its capabilities and enhance its responsiveness.

Finally, a robust Continuity of Operations (COOP) plan is essential for maintaining critical services during disruptions. This demands regular plan validation through exercises, ensuring redundancy and resilience in infrastructure and personnel, and integrating cybersecurity considerations into COOP strategies. Effective communication and coordination across DISA and with external stakeholders during emergencies are also paramount. By prioritizing these areas, DISA can ensure it can maintain essential services and support the warfighter, even in the face of significant disruptions.

## **OFFICE OF THE INSPECTOR GENERAL**

The Office of the Inspector General (OIG) is an impartial factfinder for the Director and leaders of DISA. The OIG seeks to improve the efficiency and effectiveness of DISA's programs and operations by conducting Audits, Investigations, and Evaluations. The OIG then evaluates and coordinates to close the recommendations through the Liaison office.

### **AUDIT**

OIG Audit provides independent and objective audit services to promote continuous performance improvement, management, and accountability of DISA operations, programs, and resources to support DISA's missions as a Combat Support Agency. The types of services OIG Audit provide are performance audits, attestation engagements, financial audits, and, occasionally, non-audit services. OIG Audit is built on a framework for performing high-quality audit work with competence, integrity, and transparency.

### **INVESTIGATION**

OIG Investigation supports the efficiency and effectiveness of DISA by providing accurate, thorough, and timely investigative products to key Agency leaders. OIG Investigation performs five primary functions: Hotline Program, Administrative Investigations, Digital Forensics, Criminal Investigation Liaison Support, and Fraud Awareness Program. The fundamental purpose of investigations is to resolve specific allegations, complaints, or information concerning possible violations of law, regulation, or policy.

### **EVALUATION**

OIG Evaluation conducts evaluations and special inquiries to improve processes, optimize the effective use of military and civilian personnel, enhance operational readiness, assess focus areas, and provide recommendations for improvement while teaching and training. The fundamental purpose of evaluations is to assess, assist, and enhance the ability of a command or component to prepare for and perform its assigned mission.

### **LIAISON**

OIG Liaison serves as the conduit between DISA and external parties by providing guidance and assistance ensuring leadership, at all levels, is appropriately informed and ensuring external agency objectives are met while minimizing the impact to DISA operations. OIG Liaison supports DISA as a whole by providing:

- Audit Coordination- Monitor all oversight activities impacting DISA.
- Communication- Liaison between DISA leadership and external parties.
- Follow-up- Track and ensure implementation of all external/internal recommendations.

## **Payment Integrity**

For compliance with the Payment Integrity Information Act of 2019 (Pub. L. No. 116-117, 31 U.S.C. § 3352 and § 3357), DISA has an internal control structure in place to mitigate improper payments that could result in payment recovery actions. Actions taken to prevent overpayments include testing and review of civilian time and attendance, travel payments, and purchase card transactions. Controls are in place through established policy and procedures; training; separation of duties; and data mining to identify risks and fraud vulnerabilities. Additionally, the DFAS, as DISA's accounting service provider, performs overpayment recapture functions on behalf of DISA. The DFAS includes DISA transactions in their sampling populations for improper payment testing for civilian payroll and travel. In FY 2025, improper payments have been detected; however, the majority of those identified have an immaterial or no financial impact (attributable to timing of authorization and supporting documentation). A CAP has been implemented to mitigate future inconsistencies. DISA provides information that is consolidated into the Annual OMB Program and Agency Surveys and then OMB uses that data to populate the [PaymentAccuracy.gov](https://www.paymentaccuracy.gov) website.

## **Federal Entity Trading Partner Information**

DISA's intragovernmental balance reconciliation process begins with extracting and validating trading partner data from FAMIS, encompassing accounts receivable (AR), revenue, accounts payable (AP), and expense transactions. This validated data, representing either the buyer or seller side, is shared with the trading partner, who reciprocates with their corresponding data. A detailed reconciliation is then performed to identify variances, which are subsequently analyzed to determine their drivers. Resolution involves adjusting DISA's records via Journal Vouchers in DDRS when the trading partner provides supporting documentation or requesting the trading partner to adjust their records to match DISA's when the DISA's data is better supported. All reconciliation activities, variance analyses, and adjustments are meticulously documented to maintain a complete audit trail for auditability and compliance.

DISA WCF is DISA GF's largest trading partner by volume, followed by WHS, FMS, Navy GF, Army GF, and Air Force GF. DISA GF also collaborates directly with U.S. Army Corp of Engineers, U.S. Marine Corp, Defense Commissary Agency, DFAS, Defense Threat Reduction Agency, Defense Human Resources Activity, and Missile Defense Agency on reconciliations and adjustments, and while the transaction volume with these partners is lower, direct collaboration is crucial to ensure balance alignment.

To comply with the TFM deadline and enable G-Invoicing usage for all Buy/Sell transactions by Fall 2025, the implementation schedule includes an upgrade of FAMIS to Oracle ERP 12.2.14 and implementing DISA intradepartmental orders, targeting completion around mid-October 2025, while acknowledging potential impediments such as timeline dependencies, GTC modification limitations, lack of an Oracle solution for seller-initiated modifications, and general buyer-seller disputes.

**DoD Office of Inspector General (OIG)  
Audit Report Transmittal Letter**



**OFFICE OF INSPECTOR GENERAL**  
**DEPARTMENT OF DEFENSE**  
4800 MARK CENTER DRIVE  
ALEXANDRIA, VIRGINIA 22350-1500

November 13, 2025

MEMORANDUM FOR UNDER SECRETARY OF WAR (COMPTROLLER)/  
CHIEF FINANCIAL OFFICER, DOW  
DIRECTOR, DEFENSE FINANCE AND ACCOUNTING SERVICE  
DIRECTOR, DEFENSE INFORMATION SYSTEMS AGENCY

SUBJECT: Transmittal of the Independent Auditor's Reports on the Defense Information  
Systems Agency General Fund Financial Statements and Related Notes for  
FY 2025  
(Project No. D2025-D000FL-0054.000, Report No. DODIG-2026-008)

We contracted with the independent public accounting firm of Kearney & Company, P.C. (Kearney) to audit the Defense Information Systems Agency (DISA) General Fund Financial Statements and related notes as of and for the fiscal years ended September 30, 2025. The contract required Kearney to provide a report on internal control over financial reporting and compliance with provisions of applicable laws and regulations, contracts, and grant agreements, and to report on whether the DISA General Fund's financial management systems substantially complied with the requirements of the Federal Financial Management Improvement Act of 1996. The contract required Kearney to conduct the audit in accordance with generally accepted government auditing standards (GAGAS); Office of Management and Budget audit guidance; and the Government Accountability Office/Council of the Inspectors General on Integrity and Efficiency, "Financial Audit Manual," Volume 1, June 2025; Volume 2, June 2024; and Volume 3, August 2025. Kearney's Independent Auditor's Reports are attached.

Kearney's audit resulted in a disclaimer of opinion. Kearney could not obtain sufficient, appropriate audit evidence to support the reported amounts within the DISA General Fund Financial Statements. As a result, Kearney could not conclude whether the financial statements and related notes were presented fairly and in accordance with Generally Accepted Accounting Principles. Accordingly, Kearney did not express an opinion on the DISA General Fund FY 2025 Financial Statements and related notes.

Kearney's separate report, "Independent Auditor's Report on Internal Control Over Financial Reporting," discusses three material weaknesses related to the DISA General Fund's internal controls over financial reporting.\*

Kearney's additional report, "Independent Auditor's Report on Compliance with Laws, Regulations, Contracts, and Grant Agreements," discusses three instances of noncompliance with provisions of applicable laws and regulations, contracts, and grant agreements. Specifically, Kearney's report describes instances in which DISA did not comply with the Federal Financial Management Improvement Act of 1996, the Federal Managers' Financial Integrity Act of 1982, or section 1502(a), title 31, United States Code.

In connection with the contract, we reviewed Kearney's reports and related documentation and discussed them with Kearney's representatives. Our review, as differentiated from an audit of the financial statements and related notes in accordance with GAGAS, was not intended to enable us to express, and we do not express, an opinion on the DISA General Fund FY 2025 Financial Statements and related notes. Furthermore, we do not express conclusions on the effectiveness of internal controls over financial reporting, on whether the DISA General Fund's financial systems substantially complied with Federal Financial Management Improvement Act of 1996 requirements, or on compliance with provisions of applicable laws and regulations, contracts, and grant agreements. Our review disclosed no instances in which Kearney did not comply, in all material respects, with GAGAS. Kearney is responsible for the attached November 13, 2025 reports and the conclusions expressed within the reports.

We appreciate the cooperation and assistance received during the audit. If you have any questions, please contact me.



Lorin T. Venable, CPA  
Assistant Inspector General for Audit  
Financial Management and Reporting

Attachments:

As stated

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\* A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting that results in a reasonable possibility that management will not prevent, or detect and correct, a material misstatement in the financial statements in a timely manner.



## **Independent Auditor's Report**

## **INDEPENDENT AUDITOR'S REPORT**

To the Director, Defense Information Systems Agency, and Inspector General of the  
Department of Defense

### **Report on the Audit of Financial Statements**

#### ***Disclaimer of Opinion***

We were engaged to audit the financial statements of the Defense Information Systems Agency (DISA) General Fund (GF), which comprise the Balance Sheet as of September 30, 2025, the related Statements of Net Cost and Changes in Net Position, and the combined Statement of Budgetary Resources (hereinafter referred to as the "financial statements") for the year then ended, and the related notes to the financial statements.

We do not express an opinion on the accompanying financial statements of DISA GF. Because of the significance of the matters described in the ***Basis for Disclaimer of Opinion*** section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements.

#### ***Basis for Disclaimer of Opinion***

We were unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion that the financial statements are complete and free from material misstatements when taken as a whole.

We identified a significant volume of expenses and revenues which were incurred in prior years but not recorded until 2025. Limited initial testing over aged obligations identified several undetected misstatements within the population. DISA GF was unable to provide sufficient audit evidence of the full extent of these errors or identify potential adjustments, resulting in a scope limitation. DISA GF's processes to accrue for expense and revenue activity are incomplete and rely on unvalidated assumptions. Additionally, DISA GF was unable to provide sufficient support to confirm the validity of aged obligations.

We were unable to obtain sufficient appropriate audit evidence to support the existence, completeness, and accuracy of Accounts Receivable (AR), Accounts Payable (AP), Earned Revenue, Gross Costs, and the related budgetary accounts. DISA GF was unable to provide sufficient supporting documentation in a timely manner to support these line items in fiscal year (FY) 2025.

The effects of the conditions described in the preceding paragraphs cannot be fully quantified, nor was it practical, given the available information, to extend audit procedures to sufficiently determine the extent of the misstatements to the financial statements. The effects of the

conditions in the preceding paragraphs and overall challenges in obtaining timely and sufficient audit evidence also made it impractical to execute all planned audit procedures. As a result of these departures, we were unable to determine whether any adjustments might have been found necessary with respect to recorded or unrecorded amounts within the elements of the financial statements.

### ***Responsibilities of Management for the Financial Statements***

Management is responsible for: 1) the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; 2) the preparation, measurement, and presentation of required supplementary information (RSI) in accordance with U.S. generally accepted accounting principles; 3) the preparation and presentation of other information included in DISA GF's Agency Financial Report (AFR), as well as ensuring the consistency of that information with the audited financial statements and the RSI; and 4) the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about DISA GF's ability to continue as a going concern for a reasonable period of time beyond the financial statement date.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our responsibility is to conduct an audit of DISA GF's financial statements in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 24-02, *Audit Requirements for Federal Financial Statements*, and to issue an auditor's report. However, because of the matters described in the ***Basis for Disclaimer of Opinion*** section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements. We are required to be independent of DISA GF and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit.

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, Deferred Maintenance and Repairs, and Combining Statement of Budgetary Resources be presented to supplement the financial statements. Such information is the responsibility of management and, although not a part of the financial statements, is required by OMB and the Federal Accounting Standards Advisory Board (FASAB), who consider it to be an essential part of financial reporting for placing the financial



statements in an appropriate operational, economic, or historical context. We were unable to apply certain limited procedures to the RSI in accordance with GAAS because of matters described in the ***Basis for Disclaimer of Opinion*** section above. We do not express an opinion or provide any assurance on the information.

#### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards* and OMB Bulletin No. 24-02, we have also issued reports, dated November 13, 2025, on our consideration of DISA GF's internal control over financial reporting and on our tests of DISA GF's compliance with certain provisions of laws, regulations, contracts, and grant agreements, as well as other matters. The purpose of those reports is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of DISA GF's internal control over financial reporting or on compliance and other matters. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* and OMB Bulletin No. 24-02 in considering DISA GF's internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads "Kearney &amp; Company". The signature is written in a cursive, flowing style.

Alexandria, Virginia  
November 13, 2025



1701 Duke Street, Suite 500, Alexandria, VA 22314  
PH: 703.931.5600, FX: 703.931.3655, [www.kearneyco.com](http://www.kearneyco.com)

## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

To the Director, Defense Information Systems Agency, and Inspector General of the Department of Defense

We were engaged to audit, in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 24-02, *Audit Requirements for Federal Financial Statements*, the financial statements and the related notes to the financial statements of the Defense Information Systems Agency (DISA) General Fund (GF) as of and for the year ended September 30, 2025, which collectively comprise DISA GF's financial statements, and we have issued our report thereon dated November 13, 2025. Our report disclaims an opinion on such financial statements because we were unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

### Report on Internal Control over Financial Reporting

In connection with our engagement to audit the financial statements of DISA GF, we considered DISA GF's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of DISA GF's internal control. Accordingly, we do not express an opinion on the effectiveness of DISA GF's internal control. We limited our internal control testing to those controls necessary to achieve the objectives described in OMB Bulletin No. 24-02. We did not test all internal controls relevant to operating objectives as broadly defined by the Federal Managers' Financial Integrity Act of 1982, such as those controls relevant to ensuring efficient operations.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies; therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying **Schedule of Findings**, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable

possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the following deficiencies, as

described in DISA GF's accompanying **Schedule of Findings** as Items I, II, and III, to be material weaknesses.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiencies in DISA GF's internal control, as described in the accompanying **Schedule of Findings** as Items IV and V, to be significant deficiencies.

During the audit, we noted certain additional matters involving internal control over financial reporting that were reported to DISA GF's management throughout the audit.

### **The Defense Information Systems Agency General Fund's Response to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on DISA GF's response to the findings identified in our engagement and described in the accompanying Agency Financial Report. DISA GF concurred with the findings identified in our engagement. DISA GF's response was not subjected to the other auditing procedures applied in the engagement of the financial statements and, accordingly, we express no opinion on the response.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and the results of that testing, and not to provide an opinion on the effectiveness of DISA GF's internal control. This report is an integral part of an engagement to perform an audit in accordance with *Government Auditing Standards* and OMB Bulletin No. 24-02 in considering DISA GF's internal control. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in blue ink that reads "Kearney & Company". The signature is stylized and cursive.

Alexandria, Virginia  
November 13, 2025

## *Schedule of Findings*

### *Material Weaknesses*

Throughout the course of our audit work at the Defense Information Systems Agency (DISA) General Fund (GF), we identified internal control deficiencies which were considered for the purposes of reporting on internal control over financial reporting. The material weaknesses presented in this Schedule of Findings have been formulated based on our determination of how individual control deficiencies, in aggregate, affect internal control over financial reporting.

**Exhibit 1** presents the material weaknesses identified during our audit.

### *Exhibit 1: Material Weaknesses and Sub-Categories*

Material Weakness	Material Weakness Sub-Category
I. Accounts Payable/ Expense and Accounts Receivable/Revenue	A. Testing Results of Revenue Samples B. Testing Results of Expense Samples C. Lack of Timely and Effective Accounts Payable Estimated Accrual Validation
II. Budgetary Resources	A. Invalid Unfilled Customer Orders Without Advance Transactions B. Invalid Undelivered Order Transactions C. Inaccurate Upward and Downward Adjustments of Prior- Year Obligations D. Untimely Undelivered Order Transactions
III. Property, Plant, and Equipment	A. Property, Plant, and Equipment Completeness Issue

#### **I. Accounts Payable/Expense and Accounts Receivable/Revenue (Modified Repeat Condition)**

Deficiencies in three related areas, in aggregate, define this material weakness:

- A. Testing Results of Revenue Samples
- B. Testing Results of Expense Samples
- C. Lack of Timely and Effective Accounts Payable Estimated Accrual Validation

#### **A. Testing Results of Revenue Samples**

**Background:** DISA GF participates in various types of activities that generate revenue that are reported on its annual Statement of Net Cost (SNC). This revenue is generated primarily to provide information system (IS) services to various trading partners throughout the fiscal year (FY). Examples of revenue include labor hours for services performed and rendered (such as Joint Interoperability Test Command [JITC] services), cost distribution and sharing services among Department of War (DOW) entities, and passthrough revenue where DISA GF bills its customer based off an expense incurred. The DISA GF revenue recorded for the period ended



June 30, 2025 totaled \$220.4 million. DISA GF management is responsible for ensuring revenue transactions are recorded in the correct period for the correct amount.

As part of the procurement process, DISA GF prepares billing documentation for services performed for its customers. This invoice type varies, as it is dependent on whether the transaction is between another Government agency or a commercial customer. Another type of document, which is typically included in addition to the invoice provided by DISA GF, relates to Standard Form (SF)-1080, *Vouchers for Transfers Between Appropriations and/or Funds*. This standard DOW form provides details relating to the amount of the applicable transfer and appropriation, as well as citing the agency's (e.g., DISA GF) Line of Accounting (LOA). A majority of DISA GF's transactions that utilize the SF-1080 forms are processed through the Defense Cash Accountability System (DCAS) and Intragovernmental Payment and Collection (IPAC) system, as well as the 1080-Print billing process. Each of these sources of intragovernmental transactions and billing on behalf of the customers is processed by DISA GF's service organization and collected on behalf of the performing agency.

DISA GF must recognize revenue in the period in which services are provided per Statement of Federal Financial Accounting Standards (SFFAS) No. 7, *Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting*.

**Condition:** A review of 189 DISA GF revenue transactions revealed an 8.5% exception rate. Current-year testing exception categories include 12 samples (\$2.9 million) recorded in FY 2025 for goods and services, such as cost-sharing, passthrough expenses, and unbilled labor, provided in a prior FY and four abnormal transactions (\$601 thousand) that related to corrections from revenue recorded in prior periods. For additional context, this same sample-based test resulted in a 34.2% exception rate during the FY 2024 testing.

**Cause:** DISA GF took steps to remediate control deficiencies identified during prior-year audits. For instance, DISA GF established an accrual in FY 2025 to account for revenue earned but not yet billed. However, DISA GF management's processes and controls continued to result in instances of untimely revenue recognition. The newly established accrual resulted in improved testing results in FY 2025; however, the accrual did not always capture untimely revenue transactions. Many of DISA GF's revenue transactions are driven by its expense recognition, and testing in FY 2025 revealed a material amount of untimely transactions. Additionally, a significant number of obligations were not recorded in DISA GF's financial accounting system accurately and timely. Further, cost-sharing activity among DOW entities is not billed timely. When expenses and obligations that drive its revenue are not recorded timely, DISA GF cannot effectively perform analysis to ensure revenue is recorded in the correct period.

**Effect:** The exceptions noted during sample-based testing amounted to DISA GF's earned revenue being likely misstated by \$2.3 million. However, due to the nature of this control deficiency, additional misstatements may also exist in the balance. Without effective controls to ensure timely revenue recognition, DISA GF is unable to validate that revenue will be billed and collected accurately, completely, and in a timely manner. DISA GF management cannot assert





to the completeness and accuracy of the amounts recorded on the SNC Earned Revenue line item, as well as the Accounts Receivable (AR) line item on the Balance Sheet. DISA GF's current revenue recognition process does not ensure revenue is recorded in the period it is earned.

**Recommendations:** Kearney & Company, P.C. (Kearney) recommends that DISA GF perform the following:

1. Design and implement procedures and controls to confirm that revenue is recorded in the correct period. This should include designing and implementing corrective actions to ensure the underlying driver of revenue (expense and obligations) is recorded timely.
2. Review and identify specific revenue activity that is at risk of being recorded in the subsequent period and include it in the AR/Revenue accrual. This includes JITC labor, cost distribution/sharing activity, and passthrough activity (i.e., recorded external expense drives revenue), as well as design controls and processes to properly account for this activity.

## **B. Testing Results of Expense Samples**

**Background:** DISA GF participates in various activities that generate expenses for the agency which are reported on the SNC. These expenses are generated primarily through the costs to provide IS services to various trading partners, as well as the standard, operational expenses incurred throughout the FY. DISA GF records expenses based on cash payments and estimated expenses based on a straight-line estimation methodology of a certain percentage, calculated by reviewing its history of completed contracts and the expenses recorded compared to contractual ceiling values of the total contract value over the period of performance (PoP). DISA GF expenses recorded for the period ended June 30, 2025 totaled \$3.2 billion. DISA GF management is responsible for ensuring expense transactions are recorded in the correct period for the correct amount and that appropriate documentation is readily available to support the transaction.

As part of the procurement process, DISA GF obtains documentation for services received from the vendor. This invoice type varies depending on whether the transaction is between another Government agency or a commercial vendor. When the transaction is with another Government agency, DISA GF typically obtains an SF-1080. This standard DOW form provides details relating to the amount of the applicable transfer and appropriation, as well as citing the agency's (e.g., DISA GF) LOA. A majority of DISA GF's transactions that utilize the SF-1080 forms are processed through the DCAS and IPAC systems, as well as the 1080-Print billing process. DISA GF's service organization processes and collects payment on behalf of the performing agency for each of these sources of intragovernmental transactions. DISA GF's business process does not require receipt and acceptance over intragovernmental transactions prior to payment of invoices. In FY 2025, DISA GF began implementing a process to manually document receipt and acceptance through written



documentation via e-mail or Memorandum for Record (MFR) by coordinating with the appropriate Contracting Officer's Representative or Program Manager.

Prior to sample-based testing, general ledger (GL) data analysis indicated aged transactions based on the fund year that were excluded for non-statistical testing. The GL data totaled \$2.9 billion with 396,541 individual transactions. The high-risk population of potential prior-period expenses totaled \$94 million as of June 30, 2025.

DISA GF must recognize expenses in the period in which they are incurred per SFFAS No. 1, *Accounting for Selected Assets and Liabilities*. DISA GF is also responsible for ensuring it is using relevant data from reliable sources to support its internal control system per the Government Accountability Office's (GAO) *Standards for Internal Control in the Federal Government*. DISA GF should exchange performance-related data with its trading partners surrounding the delivery and acceptance of goods, along with receipt and consumption of services per the Treasury Financial Manual (TFM).

**Condition:** A statistical sample of 677 GF expense transactions as of June 30, 2025, totaling \$951 million, was selected for review. This sample excluded the high-risk population of previously identified potential prior-period expenses which were tested separately and for which the results are documented below. There were 25 confirmed exceptions, totaling \$5.1 million, for the expense population relating to prior-period expenses and corrections, resulting in an exception rate of 4%. Due to the FY 2025 disclaimer of audit opinion, outstanding follow-up exists for 69 samples, totaling \$73.9 million. For additional context, the same sample-based test had an exception rate of 72% in FY 2024.

Results of testing are summarized below:\*

Statistical Sample Exception Types	Amount	Count
<b>Confirmed Exception</b> – Prior-period activity	\$10.5 million	9
<b>Confirmed Exception</b> – Prior-period correction	\$(5.6 million)	7
<b>Confirmed Exception</b> – Travel-related expenses from a prior period	\$226 thousand	9
<b>Outstanding</b> – Lacked evidence of receipt and acceptance	\$74.3 million	52
<b>Outstanding</b> – Insufficient description of goods and services/service dates	\$12.7 million	24
<b>Outstanding</b> – Insufficient audit evidence provided to draw conclusions	\$44.4 million	37

\*Some exceptions may fall into multiple categories.

A separate sample of 25 GF expense transactions as of June 30, 2025 was selected for a non-statistical review from the high-risk expired-year population. The limited review revealed 12 exceptions for untimely expenditures incurred in a prior period and recorded in the current year

that totaled \$18.2 million. DISA GF performed an additional analysis, which indicated that the total error from this population was likely \$44.5 million.

Results of testing are summarized below:\*

High-Risk Population Exception Types	Amount	Count
Prior-period expense recorded in current year	\$18.2 million	12
Insufficient audit evidence provided to draw conclusions	\$2.7 million	4
Corrections to prior-period activity	\$(21 thousand)	2

\*Some exceptions may fall into multiple categories.

**Cause:** DISA GF's intragovernmental trading partners do not always bill timely due to billing and processing errors. For example, certain large trading partners' reports do not systematically bill DISA GF's documents, which can remain unresolved for multiple years. DISA GF's accrual methodology does not adequately account for delayed billing and processing prior-year activity in the current period. DISA GF's service organization does not always maintain appropriate evidence to support the payments made on DISA GF's behalf. DISA GF management does not have a process in place to retain evidence of receipt and acceptance for intragovernmental expenditures; however, in FY 2025, DISA GF reached out to programs directly to obtain evidence of receipt and acceptance on an individual sample basis. DISA GF accountants also did not always have a strong fundamental understanding of the intragovernmental program activities or established communication lines with program officials within the organizations who are in charge of those programs. Additionally, DISA GF has not effectively established controls to ensure expenses are recognized in the appropriate period.

**Effect:** Without sufficient and appropriate audit evidence to support the completeness of underlying expenses, DISA GF is unable to sufficiently support the amounts reported on DISA GF's SNC and Accounts Payable (AP) (Balance Sheet). DISA GF's financial statements are misstated by at least \$44.5 million, but, due to the scope limitation and unsupported transactions, this amount is likely higher. This insufficient control environment also impacts DISA GF's ability to sufficiently complete accrual estimates, with supported assumptions, to ensure expenses are posted in the proper period. When transactions are not posted timely in DISA GF's GL accounting system, Financial Accounting Management Information System (FAMIS), and underlying supporting documentation is insufficient, DISA GF's accrual methodology cannot effectively ensure that the resulting estimated expenses are accounted for in the correct period. For reimbursable activity, where DISA GF bills its customer based on the associated expense, any related revenue activity will also not be recorded timely.

**Recommendations:** Kearney recommends that DISA GF work with its service organization to perform the following:

1. Ensure that sufficient and appropriate evidence is collected and maintained for each expense transaction prior to processing the payment so DISA GF has readily available

documentation to support expense transactions (e.g., applicable invoice, matching receiving report, and/or applicable contract).

2. Design and implement a process to perform and document receipt and acceptance of intragovernmental expenditure activity prior to or after the payment is processed.

In addition, Kearney recommends that DISA GF perform the following:

1. Design processes and controls to review outstanding intragovernmental agreements to ensure all invoices are being received timely as expected.
2. Design and implement procedures and controls to confirm the expenses are appropriately recorded in the proper period or accounted for through DISA GF's accrual process, as well as retain the necessary documentation and support for each transaction type.
3. Require trading partners to provide sufficient and appropriate audit evidence for each individual invoice transaction as part of the initial Military Interdepartmental Purchase Request (MIPR) or contractual agreement.
4. Post obligation data (including amendments) timely and ensure data is accurate within the GL accounting system.

### **C. Lack of Timely and Effective Accounts Payable Estimated Accrual Validation**

**Background:** A liability is the responsibility of a Federal Government agency to provide assets or services to another entity at a determinable date, when a specific event occurs, or on demand. Federal agencies should only record a liability when there is a probable and measurable future outflow or other sacrifice of resources as a result of past transactions. When a Federal agency is preparing financial statements, a methodology for estimating amounts owed, but not yet invoiced, must be established. This AP estimate ensures expenses are recorded in the proper period using accrual accounting and the matching principle. Management is responsible for developing these reasonable estimates based on assumptions and relevant factors and comparing estimates with subsequent results to assess the accuracy of the estimation process.

DISA GF's AP accrual is intended to recognize amounts owed by DISA GF for goods and services received, but not yet invoiced. DISA GF records expenses based on cash payments and estimated expenses based on a straight-line estimation methodology of a certain percentage, calculated by reviewing its history of completed contracts and the payments recorded compared to contractual ceiling values of the total contract value of the PoP. The majority of AP recorded on DISA GF's Balance Sheet is recorded using this methodology. As of September 30, 2024, invoiced AP totaled \$7.9 million, while estimated AP totaled \$340.5 million. Approximately 80% of DISA GF's estimated AP is with the Working Capital Fund (WCF), which is validated through a reconciliation between each Fund. The GF's estimated non-WCF accrual subject to a separate validation as of September 30, 2024 totaled \$68.3 million, which is mostly intragovernmental activity.

DISA GF must recognize expenses in the period in which they are incurred per SFFAS No. 1. DISA GF is also responsible for ensuring it is using relevant data from reliable sources to

support its internal control system per GAO's *Standards for Internal Control in the Federal Government*.

**Condition:** During FY 2025, DISA GF performed a statistical review of subsequent-period activity to validate its AP accrual methodology from the prior year. DISA GF's accrual validation process relied on payment and other data to confirm what period services/goods were provided. Reperformance of the sample documentation identified that 55 out of 97 samples selected by DISA GF did not have sufficient evidence to form a conclusion on which period the services/goods were provided. Follow-up with DISA GF management is currently outstanding to confirm these exceptions.

Further, this validation effort lacked an assessment of the methodology's completeness. DISA GF's process to validate the reasonableness of its non-WCF AP activity accrual estimate only included studying accruals created by the prior-year estimate, rather than all subsequent-period activity that potentially should have been accrued. Current-year non-statistical FY 2025 expense testing revealed at least \$44.5 million of expenses incurred in a prior year that were not included in DISA GF's FY 2024 AP accrual.

**Cause:** DISA GF did not consider activity that was not subject to its AP accrual methodology while performing its validation. Additionally, some activity was excluded from the AP accrual and validation for data integrity concerns, such as blank PoP dates. Supporting documentation behind DISA GF's intra-governmental expenses does not consistently contain sufficient detail to determine when goods or services were actually received. A material amount of obligations activity is recorded more than 30 days after it is signed. DISA GF's estimated accrual methodology is not always consistent with actual business processes and accounting events. For example, DISA GF removes the AP accrual seven months after the PoP end date of the contract; however, FY 2025 expense testing revealed that invoices are posted one to two years after the contractual PoP end date. In some cases, when amendments to contracts were entered into Defense Agencies Initiative (DAI) prior to FY 2025, the contractual start date is updated, which incorrectly changes the estimated AP amount. In FY 2025, DISA GF transitioned to FAMIS as its accounting system and corrected the incomplete PoP dates that are the basis for the accrual methodology.

**Effect:** Without sufficient underlying supporting documentation and data, which includes timely and accurate obligation posting, detailed invoices, receipt and acceptance, and accurate contractual PoP, as well as a comprehensive process that includes all disbursements/current-year activity to validate the reasonableness of significant accounting estimates, the estimates may be based on assumptions that are not consistent with actual events and data. This increases the risk that DISA GF's financial statements may be misstated. Inaccurate contractual dates within DAI from FY 2024 and failure to validate the estimated accrual methodology limit DISA GF's ability to obtain relevant information to adjust and post an accurate AP accrual as of September 30, 2025. As a result, at least \$44.5 million of prior-year expenses were recorded in FY 2025 and were not properly accounted for in DISA GF's AP accrual process.

**Recommendations:** Kearney recommends that DISA GF perform the following:

1. Reassess the reasonableness of the AP estimation technique and its underlying assumptions based on the results and conclusion of the validation effort. This could include analyzing and organizing the data and activity in similar programmatic categories and posting more than one accrual.
2. Work with intragovernmental trading partners to ensure billing is completed timely, which may include ensuring Program Managers are tracking expected invoices and relevant key supporting documentation.
3. Perform a comprehensive review of subsequent invoices to validate the AP accrual. DISA GF should compare actual vendor invoice supporting documentation, such as when the good/service was incurred, and amounts to the estimated AP balance to assess the reasonableness of the estimate.
4. Perform a review of obligation data to ensure the contractual start and end dates are entered correctly into DISA GF's GL system.
5. Post obligation data, including amendments, timely and ensure contractual dates are correct within the GL accounting system.

## **II. Budgetary Resources (*Repeat Condition*)**

Deficiencies in four related areas, in aggregate, define this material weakness:

- A. Invalid Unfilled Customer Orders Without Advance Transactions
- B. Invalid Undelivered Order Transactions
- C. Inaccurate Upward and Downward Adjustments of Prior-Year Obligations
- D. Untimely Undelivered Order Transactions

### **A. Invalid Unfilled Customer Orders Without Advance Transactions**

**Background:** *Unfilled Customer Orders (UCO) Without Advance*, United States Standard General Ledger (USSGL) Account 422100, represent orders for goods and/or services to be furnished for other Federal Government agencies and for the public. Federal agencies record UCOs Without Advance when they enter into an agreement, such as a MIPR, contract, or sales order, to provide goods and/or services when a customer cash advance is not received. These orders provide obligational budgetary authority for reimbursable programs. Agencies should maintain policies and procedures to ensure that UCOs represent valid future billings and collections.

DISA GF reported approximately \$245.6 million in UCOs Without Advance on its March 31, 2025 trial balance. The account balance is supported by a subsidiary ledger that details information such as the fund, document number, order amount, and transaction date, among other unique identifying details for each UCO balance.



In FY 2022, DISA GF implemented a control to record an adjustment for dormant UCOs, in which DISA GF would post an on-the-top journal voucher (JV) to reduce the UCO balance by the amount identified. Starting in Quarter (Q) 2 of FY 2025, DISA GF no longer posts the adjustment as an on-the-top JV, but rather as an adjustment in FAMIS. Dormant UCOs are identified by UCO balances as uncollected orders aged greater than 365 days and the order date is greater than 18 months. The effectiveness of this dormant adjustment process is dependent on obligation data being accurate and transactions being recorded in a timely manner. The accuracy and timeliness of recording obligation and expense transactions impacts the UCO dormant adjustment as revenue transactions are driven from expense transactions and the AP accrual, which relies on accurate recording of the PoP and timely recording of expenditures.

DISA GF must ensure that contracts are physically completed when the Government has inspected and accepted all supplies and/or services per the Federal Acquisition Regulation (FAR). DISA GF should ensure that UCOs only include amounts that represent goods and/or services to be furnished to its customers per TFM Bulletin 2025-08, Section II.

**Condition:** DISA GF did not have sufficient controls in place to ensure invalid UCOs Without Advance are not reported on the Spending Authority from Offsetting Collections line of the Statement of Budgetary Resources (SBR). While a control was put in place to record a JV for dormant UCOs Without Advance, not all dormant balances for physically completed contracts were identified and adjusted. The results of the pilot sample of Beginning Balance Undelivered Orders (UDO) were that nine out of 10 samples were noted as either exceptions or inconclusive, with an identified impact of \$21.4 million. In several of these pilot samples, untimely expense transactions were noted to exist in the history of the UDO. This late activity would cause the dormant balance to be missed by DISA GF's dormancy criteria. DISA GF revenue transactions impacting the UCO balance are driven from expense transactions. Since untimely expense transactions were noted, it is reasonable to infer that not all dormant UCOs were identified for the dormant adjustment. DISA GF was unable to reconcile the UCO Without Advance population to the UDO population.

**Cause:** DISA GF does not consistently monitor open UCOs for validity to ensure that return of funds occurs timely. Additionally, DISA GF does not have effective monitoring controls to identify at-risk UCOs to assess validity and adjust accordingly. DISA GF's dormant control over UCOs does not provide an accurate, complete, or appropriate review and/or adjustment for the open UCO balances. Errors in the GL accounting system, such as abnormal disbursements and untimely recording of transactions, make it difficult to use GL activity as a basis for the criteria of the dormant control. Additionally, UCOs Without Advance relating to DISA GF's Joint Service Provider (JSP) and Payroll business processes do not reconcile to the UDOs population. The JSP activity consists of cost transfers that may have a single obligation; however, the invoices may be split between multiple customers and would not have a one-to-one match. This complexity increases the risk of errors remaining uncorrected.

**Effect:** The exceptions noted during the pilot sample of Beginning Balance UDOs present an increased risk of similar errors throughout the population. Since DISA GF's revenue transactions are driven by expense transactions, errors in the UDO population increase the risk of errors in the UCO population. Until DISA GF completes an analysis to determine the extent of these errors and takes corrective action, the population carries an increased risk of material misstatement. Without effective controls relating to DISA GF's dormant control and timely revenue recognition, DISA GF is unable to determine the validity of the UCO population.

**Recommendations:** Kearney recommends that DISA GF perform the following:

1. Implement policies to ensure that funds holders are adequately assessing the validity of the open UCO balances and adjust invalid UCOs immediately upon determining dormancy.
2. Implement policies, or update existing policies, which require the Procurement Services Directorate (PSD) to process contract actions timely once all goods and services have been provided to the customer.
3. Review the entire UCO population for invalid and dormant accounts to support an adjustment to the Beginning Balance UCO population.
4. Implement controls to ensure transactions are recorded accurately and in the proper accounting period, as well as contain the necessary documentation and support for each transaction.

## **B. Invalid Undelivered Order Transactions**

**Background:** UDOs, Unpaid represent the amount of goods and/or services ordered which have not been actually or constructively received and for which amounts have not been prepaid or advanced. Federal agencies record UDOs when they enter into an agreement, such as a MIPR, contract, or sales order, to receive goods and/or services. Agencies should maintain policies and procedures to ensure that UDOs represent valid future outlays.

DISA GF reported more than \$1.6 billion in UDOs on its March 31, 2025 trial balance and \$2.2 billion as of September 24, 2024. The account balance is supported by a subsidiary ledger that details information such as the document number, obligated amount, undelivered amount, and transaction date, among other unique identifying details for each UDO balance.

In FY 2022, DISA GF implemented a control to record an adjustment for dormant UDOs, in which DISA GF would post an on-the-top JV to reduce the obligation balance by the amount identified. Starting in Q2 of FY 2025, DISA GF no longer posts the adjustment as on-the-top JV, but rather as an adjustment in FAMIS. UDO balances with uncollected orders aged greater than 365 days and the obligation date greater than 18 months are considered to be dormant. The effectiveness of this dormant adjustment process is dependent on obligation data being accurate and transactions being recorded in a timely manner. The accuracy and timeliness of recording transactions also impacts the UCO dormant adjustment as revenue transactions are driven from



expense transactions and the AP accrual, which relies on accurate recording of the PoP and timely recording of expenditures.

DISA GF must ensure that obligations will result in outlays immediately or in the future per Office of Management and Budget (OMB) Circular A-11, *Preparation, Submission, and Execution of the Budget*.

**Condition:** During Beginning Balance testing, a pilot sample of 10 Beginning Balance UDOs not included in DISA GF's dormant adjustment were selected for validity review. The sample selection targeted UDOs considered to have a higher risk of being dormant, such as UDOs without FY 2025 liquidations and a low percentage of liquidations as compared to the length of time the contract was open. Testing revealed that 10 out of the 10 UDOs tested were either invalid or validity was not sufficiently supported by underlying documentation as of September 30, 2024. The following exceptions were identified:

- Four UDOs, totaling \$11.9 million, confirmed to be invalid as of September 30, 2024
- Six UDOs, totaling \$12.4 million, where validity could not be confirmed due to the age of the PoP, lack of liquidations, and/or insufficient receipt and acceptance documentation.

**Cause:** DISA GF's funds holders do not consistently monitor open obligations for validity to ensure that de-obligations and Downward Adjustments of Prior-Year Obligations occur timely. Additionally, DISA GF does not have effective monitoring controls to identify at-risk UDOs to assess validity and adjust accordingly. DISA GF's dormant control over UDOs does not provide an accurate, complete, or appropriate review and/or adjustment for the open UDO balances. Errors in the GL accounting system, such as abnormal disbursements and untimely recording of transactions, make it difficult to use GL activity as a basis for the criteria of the dormant control.

Additionally, validity could not be determined on UDOs due to issues noted during FY 2024 expense testing, such as expenses that were incurred in a prior period, insufficient service/delivery date documentation, or insufficient goods/service description. DISA GF does not have a systematic way to request and store all necessary third-party invoices to support expenses for reimbursable transactions. Although DISA GF sent an MFR for receipt and acceptance, the MFR did not always provide a sufficient description of the documentation reviewed by the author to determine the goods/services had been received.

**Effect:** The exceptions noted during Beginning Balance pilot sample-based testing amounted to DISA GF's SBR Line 1071, *Unobligated balance from prior year budget authority, net (discretionary and mandatory)*, being likely misstated by at least \$24.4 million. However, due to the nature of this control deficiency, along with the unsupported activity, additional misstatements may exist in the balance. Without effective controls relating to the entity's dormant control, DISA GF is unable to determine the validity of the UDO population. Untimely and inaccurate transactions limit DISA GF's ability to obtain relevant information to adjust and post the dormant adjustment for both UDOs and UCOs, as well as the AP accrual methodology.

Additionally, the high volume of invalid UDOs hinders DISA GF's ability to manage its funds. Funds that could be used for other purposes across the organization remain open as dormant UDOs. The volume of dormant UDOs in DISA GF's accounting records makes monitoring UDOs more difficult and increases the risk of erroneous or improper payments.

**Recommendations:** Kearney recommends that DISA GF perform the following:

1. Update existing policies to ensure that funds holders are adequately assessing the validity of the open UDO balances and deobligate invalid UDOs, when appropriate.
2. Implement policies, or update existing policies, which require the PSD to process contract actions timely once all goods and services have been received from the vendor.
3. Review the entire UDO population for invalid and dormant accounts to support an adjustment to the Beginning Balance UDO population.
4. Implement controls to ensure transactions are recorded accurately and in the proper accounting period, as well as contain the necessary documentation and support for each transaction.

### **C. Inaccurate Upward and Downward Adjustments of Prior-Year Obligations**

**Background:** Adjustments to unpaid obligations consist of USSGL Accounts 487100, *Downward Adjustments of Prior-Year Unpaid Undelivered Orders – Obligations, Recoveries*; 488100, *Upward Adjustments of Prior-Year Undelivered Orders – Obligations, Unpaid*; 497100, *Downward Adjustments of Prior-Year Unpaid Delivered Orders – Obligations, Recoveries*; and 498100, *Upward Adjustments of Prior-Year Delivered Orders – Obligations, Unpaid*. These accounts represent modifications during the current FY resulting from Downward or Upward Adjustments to obligations or delivered orders originally recorded in a prior FY. Recovered budget authority is presented on SBR Line 1071, *Unobligated Balance from Prior Year Budget Authority, net*, and Upward Adjustments to budget authority is presented on SBR Line 2190, *New Obligations and Upward Adjustments*. DISA GF is responsible for developing policies and procedures to ensure that budgetary activity is accurately reported in accordance with USSGL guidelines.

DISA GF developed a JV process starting in Q2 of FY 2021 to remove inaccurate Upward and Downward Adjustments of Prior-Year Unpaid Obligations resulting from DAI posting logic issues. DISA GF continues to remove inaccurate postings with the transition to FAMIS. Specifically, DISA GF became aware that the processing of certain administrative modifications resulted in inappropriate postings to its budgetary accounts. To adjust for these inaccurate postings, DISA GF determines the inaccurate Upward or Downward Adjustments of Prior-Year Obligations from the UDO report, identifying matching transactions to General Ledger Account Codes 487100 and 488100.

Per 31 United States Code (U.S.C.) 1502, DISA GF must not record obligation on expired funds. DISA GF must accurately record obligations; the over-recording and the under-recording of obligations are equally improper per GAO's *Principles of Federal Appropriations Law*.

**Condition:** DISA GF reported \$252.2 million in Recoveries to USSGL Account 487100 and \$34.4 million in Upward Adjustments to USSGL Account 488100 on its March 31, 2025 trial balance. The account balance is supported by transaction-level detail that contains information such as document number, project number, and amount, among other identifying details.

A pilot sample of 15 Recoveries of Prior-Year Obligations was selected for review. Exceptions were identified that related to a deobligating document that was signed in a prior FY but not recorded until the current FY, resulting in the transactions being recorded untimely.

Additionally, exceptions were noted when a transaction was not supported by a valid deobligating document or where adjustments to the GL were made due to incorrect posting logic in FAMIS. Results of testing are summarized below:

Exception Type (4871)	Amount	Count
Untimely Recording	\$1.5 million	2
Incorrect Posting Logic in FAMIS*	\$23.6 million	4
Not Supported by Valid De-Obligating Document	\$1.9 million	1

\*The exception was corrected as of June 30, 2025.

A judgmental sample of 15 Upward Adjustments of Prior-Year Obligations was selected for review. Exceptions were noted that related to obligations signed in FY 2025 Operations and Maintenance (0100) funding and Procurement (0300) funding from prior FYs, creating obligations on expired funding. Other exceptions included transactions that were the result of incorrect posting logic in FAMIS. Results of testing are summarized below:

Exception Type (4881)	Amount	Count
Obligation on Expired Funding	\$3.4 million	6
Incorrect Posting Logic in FAMIS*	\$20.4 million	7

\*The exception was corrected as of June 30, 2025.

**Cause:** Despite DISA GF's implementation to identify and adjust for erroneous transactions resulting from FAMIS posting logic issues, a significant number of unsupported or untimely transactions exist in DISA GF's accounts. Additionally, DISA GF's financial system, FAMIS, does not allow administrative changes on Prior-Year Obligations without posting the administrative change through USSGL Accounts 487100 and 488100, causing errors on the SBR. There have been instances where DISA GF has not yet implemented effective control procedures to ensure that transactions recorded to USSGL Accounts 487100 or 488100 were properly supported Upward or Downward Adjustments to Prior-Year Obligations. DISA GF also did not have effective control procedures to ensure that transactions recorded in USSGL Accounts 487100 and 488100 were recorded in a timely manner in the correct FY due to mission partners providing deobligating documents untimely.

Additionally, DISA GF has reimbursable transactions for which the exact amounts at year-end are unknown. DISA GF recorded these transactions as unsupported end-of-year (EOY) modifications (MOD), then subsequently removed the EOY MOD to record the obligation in FY 2025, resulting in obligations on expired funding. DISA GF officials have provided us with updated planned procedures for recording these transactions at FY-end that will potentially remedy the compliance issue.

**Effect:** SBR Line 1071, *Unobligated balance from prior year budget authority, net (discretionary and mandatory)*, was misstated by at least \$27 million and SBR Line 2190, *New Obligations and Upward Adjustments*, was misstated by at least \$23.8 million due to known errors as of March 31, 2025. Additionally, DISA GF violated 31 U.S.C. § 1502 (a) relating to recording obligations against expired funding sources.

**Recommendations:** Kearney recommends that DISA GF perform the following:

1. Implement a process and control to work with mission partners to ensure that all transactions recorded to USSGL Accounts 487100 and 488100 reference obligations recorded in a prior FY and are recorded timely.
2. Implement procedures to confirm that each transaction is supported by documentary evidence meeting the requirement for Government obligations of USSGL Account 487100 and 488100 transactions to ensure that any transactions are produced by accounting events (i.e., contractual obligation or deobligation and not administrative fund changes).
3. Monitor and ensure administrative changes to a Prior-Year Obligations post without an entry to USSGL Accounts 487100 and 488100 in FAMIS.
4. Implement procedures to ensure obligations are not recorded on expired funding, either by recording obligations timely with estimated amounts or utilizing multi-year funding options.

#### **D. Untimely Undelivered Order Transactions**

**Background:** An obligation is a legally binding agreement that will result in outlays, immediately or in the future. When an agency places an order, signs a contract, awards a grant, purchases a service, or takes other actions that require the Government to make payments to the public or from one Government account to another, the agency incurs an obligation. Agencies should maintain policies, procedures, and ISs to ensure that obligations represent required Federal outlays, comply with laws and regulations, and are appropriately approved. DISA GF reported more than \$1.73 billion in UDO on its June 30, 2025 trial balance. The account balance is supported by a subsidiary ledger that details information such as the document number, obligated amount, undelivered amount, and transaction date, among other unique identifying details for each UDO balance. The accuracy and timeliness of recording obligations also impacts the UDO and UCO dormant adjustments and the AP accrual, which are based on accurate recording of the PoP and timely recording of expenditures.

DISA GF is responsible for establishing controls to ensure DISA GF enters UDOs Without Advance into the financial management system timely. DISA GF must record transactions promptly per GAO's *Standards for Internal Control in the Federal Government*.

**Condition:** DISA GF does not have effective controls in place to ensure that obligations are entered into the financial management system within 10 calendar days of execution of the obligating document. DISA GF prepared an analysis over obligations established in the month of August 2025. The analysis portrayed error percentages that were comparable to the exception rate in the prior year's Notice of Finding and Recommendation (NFR). Specifically, DISA GF's analysis noted:

Total Obligations Processed: 1,246	Percent	Count
Obligations over 10 days	11.83%	100
Obligations over 30 days	5.56%	47
Untimely cross-FY	.47%	4

**Cause:** DISA GF does not have controls in place to ensure that obligations are entered into the financial management system within 10 days of execution of the original obligating document. DISA GF's root cause analysis did not identify specific issues causing the untimely UDOs. Additionally, DISA GF did not have effective agency-wide monitoring controls to ensure timely recording of contracting actions.

**Effect:** Insufficient controls to ensure that obligations are recorded in a timely manner increase the risk that:

- Obligations will not be recorded in the proper period and, thus, will be misstated on DISA GF's financial statements
- Goods or services may be acquired and/or received prior to an authorized obligation certifying the availability of funds or prior to an authorized contract or purchase order being established. The process of authorizing the obligation and certifying funds availability ensures the completeness of the recorded obligation balances
- The Antideficiency Act could be violated. If obligations are not recorded prior to the acquisition of goods and/or services, the agency could obligate more funds than it was appropriated
- Payments may not be made in a timely manner in compliance with the Prompt Payment Act of 1982
- The AP accrual may be understated for expenses without an obligation established in the financial system
- The dormant UDO and UCO adjustment may not be accurate, as the adjustment relies on timely recording of transactions.

**Recommendations:** Kearney recommends that DISA GF perform the following:

1. Perform a root cause analysis that identifies specific issues leading to the untimely recording of obligations.
2. Update controls to ensure the timely creation, approval, and recording of obligations. Specifically, DISA GF should implement controls at the obligation level to ensure that obligations are recorded in a timely manner to support funds control.
3. Develop a control to monitor open commitments to ensure obligations are recorded in a timely manner.

### **III. Property, Plant, and Equipment (*Repeat Condition*)**

#### **A. Property, Plant, and Equipment Completeness Issue**

**Background:** The March 31, 2025 DISA GF General Property, Plant, and Equipment (PP&E) line item on the Balance Sheet was composed of equipment, software, and Construction-in-Progress (CIP) with a net book value of \$592.9 million. DISA GF utilizes the Enterprise Logistics Management System (ELMS), formally known as the Defense Property Accountability System (DPAS), as its property management system, which provides property financial reporting information. DISA GF utilizes a separate property management system, Property Accountability Subsidiary Schedule, for reporting in the financial statements for White House Communications Agency assets.

When purchases are made, FAMIS automatically routes potential capital asset purchases to DISA GF's Capital Asset Management (CAM) Team to manually review the acquisition package in FAMIS based on criteria such as expenditure type, capital designator, and funding type.

The CAM Team manually reviews funding acquisition packages over the capital threshold in FAMIS that bypassed Capital Determination and determines if the asset is capital or non-capital using the Capital Determination Checklist. It is the responsibility of DISA GF management to ensure that expenditures are being properly recorded as either capital purchases or other appropriate line items on the Balance Sheet or as Gross Costs on the SNC.

DISA GF utilizes warehouse locations for replacement parts and commonly used pieces of equipment that are purchased on a continual basis and stored at the warehouse locations. All assets entering the warehouse must be barcoded and tracked in the warehouse management system and are recorded as CIP. As components are needed in the field, they are located in the warehouse and shipped to the request sites. DISA GF is responsible for establishing controls to record assets timely and accurately in ELMS.

DISA GF must record capital assets accurately in the correct accounting period. PP&E shall be recognized when the title passes to the acquiring entity or when the PP&E is delivered to the entity or to an agent of the entity. Constructed PP&E must be recorded as CIP until it is placed in service per SFFAS No. 6, *Accounting for Property, Plant, and Equipment*. Additionally, DISA GF must design control activities so that all transactions are completely and accurately recorded per GAO's *Standards for Internal Control in the Federal Government*.



**Condition:** Substantive audit testing for DISA GF's CIP additions identified ineffective controls for capital asset completeness. In FY 2024, DISA GF management incorrectly expensed \$25.2 million assets that should have been capitalized. DISA GF management did not capitalize the assets until FY 2025. In addition, DISA GF did not record an additional \$126 thousand of CIP invoices in the correct FY.

**Cause:** DISA GF's Office of the Chief Financial Officer did not complete its internal control procedures, which includes identifying potential capital purchases and notifying the CAM Team to complete the Capital Determination Checklist.

The untimely capital asset recording generally resulted from inconsistent or ineffective communications between program officials responsible for the assets and the DISA GF officials who are responsible for property accounting. Additionally, due to DISA GF's decentralized environment with equipment in locations worldwide, DISA GF personnel do not always provide documentation to the DISA GF CAM Team timely or have a consistent understanding of property accounting requirements.

**Effect:** DISA GF had a \$25.2 million understatement on DISA GF's PP&E line of the September 30, 2024 Balance Sheet and an overstatement of \$25.2 million on the Gross Costs line of the September 30, 2024 SNC due to inaccurately expensed assets identified during substantive testing. When DISA GF posted the correction in FY 2025, the Gross Costs line of the March 31, 2025 SNC was understated by \$25.2 million due to inaccurately expensed assets identified during substantive testing. Additionally, the untimely recording of invoices resulted in an understatement of \$126 thousand on the PP&E line of the September 30, 2024 Balance Sheet for a combined impact of \$25.3 million understatement on DISA GF's PP&E line of the September 20, 2024 Balance Sheet for those amounts identified during substantive testing.

Because DISA GF lacks an effectively designed control over PP&E completeness, there is also an increased risk that additional material misstatements could occur and not be prevented, or detected and corrected, in a timely manner.

**Recommendations:** Kearney recommends that DISA GF perform the following:

1. Increase coordination between the DISA GF CAM Team, DISA GF Financial Management Team, and DISA GF's main program officials who are responsible for significant property inventories. This may include property management and property accounting training programs for DISA GF's program officials.
2. Expand its existing control for the Capital Determination Checklist to ensure that all capital asset purchases are included in the control.
3. Review existing agreements that are not subject to the Capital Determination Checklist to ensure additional misstatements are corrected timely.

4. Further develop an effective control and process to monitor for timely recording of capital assets and ensure they are recorded in the financial statements in a timely manner by JV if received after the DPAS shutdown period before month-end.
5. Implement an effective control and process to notify the CAM Team when shipments arrive or depart site locations, in addition to enhanced coordination with Property Custodians on asset shipments.

\* \* \* \* \*



## Significant Deficiencies

Throughout the course of our audit work of the Defense Information Systems Agency (DISA) General Fund (GF), we identified internal control deficiencies which were considered for the purposes of reporting on internal control over financial reporting. The significant deficiencies presented in this Schedule of Findings have been formulated based on our determination of how individual control deficiencies, in aggregate, affect internal control over financial reporting.

**Exhibit 2** presents the significant deficiencies identified during our audit:

***Exhibit 2: Significant Deficiencies***

Significant Deficiency	Significant Deficiency Sub-Category
IV. Fund Balance with Treasury	A. Cash Management Report Creation, Reconciliation, and Reporting Processes B. Statement of Differences Reconciliation and Reporting Processes C. Suspense Reconciliation and Reporting Processes
V. Information Technology	A. Complementary User Entity Controls Implementation B. Cross-System Segregation of Duties C. Defense Information Systems Agency General Fund Risk Management Framework D. Financial Accounting Management Information System Database Audit Logging and Monitoring

### **IV. Fund Balance with Treasury (*Repeat Condition*)**

Deficiencies in three related areas, in aggregate, define this significant deficiency:

- A. Cash Management Report Creation, Reconciliation, and Reporting Processes
- B. Statement of Differences Reconciliation and Reporting Processes
- C. Suspense Reconciliation and Reporting Processes

#### **A. Cash Management Report Creation, Reconciliation, and Reporting Processes**

**Background:** DISA GF is one of the Treasury Index (TI)-97 Other Defense Organizations (ODO) whose funds are aggregated at the Department of the Treasury (Treasury). Treasury maintains and reports Fund Balance with Treasury (FBWT) balances through the Central Accounting and Reporting System (CARS) at the Treasury Account Symbol (TAS) and Agency Location Code (ALC) level, rather than at the limit level, which would distinguish DISA GF's FBWT balance from the aggregated ODO FBWT amount. DISA GF's service organization's Treasury Division produces the Cash Management Report (CMR) to provide ODOs with individual FBWT at limit level.

The CMR creation process is complex and requires the compilation of data from multiple sources and systems, including:

- Headquarters Accounting and Reporting System (HQARS)
  - Hcd50css.txt: This file contains both current- and expired-year appropriation execution for the cross-disbursing data from the various other ALCs, which is processed into HQARS
  - Hcb04y01.txt - Edit Table 4: This file converts data utilizing single position (digit) fiscal year (FY) (HQARS) to four-position (digit) FY used by the CMR for period of availability
  - CIGGAX.txt: This file contains all of current FY HQARS receipt/expenditure transactions
- Defense Cash Accounting System (DCAS)
  - OSDLimitConvTable.csv: This file contains Navy subhead to Office of the Secretary of Defense (OSD) Crosswalk information
- Treasury CARS data
  - CARS\_EXPEND.csv
  - CARS\_RECEIPTS.csv
  - GWA\_CMR.csv
- Defense Departmental Reporting System (DDRS)
  - CMR\_Funding.csv: This file contains TI-97 funding.

The data in the CMR is obtained from a number of different sources from various networks, which use a variety of structures for myriad data elements. DISA GF's service organization has created databases to convert the data into a consistent format that is compatible with HQARS. Of the nine documented controls in place, four are manual only and the remaining five have manual components. The primarily manual nature of the controls and procedures increases the risk of errors in the reported data.

DISA GF's service organization consolidates the aforementioned data from HQARS, DCAS, CARS, and DDRS and then generates the CMR in a C# database with that detail. DISA's service organization generates the TI-97 Audit Workbooks using the CMR, and the CMR is used as the basis by which DISA's undistributed adjustments are calculated and are used to force balance DISA GF's FBWT to reconcile to the CMR at the limit level. As a Department of War (DOW) Component, DISA GF is responsible for monitoring and approving the reconciliations performed by Office of the Under Secretary of War (Comptroller) (OUSW[C]) Enterprise Financial Transformation (EFT) on its behalf.

The CMR is broken up into several categories based on TAS and limit, when the limit is known and invalid or unknown. Two of these categories are: Reconciling Items (edit issues) and Unidentified Variances. For the transactions in these categories, the owner agency has not been identified at the time of reporting and, therefore, is not reported on any specific ODO's financial statements, including DISA GF's. DISA GF's service organization is responsible for tracking, researching, and resolving the Reconciling Items and Unidentified Variances timely as part of the TI-97 FBWT reconciliation. The CMR Reconciling Items and Unidentified Variances pose a

completeness risk to DISA GF's reported FBWT and could potentially result in material misstatements for any one specific TI-97 agency, including DISA GF.

DISA GF must reconcile its FBWT activity monthly per the TFM.

**Condition:** There are internal control deficiencies identified in the CMR creation process that negatively impact DISA GF's ability to support the completeness and accuracy of its FBWT balance. DISA GF's service organization does not have effectively designed procedures or controls in place to validate the information imported into HQARS for the CMR creation process and ensure the final CMR is accurate and complete. Specifically:

- The CMR contains unidentified variances and reconciling differences, not attributed to a specific agency at the time of creation, which could contain transactions belonging to DISA GF and could pose a completeness risk to DISA GF
- The existence of significant balances in the Reconciling Items and Unidentified Variances, not attributed to an ODOs, is evidence that the current controls in place will not effectively detect, prevent, or correct a misstatement in DISA GF's reported FBWT balance in a timely manner.

DISA GF, in coordination with its service organization, has not implemented sufficient internal control activities to ensure that transactions recorded in the CMR Reconciling Items and Unidentified Variances do not contain DISA GF collections and disbursements that should be recognized in DISA GF's accounting records. The processes currently in place cannot be relied upon to prevent, detect, or correct misstatements in time for quarterly and FY-end financial reporting. While DISA's service organization prepares quarterly CMR materiality assessments to advise DISA GF and other Defense agencies of the potential count and dollar amount of Reconciling Items and Unidentified Variances transactions belonging to them, based on previously resolved and cleared transactions, the uncleared CMR transactions included in those assessments are substantial.

**Cause:** DISA GF shares TI and TAS with multiple agencies, which prevents it from obtaining its discrete FBWT balance directly from Treasury. DISA GF is dependent on its service organization to provide the FBWT amount on the financial statements in order to balance with the CMR. Additionally, the CMR is created in a secure environment with significant and material amounts of data coming from legacy systems. This further inhibits the ability to validate data elements for DISA GF, as the data is aggregated with an unknown number of other agencies, in a limited access, secured environment; therefore, research is limited.

DISA GF's service organization's process to create the Universe of Transactions (UoT) for the CMR is time-intensive and manual, requiring the consolidation of multiple files from various sources. The CMR UoT continues to contain a high volume of collections and disbursements which require manual research and resolution. That manual research and resolution supports the production of the final UoT, which continues to be unavailable in time for financial reporting

timelines at year-end. The UoTs available for financial reporting have not been completely researched or resolved.

**Effect:** The internal control deficiencies surrounding the CMR creation process may impact DISA GF's ability to: 1) support its financial statement balances in a timely manner; 2) support the completeness and accuracy of its FBWT; and 3) increase the risk that errors or necessary adjustments exist but remain undetected by management. The internal control deficiencies over the creation of the CMR also mean that the assignment of transactions in the CMR to various ODOs may not be accurate. As a result, DISA GF's financial statements may contain significant misstatements that may not be detected and corrected in a timely manner.

DISA GF cannot identify or record CMR Reconciling Items or Unidentified Variances activity belonging to DISA GF into its general ledger (GL) and financial statements pursuant to quarterly financial reporting timelines. Without additional compensating internal controls or monitoring procedures and analyses, the lack of methodology to determine the financial reporting impact of these balances inhibits DISA GF's ability to assert to the completeness and accuracy of reported FBWT on its Balance Sheet and other financial statement line items, as applicable.

**Recommendations:** Kearney & Company, P.C. (Kearney) recommends that DISA GF perform the following:

1. Work with Treasury to establish subaccounts under the basic symbols used by DISA GF (0100, 0300, 0400, 0500) that are unique to DISA GF so that it can obtain Treasury CARS reports to document its FBWT balance directly from Treasury and remove the need for the CMR.
2. Work with Treasury, the Office of the Secretary of War (OSW), DISA's service organization, and other parties to continue transitioning away from using monthly non-CARS reporting ALCs to daily full CARS reporting ALCs.
3. Obtain and review the quarterly materiality assessments and underlying transaction data to identify root causes of why DISA GF's transactions are in the Reconciling Items and Unidentified Variances and not on DISA GF's books. DISA GF should design and implement processes and controls to respond to those root causes.
4. Consider any limitations to its service organization's CMR reconciliation process and continue developing compensating controls to reconcile the CMR to minimize the risk of potential material misstatement.
5. Coordinate with its service organization to continue to develop and implement procedures to resolve differences between the CMR and CARS monthly and identify the agencies for which the differences impact.
6. Coordinate with its service organization to continue to monitor and track the resolution of the various CMR differences categories cleared to DISA to enable the entity to perform root cause analysis. This includes further research and resolution over the transactions not resolved in the UoTs and listed as "to be determined" (TBD).

7. Coordinate with its service organization to continue to develop effective system and process controls to ensure that disbursements and collections are processed with valid TI, TAS, and DOW limits.
8. Coordinate with its service organization to implement appropriate front-end controls that validate data before or as it is being ingested into HQARS, not after the creation of the CMR process.
9. Coordinate with its service organization to create the CMR in a system with appropriate general application information technology (IT) controls to prevent changes to the data without appropriate authorization.

## **B. Statement of Differences Reconciliation and Reporting Processes**

**Background:** DISA GF's service organization provides daily Non-Treasury Disbursing Office (NTDO) disbursing services under various ALCs, often referred to as Disbursing Station Symbol Numbers (DSSN). Additionally, the service organization provides monthly Treasury reporting services under various reporting ALCs, which are different than disbursing ALCs. Monthly, NTDO disbursing activity is submitted to its assigned reporting ALC to generate a consolidated Standard Form (SF)-1219, *Statement of Accountability*, and SF-1220, *Statement of Transactions*. Daily, Treasury Disbursing Office (TDO) ALCs submit reports directly to Treasury and complete SF-224, *Statement of Transactions*, at month-end.

Treasury compares data submitted by financial institutions and Treasury Regional Financial Centers to ensure the integrity of the collection and disbursement activity submitted. A Statement of Differences (SOD) report, known as the Financial Management Services (FMS) 6652, is generated by Treasury each month in CARS. The SOD report identifies discrepancies between the collections and disbursements reported to Treasury and the transactions that were processed by the ALCs each month (i.e., the month the report is generated).

There are three categories of SOD reports generated by Treasury: 1) Deposit in Transit (DIT); 2) Intra-Governmental Payment and Collections (IPAC) or Disbursing; and 3) Check Issued. Disbursing Officers within the ALCs are required to research and resolve DIT, IPAC, Check Issued, and G-Invoicing differences monthly. DISA GF's service organization has three reporting ALCs which are responsible for month-end reporting of collections and disbursements to Treasury. Further, as a reporting entity, DISA GF is responsible for researching and resolving differences identified on the FMS 6652 for the ALCs that process its transactions to determine whether its transactions are included in an SOD and erroneously omitted from its financial statements.

DISA GF must reconcile its FBWT activity monthly per the Treasury Financial Manual (TFM).

**Condition:** DISA GF, in coordination with its service organization, has not implemented a monitoring control to ensure that transactions that compose the SOD balances in DISA GF's primary DSSNs do not contain DISA GF collections and disbursements that should be recognized in DISA GF's accounting records. The processes currently in place cannot be relied

upon to prevent, detect, or correct misstatements in time for quarterly and FY-end financial reporting. While the service organization prepares quarterly SOD materiality assessments at the DSSN level, for service organization-managed DSSNs, to identify the total count and dollar value of the SOD transactions resolved to DISA GF and other Defense agencies, the uncleared SOD transactions included in the assessments are significant.

**Cause:** DISA GF's service organization's process to create the UoT for SODs is a time-intensive and manual process that requires the consolidation of multiple files from various sources. The SOD UoTs continue to contain a high volume of collections and disbursements which require manual research and resolution. That manual research and resolution supports the production of the final UoTs and materiality assessments but takes a significant amount of time, resulting in them being unavailable for financial reporting. Additionally, at the time of UoT availability, there is a significant volume of transactions, for a significant dollar amount, making up the SOD balances that have not been identified to an entity and are listed in the UoTs as "TBD."

While the service organization has continued efforts to identify root causes by DSSN to reduce SOD balances and clear transactions to DOW entities timely, shared ALCs and lack of Line of Accounting (LOA) information continue to make it difficult to resolve differences timely.

**Effect:** Without receiving the complete and final SOD UoTs from its service organization in a timely manner, DISA GF is unable to identify its transactions that are included within SODs, if any, and to recognize amounts within its accounting records in the period in which the transactions were processed. Further, without additional compensating controls and/or monitoring procedures, DISA GF is unable to assert to the completeness and accuracy of reported FBWT on its Balance Sheet and other financial statement line items, as applicable.

**Recommendations:** Kearney recommends that DISA GF implement internal control activities to ensure that material DISA GF transactions, individually and in the aggregate, are identified and appropriately included within DISA GF's accounting records.

Kearney recommends that DISA GF perform the following:

1. Pursuant to receiving the necessary information and documentation from its service organization, develop and implement procedures to identify DISA GF's actual or estimated SOD balances for recording and reporting adjustments within the financial statements.
2. Assist its service organization by providing supporting information to clear transactions reported in SODs timely.
3. Work with Treasury, OSW, DISA GF's service organization, and other parties to continue transitioning away from using monthly NTDO reporting ALCs to daily TDO reporting ALCs.
4. Consider any limitations to its service organization's SOD process and develop compensating controls to reconcile SOD balances to minimize the risk of a potential material misstatement.



5. Coordinate with its service organization to continue to monitor and track the resolution of SODs cleared to DISA GF to enable DISA to perform root cause analysis and develop compensating controls for financial reporting purposes.
6. Coordinate with its service organization to continue to develop procedures to determine what portion of the SOD balances, if any, should be attributed to DISA GF for financial reporting in a timely manner and made available for year-end financial reporting purposes.
7. Coordinate with its service organization to continue to monitor and track the resolution of SOD activity cleared to DISA GF to enable the entity to perform root cause analysis. This includes further research and resolution over the transactions not resolved in the UoTs and listed as “TBD.”
8. Coordinate with its service organization to continue to assess and identify ALCs that primarily report collection and disbursement activity to Treasury on behalf of DISA GF.
9. Coordinate with its service organization to continue to facilitate recurring meetings with DISA GF to help resolve outstanding differences.

### **C. Suspense Reconciliation and Reporting Processes**

**Background:** DISA GF’s service organization and the OUSW(C) EFT manage, report, and account for FBWT budget clearing (suspense) account activities to Treasury. In addition to monitoring and approving the FBWT reconciliations performed by its service organization and OUSW(C) on its behalf, DISA GF is responsible for the complete and accurate reporting of FBWT on its financial statements and disclosures.

Suspense accounts temporarily hold unidentifiable general, revolving, special, or trust fund collections or disbursements that belong to the Federal Government. An “F” preceding the last four digits of the fund account symbol identifies these funds. These accounts are to be used only when there is a reasonable basis or evidence that the collections or disbursements belong to the U.S. Government and, therefore, properly affect the budgetary resources of the DOW activity. None of the collections recorded in suspense accounts are available for obligation or expenditure while in suspense. Agencies should have a process to research and properly record suspense account transactions in their GL timely. Transactions recorded in DOW suspense are required to be reconciled monthly and moved to the appropriate LOA within 60 business days from the date of transaction.

On behalf of DOW agencies, including DISA GF, its service organization prepares materiality assessments quarterly using a combination of historical data and the current quarter’s raw UoT to estimate the potential impact of outstanding suspense transactions to each DOW entity. The raw UoTs have not been fully researched to identify transaction count and dollar amount impact to DISA GF and other DOW entities and could contain summary lines. Fully researched UoTs are not available until 55 days after quarter-end and year-end financial reporting timelines.

DISA GF suspense transactions, if any, at the time of initial recording, are not included on DISA GF's financial statements. This increases the risk of a misstatement on DISA GF's reported FBWT, as well as the other impacted line items, including Accounts Payable (AP) for disbursements, Accounts Receivable (AR) for collections, and the related budgetary accounts.

DISA GF must reconcile its FBWT activity monthly per the TFM.

**Condition:** DISA GF, in coordination with its service organization, has not implemented sufficient internal control activities to ensure that transactions recorded in suspense accounts do not contain DISA GF collections and disbursements that should be recognized in the DISA GF accounting records. Additionally, DISA GF does not have effective controls over the validation of its recorded disbursements and collections, as they impact complementary line items, including AP, AR, and related line items on the Statement of Budgetary Resources, to ensure it is accounting for all transactions that should be reported on its books. The processes currently in place cannot be relied upon to prevent, detect, or correct misstatements in time for quarterly and FY-end financial reporting.

While DISA's service organization prepares quarterly suspense materiality assessments for each TI to advise DISA GF and other Defense agencies of the potential count and dollar amount of suspense transactions belonging to them, based on previously resolved and cleared suspense transactions, the uncleared suspense transactions included in the assessment are material.

**Cause:** DISA GF's suspense activity is not recorded in unique suspense accounts, but rather in shared TI-97, TI-57, TI-21, and TI-17 suspense accounts. DOW suspense accounts continue to contain a high volume of collections and disbursements which require manual research and resolution. That manual research and resolution is what supports the production of the final UoTs and materiality assessments, but takes a significant amount of time, which is the cause of them not being available in a timely manner for financial reporting. Additionally, at the time of UoT availability, there has been a significant volume of transactions for a material dollar amount in suspense that has not been identified to an entity and is listed in the UoT as "TBD," as well as unknown samples that require on-site testing and summary line transactions.

In addition, DISA GF and its service organization have not designed or implemented a methodology to determine the financial reporting impact of DOW suspense account balances to DISA GF's financial statements for financial reporting in a timely manner sufficient for quarterly and annual financial reporting timelines, including the impact of possible missing collections and disbursements for AP and AR. The assessments do not identify amounts attributed to DISA GF for the current quarter, but estimate the amount based on historical data. Per *Statement of Federal Financial Accounting Standards* (SFFAS) No. 1, *Accounting for Selected Assets and Liabilities*, DISA GF's FBWT represents its claim to the Federal Government's resources and its accounts with Treasury for which DISA GF is authorized to make expenditures and pay liabilities. The materiality assessment methodology is not designed effectively, as it pertains to recording a FBWT projection, should a material misstatement be identified. SFFAS No. 1 does not permit FBWT as a viable account for estimated amounts.



**Effect:** DISA GF cannot identify and record its suspense activity into its GL and financial statements pursuant to quarterly financial reporting timelines. Without additional compensating internal controls or monitoring procedures and analyses, the lack of effective internal controls and processes to determine the financial reporting impact of the suspense balances inhibits DISA GF's ability to assert to the completeness and accuracy of reported FBWT on its Balance Sheet and other related financial statement line items, as applicable.

**Recommendations:** Kearney recommends that DISA GF implement internal control activities to ensure that material DISA GF transactions, individually and in the aggregate, are identified and appropriately included within DISA GF's accounting records.

Kearney recommends that DISA GF perform the following:

1. Continue implementing business process improvements in the related financial statement line items to prevent items from reaching suspense. Specifically, DISA GF should develop and implement monitoring controls and processes for AR and AP balances to reduce the risk of DISA GF having a material amount of disbursements and collections not reflected on its financial statements.
2. Research and resolve suspense transactions by correcting the transactions in source systems and assist its service organization with necessary supporting documentation for corrections, if needed.
3. Obtain and review the quarterly materiality assessments and underlying transaction data to identify root causes of why DISA GF's transactions are in suspense and not on DISA GF's books. DISA GF should design and implement processes and controls to respond to those root causes.
4. Pursuant to receiving the necessary information and documentation from its service organization, develop and implement procedures to identify DISA GF's suspense account balances for recording and reporting into the GLs and financial statements.
5. Coordinate with its service organization to continue to develop procedures to determine what portion of the suspense balances, if any, should be attributed to DISA GF for financial reporting in a timely manner and made available for year-end financial reporting purposes.
6. Coordinate with its service organization to continue to monitor and track the resolution of suspense activity cleared to DISA to enable the entity to perform root cause analysis. This includes further research and resolution over the transactions not resolved in the UoTs and listed as "TBD."
7. Coordinate with its service organization to continue work to develop effective system and process controls to ensure that disbursements and collections are processed with valid TI, TAS, and FY inputs.
8. Coordinate with its service organization to continue to develop and implement processes and controls to eliminate instances where transactions are being placed in suspense accounts intentionally.
9. Coordinate with its service organization to develop and implement a process to validate that all lines in a UoT that are considered "final" are detail lines and not summary lines.

## **V. Information Technology (*Modified Repeat Condition*)**

Deficiencies in four related areas, in aggregate, define this significant deficiency:

- A. Complementary User Entity Controls Implementation
- B. Cross-System Segregation of Duties
- C. Defense Information Systems Agency General Fund Risk Management Framework
- D. Financial Accounting Management Information System Database Audit Logging and Monitoring

**Background for Items V.A and V.B:** DISA GF utilizes several service organizations to support its operations and mission. As such, DISA GF obtains assurances from each organization regarding the effectiveness of the organization's internal controls related to the service(s) provided. Specifically, each organization provides a written assertion that accompanies a description of its service(s) and related information system(s) (IS). These assertions are communicated via a System and Organization Controls (SOC) report. In FY 2025, each service organization provided DISA GF management with a SOC 1®, Type 2 report, *Report on an Examination of Controls at a Service Organization Relevant to User Entities' Internal Control Over Financial Reporting*, to report on the design and operating effectiveness of its internal controls.

In many cases, service organizations design their controls in support of their service(s) with the assumption that the user entities (i.e., customers or users of the service[s]) will implement certain controls (i.e., Complementary User Entity Controls [CUEC]) to achieve the overall control objectives and create a secure computing environment. Specifically, Statement on Standards for Attestation Engagements (SSAE) No. 18, *Attestation Standards: Clarification and Recodification*, defines CUECs as controls that management of the service organization assumes, in the design of the service organization's system, will be implemented by user entities and are necessary to achieve the control objectives stated in management's description of the service organization's system. DISA GF is responsible for ensuring that CUECs are properly implemented and operating effectively in order to rely on the results of the SOC 1® reports.

DISA GF relies on multiple service organizations and their respective SOC reports to gain an understanding of the security posture of each of the systems upon which DISA GF relies. For example, DISA GF utilizes the Defense Logistics Agency's (DLA) Defense Agencies Initiative (DAI) system for time and attendance; DLA's Enterprise Logistics Management System (ELMS) (formerly Defense Property Accountability System [DPAS]) for logistics and property management services; DLA's Wide Area Workflow (WAWF) for management of goods and services; the Defense Finance and Accounting Service's (DFAS) DCAS for transaction distribution services; DFAS's Defense Civilian Pay System (DCPS) for Federal civilian payroll services; DFAS's DDRS for financial reporting services; DFAS's Automated Disbursing System (ADS) for standard disbursing services; the Defense Manpower Data Center's (DMDC) Defense Civilian Personnel Data System (DCPDS) for processing payroll affecting civilian human resource transactions; the DoD Office of the Chief Digital and Artificial Intelligence Officer (OCDAO) Directorate of Scaled Capabilities

Advancing Analytics (Advana) to support budgetary processes; and DFAS's Mechanization of Contract Administration Services (MOCAS) for managing procurement payment and entitlement determinations of contract data for delivery and other reporting.

DISA GF should implement all CUECs required by its service organizations, as documented in the service organizations' SOC reports, per National Institute of Standards and Technology (NIST) Special Publication (SP) 800-53, Revision (Rev.) 5, *Security and Privacy Controls for Information Systems and Organizations*, Control SA-9, "External System Services," and the Government Accountability Office's (GAO) *Standards for Internal Control in the Federal Government* (Green Book, 2014), Section 4. Additionally, DISA GF should identify, document, and implement segregation of duties (SD) controls per NIST SP 800-53, Rev. 5, Control AC-5, "Separation of Duties."

### **A. Complementary User Entity Controls Implementation**

**Condition:** DISA GF has not effectively implemented all CUECs required by its service organizations. Based on a subset of high-risk CUECs (e.g., periodic access reviews and removals) required by DISA GF's service organizations, examples of control deficiencies indicating that CUECs are not operating effectively include the following:

- DISA GF did not consistently remove users' access as part of the periodic access review for the DAI application
- DISA GF did not consistently remove or disable access for DISA GF users of the Advana application upon separation from the agency.

**Cause:** Although DISA GF was aware of the requirements for implementing the CUECs and had begun implementation, it had not finalized implementation of all CUECs as of the end of the FY 2025 financial statement audit. Per the CUEC workbook, DISA GF documented the CUECs that are scheduled for design and implementation testing during DISA GF's three-year CUEC test cycle. Specifically, DISA GF continues to identify and implement compensating controls to remediate control gaps noted during the reviews performed over the CUECs identified within each service organization's SOC 1®, Type 2 report. Additionally, DISA GF maps the relevant CUECs to the corresponding DISA GF performed control. Further, due to the large number of CUECs, DISA GF established a phased approach and executed it to test CUECs based on level of risk and document results of implementation.

**Effect:** DISA GF's failure to effectively implement internal controls to address all required CUECs may result in ineffective controls and the inability to rely on the SOC 1®, Type 2 reports. As SOC 1®, Type 2 reports address the effectiveness of controls related to the user entity's financial reporting, ineffective controls/control objectives (i.e., Access Controls) increase the risk of a negative impact to the confidentiality, integrity, and availability of data supporting DISA GF's financial statements.

**Recommendations:** Kearney recommends that DISA GF perform the following:

1. Implement all CUECs identified within each service organization's SOC 1®, Type 2 report.
2. Identify gaps for CUECs not designed and/or not operating effectively; design and implement controls to remediate those gaps.

## **B. Cross-System Segregation of Duties**

**Condition:** DISA GF has not clearly defined the SD conflicts that may exist between all the systems it utilizes for its day-to-day operation in supporting its financial statements, including those managed by external service organizations. Specifically, DISA GF has not clearly defined the potential conflicts that may arise when individuals have access to multiple systems, including external service organization systems.

**Cause:** Although DISA GF was aware of the requirements for implementing the CUECs and had begun implementation, it had not finalized implementation of all CUECs as of FY 2025. DISA GF has continued to refine its existing process, as documented within the CUEC Review Process narrative. Specifically, DISA GF continues to identify and implement compensating controls to remediate control gaps identified during the reviews performed over the CUECs noted within each service organization's SOC 1®, Type 2 report. Additionally, DISA GF maps the relevant CUECs to the corresponding DISA GF-performed control. Further, due to the large number of CUECs, DISA GF established a phased approach and executed it to test CUECs based on level of risk and document results of implementation.

**Effect:** DISA GF's failure to develop/implement an effective process to document and monitor potential SD conflicts across service organizations results in increased risk that a user may possess unauthorized and/or unmonitored conflicting roles. Users with access privileges that cause SD conflicts may perform functions that impact the integrity of the data within the system and increase the risk of fraudulent activity.

**Recommendations:** Kearney recommends that DISA GF perform the following:

1. Develop and document a comprehensive access control framework that identifies incompatible duties across all systems, including those managed by third-party service organizations.
2. Implement regular reviews of user access rights to detect and remediate conflicts, ensuring roles are appropriately segregated and aligned with internal control requirements.
3. Establish a centralized governance process to oversee access provisioning, including coordination with service organizations to ensure consistent enforcement of SD controls across all environments.

### C. Defense Information Systems Agency General Fund Risk Management Framework

**Background:** DISA GF meets the DOW's IT needs through enterprise security architectures, smart computing options, and other leading-edge IT opportunities. Specifically, DISA GF delivers hundreds of IT support services capabilities and has the capacity to host, support, engineer, test, or acquire IT services.

As described in NIST SP 800-37, Rev. 2, *Risk Management Framework for Information Systems and Organizations*, the Risk Management Framework (RMF) provides a disciplined, structured, and flexible process for managing security and privacy risk that includes information security categorization; control selection, implementation, and assessment; system and common control authorizations; and continuous monitoring. The RMF includes activities to prepare organizations to execute the framework at appropriate risk management levels. The RMF also promotes near-real-time risk management and ongoing IS and common control authorization through the implementation of continuous monitoring processes; provides senior leaders and executives with the necessary information to make efficient, cost-effective risk management decisions about the systems supporting their missions and business functions; and incorporates security and privacy into the system development lifecycle. Executing the RMF tasks links essential risk management processes at the system level to risk management processes at the organization level. In addition, it establishes responsibility and accountability for the controls implemented within an organization's ISs and inherited by those systems.

DISA GF utilizes Enterprise Mission Assurance Support (eMASS) to implement the RMF to its respective systems. eMASS is a web-based Government Off-the-Shelf solution that automates a broad range of services for comprehensive, fully integrated cybersecurity management, including controls scorecard measurement, dashboard reporting, and the generation of RMF for DOW IT Package Reports.

NIST published SP 800-53, Rev. 5 in September 2020 and SP 800-53A, Rev. 5, *Assessing Security and Privacy Controls in Information Systems and Organizations*, in January 2022. Per Office of Management and Budget (OMB) Circular A-130, *Managing Information as a Strategic Resource*, organizations have a one-year grace period prior to finalizing their implementation of any updated requirements.

On September 16, 2024, the DISA GF Authorizing Official (AO) issued a memorandum announcing DISA GF's transition to NIST SP 800-53, Rev. 5. The memorandum states:

"The DISA, Enterprise Integration and Innovation, Risk Management Directorate (RE), recognizes the migration of DISA's System inventory from NIST SP 800-53 Revision 4 to Revision 5 (hereafter Rev. 4 and Rev. 5) is a significant undertaking. With due diligence, the Assessment and Authorization (RE5) staff have prepared a detailed Transition Plan to prepare for DISA's implementation with the goal of ensuring internal and external partners are well informed and provided the necessary knowledge leading to a smooth transition and successful outcome."

**Condition:** DISA GF did not update its RMF documentation, processes, procedures, and System Security Plans (SSP) for the Financial Accounting Management Information System (FAMIS) system environment to reflect updated requirements presented within NIST SP 800-53, Rev. 5 in the prescribed timeline set forth by OMB Circular A-130.

**Cause:** While the DISA AO released a NIST SP 800-53, Rev. 5 transition memorandum, dated September 16, 2024, outlining a plan to implement the Rev. 5 control baseline, the new control set and baseline did not become available in eMASS to DISA GF system owners until March 2025. In March 2025, DISA GF personnel began to implement and validate NIST SP 800 53, Rev. 5 controls within the FAMIS system environment, but, due to time constraints, each system will not be authorized under Rev. 5 until its current authorization expires.

**Effect:** The success of an entity's missions and business functions depends on protecting the confidentiality, integrity, and availability of information processed, stored, and transmitted by their respective systems. Without a fully implemented and effective RMF process, associated security control selection and implementation, or documentation supporting the design of those security controls, entities may be susceptible to threats against their operating environments, which could result in damage to an entity's operations, assets, individuals, or other entities.

**Recommendation:** Kearney recommends that DISA GF management perform the following:

1. Update the system-specific RMF documentation, processes, procedures, and SSPs appropriate security documentation upon reauthorization set forth by the NIST SP 800-53, Rev. 5 security controls implementation. DISA GF should continue to implement and validate the Rev. 5 controls for the FAMIS system and re-authorize each system under Rev. 5 on or before expiration of the current ATO.

#### **D. Financial Accounting Management Information System Database Audit Logging and Monitoring**

**Background:** DISA GF Accounting Integration Branch (CFA33) is responsible for IS security management and audit logging and monitoring for FAMIS.

As a turn-key financial management system software solution, FAMIS is based on Oracle eBusiness Suite (EBS) R12.2.9 to support the following application family of products: GL, AR, AP, Federal Administration, Project Costing, Project Billing, Project Contracts, Purchasing, and Procurement. The resulting system implements Oracle Identity and Access Management to interface with EBS to provide Common Access Card authentication to EBS.



According to NIST SP 800-92, *Guide to Computer Security Log Management*, routine log reviews and analysis are beneficial for identifying security incidents, policy violations, fraudulent activity, and operational problems shortly after they have occurred and for providing information useful for resolving such problems. Logs can also be useful for performing auditing and forensic analysis, supporting the organization's internal investigations, establishing baselines, and identifying operational trends and long-term problems. In addition, organizations should establish policies and procedures for log management, prioritize log management appropriately, and provide proper support for all staff with log management responsibilities.

DISA GF utilizes Oracle to log configuration changes made to the FAMIS database. The FAMIS Database Administrators (DBA) have configured the database to automatically initiate daily e-mail-generated reports based on pre-defined criteria for analysis and review. Subsequently, the DBAs route the e-mail-generated reports to the appropriate personnel (i.e., Information System Security Manager) for analysis and review.

DISA GF should review and analyze system audit records per NIST SP 800-53, Rev. 5, Control AU-6, "Audit Record Review, Analysis, And Reporting."

**Condition:** While DISA GF implemented a process to log and review configuration changes to the FAMIS database daily, DISA GF personnel did not adhere to the required review timeframe of seven days following the daily e-mail-generated audit log reports. Specifically, DISA GF personnel did not perform timely reviews for one of the 37 (~3%) FAMIS database audit logs sampled for testing.

**Cause:** Agency personnel implemented a process to log all configuration changes to the FAMIS database; however, DISA GF failed to consistently perform timely reviews over the database audit logs, as one of the 37 sampled reviews (~3%) was not reviewed within the seven-day timeframe, as defined within the FAMIS SSP. DISA GF personnel inadvertently missed the sample during the GF migration from DAI to FAMIS.

**Effect:** Failure to review FAMIS database audit logs in a timely manner may result in DISA GF personnel being unaware of potential issues that could affect the FAMIS database. Those issues may affect the integrity and availability of the FAMIS database, as well as the security baseline. Untimely audit log reviews may result in inappropriate or malicious actions remaining undetected for an extended period, which may hinder DISA GF's ability to initiate prompt corrective action.

**Recommendations:** Kearney recommends that DISA GF perform the following:

1. Consistently perform reviews over the database audit logs in a timely manner, as defined within FAMIS policies, as well as other Federal and/or DOW criteria (i.e., seven days).

2. Develop and implement a quality control (QC) process over the FAMIS database logging and monitoring review process. The QC process should include procedures to ensure FAMIS database logs are generated and reviewed within prescribed timelines.
3. Continue to retain evidence of the review of FAMIS database logs for third-party review.

\* \* \* \* \*





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## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH LAWS, REGULATIONS, CONTRACTS, AND GRANT AGREEMENTS

To the Director, Defense Information Systems Agency, and Inspector General of the Department of Defense

We were engaged to audit, in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 24-02, *Audit Requirements for Federal Financial Statements*, the financial statements and the related notes to the financial statements of the Defense Information Systems Agency (DISA) General Fund (GF) as of and for the year ended September 30, 2025, which collectively comprise DISA GF's financial statements, and we have issued our report thereon dated November 13, 2025. Our report disclaims an opinion on such financial statements because we were unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

### Report on Compliance and Other Matters

In connection with our engagement to audit the financial statements of DISA GF, we performed tests of DISA GF's compliance with certain provisions of applicable laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of the financial statement amounts and disclosures, including the provisions referred to in Section 803(a) of the Federal Financial Management Improvement Act of 1996 (FFMIA). However, providing an opinion on compliance with those provisions was not an objective of our engagement; accordingly, we do not express such an opinion. The results of our tests, exclusive of those referred to in FFMIA, disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and OMB Bulletin No. 24-02, which are described in the accompanying **Schedule of Findings** as Items II and III.

The results of our tests of compliance with FFMIA disclosed instances in which DISA GF did not comply substantially with Section 803(a) requirements related to Federal financial management system's requirements, applicable Federal accounting standards, or application of the United States Standard General Ledger at the transaction level, as described in the accompanying **Schedule of Findings** as Item I.



## **The Defense Information Systems Agency General Fund's Response to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on DISA GF's response to the findings identified in our engagement and described in the accompanying Agency Financial Report. DISA GF concurred with the findings identified in our engagement. DISA GF's response was not subjected to the other auditing procedures applied in the engagement of the financial statements and, accordingly, we express no opinion on the response.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of compliance with certain provisions of laws, regulations, contracts, and grant agreements, and the results of that testing, and not to provide an opinion on the effectiveness of DISA GF's compliance. This report is an integral part of an engagement to perform an audit in accordance with *Government Auditing Standards* and OMB Bulletin No. 24-02 in considering DISA GF's compliance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in blue ink that reads "Kearney &amp; Company". The signature is written in a cursive, flowing style.

Alexandria, Virginia  
November 13, 2025

## **Schedule of Findings**

### **Noncompliance and Other Matters**

#### **I. Federal Financial Management Improvement Act of 1996 Noncompliance/Other Matter (Repeat Condition)**

The Federal Financial Management Improvement Act of 1996 (FFMIA) requires that an entity's overall financial management systems environment operate, process, and report data in a meaningful manner to support business decisions. FFMIA states that Federal agencies shall comply substantially with the requirements within Section 803(a). These requirements include:

- Federal financial management system requirements
- Applicable Federal accounting standards
- United States Standard General Ledger (USSGL) at the transaction level.

The Defense Information Systems Agency (DISA) General Fund's (GF) financial management systems do not substantially comply with the requirements within FFMIA, as discussed below.

#### ***Federal Financial Management Systems Requirements***

FFMIA requires reliable financial reporting, including the availability of timely and accurate financial information, and maintaining internal control over financial reporting and financial system security. The matters described in the Basis for Disclaimer of Opinion section in the accompanying *Independent Auditor's Report*, as well as the material weaknesses reported in the accompanying *Report on Internal Control over Financial Reporting*, represent noncompliance with the requirement for financial systems and reliable financial reporting.

#### ***Federal Accounting Standards***

FFMIA requires that agency management systems maintain data to support financial reporting in accordance with accounting principles generally accepted in the United States of America (GAAP). As described in the Basis for Disclaimer of Opinion section in the accompanying *Independent Auditor's Report*, we experienced a scope limitation and were unable to obtain sufficient appropriate audit evidence regarding the completeness and accuracy of DISA GF's financial statements. Because of the significance of this scope limitation, we were unable to determine whether DISA GF's financial statements contained material departures from GAAP.

#### ***United States Standard General Ledger at the Transaction Level***

FFMIA requires that agency management systems record financial events by applying the USSGL guidance in the Treasury Financial Manual (TFM) at the transaction level. As described in the Basis for Disclaimer of Opinion section in the accompanying *Independent Auditor's Report*, we experienced a scope limitation and were unable to obtain sufficient appropriate audit

evidence regarding the completeness and accuracy of DISA GF's financial statements. Because of the significance of this scope limitation, we were unable to execute all planned audit procedures, including tests for compliance with the USSGL at the transaction level.

## **II. Noncompliance with Federal Managers' Financial Integrity Act of 1982 (Repeat Condition)**

Office of Management and Budget (OMB) Circular A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*, implements the requirements of the Federal Managers' Financial Integrity Act of 1982 (FMFIA). FMFIA and OMB Circular A-123 require agencies to establish a process to document, assess, and assert to the effectiveness of internal control over financial reporting.

DISA GF has not established and implemented controls in accordance with standards prescribed by the Comptroller General of the United States, as codified in the Government Accountability Office's (GAO) *Standards for Internal Control in the Federal Government* (Green Book), as described by the material weaknesses in the accompanying *Report on Internal Control over Financial Reporting*.

## **III. Noncompliance with 31 United States Code 1502(a) (Repeat Condition)**

31 United States Code (U.S.C.) § 1502(a) limits obligations to the period of availability of the appropriation under which the obligation is recorded. DISA GF recorded six obligations, totaling \$3.4 million, after the period of availability had expired.

## **DISA Management Comments to Auditor's Report**



## DEFENSE INFORMATION SYSTEMS AGENCY

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Mr. Kelly Gorrell Kearney  
& Company  
1701 Duke Street, Suite 500  
Alexandria, VA 22314

Mr. Gorrell:

DISA acknowledges receipt of Kearney & Company's final audit report for DISA's FY 2025 General Fund (GF) financial statements.

We acknowledge the auditor-identified findings in the following key areas:  
1) Accounts Payable/Expense and Accounts Receivable/Revenue 2) Budgetary Resources, and 3) Property, Plant and Equipment each of which, in the aggregate are considered material weaknesses. We also acknowledge the auditor-identified findings in the Fund Balance with Treasury and Information Technology areas which are considered significant deficiencies.

The key areas have been identified above and DISA placed a renewed focus on successful resolution of the remaining audit issues during the upcoming audit cycle.

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JUSTIN SPONSELLER  
Chief, Accounting and  
Audit Operations

## **Appendix A- DISA Organizational Chart**

### **DCDC**

#### **DISA Director, DCDC Commander**

**Senior Enlisted Leader**

**Deputy Director**

**Chief of Staff**

**J1 – Manpower & Personnel Directorate**

**J2 – Intelligence Directorate**

**J3/5/7 – Operations, Plans & Exercises Directorate**

**J4 – Facilities & Logistics Directorate**

**J6 – Command, Control, Communications, and Computers Enterprise Directorate**

**J8 – Office of the Chief Financial Officer**

**J9 – Hosting & Compute Directorate**

#### **Acquisition Directorate**

Component Acquisition Executive

Cyber Program Executive Office

Transport Program Executive Office

Service Program

#### **Enterprise Integration and Innovation Directorate**

Emerging Technology Directorate

Enterprise Engineering Directorate

Risk Management Directorate

Office of the Chief Information Officer

Office of the Chief Data Officer

Joint Interoperability Test Command

#### **Special Staff**

Chaplain Program Management Office

Public Affairs

General Counsel

Inspector General

Office of Small Business Programs

Protocol

Office of Equal Employment Opportunity Compliance

#### **ADCON Organizations**

Secretary of Defense Communications

White House Communications Agency

White House Situation Support Staff

#### **Procurement Services Directorate**

Defense Capabilities Contracting Division

Business Operations Division

Contract Policy & Contract Ops Division

DITCO NCR

DITCO Pacific

DITCO Scott

DITCO Europe