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OFFICE OF MANAGEMENT AND BUDGET
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THE DIRECTOR

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MEMORANDUM TO THE HEADS OF EXECUTIVE DEPARTMENTS AND AGENCIES

FROM: Russell T. Vought
Director

SUBJECT: Ensuring Accountability: How We Oversee, Audit, and Improve

Federal Auditing Does Not Work

The Federal Government spends hundreds of millions of dollars annually on financial statement audits. Audits can and should provide transparency and accountability for the use of taxpayer dollars by Federal agencies. This Administration is committed to utilizing every tool to prevent waste, fraud, and abuse and fulfill the duty we owe to Americans to use every dollar wisely, including through Department of Defense audits.

Audits were once a tool for accountability and improvement. Now they have become, in many places, rote exercises that do not ensure sound financial management and instead contribute to the 36 trillion dollars of debt the Federal government currently carries. While some agencies use audit findings to strengthen internal controls, others receive clean audit opinions for years despite squandering hundreds of millions of dollars in wasted, improper payments. Taxpayers are the only losers in this annual exercise, as reports acknowledging waste are never used to address root causes, and as debts, deficits, and spending continue to skyrocket, while contractors and firms rake in hundreds of millions of dollars from agencies spending taxpayer dollars for useless and ineffective audits.

The Department of Government Efficiency (DOGE) has identified breakdowns — ranging from fund control lapses to procurement irregularities — that traditional financial statement audits missed entirely. These were not buried in minutiae. They were symptoms of structural issues our current model does not address.

Furthermore, during the Biden Administration, an effort to explode the size and spending of Federal Government was unchecked by the status quo audit process as audit requirements eroded, evidenced by the FY 2024 results, in which six Chief Financial Officers (CFO) Act agencies received either a disclaimer or qualified opinion. For the first time in nearly twenty years, only 18 CFO Act agencies received unqualified opinions.

In short, audits are not working as intended. Independent reviews and oversight bodies have highlighted that we are spending heavily on audits, but still failing to prevent large-scale fraud, waste, and abuse.

This is not accountability. It is inertia.

Time To Protect Taxpayer Dollars

This year, we are initiating a government-wide refocusing of how we approach financial accountability and oversight. At a point when the Federal government is undergoing generational change to enact the reform mandate given to the President by the American people, now is the time to align transparency and accountability to the way the Federal government will operate.

Every agency will continue to prepare financial statements and undergo a full financial statement audit. Those statements and associated audits will be presented using a single-year format. The forthcoming update to Circular A-136 will reflect this change.

This strategic reset is about improving our auditing, and delivering better results for the American people. The single-year model allows us to:

- **Focus on current-year activity and balances**, rather than explaining failures of the last administration.
- **Streamline audit scope** and prioritize necessary expenses and work to focus efforts on achieving the President's priorities.
- **Establish a cleaner, clearer baseline** for progress in future years.
- **Address high-risk programs and control weaknesses in real time** to implement changes based on challenges that audits identify.

The single-year presentation model is just the first step. We are building a broader accountability agenda that includes:

- **Auditing the auditors.** We will assess how audit dollars are spent, what value they deliver for the taxpayer, and whether the audit ecosystem — including independent public accountants, agency Offices of Inspectors General, and agency CFOs — is aligned with risk, outcomes, and mission delivery.
- **Focusing on high-impact audits.** We will identify which audit activities drive real risk reduction, accountability, and financial integrity — and reduce or consolidate those that do not. Compliance for its own sake is no longer the goal.
- **Linking transparency to reform.** Financial transparency is critical, but it must be actionable. We are working to integrate audit results with program oversight, performance management, and root cause analysis to ensure findings lead to reform — not just reporting.
- **Addressing improper payments and waste.** While traditional financial audits do not address underlying causes of improper payments, the Administration is already taking a whole-of-government approach to identify and prevent improper payments.

The Change Is Now

Audits matter greatly, but not all audits lead to better government. We owe the public much more than multiple disclaimers, super-late financial reports, and ever-more spending that only furthers Federal deficits, and debt.

Taxpayers expect more than audits that are an end in themselves, and enrich the few at the expense of the many. From now on, audits must be a means to much better decision-making by the stewards of taxpayer resources.