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February 28, 2021

The Honorable Lloyd J. Austin III
Secretary of Defense
1000 Defense Pentagon
Washington, DC 20301-1000

Dear Secretary Austin:

On behalf of The Institute of Internal Auditors (IIA) and our more than 200,000 members, I am writing to express our profound concern over a proposed 70% reduction in the U.S. Navy's internal audit budget. Such action would disproportionately divest crucial audit resources at a time when the risks facing the Navy and our nation are increasing.

The courageous individuals who serve on the front lines of our national defense also serve on the front lines of some of the most pressing risks facing our government institutions, including cybersecurity and the COVID-19 pandemic. They, and our country, deserve the support provided by strong oversight and governance.

As an auditor within the U.S. Department of Defense for more than 21 years, I am well aware that internal audit can suffer disproportionately from budget cuts. However, a 70% reduction of audit oversight capabilities would set a dangerous precedent, exposing the Navy to unknown but very real risks.

Such cuts would effectively demolish the Navy's internal audit services, depleting a highly competent staff of 290 to only 85. That would amount to barely one internal auditor per naval base and essentially end any effective assurance over the massive agency, whose budget was nearly \$206 billion in 2020.

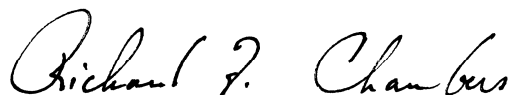
The proposed 2022 Department of Defense budget includes \$167 billion for designing and building more than 100 ships over the next several years, according to the published reports. History tells us that such ambitious construction agendas are ripe for fraud, waste, and abuse. The U.S. Naval Audit Service has a proven record of effectively identifying such waste. Just in the last

six months of 2020, the service identified \$192 million in potential monetary benefits. Contrast that with the Naval Audit Service's entire budget of \$46.1 million for the fiscal year.

Based on their performance, we should be showing full confidence and support for those who serve proudly as Navy internal auditors. Why throw more than 200 dedicated and effective internal auditors overboard at a time when we need all hands on deck? I sincerely urge you to reconsider the proposed budget cuts, which would effectively scuttle the audit service's effectiveness and, conceivably, cost taxpayers more money, not less.

Thank you for your consideration and continued support of our country during this challenging time. If you have any questions regarding this issue, please contact Brad Jones, The IIA's Director of Government Relations, at brad.jones@theiia.org or 202-434-9230.

Best regards,

A handwritten signature in cursive script that reads "Richard F. Chambers".

Richard F. Chambers, CIA, QIAL, CGAP, CCSA, CRMA
President and Chief Executive Officer

cc: President Joe Biden

The Honorable Thomas W. Harker, Secretary of the Navy

The Honorable Jack Reed, Chairman, Senate Committee on Armed Services

The Honorable James Inhofe, Ranking Member, Senate Committee on Armed Services

The Honorable Patrick Leahy, Chairman, Senate Committee on Appropriations

The Honorable Richard Shelby, Vice Chairman, Senate Committee on Appropriations

The Honorable Adam Smith, Chairman, House Armed Services Committee

The Honorable Mike Rogers, Ranking Member, House Armed Services Committee

The Honorable Rosa DeLauro, Chairwoman, House Committee on Appropriations

The Honorable Kay Granger, Ranking Member, House Committee on Appropriations