

A *udit*



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COMPILATION OF THE FY 1999 FINANCIAL STATEMENTS FOR
AIR FORCE AND OTHER DEFENSE ORGANIZATIONS
WORKING CAPITAL FUNDS

Report No. D-2000-166

July 21, 2000

Office of the Inspector General
Department of Defense

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Acronyms

CFO	Chief Financial Officer
DFAS	Defense Finance and Accounting Service
DSS	Defense Security Service
JLSC	Joint Logistics Systems Center
ODO	Other Defense Organizations
OMB	Office of Management and Budget
USGSL	U.S. Government Standard General Ledger
USTRANSCOM	United States Transportation Command
WCF	Working Capital Fund



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July 21, 2000

MEMORANDUM FOR DIRECTOR, DEFENSE FINANCE AND ACCOUNTING
SERVICE
DIRECTOR, DEFENSE FINANCE AND ACCOUNTING
SERVICE DENVER CENTER

SUBJECT: Audit Report on Compilation of the FY 1999 Financial Statements for
Air Force and Other Defense Organizations Working Capital Funds
(Report No. D-2000-166)

We are providing this report for review and comment. We conducted the audit in response to Public Law 101-576, the "Chief Financial Officers Act of 1990," as amended by Public Law 103-356, the Federal Financial Management Act of 1994. We considered management comments on a draft of this report when preparing the final report.

Management comments from the Director for Accounting, Defense Finance and Accounting Service, were not fully responsive. DoD Directive 7650.3 requires that all recommendations be resolved promptly. Therefore, we request that the Director for Accounting, Defense Finance and Accounting Service, reconsider his position and provide additional comments on recommendations A.1. and A.3. by September 19, 2000.

We appreciate the courtesies extended to the audit staff. For additional information on this report, please contact Mr. Brian M. Flynn at (703) 604-9489 (DSN 664-9489) (bflynn@dodig.osd.mil) or Mr. Byron B. Harbert at (303) 676-7405 (DSN 926-7405) (bharbert@dodig.osd.mil). See Appendix B for the report distribution. The audit team members are listed inside the back cover.

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Office of the Inspector General, DoD

Report No. D-2000-166

(Project No. D2000FD-0050.001)
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July 21, 2000

Compilation of the FY 1999 Financial Statements for Air Force and Other Defense Organizations Working Capital Funds

Executive Summary

Introduction. Public Law 101-576, the “Chief Financial Officers Act of 1990,” November 15, 1990, as amended by Public Law 103-356, the “Federal Financial Management Act of 1994,” October 13, 1994, requires the DoD to submit to the Office of Management and Budget annual financial statements that have been audited by the Inspector General, DoD. This is the second of two reports on the Air Force Working Capital Fund financial statements. The first report was Inspector General Report No. D-2000-083, “Inspector General, DoD, Oversight of the Air Force Audit Agency Audit of the FY 1999 Air Force Working Capital Fund Financial Statements,” February 14, 2000.

Objectives. The objective of the audit was to determine whether the Defense Finance and Accounting Service Denver Center consistently and accurately compiled data from field activities and other sources for the FY 1999 Air Force Working Capital Fund financial statements. Specifically, we reviewed the Defense Finance and Accounting Service Denver Center’s monthly and year-end accounting entries to the accounting records; preparation of the Reports on Budget Execution for the Air Force Working Capital Fund and the U.S. Transportation Command; and differences in disbursements and collections between the Air Force Working Capital Fund base-level accounting records and Department-level records. See Appendix A for a discussion of the audit scope and methodology and our review of the management control program and for Internet addresses of prior audits in this area.

Results. The Defense Finance and Accounting Service Denver Center made \$79.1 billion of unsupported accounting entries to the Air Force Working Capital Fund accounting records and \$38.9 billion of unsupported accounting entries to Other Defense Organizations Working Capital Fund accounting records. The accounting records were used to prepare the FY 1999 financial statements for the Air Force and Other Defense Organizations. The Defense Finance and Accounting Service Denver Center also made \$10.8 billion of unsupported accounting entries for Air Force

inventory revaluation and related reversals. This condition represents a material management control weakness that affects the accuracy of the accounting records and the financial statements (finding A).

The FY 1999 Statements of Budgetary Resources prepared by the Defense Finance and Accounting Service Denver Center for the Air Force Working Capital Fund and the U.S. Transportation Command were not auditable, and procedures for their preparation contained internal control deficiencies. As a result, management or other users should not rely on those Statements of Budgetary Resources (finding B).

The Defense Finance and Accounting Service Denver Center could not fully explain differences in disbursements and collections in Air Force base-level accounting records and Department-level records. As a result, there was no assurance that disbursements and collections in Department-level records represented proper charges to the Air Force Working Capital Fund, or whether disbursements and collections were properly recorded in the base-level accounting records (finding C).

Summary of Recommendations. We recommend that the Director, Defense Finance and Accounting Service Denver Center, fully implement existing guidance for accounting entries by providing adequate supporting documentation, researching and reconciling differences between different sources of information, and obtaining approval at the appropriate level. We also recommend that the Director, Defense Finance and Accounting Service Denver Center, prepare financial statements from accounting records and post all accounting entries to accounting records.

We are not making recommendations to implement the U.S. Government Standard General Ledger and to determine causes of differences in disbursements and collections between Air Force base-level and Department-level accounting records because of ongoing and planned management actions.

Management Comments. The Director for Accounting, Defense Finance and Accounting Service, nonconcurred with the conclusions that management controls at the Defense Finance and Accounting Service Denver Center were not adequate to ensure that all accounting entries were adequately supported and properly approved and that a material management control weakness existed. The Director either concurred with or concurred in principle with each of the recommendations. However, the Director disagreed that accounting entries were not supported or were not properly approved. See findings A and B for a complete discussion of management comments and the Management Comments section for the complete text of management comments.

Audit Response. The management comments are not fully responsive. Although the Director concurred in principle to two recommendations, he did not provide details on corrective actions. Further, the unsupported accounting entries we observed did not meet DoD or Federal accounting standards. We request that the Director provide additional comments by September 19, 2000, stating the planned actions for ensuring that all accounting entries are correct, proper, and fully supported.

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Background

Public Law 101-576, the “Chief Financial Officers (CFO) Act of 1990,” November 15, 1990, as amended by Public Law 103-356, the “Federal Financial Management Act of 1994,” October 13, 1994, requires DoD to submit to the Office of Management and Budget (OMB) annual financial statements that have been audited by the Inspector General, DoD. This is the second of two reports on the audit of the FY 1999 Air Force Working Capital Fund (WCF) financial statements. The first report was Inspector General Report No. D-2000-083, “Inspector General, DoD, Oversight of the Air Force Audit Agency Audit of the FY 1999 Air Force Working Capital Fund Financial Statements,” February 14, 2000.

The FY 1999 Air Force WCF financial statements included four business activity groups with total assets of \$23.1 billion and a total net position (Air Force equity) of \$19.3 billion. The U.S. Transportation Command (USTRANSCOM) had total assets of \$2.4 billion and a total net position of \$1.2 billion; the Defense Security Service (DSS) had total assets of \$6.5 million and a total net position of a negative \$34.6 million; and the Joint Logistics Systems Center (JLSC) had total assets of \$61.5 million and a total net position of \$20.1 million.

The Defense Finance and Accounting Service (DFAS) Denver Center, Denver, Colorado, performs the Department-level accounting function for the Air Force WCF, USTRANSCOM, DSS, and JLSC. JLSC operations were closed on September 30, 1998, and the accounting function was limited to the closing of residual account balances. The DFAS Denver Center prepared the FY 1999 financial statements for the Air Force Working Capital Fund. The DFAS Denver Center also prepared the FY 1999 financial statements for USTRANSCOM, DSS, and JLSC, which were included in the FY 1999 Other Defense Organizations (ODO) WCF financial statements prepared by the DFAS Indianapolis Center, Indianapolis, Indiana. For cash management purposes, the Air Force WCF includes USTRANSCOM.

Most of the accounting entries made affect the account balances reported in the annual financial statements. Monthly entries to revalue Air Force inventory, however, do not affect the annual financial statements, although they affect monthly statements. These entries are made to restate inventory at approximate historical cost and are reversed at the beginning of the following month. Only the revaluation entries made for the last month of each fiscal year affect the annual financial statements.

Objectives

The objective of the audit was to determine whether the DFAS Denver Center consistently and accurately compiled data from field activities and other sources for the FY 1999 Air Force WCF financial statements. Specifically, we reviewed the DFAS Denver Center’s monthly and year-end accounting entries to the accounting records for the Air Force, USTRANSCOM, DSS, and JLSC working capital funds; preparation of the Air Force WCF and USTRANSCOM

Reports on Budget Execution, which contain information that was used for the Statements of Budgetary Resources; and differences in disbursements and collections recorded in Air Force WCF base-level accounting records and those recorded in Department-level records. In addition, we assessed management controls and compliance with laws and regulations applicable to the overall audit objective. See Appendix A for a discussion of the audit scope and methodology and our review of the management control program and for Internet addresses of prior audits in this area.

A. Unsupported Accounting Entries

The DFAS Denver Center made \$79.1 billion of unsupported accounting entries to Air Force WCF accounting records and \$38.9 billion of unsupported accounting entries to ODO WCF accounting records. The accounting records were used to prepare the FY 1999 financial statements for the Air Force and ODO. The DFAS Denver Center also made \$10.8 billion of unsupported accounting entries for Air Force inventory revaluation and related reversals. In addition, of the \$413.4 billion of accounting entries we reviewed, \$24.6 billion were not properly approved. These conditions occurred because:

- supporting documentation for the accounting entries was missing, incomplete, or did not support the amounts of the accounting entries,
- accounting entries were unsupported because they were not researched for validity or cause,
- accounting entries for some budgetary accounts were unsupported because information was not available,
- accounting entries violated regulations or generally accepted accounting principles, and
- year-end closing accounting entries were divided to circumvent established approval thresholds.

As a result, the material management control weaknesses affect the accuracy of the accounting records and the financial statements.

Guidance

DoD. DoD Regulation 7000.14-R, the “DoD Financial Management Regulation,” volume 6A, “Reporting Policy and Procedures,” February 1996, with changes through January 1998, provides guidance on the roles and responsibilities of DFAS and its customers regarding financial reports and the treatment of transactions from which the financial data included in the reports are derived. This guidance requires DFAS to adequately support, and justify in writing, any adjustments to official accounting records and states that:

The documentation shall include the rationale and justification for the adjustment, the detail numbers and dollar amounts of errors or conditions that are related to the transactions or records that are proposed for adjustment, the date of the adjustment, and the name and position of the individual approving the adjustment. The documentation also shall be sufficient to provide an audit trail to the detail transaction(s) being adjusted or corrected.

DFAS. DFAS Director for Accounting Memorandum, “Journal Voucher Guidance,” October 28, 1999, provides additional guidance for journal vouchers (accounting entries). This guidance states that:

- accounting entries must be adequately documented to support the validity and the amount of the transaction.
- for accounting entries that correct errors or are the result of a disagreement between two or more sources, the documentation must include a determination why there was a discrepancy and how it was determined that the entries were correct.

This guidance also provides for the following dollar thresholds for approval of all accounting entries:

- Entries under \$100 million may be approved by team leaders of the WCF Reporting Branch.
- Entries from \$100 million to \$500 million must be approved by the Deputy Director for Departmental Accounting.
- Entries from \$500 million to \$1 billion must be approved by the Director for Accounting.
- Entries over \$1 billion must be approved by the Director, DFAS Denver Center.

DFAS Denver Center. For FY 1999, the team leader of the Working Capital Funds Branch, Accounting and Reports Division, DFAS Denver Center, had established approval thresholds for monthly accounting entries that were similar to the thresholds in the memorandum on journal voucher guidance from the Director for Accounting, DFAS.

Accounting Entries

During FY 1999, the DFAS Denver Center made 570 entries with total debits of \$180.8 billion to records of the Air Force WCF and 200 entries with total debits of \$109.3 billion to the records of the ODO WCF. In addition, the DFAS Denver Center made 278 monthly inventory revaluation entries and related reversals with total debits of \$139.2 billion to the records of the Air Force WCF.

Table 1 shows the monthly entries and year-end entries as they related to accounting records of the Air Force and ODO WCFs.

Table 1. DFAS Denver Center Accounting Entries (in billions)		
<u>Activity</u>	<u>Accounting Entries</u>	<u>Debit Amount</u>
Air Force:		
Monthly Entries	325	\$ 41.8
Inventory Revaluation/Reversal	278	139.2
Year-end Entries	245	139.0
ODO:		
Monthly Entries	113	23.1
Year-end Entries	<u>87</u>	<u>86.2</u>
Total	1,048	\$429.3

Review of Accounting Entries

To determine whether documentation contained adequate support and proper approval, we reviewed 1,012 accounting entries with debits totaling \$413.4 billion. This review included all 716 monthly entries and 296 of the 332 year-end entries. We did not review 32 year-end entries for the Air Force with total debits of \$11 billion and 4 year-end entries for ODO with total debits of \$4.7 billion, because the DFAS Denver Center did not make them available for review by our deadline for completing audit field work. The lack of review of those 36 entries did not affect the results of our audit. The review showed that not all accounting entries were adequately supported or properly approved.

Unsupported Entries. The DFAS Denver Center did not support 245 entries for the Air Force with total debits of \$79.1 billion and 119 entries for ODO with total debits of \$38.9 billion. In addition, 92 entries for Air Force inventory revaluation and related reversals with total debits of \$10.8 billion were not supported. Table 2 shows the unsupported accounting entries by condition and category.

<u>Reason Unsupported</u>	<u>Monthly Entries</u>		<u>Year-End Entries</u>	
	<u>Number</u>	<u>Debit Amount</u>	<u>Number</u>	<u>Debit Amount</u>
Missing documentation	27	\$ 798.7	3	\$ 41.0
Incomplete documentation	182	12,850.8	23	12,635.9
Documentation did not support entry	55	7,101.9	6	3,998.2
Entry violated accounting principles	8	5,938.4	3	174.6
Cause of entry not researched	0	0	99	33,328.7
Entry to input budgetary data	<u>0</u>	<u>0</u>	<u>50</u>	<u>51,924.4</u>
Total	272	\$26,689.8	184	\$102,102.8

Missing Documentation. Supporting documentation was missing from 27 monthly entries with debits totaling \$798.7 million and 3 year-end entries with debits totaling \$41 million.

Incomplete Documentation. Supporting documentation was incomplete and did not fully support all dollar amounts on 182 monthly entries with debits totaling \$12.9 billion and 23 year-end entries with debits totaling \$12.6 billion. Of the 182 monthly entries, 11 entries with debits totaling \$477.4 million were recorded as part of compound-purpose entries that were assigned to multiple categories of either supported or unsupported entries.

Documentation Did Not Support the Entry. Supporting documentation was present but did not support 55 monthly entries with debits totaling \$7.1 billion and 6 year-end entries with debits totaling \$4 billion. Of the

55 monthly entries, 31 entries with debits totaling \$5.6 billion were recorded as part of compound-purpose entries that were assigned to multiple categories of either supported or unsupported entries.

Entry Violated Accounting Principles. The supporting documentation was present and supported the amount of the entry, but the entry violated regulations or generally accepted accounting principles. This condition occurred on 8 monthly entries with debits totaling \$5.9 billion and 3 year-end entries with debits totaling \$174.6 million. An example of this condition was the USTRANSCOM monthly entry 99-03-12. This entry decreased accounts receivable by \$57.2 million, decreased accounts payable by \$56 million, and decreased equity by \$1.2 million, based on data in SF 133, Reports on Budget Execution. The Report on Budget Execution is an end product of accounting records and should not be a source of accounting entries.

Cause of Entry Not Researched. The supporting documentation was present and stated that the purpose of the entry was to make the FY 1999 financial statement agree with the WCF Accounting Report (AR-1307). However, the documentation did not explain the cause of the difference between the reports or mention research that would prevent the recurrence of this condition in future years. This condition occurred on 99 year-end entries with debits totaling \$33.3 billion.

Entry to Enter Budgetary Data. Entries were made to populate budgetary accounts from data in the Reports on Budget Execution. The budgetary accounts should have been populated at the transaction level. However, as discussed in finding B, current accounting systems for the Air Force and USTRANSCOM working capital funds had not fully implemented budgetary accounting and were being replaced or upgraded. The accounting systems for JLSC and DSS also had not fully implemented budgetary accounting at the transaction level, and these systems were also being upgraded. Because of the lack of budgetary accounting data, the DFAS Denver Center had to use the Reports on Budget Execution to populate the budgetary accounts for use in preparing the financial statements. This condition occurred on 50 year-end entries with debits totaling \$51.9 billion.

Proper Level of Approval. The DFAS Denver Center did not obtain the proper level of supervisory approval for 26 monthly and year-end entries totaling \$24.6 billion. This occurred primarily on USTRANSCOM year-end closing entries with posted debits totaling \$4.9 billion. What should have been 5 USTRANSCOM year-end closing entries were divided into 17 entries. Of the five entries, three should have been approved by the Director, DFAS Denver Center; one of the entries should have been approved by the Director of Accounting, DFAS Denver Center; and the remaining entry should have been approved by the Deputy Director of Departmental Accounting, DFAS Denver Center. Consequently, the 17 entries were approved at a level below that required for the 5 entries. The 17 entries included 3 entries posting net amounts of \$232.6 million to summary accounts for the closing of posting accounts with balances of \$17.1 billion, and separate entries for closing balances in collection, disbursement, revenue, and expense accounts.

Prior Audit Reports

Inspector General, DoD, Report No. 98-050, "Defense Business Operations Fund Adjustments at the Defense Finance and Accounting Service Denver Center," January 20, 1998, reported that to prepare the FY 1996 Air Force, USTRANSCOM and JLSC working capital fund financial statements, the DFAS Denver Center made 111 year-end accounting entries valued at \$217.5 billion that lacked supporting documentation.

Summary

The DFAS Denver Center made \$128.8 billion of unsupported monthly and year-end accounting entries into official accounting records. Conditions that caused \$76.9 billion of the unsupported accounting entries can be corrected by implementing guidance in DoD Regulation 7000.14-R or issued by the Director of Accounting, DFAS. Conditions that caused \$51.9 billion of unsupported entries require implementation of the USGSGL at the transaction level for budgetary accounts for Air Force, USTRANSCOM, DSS, and JLSC working capital fund accounting systems. Plans exist to upgrade or replace the accounting systems to incorporate the USGSGL at the transaction level for budgetary accounts. Therefore, we are making no recommendation to implement the USGSGL in accounting systems at the transaction level for budgetary accounts. The conditions observed during this audit represent a significant improvement over the lack of supporting documentation noted during our audit of the FY 1996 financial statements (Inspector General, DoD, Report No. 98-050).

Recommendations, Management Comments, and Audit Response

A. We recommend that the Director, Defense Finance and Accounting Service Denver Center, fully implement applicable provisions of DoD Regulation 7000.14-R, the "DoD Financial Management Regulation," volume 6A, "Reporting Policy and Procedures," February 1996, with changes through January 1998, and Defense Finance and Accounting Service Director for Accounting Memorandum, "Journal Voucher Guidance," October 28, 1999, by:

1. Providing adequate supporting documentation for all monthly and year-end accounting entries.

DFAS Comments. DFAS concurred in principle with the recommendation, and stated:

...we believe the accounting entries cited by the auditors were adequately supported by the means of attached documents or where attached documentation was not practical, by referencing the location of the documentation. The DFAS believed, and the auditors later agreed, that referencing a central location of documentation is an acceptable method of

supporting journal vouchers when attaching documentation is not practical. The auditors did not inform DFAS-DE personnel of any issue they encountered with the journal vouchers until after the audit was completed and the results were reported to DoDIG headquarters. The DFAS will continue to emphasize the need for proper journal voucher preparation, including providing adequate supporting documentation.

Audit Response. The DFAS comments are not responsive. The unsupported accounting entries we observed did not meet DoD or Federal accounting standards. For example, \$33.3 billion of the \$102.1 billion year-end entries were forced entries. A forced entry is an entry to make one set of records equal the balance in another set of records without determining what caused the difference or which set of records was correct. Proper accounting procedure requires that research be performed to determine the causes of the differences and to correct those causes. Instead, DFAS personnel simply made accounting entries to add or subtract amounts totaling \$33.3 billion of differences from one set of records without any knowledge of the causes of the differences or which set of records was correct. The practice of making forced entries overlooks the underlying accounting deficiencies causing the mismatches, and it prevents detection and correction of those deficiencies. Another example is the \$51.9 billion of budgetary entries. Accounting entries were made to populate the budgetary accounts, because accounting systems did not provide budgetary accounting data. The amounts of those entries came from the Reports on Budgetary Execution, which inadequately attempted to determine budgetary amounts in the absence of budgetary data from transactions as discussed in finding B. The amounts of those budgetary entries could not be confirmed because audit trails to the budgetary transactions were nonexistent.

The DFAS statement that the auditors did not inform DFAS Denver Center personnel of any issue is incorrect. During the audit we repeatedly discussed the lack of support for accounting entries with numerous DFAS Denver Center operating accountants and team leaders of the Working Capital Funds and CFO Processing and Reporting Branches. While we agreed with DFAS officials that lengthy documentation may be referenced, this was not done for the entries we cited. Of much greater importance, however, is the condition that DFAS officials have not accepted responsibility for making correct, proper, and supported accounting entries. Based on preliminary results of our FY 2000 work, the problem persists. Until DFAS ensures that all accounting entries are correct, in accordance with Federal accounting standards, and fully supported, neither we nor other auditors will be able to express opinions on the financial statements. We request that DFAS reconsider its position on the recommendation and provide additional comments on the final report.

2. Researching and reconciling differences between two accounting data sources and documenting the reasons for the discrepancies.

DFAS Comments. DFAS concurred and stated that the DFAS Denver Center will research and reconcile differences between accounting data from sources used to prepare financial statements.

3. Obtaining the appropriate level of approval for all accounting entries.

DFAS Comments. DFAS concurred in principle, and stated:

The journal voucher approval process already existed and was followed by DFAS-DE personnel. The reported instances of splitting journal voucher entries to circumvent the approval process did not occur. The documentation the auditors believed were journal vouchers, in these instances, were notes of the accountant. No journal voucher was entered into the accounting system based on those notes. Nevertheless, for fiscal year 2000 reporting, the reporting team leader will conduct a journal voucher review prior to releasing each draft of the final financial statements.

Audit Response. The DFAS Comments are not responsive. During October 1999, a DFAS Denver Center operating accountant contacted us and requested that we agree to her proposed plan to split 5 accounting entries so that approval by the Director, DFAS Denver Center, would not be required. The accountant stated that her supervisor was reluctant to request the Director to approve the entries. We informed the accountant that we could not agree with that proposal and recommended that the entries be submitted to the Director for approval. Subsequently, we learned that the 5 entries were split into a total of 17 entries. Each of those entries contained journal voucher numbers and were recorded in the journal voucher log. The 17 entries were approved by officials at levels below the Director. We request that DFAS reconsider its position on the recommendation and provide additional comments on the final report.

B. Statement of Budgetary Resources

The FY 1999 Air Force and USTRANSCOM working capital fund Statements of Budgetary Resources (the Statements) prepared by the DFAS Denver Center were not auditable, and procedures for their preparation contained internal control deficiencies. These conditions were caused by:

- not implementing the USGSGL for budgetary accounts,
- not posting accounting entries to the accounting records, and
- making errors in preparing the statements.

As a result, the Statements should not be relied on by management or other users.

Budgetary Resources

The Statements and related disclosures provide information about how budgetary resources are made available, as well as the status of budgetary resources at the end of the period. The Statements are divided into three sections: Budgetary Resources, Status of Budgetary Resources, and Outlays. Budgetary resources consist of new budget authority, beginning and transferred unobligated balances, spending authority from offsetting collections, and adjustments. Budgetary resources are used to incur financial obligations that will result in outlays and expenditures.

Guidance

DoD. DoD Regulation 7000.14-R, volume 6B, "Form and Content of DoD Audited Financial Statements," October 1999, provides instructions for preparation of the Statements. The Statements illustrate in condensed form the information that OMB Circular No. A-34, "Instructions on Budget Execution," October 1999, requires to be reported on SF 133, the Report on Budget Execution. The regulation also provides crosswalks from 92 USGSGL budgetary accounts to specific lines of the Statements and from specific lines of the Statements to specific lines of the Report on Budget Execution.

DoD Regulation, 7000.14-R, volume 6A, "Reporting Policy and Procedures," requires DFAS to establish procedures to ensure that financial reports are prepared and verified to the official accounting records. This regulation also requires all accounting adjustments to be posted to the official accounting records.

Treasury. Treasury Financial Manual, Transmittal Letter No. S2 99-01, Volume 1, "U.S. Government Standard General Ledger," June 3, 1999, provides guidance on the USGSGL that includes the chart of accounts, account descriptions, sample accounting transactions, attributes of the accounts, and crosswalks to standard external reports, including a crosswalk of budgetary

accounts to specific lines of the Report on Budget Execution. The crosswalk to the Report on Budget Execution uses the same 92 budgetary accounts used in DoD Regulation 7000.14-R to crosswalk to the Statements.

Statement Preparation

The DFAS Denver Center prepared a preliminary Air Force WCF Statement based on a combining Air Force WCF Report on Budget Execution, September 30, 1999. The combining Air Force WCF Report on Budget Execution included all Air Force WCF business activity groups and the USTRANSCOM activity group. The final Air Force WCF Statement did not include USTRANSCOM budgetary resources, their status, and outlays. The USTRANSCOM amounts were included in the FY 1999 Other Defense Organizations WCF Statement prepared by the DFAS Indianapolis Center, in accordance with DoD Regulation 7000.14-R. Table 3 shows budgetary resources from the final FY 1999 Air Force WCF Statement and the USTRANSCOM Statement.

<u>Activity Group</u>	<u>Statements of Budgetary Resources</u>
Supply Management	\$10,015.5
Depot Maintenance	4,694.0
USTRANSCOM	4,341.1
Information Services	694.2
Transportation	<u>156.9</u>
Total	\$19,901.7

Accounts Used

Our review of the preparation of the FY 1999 Air Force WCF and USTRANSCOM Statements was limited to the preparation of the Reports on Budget Execution for the Supply Management, Depot Maintenance, and USTRANSCOM activity groups. The Reports on Budget Execution were not prepared from the 92 USGSGGL budgetary accounts listed in DoD Regulation 7000.14-R. To prepare the Reports on Budget Execution, the DFAS Denver Center used 1 budgetary account, 20 proprietary accounts, and 7 statistical accounts for Supply Management; no budgetary accounts, 35 proprietary accounts, and 53 statistical accounts for Depot Maintenance;

and 5 budgetary accounts, 29 proprietary accounts, no statistical accounts, and \$45.5 million of budgetary resources not recorded in accounting records for USTRANSCOM.¹ This condition occurred because, with minor exceptions, the Air Force WCF and USTRANSCOM components had not implemented the USGSGL at the transaction level for budgetary accounts, as required by Public Law 104-208, the “Federal Financial Management Improvement Act of 1996,” September 30, 1996. Because budgetary accounts were not used, we could not determine the accuracy or fairness of presentation of the Reports on Budget Execution. Consequently, those reports, and the Statements prepared based on those reports, were unauditible.

Accounting Systems

All accounting systems used by the Air Force WCF and USTRANSCOM were either migratory or legacy systems that did not fully implement the USGSGL at the transaction level for budgetary accounts. DFAS Denver Center personnel stated that all accounting systems were to be upgraded or replaced between FY 2001 and FY 2003, and that the upgraded and replacement systems would incorporate the USGSGL at the transaction level for budgetary accounts.

Unsupported Accounting Entries and Errors

OMB Circular No. A-34 states that the Report on Budget Execution fulfills the requirement in title 31, United States Code, sections 1511 through 1514, (31 U.S.C. 1511-1514) that the President review Federal expenditures at least four times a year. Therefore, we reviewed the preparation of the Reports on Budget Execution for the Supply Management, Depot Maintenance, and USTRANSCOM activity groups. The preparation procedures for the Reports on Budget Execution included internal control deficiencies that resulted in unsupported accounting entries and preparation errors.

Unsupported Accounting Entries. DFAS Denver Center made unsupported accounting entries to the data obtained from accounting records to prepare the Reports on Budget Execution for the Supply Management, Depot Maintenance and USTRANSCOM activity groups. These entries were often made to correct what DFAS Denver Center accountants considered errors in accounting records; to make the report agree with accounting proofs² in accounting systems at base level, DFAS Denver Center level, or DFAS Indianapolis Center level; or to agree with data considered more accurate than accounting records.

¹ Budgetary accounts are used to record budgetary resources and their status. Proprietary accounts are used to record assets, liabilities, capital (net position), income, expense, and inter/intra-office transfer accounts. Statistical accounts are used to record data for management control and reporting. Each set of accounts is self-balancing (debits equal credits).

² Accounting proofs provide proof of account relationships. These relationships are included in accounting systems to provide a common-sense test of the reasonableness of the trial balance. For example, the proof for accounts receivable includes those accounts affected by a sale transaction and a collection of sale transaction.

These entries were unsupported because they were not researched for cause and accuracy and were not recorded in the accounting records. See finding A for a complete discussion of unsupported accounting entries. Table 4 shows that these unsupported accounting entries amounted to an absolute value of \$75.5 million.

Table 4. Unsupported Entries to the Report on Budget Execution
(in millions)¹

<u>Report Line</u>	<u>Supply Management</u>	<u>Depot Maintenance</u>	<u>USTRANSCOM</u>
Part 1 Budgetary Resources			
Line 2B. Unobligated balance/Net transfers of prior year balance, actual	\$ 0.5	0	0
Line 3A2. Spending authority from offsetting collections/Earned/Receivables from Federal sources	0	(\$2.4)	0
Line 6D. Permanently not available/ other authority withdrawn ²	0	0	\$ 2.6 (20.6)
Part 2 Status of Budgetary Resources			
Line 8D. Obligations incurred/ reimbursable obligations	(30.4)	0	0
Part 3 Relationship of obligations to outlays:			
Line 13. Obligated balance transferred, net			4.4
Line 14A. Obligated balances, net, end of period/Accounts receivable	(1.5)	0	0
Line 14D. Obligated balances, net, end of period/Undelivered Orders	(11.6)	0	0
Line 15B. Outlays/Collections	0	(1.5)	0
¹ Positive amounts represent unsupported increases to line totals and negative amounts represent unsupported decreases to line totals.			
² USTRANSCOM components had both unsupported increases and decreases to totals in line 6D.			

Preparation Errors. The DFAS Denver Center maintains the trial balance report for the Depot Maintenance activity group on a personal computer spreadsheet. The spreadsheet is also used to prepare the Depot Maintenance activity group's Report on Budget Execution. Our review identified spreadsheet errors of \$30 million (absolute value) as shown in Table 5.

Table 5. Preparation Errors in Depot Maintenance Report on Budget Execution
(in millions)

<u>Report Line</u>	<u>Amount*</u>
Part 1 Budgetary Resources:	
Line 1C. Budget authority/contract authority	\$(3.2)
Line 6D. Permanently not available/other authority withdrawn*	(4.6)
Part 2 Status of Budgetary Resources	
Line 8D. Obligations incurred/reimbursable obligations	11.1
Part 3 Relationship of Obligations to Outlays:	
Line 14C. Obligated balance, net/undelivered orders	11.1
* Negative amounts are overstatements and positive amounts are understatements.	

Summary

Accounting systems used by the Air Force WCF and the USTRANSCOM WCF have not fully implemented the USGSGL at the transaction level for budgetary accounts. Therefore, instead of using budgetary accounts to prepare the Reports on Budget Execution and the Statements, the DFAS Denver Center had to use proprietary and statistical accounts and data not recorded in accounting records. In addition, accounting entries were made to the Reports on Budget Execution that were not posted to the accounting records, and errors were made in preparing the Reports on Budget Execution. The Statements and the underlying Reports on Budget Execution were unauditible because they were not prepared from budgetary accounts. The Statements and the underlying Reports on Budget Execution had material internal control deficiencies because of the accounting entries and errors, which resulted in the financial statements showing amounts different from the amounts on accounting records. Plans exist to upgrade or replace the systems to incorporate the USGSGL at the transaction level for

budgetary accounts. Therefore, we are making no recommendation to implement the USGSGL in accounting systems at the transaction level for budgetary accounts.

Recommendations and Management Comments

B. We recommend that the Director, Defense Finance and Accounting Service Denver Center, fully implement the applicable provisions of DoD Regulation 7000.14-R, “DoD Financial Management Regulation,” volume 6A, “Reporting Policy and Procedures,” February 1996, with changes through January 1998, and volume 6B, “Form and Content of DoD Audited Financial Statements,” October 1999, by:

- 1. Posting all accounting entries to the accounting records.**
- 2. Correcting errors on the spreadsheet used to prepare the Reports on Budget Execution.**
- 3. Preparing financial statements from accounting records.**

Management Comments. The Director for Accounting, Defense Finance and Accounting Service, concurred and stated that new systems to be implemented in FY 2000 will comply with the USGSGL and eliminate the need for entries to balance reports collections and expenditures and for making prior period adjustments.

C. Disbursements and Collections

The DFAS Denver Center was not able to fully explain differences in disbursements and collections recorded in Air Force WCF base-level accounting records and those recorded in Department-level records. In FY 1999, the net unexplainable monthly differences ranged from \$142 million to a negative \$186 million for individual activity groups. The cause of these differences was unknown. As a result, there was no assurance that disbursements and collections in Department-level records represented proper charges to the Air Force WCF, or whether disbursements and collections were properly recorded in base-level accounting records.

Posting Procedures

Disbursements and collections for each business activity group of the Air Force WCF or its components are recorded on Department-level accounts and base-level accounts. The Department-level accounts show disbursements and collections that have been reconciled to amounts recorded on U.S. Treasury records. The base-level accounts show disbursements and collections that have been accepted and posted to base-level accounting records. Differences between Department-level and base-level disbursements and collections are recorded in undistributed disbursement and collection accounts. The undistributed disbursement and collection accounts should equal the total of disbursement and collection transactions in the following categories:

- transactions not yet posted to base-level accounts but posted to Department-level accounts,
- transactions suspended from posting to base-level accounts but already posted in Department-level accounts, and
- transactions rejected at base-level for which the rejection has not yet been posted to Department-level accounts.

Unexplained Differences

The DFAS Denver Center could not reconcile the total amounts recorded to undistributed disbursement and collection accounts to known transactions that were not yet posted, suspended, or rejected. Table 6 shows that the total monthly cumulative net undistributed disbursement and collection differences that were unexplained ranged from \$142 million to a negative \$186.4 million for five of the business activity groups of the Air Force WCF. These amounts would be higher if data were available to separately show undistributed disbursement and collection differences. We could not determine the gross differences because the DFAS Denver Center did not record those differences.

Table 6. Unexplainable Net FY 1999 Monthly Differences Between Department-Level and Base-Level Disbursement and Collection Accounts (in millions)¹

<u>Month</u>	<u>Supply Management²</u>	<u>Depot Maintenance</u>	<u>Information Systems</u>	<u>USTRANSCOM³</u>	<u>Component⁴</u>
October	\$(183.8)	\$ 17.1	not available	\$114.7	\$ 10.3
November	(90.7)	9.5	not available	98.3	5.8
December	(105.5)	94.5	not available	61.9	(41.4)
January	(103.0)	110.0	not available	0.1	(30.9)
February	(17.8)	52.6	not available	(0.5)	2.9
March	(145.6)	70.7	not available	89.2	1.1
April	(186.4)	76.9	not available	94.2	(9.0)
May	(21.9)	75.8	not available	96.5	(26.7)
June	(30.2)	77.4	0.5	142.0	(20.7)
July	(10.7)	51.2	10.7	63.0	(22.0)
August	(35.9)	52.6	7.9	54.8	(22.3)
September	51.2	89.9	(0.2)	141.4	(26.3)

¹Negative amounts indicate that amounts recorded in undistributed disbursement and collection accounts exceed known amounts not posted to base-level accounts. Positive amounts indicate that known amounts not posted to base-level accounts exceed amounts in undistributed disbursement and collection accounts.

²The Supply Management activity group includes amounts for the Air Force Laundry and Dry Cleaning and the San Antonio Real Property Maintenance Activity components, which are part of the Base Support activity group.

³For October through May, USTRANSCOM amounts exclude amounts for the Military Traffic Management Command and the Military Sealift Command.

⁴The Component activity group represents disbursements and collections that are identified as proper Air Force WCF transactions but cannot be identified with a specific subbusiness activity group.

Management Actions

The DFAS Denver Center reported this condition as a material management control weakness in its FY 1999 Annual Statement of Assurance, October 14, 1999. Planned corrective action is scheduled to be completed by August 2000.

Summary

The DFAS Denver Center was not able to explain all differences between Department-level disbursement and collection accounts and base-level disbursement and collection accounts. Management has recognized this condition as a material management control weakness and has initiated planned actions. The unexplained differences raise questions regarding whether disbursements and collections in Department-level records represent proper charges to the Air Force WCF, and whether disbursements and collections are properly recorded in base-level accounting records. We are making no recommendations because of planned management actions.

Appendix A. Audit Process

Scope

Work Performed. We reviewed support for accounting entries that the DFAS Denver Center made to FY 1999 accounting records of the Air Force, USTRANSCOM, DSS, and JLSC working capital finds. Accounting entries made by the DFAS Denver Center included 716 monthly entries with debits totaling \$204.2 billion and 332 year-end entries with debits totaling \$225.2 billion. We reviewed 1,012 of these entries. We did not review 36 entries with debits totaling \$16 billion, because the DFAS Denver Center did not make them available for review by our deadline for completing audit fieldwork. Not reviewing these 36 entries did not affect the results of our audit. We also reviewed these accounting entries to determine whether they were properly approved.

We reviewed procedures used by the DFAS Denver Center to prepare the FY 1999 Reports on Budget Execution for the Supply Management, Depot Maintenance, and USTRANSCOM activity groups. The Reports on Budget Execution present, in expanded form, the information on the Statement of Budgetary Resources. Specifically, we ascertained the accounts that were used and verified amounts to the accounting records.

We also reviewed the Air Force WCF cash worksheets used by the DFAS Denver Center to monitor monthly differences between the disbursements and collections recorded in Department-level accounting records and those recorded in base-level accounting records. Specifically, we reviewed the worksheets for unexplained differences during FY 1999.

DoD-Wide Corporate-Level Government Performance and Results Act (GPRA) Coverage. In response to the GPRA, the Secretary of Defense annually establishes DoD-wide corporate-level goals, subordinate performance goals, and performance measures. This report pertains to achievement of the following goal, subordinate performance goal, and performance measures:

- **FY 2001 Corporate-Level Goal 2:** Prepare now for an uncertain future by pursuing a focused modernization effort that maintains U.S. qualitative superiority in key warfighting capabilities. Transform the force by exploiting the Revolution in Military Affairs, and reengineer the Department to achieve a 21st century infrastructure. **(01-DoD-2)**
- **FY 2001 Subordinate Performance Goal 2.5:** Improve DoD financial and information management. **(01-DoD-2.5)**
- **FY 2001 Performance Measure 2.5.1:** Reduce the number of noncompliant accounting and financial systems. **(01-DoD-2.5.1)**
- **FY 2001 Performance Measure 2.5.2:** Achieve unqualified opinions on financial statements. **(01-DoD-2.5.2)**

DoD Functional Area Reform Goals. Most major DoD functional areas have also established performance improvement reform objective and goal. This report pertains to achievement of the following functional area objective and goal.

Financial Management Area. Objective: Strengthen internal controls.
Goal: Improve compliance with the Federal Managers' Financial Integrity Act. (FM 5.3)

General Accounting Office High-Risk Area. The General Accounting Office has identified several high-risk areas in the DoD. This report provides coverage of the Defense Financial Management high-risk area.

Methodology

Use of Computer-Processed Data. The Air Force Stock Fund Accounting System module of the Departmental On-line Accounting and Reporting System is used to prepare trial balance reports for the Supply Management activity group. The trial balance reports were incomplete in that they did not provide sufficient budgetary accounting to prepare the Reports on Budget Execution, as discussed in finding B.

Audit Type, Dates, and Standards. We performed this financial-related audit from October 1999 through March 2000 in accordance with audit standards issued by the Comptroller General of the United States, as implemented by the Inspector General, DoD. We included tests of management controls considered necessary.

Contacts During the Audit. We visited or contacted individuals and organizations within the DoD. Further details are available on request.

Management Control Program

DoD Directive 5010.38, "Management Control (MC) Program," August 26, 1996, and DoD Instruction 5010.40, "Management Control (MC) Program Procedures," August 28, 1996, require DoD organizations to implement a comprehensive system of management controls that provides reasonable assurance that programs are operating as intended and to evaluate the adequacy of the controls.

Scope of the Review of the Management Control Program. We reviewed the adequacy of the DFAS Denver Center's management controls over accounting entries, financial report preparation, and posting and verification of disbursements and collections. Specifically, we reviewed the DFAS Denver Center's management controls over approval of and support for accounting entries, preparation of the Reports on Budget Execution, and assuring that all disbursements and collections are posted to accounting records. We reviewed management's self-evaluation applicable to those controls.

Adequacy of Management Controls. We identified material management control weaknesses as defined in DoD Instruction 5010.40. Management

controls at the DFAS Denver Center were not adequate to ensure that all accounting entries were adequately supported and properly approved, that the USGSGL was implemented at the transaction level for budgetary accounts, that the Reports on Budget Execution were accurately prepared, and that disbursements and collections recorded in Air Force WCF Department-level accounting records were reconciled with those recorded in base-level records. In a previous audit report, we reported the material weakness on accounting entries and requested the DFAS Denver Center to correct that weakness. Recommendations B.1., B.2., and B.3., if implemented, will result in more reliable financial statements. We are making no recommendations to implement the USGSGL at the transaction level for budgetary accounts or to reconcile disbursements and collections because management has planned corrective actions to correct these material management control weaknesses. We will provide a copy of the report to the senior official in charge of management controls at the DFAS Denver Center.

Adequacy of Management's Self-Evaluation. The DFAS Denver Center identified controls over the preparation of financial statements as an assessable unit, but did not identify controls over accounting entries or the reconciliation of disbursements and collections as assessable units. The DFAS Denver Center evaluated the preparation of financial statements, controls over accounting entries, and the reconciliation of disbursements and collections. In its evaluations, the DFAS Denver Center identified the material weakness related to the reconciliation of disbursements and collections that were identified by the audit and reported this material weakness on the FY 1999 Annual Statement of Assurance. In its evaluations, the DFAS Denver Center did not identify material weaknesses related to the preparation of financial statements and controls over accounting entries identified by this audit. DFAS Denver Center's evaluation of financial statements was related to financial statements required by the CFO Act, not to other financial reports on which the financial statements are based. The DFAS Denver Center did not include a review of actual accounting entries. In its Annual Statement of Assurance, DFAS reported the material weakness related to not implementing the USGSGL at the transaction level.

Prior Coverage

The General Accounting Office and the Inspector General, DoD, have conducted multiple reviews related to financial statement issues. General Accounting Office reports can be accessed on the Internet at <http://www.gao.gov>. Inspector General, DoD, reports can be accessed on the Internet at <http://www.dodig.osd.mil>.

Appendix B. Report Distribution

Office of the Secretary of Defense

Under Secretary of Defense (Comptroller)
Deputy Comptroller (Program/Budget)
Deputy Chief Financial Officer
Director, Accounting Policy
Director, Defense Logistics Studies Information Exchange

Department of the Army

Auditor General, Department of the Army

Department of the Navy

Naval Inspector General
Auditor General, Department of the Navy

Department of the Air Force

Commander, Air Force Materiel Command
Assistant Secretary of the Air Force (Financial Management and Comptroller)
Auditor General, Department of the Air Force

Unified Commands

U.S. Transportation Command

Other Defense Organizations

Director, Defense Finance and Accounting Service
Director, Defense Finance and Accounting Service Denver Center

Non-Defense Federal Organizations and Individuals

Office of Management and Budget
General Accounting Office
Accounting and Information Management Division
Defense Financial Audits, Denver
National Security and International Affairs Division
Technical Information Center

Congressional Committees and Subcommittees, Chairman and Ranking Minority Member

Senate Committee on Appropriations
Senate Subcommittee on Defense, Committee on Appropriations
Senate Committee on Armed Services
Senate Committee on Governmental Affairs
House Committee on Appropriations
House Subcommittee on Defense, Committee on Appropriations
House Committee on Armed Services
House Committee on Government Reform
House Subcommittee on Government Management, Information, and Technology,
Committee on Government Reform
House Subcommittee on National Security, Veterans Affairs, and International
Relations, Committee on Government Reform

Defense Finance and Accounting Service Comments



DFAS-HQ/ASF

DEFENSE FINANCE AND ACCOUNTING SERVICE

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ARLINGTON, VA 22240-5291
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MAY 30 2000

MEMORANDUM FOR DEPUTY DIRECTOR, FINANCE AND ACCOUNTING
DIRECTORATE, OFFICE OF THE INSPECTOR
GENERAL, DEPARTMENT OF DEFENSE

SUBJECT: Audit Report on Defense Finance and Accounting Service Denver Center's
Compilation of the Air Force and Portions of the Other Defense
Organizations FY 1999 Working Capital Fund Financial Statements
(Project No. D2000FD-0050.001)

Our response to the subject audit is attached. The primary point of contact (POC)
is Mr. Wayne Ebaugh, (703) 607-2857 or DSN 327-2857, and the secondary POC is
Mr. Mike Bryant, (703) 607-1562 or DSN 327-1562.


Edward A. Harris
Director for Accounting

Attachment:
As stated

cc:
DFAS-HQ/DI
DFAS-DE/PII

**DFAS Comments on DoDIG Audit Report on Defense Finance and Accounting Service
Denver Center's Compilation of the FY 1999 Air Force and Portions of the Other Defense
Organizations FY 1999 Working Capital Fund Financial Statements
(Project No. D2000FD-0050.001)**

Management Control Comments:

The Defense Finance and Accounting Service (DFAS) does not concur with the auditors' assertion on page 22, paragraph 1, line 2, that states, "Management controls at the DFAS Denver Center were not adequate to ensure that all accounting entries were adequately supported and properly approved." The DFAS Denver Center (DFAS-DE) believes that adequate controls existed and that material discrepancies did not occur during the preparation of accounting entries. Because adequate management controls exist, the DFAS-DE does not need to recognize a material weakness in controls.

Responses to Recommendations

Recommendation A. We recommend that the Director, Defense Finance and Accounting Service Denver Center, fully implement applicable provisions of DoD Regulation 7000.14-R, the "DoD Financial Management Regulation," volume 6A, "Reporting Policy and Procedures," February 1996, with changes through January 1998, and Defense Finance and Accounting Service Director for Accounting Memorandum, "Journal Voucher Guidance," October 28, 1999, by:

1. Providing adequate supporting documentation for all monthly and year-end accounting entries.

DFAS Management Comments: Concur in principle. The DFAS agrees to the need to follow all applicable guidance regarding adequate supporting documentation for all accounting entries. However, we believe the accounting entries cited by the auditors were adequately supported by the means of attached documents or where attached documentation was not practical, by referencing the location of the documentation. The DFAS believed, and the auditors later agreed, that referencing a central location of documentation is an acceptable method of supporting journal vouchers when attaching documentation is not practical. The auditors did not inform DFAS-DE personnel of any issue they encountered with the journal vouchers until after the audit was completed and the results were reported to DoDIG headquarters. The DFAS will continue to emphasize the need for proper journal voucher preparation, including providing adequate supporting documentation.

2. Researching and reconciling differences between two accounting data sources and documenting the reasons for the discrepancies.

DFAS Management Comments: Concur. The accounting systems used to compile the DFAS-DE accounting data are not fully compliant for Chief Financial Officers Act

reporting. Consequently, manual procedures are needed to interface and compile much of the financial statement data. The DFAS-DE will research and reconcile differences between accounting data from sources used to prepare financial statements. The DFAS-DE will continue to manually review the compilation procedures to improve the accuracy of the financial statements.

Estimated Completion Date: March 31, 2001.

3. Obtaining the appropriate level of approval for all accounting entries.

DFAS Management Comments: Concur in principle. The journal voucher approval process already existed and was followed by DFAS-DE personnel. The reported instances (page 7, paragraph 4) of splitting journal voucher entries to circumvent the approval process did not occur. The documentation the auditors believed were journal vouchers, in these instances, were notes of the accountant. No journal voucher was entered into the accounting system based on those notes. Nevertheless, for fiscal year 2000 reporting, the reporting team leader will conduct a journal voucher review prior to releasing each draft of the final financial statements.

Completion Date: January 31, 2000.

Recommendation B. We recommend that the Director, Defense Finance and Accounting Service Denver Center, fully implement the applicable provisions of DoD Regulation 7000.14-R, "DoD Financial Management Regulation," volume 6A, "Reporting Policy and Procedures," February 1996, with changes through January 1998, and volume 6B, "Form and Content of DoD Audited Financial Statements," October 1999, by:

1. Posting all accounting entries to the accounting records.
2. Correcting errors on the spreadsheet used to prepare the Reports on Budget Execution.
3. Preparing financial statements from accounting records.

DFAS Management Comments: Concur. The system used by the field and departmental accounting operations at DFAS-DE is not U.S. Government Standard General Ledger (USGSGL) compliant and does not contain budgetary accounts. New systems that will comply with the USGSGL are being developed and are scheduled for implementation in FY 2000.

In FY 1999, accounting entries were posted to the accounting reports to balance the reports for the collections and expenditures and to correct prior period errors where no appropriate prior period adjustment general ledger account was available. The new system under development will not require these types of adjustments.

Estimated Completion Date: September 30, 2000.

Audit Team Members

The Finance and Accounting Directorate, Office of the Assistant Inspector General for Auditing, DoD, prepared this report.

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