

A *Audit*



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PERFORMANCE MEASURES FOR DISBURSING STATIONS

Report No. D-2001-024

December 22, 2000

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Acronyms

DFAS
FBWT

Defense Finance and Accounting Service
Fund Balance With Treasury



INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
400 ARMY NAVY DRIVE
ARLINGTON, VIRGINIA 22202-2885

December 22, 2000

MEMORANDUM FOR UNDER SECRETARY OF DEFENSE (COMPTROLLER/
CHIEF FINANCIAL OFFICER)
ASSISTANT SECRETARY OF THE AIR FORCE
(FINANCIAL MANAGEMENT AND COMPTROLLER)
DIRECTOR, DEFENSE FINANCE AND ACCOUNTING
SERVICE
NAVAL INSPECTOR GENERAL
AUDITOR GENERAL, DEPARTMENT OF THE ARMY

SUBJECT: Audit Report on Performance Measures for Disbursing Stations
(Report No. D-2001-024)

We are providing this report for review and comment. This is the fifth in a series of reports on the Fund Balance With Treasury account. We conducted the audit in support of our annual audits of the Fund Balance With Treasury account and the DoD Agency-Wide financial statements, as required by the Chief Financial Officers Act of 1990, the Federal Financial Management Act of 1994, and the Federal Financial Management Improvement Act of 1996. We considered management comments on a draft of this report when preparing the final report.

DoD Directive 7650.3 requires that all recommendations be resolved promptly. Recommendation 3. remains unresolved. We request that the Army provide additional comments on Recommendation 3. by February 22, 2001.

We appreciate the courtesies extended to the audit staff. Questions on the audit should be directed to Mr. Brian M. Flynn at (703) 604-9489 (DSN 664-9489) (bflynn@dodig.osd.mil) or Mr. Robert E. Benefiel, Jr., at (703) 604-9211 (DSN 664-9211) (rbenefiel@dodig.osd.mil). See Appendix H 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-2001-024

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December 22, 2000

Performance Measures for Disbursing Stations

Executive Summary

Introduction. This is the fifth in a series of audits on the Fund Balance With Treasury account (an asset account) performed in response to the Chief Financial Officers Act of 1990, as amended by the Federal Financial Management Act of 1994, and the Federal Financial Management Improvement Act of 1996. This report discusses the development and use of performance measures to assess the effectiveness of disbursing stations' management of differences in deposits, interagency transfers, and checks issued. The FY 1999 DoD Agency-Wide financial statements reported total assets of \$599 billion, including \$175.7 billion in the Fund Balance With Treasury account.

Objectives. The overall audit objective was to assess controls over the collections and disbursements reported to the Defense Finance and Accounting Service (DFAS) Centers and the U.S. Treasury. This report focuses on the objective as it applies to the measurement of DoD disbursing stations' performance in reconciling differences in deposits, interagency transfers, and checks issued. We also reviewed the adequacy of the management control program as it applied to the audit objective.

Results. DFAS lacked a plan to measure and improve the performance of DoD disbursing stations in reconciling differences in deposits, interagency transfers, and checks issued. DFAS did not measure the performance of:

- 353 (90.1 percent) of the 392 disbursing stations with deposit activity,
- 67 (64.4 percent) of the 104 disbursing stations with interagency transfer activity, and
- 500 of the 500 disbursing stations with checks issued activity, as reported on the U.S. Treasury's Statements of Differences or Comparison Reports.

As a result, DFAS could not identify disbursing stations with significant unreconciled differences. The disbursing stations with the 10 largest average differences in deposits, interagency transfers, and checks issued accounted for \$3.5 billion (58.3 percent) of the \$6 billion average difference (absolute value) reported on the September 30, 1999, and April 30, 2000, Statements of Differences and Comparison Reports. Reconciliation of those disbursing stations' differences would significantly reduce the total DoD differences in deposits, interagency transfers, and checks issued and improve the accuracy and auditability of the DoD Fund Balance With Treasury account.

The management controls that we reviewed were adequate in that no material weaknesses were identified. For details on the audit results, see the Finding section. See Appendix A for details on our review of the management control program.

Summary of Recommendations. We recommend that the Under Secretary of Defense (Comptroller/Chief Financial Officer) and the Director, DFAS, revise the DFAS performance contract with the Defense Management Council to add a performance measure for disbursing stations' unreconciled differences in deposits, interagency transfers, and checks issued. We recommend that the Director, DFAS, establish a performance plan to measure the performance of all DoD disbursing stations in reconciling differences in deposits, interagency transfers, and checks issued; establish a strategic plan to focus DFAS and Service reconciliation resources on disbursing stations with significant differences; and establish action plans with detailed metrics to improve the performance of the DFAS disbursing stations with significant differences. We recommend that the Director, DFAS, and the Army, the Navy, and the Air Force establish action plans to improve the performance of the Service disbursing stations with significant differences.

Management Comments. The Under Secretary of Defense (Comptroller/Chief Financial Officer) concurred, but stated that the FY 2001 DFAS Performance Contract has been signed, so a new performance measure cannot be added at this time. DFAS concurred, stating that a performance measure for disbursing stations' differences will be added to the DFAS Performance Contract for FY 2002 if significant improvements do not result from the other actions recommended in this report. DFAS also agreed to establish performance plans, strategic plans, and action plans with detailed metrics for DFAS disbursing stations with significant differences. In addition, DFAS agreed to work with the Army, the Navy, and the Air Force to establish action plans with detailed metrics for Service disbursing stations with significant differences. The Army suggested changing the wording of the recommendation to require DFAS to establish the action plans and the Services to assist DFAS. The Navy and the Air Force agreed to work with DFAS to establish action plans with detailed metrics for their disbursing stations. A complete discussion of management comments is in the Finding section of the report, and the complete text of management comments is in the Management Comments section of the report.

Audit Response. The Army comments were partially responsive, but do not state specifically how the Army will implement corrective actions. We request that the Assistant Secretary of the Army (Financial Management and Comptroller) provide additional comments in response to this final report by February 22, 2001.

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This is the fifth in a series of audits on the Fund Balance With Treasury (FBWT) account (an asset account)¹ performed in response to 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, and Public Law 104-208, the “Federal Financial Management Improvement Act of 1996,” September 30, 1996. This report discusses the development and use of performance measures to assess the effectiveness of disbursing stations’ management of differences in deposits, interagency transfers, and checks issued.

The first three reports assessed the reconciliation of differences in deposits, interagency transfers, and checks issued against the FBWT account. The fourth report discussed the disclosure of differences in deposits, interagency transfers, and checks issued in the FY 1999 DoD Agency-Wide financial statements. The FY 1999 DoD Agency-Wide financial statements reported total assets of \$599 billion, including \$175.7 billion in the FBWT account.

Background

The U.S. Treasury makes disbursements and collections for all Federal agencies except for those agencies it has authorized to make disbursements on its behalf. The U.S. Treasury provided disbursing authority to DoD, the U.S. Postal Service, the U.S. Marshals Service, U.S. Courts, the Commodity Credit Corporation, and the Department of State (primarily overseas locations).² Each of the agencies, including DoD, established disbursing stations to handle money from the U.S. Treasury. The disbursing stations are authorized to make deposits, to initiate interagency transfers, and to issue U.S. Treasury checks.

Statement of Accountability. Disbursing stations are accountable to the U.S. Treasury for their disbursements and collections. Each disbursing station is required to prepare a monthly SF 1219, “Statement of Accountability,” which reports information to the U.S. Treasury on deposits, interagency transfers, and checks issued. The Statement of Accountability also reports net disbursements—the sum of the deposits, interagency transfers, and checks issued that month.

Each DoD disbursing station submits its Statement of Accountability to a finance center. Army disbursing stations report to the Defense Finance and Accounting Service (DFAS) Indianapolis Center, Indianapolis, Indiana; Navy disbursing stations report to the DFAS Cleveland Center, Cleveland, Ohio; and Air Force disbursing stations report to the DFAS Denver Center, Denver, Colorado. The U.S. Army Corps of Engineers’ (Corps) disbursing stations report to the Corps’ Finance Center, Millington, Tennessee.

¹A Federal entity’s Fund Balance With Treasury account is the aggregate amount of funds in the entity’s accounts with the U.S. Treasury for which the entity is authorized to make expenditures and pay liabilities.

²Congress subsequently provided under section 3321, title 31, United States Code, disbursement authority to DoD.

Each of the four finance centers combines the Statements of Accountability received from its disbursing stations and electronically submits a combined Statement of Accountability to the U.S. Treasury using the Government On-line Accounting Link System, a Federal financial telecommunications network.

Reconciliations. The U.S. Treasury reconciles deposits, interagency transfers, and checks issued as reported on the combined Statements of Accountability with U.S. Treasury control totals and reports the differences to the finance centers and disbursing stations for their reconciliation. The U.S. Treasury obtains control totals from the CA\$HLINK³ system for deposits, the On-line Payment and Collection System⁴ for interagency transfers, and the Defense Check Reconciliation Module⁵ for checks issued.

The U.S. Treasury produces three separate reports on differences in deposits, interagency transfers, and checks issued. The U.S. Treasury reports:

- differences in deposits on the Department of the Treasury Financial Management Service Form 6652, “Statement of Differences, Deposit Transactions” (Statement of Differences for Deposits);
- differences in interagency transfers on the Department of the Treasury Financial Management Service Form 6652, “Statement of Differences, Disbursing Office Transactions” (Statement of Differences for Interagency Transfers); and
- differences in checks issued on the “Comparison of Checks Issued—Detail Reported on Statements of Accountability and Block Control Level Totals” report (the Comparison Report).

The U.S. Treasury sends the Statements of Differences and Comparison Reports to DoD disbursing stations monthly through the finance centers. The U.S. Treasury sends the Statements of Differences to the finance centers on microfiche and electronically through the Government On-line Accounting Link System. The U.S. Treasury sends paper copies of the Comparison Report to the finance centers; an electronic copy of the report is not available through the Government On-line Accounting Link System. DFAS headquarters also obtains copies of the Statements of Differences from the U.S. Treasury.

³CA\$HLINK is a worldwide reporting system showing disbursement and collection transactions reported by Federal Reserve District Banks and commercial bank depositories. The transactions include electronic funds transfer disbursements and cash, check, and credit card collections.

⁴The On-line Payment and Collection System is an automated application available to Federal organizations through the Government On-line Accounting Link System. The On-line Payment and Collection System is used for interagency financial transactions.

⁵All DoD disbursing stations report their checks issued weekly or monthly to the Defense Check Reconciliation Module at the DFAS Denver Center. The DFAS Denver Center, using the Defense Check Reconciliation Module, electronically transmits all data on checks issued (the Weekly Transmission Report) received from DoD disbursing stations to the U.S. Treasury.

Statement of Transactions. Each DoD disbursing station is also required to prepare a monthly SF 1220, “Statement of Transactions,” which reports the disbursements shown on the Statement of Accountability by appropriation. The U.S. Treasury requires that the net disbursements reported on the Statement of Transactions agree with the net disbursements reported on the Statement of Accountability. See Appendix C for a discussion of the Statement of Transactions and the FBWT account. See Appendix D for a flowchart describing the processes for identifying differences and recording transactions in the FBWT account.

Objectives

The overall audit objective was to assess controls over the collections and disbursements reported to the DFAS Centers and the U.S. Treasury. This report focuses on the objective as it applies to the measurement of DoD disbursing stations’ performance in reconciling differences in deposits, interagency transfers, and checks issued. We also reviewed the adequacy of the management control program as it applied to the audit objective. Appendix A discusses the audit scope and methodology and the review of the management control program, and Appendix B lists prior audits related to the objectives.

Performance Measures for Disbursing Stations

DFAS lacked a plan to measure and improve the performance of DoD disbursing stations in reconciling differences in deposits, interagency transfers, and checks issued. DFAS did not measure the performance of:

- 353 (90.1 percent) of the 392 disbursing stations with deposit activity,
- 67 (64.4 percent) of the 104 disbursing stations with interagency transfer activity, and
- 500 of the 500 disbursing stations with checks issued activity, as reported on the U.S. Treasury's Statements of Differences or Comparison Reports.

DFAS did not measure performance because it had not established performance measures and action plans to identify and improve the performance of DoD disbursing stations with significant differences in deposits, interagency transfers, or checks issued. As a result, DFAS could not identify disbursing stations with significant unreconciled differences. The disbursing stations with the 10 largest average differences in deposits, interagency transfers, and checks issued accounted for \$3.5 billion (58.3 percent) of the \$6 billion average difference (absolute value) reported on the September 30, 1999, and April 30, 2000, Statements of Differences and Comparison Reports. Reconciliation of those disbursing stations' differences could significantly reduce the total DoD differences in deposits, interagency transfers, and checks issued and improve the accuracy and auditability of the DoD FBWT account.

Guidance for Reconciling Differences

Reconciling FBWT accounts, including the reconciliation of differences, is a key internal control process. Reconciliation ensures the reliability of the Government's receipt and disbursement data reported by agencies. Therefore, all Government agencies must perform timely reconciliations and implement effective and efficient reconciliation processes. Unresolved differences compromise the reliability of FBWT account balances, the U.S. Treasury's published financial reports, and the overall status and integrity of the Government's financial position.

To assist DoD and other Government agencies in their reconciliation efforts, the U.S. Treasury has updated its FBWT guidance and established a FBWT Home Page. The U.S. Treasury Financial Management Service Home Page⁶ provides updated FBWT guidance from the “Treasury Financial Manual,” October 18, 1999, and describes actions taken in response to recommendations made in a General Accounting Office report⁷ on the FBWT account. The U.S. Treasury Financial Management Service Home Page also includes a performance measure for improving agencies’ reconciliation of their FBWT accounts. The performance measure calls for a reduction in the number of disbursing stations with 6 or more months of unreconciled differences.

U.S. Treasury Guidance. Volume I, part 2, chapter 5100, of the Treasury Financial Manual, “Reconciling Fund Balance With Treasury Accounts,” requires agencies to investigate all differences in deposits, interagency transfers, and checks issued. Agencies are required to reconcile those differences monthly. The U.S. Treasury is also developing standard operating procedures for reconciling the FBWT account.

DoD Guidance. DoD Regulation 7000.14-R, “DoD Financial Management Regulation,” volume 5, “Disbursing Policy and Procedures,” August 6, 1999, requires disbursing stations to reconcile differences in deposits and interagency transfers reported by the U.S. Treasury on the Statements of Differences. In response to Inspector General, DoD, recommendations,⁸ the Under Secretary of Defense (Comptroller) agreed to revise DoD Regulation 7000.14-R to require disbursing stations to reconcile differences in checks issued reported by the U.S. Treasury on the Comparison Report.

Measuring Disbursing Station Performance in Reconciling Differences

DFAS headquarters lacked a plan to measure the performance of DoD disbursing stations in reconciling differences in deposits, interagency transfers, and checks issued. DFAS headquarters did not compile information on differences in deposits, interagency transfers, or checks issued for all DoD disbursing stations. DFAS headquarters did not measure the performance for 353 (90.1 percent) of the 392 disbursing stations with deposit activity, 67 (64.4 percent) of the 104 disbursing stations with interagency transfer activity, and 500 of the 500 disbursing stations with checks issued activity, as reported on the Statements of Differences and Comparison Reports.

⁶<http://www.fms.treas.gov/sitemap.html>

⁷General Accounting Office Report No. AIMD-99-3, “Financial Audit: Issues Regarding Reconciliations of Fund Balances With Treasury Accounts,” October 14, 1998.

⁸Inspector General, DoD, Report No. D-2000-044, “Reconciliation of Differences Reported for Checks Issued by the Defense Finance and Accounting Service Columbus Center Disbursing Stations,” November 30, 1999.

Identifying Disbursing Stations With Significant Differences

DFAS headquarters did not identify disbursing stations with significant unreconciled differences in deposits, interagency transfers, and checks issued. Therefore, we used the Statements of Differences and the Comparison Reports to identify disbursing stations with significant differences. We computed each disbursing station's average difference in deposits, interagency transfers, and checks issued, and ranked the disbursing stations in descending order based on their average differences. The 10 largest average differences (absolute value) in each category on a DoD-wide basis were considered to be the DoD disbursing stations with the most significant differences.

We conducted three additional analyses for each of the 10 disbursing stations with significant differences in deposits, interagency transfers, or checks issued. First, we determined whether the disbursing stations with the largest average differences exceeded the U.S. Treasury performance measure of 6 or more months of unreconciled differences. Second, we determined whether disbursing stations with the largest average differences in one category (deposits, interagency transfers, or checks issued) had large differences in one of the other two categories. Third, we computed a ratio to determine whether the differences were due to the amount of the disbursements made by the disbursing station.⁹ See the Scope and Methodology section of Appendix A for a detailed discussion on our calculations.

Disbursing Stations With the 10 Largest Average Differences. The U.S. Treasury's September 30, 1999, and April 30, 2000, Statements of Differences and Comparison Reports reported to the DoD unreconciled differences that averaged \$6 billion. The disbursing stations with the 10 largest average differences in deposits, interagency transfers, and checks issued accounted for \$3.5 billion (58.3 percent) of the \$6 billion average difference. The 10 disbursing stations accounted for:

- \$1.5 billion (75 percent) of the \$2 billion average DoD deposit difference,
- \$689.9 million (85.6 percent) of the \$805.8 million average DoD interagency transfer difference, and
- \$1.3 billion (40.6 percent) of the \$3.2 billion average DoD checks issued difference.

Differences in Deposits. The U.S. Treasury reported deposits for 392 disbursing stations on the September 30, 1999, and the April 30, 2000, Statements of Differences. Of the 392 disbursing stations, 371 disbursing stations showed deposit differences and 21 disbursing stations showed no deposit differences. Deposit differences for the 371 disbursing stations averaged \$2 billion. The disbursing stations with the 10 largest average deposit differences DoD-wide accounted for \$1.5 billion (75 percent) of the \$2 billion average of DoD deposit differences and \$126.5 billion (77 percent) of the

⁹The results of the third analysis are shown in the last column of the tables in Appendixes E, F, and G.

\$164.2 billion average of DoD deposit activity. Table 1 shows the average number of months the disbursing stations (DoD-wide) had differences. See Appendix E for tables showing the disbursing stations with the 10 largest average differences in deposits at each of the DFAS Centers.

Table 1. Average Months of Unreconciled Differences at the Disbursing Stations with the 10 Largest Average Differences (Absolute Value) in Deposits: DoD-Wide (millions)

<u>Rank</u>	<u>Disbursing Station Number</u>	<u>Disbursing Station Location</u>	<u>Average Deposit Differences</u>	<u>Average Months of Differences</u>
1	178522	Cleveland, Ohio	\$ 355.3	17.5
2	578541	Columbus, Ohio	259.9	3.5
3	578559	Columbus, Ohio	179.8	5.5
4	573801	Denver, Colorado	179.7	6.0
5	216355	Columbus, Ohio	136.7	13.5
6	170001	Arlington, Virginia	94.3	8.0
7	215570	Indianapolis, Indiana	89.3	7.5
8	178565	Columbus, Ohio	87.5	2.5
9	178347	Charleston, South Carolina	83.0	4.0
10	216422	Columbus, Ohio	<u>63.4</u>	2.0
Total			\$1,528.9	

Of the 10 disbursing stations, 5 exceeded the U.S. Treasury performance measure with 6 or more months of unreconciled deposit differences (average). The five disbursing stations ranged from an average of 6 months to 17.5 months of unreconciled deposit differences.

DFAS operates 9 of the 10 disbursing stations and the Navy operates the remaining disbursing station (disbursing station 170001). Of the 10 disbursing stations, 5 are located at the DFAS Columbus Center.

Differences in Interagency Transfers. The U.S. Treasury reported interagency transfers for 104 disbursing stations on the September 30, 1999, and April 30, 2000, Statements of Differences. Of the 104 disbursing stations, 87 showed interagency transfer differences and 17 showed no interagency transfer differences. Interagency transfer differences for the 87 disbursing stations averaged \$805.8 million. The disbursing stations with the 10 largest average interagency transfer differences DoD-wide accounted for \$689.9 million (85.6 percent) of the \$805.8 million average of DoD interagency transfer differences and \$6.1 billion (32.4 percent) of the \$18.8 billion average of DoD interagency transfer activity. Table 2 shows the average number of months the

disbursing stations (DoD-wide) had differences. See Appendix F for tables showing the disbursing stations with the 10 largest average differences in interagency transfers at each of the DFAS Centers.

Table 2. Average Months of Unreconciled Differences at the Disbursing Stations With the 10 Largest Average Differences (Absolute Value) in Interagency Transfers: DoD-Wide (millions)

<u>Rank</u>	<u>Disbursing Station Number</u>	<u>Disbursing Station Location</u>	<u>Average Interagency Transfer Differences</u>	<u>Average Months of Differences</u>
1	215570	Indianapolis, Indiana	\$143.0	1.0
2	215286	Omaha, Nebraska ¹	109.4	7.0
3	175207	Bayonne, New Jersey ²	102.9	7.0
4	216551	Columbus, Ohio	73.1	12.5
5	178380	Pensacola, Florida	64.4	17.5
6	575257	Omaha, Nebraska	56.7	2.0
7	175242	San Diego, California	51.2	13.5
8	175245	Norfolk, Virginia	42.4	13.5
9	178347	Charleston, South Carolina	23.7	2.5
10	216410	Rock Island, Illinois	<u>23.1</u>	16.0
Total			\$689.9	

¹Closed May 1, 1997, and transferred to DFAS disbursing station 575257, Omaha, Nebraska.

²Closed December 10, 1997, and transferred to DFAS disbursing station 575257, Omaha, Nebraska.

Of the 10 disbursing stations, 7 exceeded the U.S. Treasury performance measure with 6 or more months of unreconciled interagency transfer differences (average). The seven disbursing stations ranged from an average of 7 months to 17.5 months of unreconciled interagency transfer differences. Although DFAS operates all 10 disbursing stations, interagency transfer differences were not concentrated at one DFAS location.

Differences in Checks Issued. The U.S. Treasury reported checks issued for 500 disbursing stations on the September 30, 1999, and the April 30, 2000, Comparison Reports. Of the 500 disbursing stations, 481 disbursing stations showed checks issued differences and 19 disbursing stations showed no checks issued differences. Checks issued differences for the 481 disbursing stations averaged \$3.2 billion. The disbursing stations with the 10 largest average checks issued differences DoD-wide accounted for \$1.3 billion (40.6 percent) of the \$3.2 billion average of DoD checks issued differences and \$19.2 billion (17.6 percent) of the \$108.8 billion average of DoD checks issued activity. Table 3 shows the average number of months the disbursing stations

(DoD-wide) had differences. See Appendix G for tables showing the disbursing stations with the 10 largest average differences in checks issued at each of the DFAS Centers.

Table 3. Average Months of Unreconciled Differences at the Disbursing Stations With the 10 Largest Average Differences (Absolute Value) in Checks Issued: DoD-Wide
(millions)

<u>Rank</u>	<u>Disbursing Station Number</u>	<u>Disbursing Station Location</u>	<u>Average Checks Issued Differences</u>	<u>Average Months of Differences</u>
1	175207	Bayonne, New Jersey	\$ 176.9	41.0
2	175234	Oakland, California	158.5	56.5
3	175245	Norfolk, Virginia	146.0	38.0
4	968736	Millington, Tennessee ¹	134.9	3.5
5	576596	Ramstein, Germany ²	133.2	26.0
6	178522	Cleveland, Ohio	121.5	12.5
7	175704	Columbus, Ohio ³	110.9	4.5
8	218735	Millington, Tennessee	110.5	1.0
9	576599	Washington, D.C.	99.2	1.0
10	216356	Columbus, Ohio	98.9	10.0
Total			\$1,290.5	

¹Reports to the U.S. Treasury through the Army Corps of Engineers' finance center at Millington, Tennessee.

²Transferred to DFAS disbursing station 576789, Ramstein, Germany.

³Closed October 31, 1992, and transferred to DFAS disbursing station 178538, Columbus, Ohio.

Of the 10 disbursing stations, 6 exceeded the U.S. Treasury performance measure with 6 or more months of unreconciled checks issued differences (average). The six disbursing stations ranged from an average of 10 months to 56.5 months of unreconciled checks issued differences.

DFAS operates 7 of the 10 disbursing stations. The Army operates two disbursing stations (disbursing stations 968736 and 218735) and the Air Force operates one disbursing station (disbursing station 576599). Checks issued differences were not concentrated at one location.

Disbursing Stations With Large Differences in More Than One Transaction Category. Disbursing stations with the largest average differences in checks issued frequently had large differences in one of the other two transaction categories (deposits or interagency transfers). Disbursing stations had problems in more than one transaction category both DoD-wide and at the DFAS Center level.

DoD-Wide. Of the 10 DoD-wide disbursing stations with the largest average differences in checks issued, 3 (see Table 4) were also among the disbursing stations within DoD with the 10 largest average differences in deposits (1 disbursing station) or interagency transfers (2 disbursing stations).

Table 4. Disbursing Stations With Large Average Differences in More Than One Transaction Category: DoD-Wide

Disbursing Station Number	Disbursing Station Location	Ranking of Average Differences Within DoD		
		Checks Issued	Deposits	Interagency Transfers
175207	Bayonne, New Jersey	1	*	3
175245	Norfolk, Virginia	3	*	8
178522	Cleveland, Ohio	6	1	*

*Not ranked among the disbursing stations with the 10 largest differences.

DFAS Cleveland Center. Of the 10 DFAS Cleveland Center disbursing stations with the largest average differences in checks issued, 8 (see Table 5) were also among the DFAS Cleveland Center disbursing stations with the 10 largest average differences in deposits (5 disbursing stations) or interagency transfers (6 disbursing stations).

Table 5. DFAS Cleveland Center Disbursing Stations With Large Average Differences in More Than One Transaction Category

Disbursing Station Number	Disbursing Station Location	Ranking of Average Differences Within the DFAS Cleveland Center		
		Checks Issued	Deposits	Interagency Transfers
175207	Bayonne, New Jersey	1	*	1
175234	Oakland, California	2	*	7
175245	Norfolk, Virginia	3	10	4
178522	Cleveland, Ohio	4	1	9
175704	Columbus, Ohio	5	*	*
178380	Pensacola, Florida	6	8	2
178347	Charleston, South Carolina	7	4	5
178538	Columbus, Ohio	8	6	*

*Not ranked among the disbursing stations with the 10 largest differences.

DFAS Denver Center. Of the 10 DFAS Denver Center disbursing stations with the largest average differences in checks issued, 7 (see Table 6) were also among the DFAS Denver Center disbursing stations with the 10 largest average differences in deposits (7 disbursing stations) or interagency transfers (5 disbursing stations).

Table 6. DFAS Denver Center Disbursing Stations With Large Average Differences in More Than One Transaction Category

<u>Disbursing Station Number</u>	<u>Disbursing Station Location</u>	<u>Ranking of Average Differences Within the DFAS Denver Center</u>		
		<u>Checks Issued</u>	<u>Deposits</u>	<u>Interagency Transfers</u>
576599	Washington, D.C.	2	8	*
576789	Ramstein, Germany	5	9	8
575257	Omaha, Nebraska	6	5	1
576688	Yokota, Japan	7	6	5
573801	Denver, Colorado	8	3	3
578559	Columbus, Ohio	9	2	*
575030	Dayton, Ohio	10	7	4

*Not ranked among the disbursing stations with the 10 largest differences.

DFAS Indianapolis Center. Of the 10 DFAS Indianapolis Center disbursing stations with the largest average differences in checks issued, 6 (see Table 7) were also listed among the DFAS Indianapolis Center disbursing stations with the 10 largest average differences in deposits (5 disbursing stations) or interagency transfers (3 disbursing stations).

Table 7. DFAS Indianapolis Center Disbursing Stations With Large Average Differences in More Than One Transaction Category

<u>Disbursing Station Number</u>	<u>Disbursing Station Location</u>	<u>Ranking of Average Differences Within the DFAS Indianapolis Center</u>		
		<u>Checks Issued</u>	<u>Deposits</u>	<u>Interagency Transfers</u>
216356	Columbus, Ohio	2	4	*
215499	Mons, Belgium	4	6	*
215286	Omaha, Nebraska	5	*	2
215570	Indianapolis, Indiana	6	2	1
216460	Schwetzingen, Germany	9	7	*
216551	Columbus, Ohio	10	9	3

*Not ranked among the disbursing stations with the 10 largest differences.

Performance Measures and Action Plans

DFAS did not establish performance measures and action plans to identify and improve the performance of DoD disbursing stations with significant unreconciled differences in deposits, interagency transfers, and checks issued.

Performance Measures. The FY 2000 through FY 2005 DFAS performance contract with the Defense Management Council does not include a performance measure for disbursing stations' differences in deposits, interagency transfers, and checks issued. However, the DFAS performance contract does include other performance measures to improve DoD financial management and achieve an unqualified audit opinion on the DoD Agency-Wide financial statements. In addition, DFAS had not established a performance plan to measure the performance of all DoD disbursing stations in reconciling differences in deposits, interagency transfers, and checks issued.

Action Plans. Performance measure data are necessary to establish effective strategic plans that focus scarce DFAS and Service reconciliation resources on disbursing stations requiring the most management attention. Performance measure data are also needed to establish detailed metrics for action plans to improve the performance of individual DoD disbursing stations with significant differences in deposits, interagency transfers, and checks issued.

Conclusion

The Statements of Differences and Comparison Reports are among the U.S. Treasury's primary controls over non-Treasury disbursing offices. DFAS headquarters should make full use of those tools to measure the performance of all DoD disbursing stations in reconciling differences. DFAS and the Services should use performance measure data to focus their scarce reconciliation resources on the disbursing stations that need the most improvement. Reconciliation of the disbursing stations' differences could significantly reduce deposit, interagency transfer, and checks issued differences, and improve the accuracy of the DoD FBWT account.

Recommendations, Management Comments, and Audit Response

- 1. We recommend that the Under Secretary of Defense (Comptroller/Chief Financial Officer) and the Director, Defense Finance and Accounting Service, revise the Defense Finance and Accounting Service performance contract with the Defense Management Council to add a performance measure for disbursing stations' unreconciled differences in deposits, interagency transfers, and checks issued.**

Management Comments. The Under Secretary of Defense (Comptroller/Chief Financial Officer) concurred, but stated that the FY 2001 DFAS Performance Contract has been signed, so a new performance measure cannot be added at this time. The Acting Director for Finance, DFAS, concurred, stating that this action will be added to the DFAS Performance Contract for FY 2002 if significant improvements do not result from the other actions recommended in this report. Although not required to comment, the Air Force concurred with the recommendation.

2. We recommend that the Director, Defense Finance and Accounting Service:

a. Establish a performance plan to measure the performance of all DoD disbursing stations in reconciling differences in deposits, interagency transfers, and checks issued;

b. Establish a strategic plan to focus Defense Finance and Accounting Service and Service reconciliation resources on disbursing stations with significant differences in deposits, interagency transfers, or checks issued; and

c. Establish action plans with detailed metrics to improve the performance of the Defense Finance and Accounting Service disbursing stations with significant differences in deposits, interagency transfers, or checks issued.

Management Comments. The Acting Director for Finance, DFAS, concurred, stating that DFAS will establish performance plans, strategic plans, and action plans with detailed metrics for DFAS disbursing stations with significant differences. DFAS stated that it will complete the actions by March 30, 2001.

3. We recommend that the Director, Defense Finance and Accounting Service, and the Assistant Secretaries (Financial Management and Comptroller) of the Army, the Navy, and the Air Force establish action plans with detailed metrics to improve the performance of the Service disbursing stations with significant differences in deposits, interagency transfers, or checks issued.

Management Comments. The Acting Director for Finance, DFAS, concurred, stating that DFAS will work with the Army, the Navy, and the Air Force to establish action plans with detailed metrics for Service disbursing stations with significant differences. The Deputy Assistant Secretary of the Army (Financial Operations) suggested changing the wording of the recommendation to require DFAS to establish the action plans and the Services to assist the DFAS. Also, the Army suggested an additional recommendation to require that the Assistant Secretaries (Financial Management and Comptroller) follow up with Service disbursing officers who fail to meet an acceptable level of performance. The Navy and the Air Force agreed to work with DFAS to establish action plans with detailed metrics for their disbursing stations with significant differences.

Audit Response. DFAS, Navy, and Air Force comments are fully responsive. The Army comments are partially responsive. In addition, we do not believe it is appropriate to revise the recommendation as suggested by the Army because

DFAS should not be primarily responsible for developing action plans with detailed metrics for Army disbursing stations. Only Army financial managers are in a position to determine and take the specific actions required to improve the performance of individual Army disbursing stations. Corrective actions could range from improvements in operating procedures or other management changes to redistribution of staffing or workload. The Army and DFAS should have a joint responsibility for preparing the action plans. We did not adopt the followup recommendation suggested by the Army because the action is implicit in the performance measurement process. We request that the Assistant Secretary of the Army (Financial Management and Comptroller) provide additional comments on the recommendation.

Appendix A. Audit Process

Scope and Methodology

We obtained electronic files of the U.S. Treasury's Statements of Differences and a copy of the U.S. Treasury's Comparison Reports for DoD for September 30, 1999, and April 30, 2000. The Statements of Differences and the Comparison Reports reflect amounts shown on the Statements of Accountability and in U.S. Treasury control totals for all DoD disbursing stations with differences, including disbursing stations with zero dollar differences.

Using a spreadsheet application, we manipulated the electronic Statements of Differences files. To ensure the integrity of the electronic data, we compared control totals from the spreadsheet with control totals from the U.S. Treasury's Statements of Differences. In addition, we manually converted the Comparison Reports to a spreadsheet application and similarly compared control totals with the U.S. Treasury's Comparison Reports. We also compared the Statements of Differences data that we obtained from the U.S. Treasury with the DFAS Centers' data. We coordinated our efforts with personnel from the Department of the Treasury Financial Management Service, the General Accounting Office, DFAS headquarters, and the DFAS Centers.

We determined the absolute dollar value of differences in deposits, interagency transfers, and checks issued for each individual disbursing station. The absolute value for each disbursing station represents the sum of the absolute values for each month with an outstanding difference.¹⁰ We ranked the disbursing stations in descending order based on the absolute value of their differences. Separate rankings were developed for differences in deposits, interagency transfers, and checks issued. Rankings were done DoD-wide and for each finance center.

In addition, we reviewed the Treasury Financial Manual and DoD Regulation 7000.14-R, and we interviewed operating personnel from the Department of the Treasury Financial Management Service and DFAS.

DoD-Wide Corporate-Level Government Performance and Results Act Coverage. In response to the Government Performance and Results Act, the Secretary of Defense annually establishes DoD-wide corporate-level goals,

¹⁰The U.S. Treasury computes differences for each DoD disbursing station monthly. For example, if a disbursing station had 15 previous months with uncorrected differences, the disbursing station would have 15 separate differences at month end. The differences represent Statements of Accountability that either overstate or understate amounts shown in U.S. Treasury control totals. If the disbursing station in the above example had 7 months with overstatements and 8 months with understatements, the absolute value of the overstatements and understatements would be computed by considering the differences for all 15 months as positive. In computing the absolute value of the differences, overstatements would not offset understatements.

subordinate performance goals, and performance measures. This report pertains to achievement of the following goal, subordinate performance goal, and performance measures:

FY 2001 DoD 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 2.5.2: 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 objectives and goals. This report pertains to achievement of the following financial management functional area objectives and goals.

Objective: Reengineer DoD business practices. **Goal:** Improve data standardization of finance and accounting data items. **(FM-4.4)**

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 Department of Defense. This report provides coverage of the Defense Financial Management high-risk area.

Use of Computer-Processed Data. We relied on computer-processed data from the U.S. Treasury's accounting and reporting system to determine the September 30, 1999, and April 30, 2000, differences for deposits, interagency transfers, and checks issued. Specifically, we relied on computer-processed difference data from the U.S. Treasury's Statements of Differences and Comparison Reports. Although we did not perform a formal reliability assessment of the computer-processed data, we determined that data on deposits, interagency transfers, and checks issued that DoD reported to the U.S. Treasury on Statements of Accountability agreed with corresponding computer-processed data. We did not find errors that would preclude the use of computer-processed data to meet the audit objectives or that would change the conclusions in the report.

Audit Type, Dates, and Standards. We performed this financial-related audit from March through August 2000 in accordance with auditing 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 in DoD and at the Department of the Treasury, Hyattsville, Maryland. Further details are available on request.

Management Control Program Review

DoD Directive 5010.38, "Management Control (MC) Program," August 26, 1996, requires 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 Office of the Under Secretary of Defense (Comptroller/Chief Financial Officer) (the Comptroller) and the DFAS controls over differences in deposits, interagency transfers, and checks issued that are reported on the Statements of Differences and the Comparison Reports. Specifically, we reviewed controls over the use of the Statements of Differences and the Comparison Reports to measure DoD disbursing stations' performance in reconciling differences in deposits, interagency transfers, and checks issued. Because we did not identify a material weakness, we did not assess the Comptroller and the DFAS self-evaluations applicable to those controls.

Adequacy of Management Controls. The controls that we reviewed at the Comptroller and DFAS were generally adequate in that we identified no material management control weaknesses as defined by DoD Instruction 5010.40, "Management Control (MC) Program Procedures," August 28, 1996.

Appendix B. 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/audit/reports>. The audit organizations have issued the following reports related to financial statement issues involving the FBWT account.

General Accounting Office

Report No. GAO/AIMD-99-3, "Financial Audit: Issues Regarding Reconciliations of Fund Balances With Treasury Accounts," October 14, 1998.

Inspector General, DoD

Report No. D-2000-123, "Disclosure of Differences in Deposits, Interagency Transfers, and Checks Issued in the FY 1999 DoD Agency-Wide Financial Statements," May 18, 2000.

Report No. D-2000-044, "Reconciliation of Differences Reported for Checks Issued by the Defense Finance and Accounting Service Columbus Center Disbursing Stations," November 30, 1999.

Report No. 99-226, "Interagency Transfer Reconciliations at Defense Finance and Accounting Service Columbus Center Disbursing Stations," July 28, 1999.

Report No. 99-211, "Deposit Reconciliations at Defense Finance and Accounting Service Columbus Center Disbursing Stations," July 9, 1999.

Army Audit Agency

Report No. AA 00-168, "Army's General Fund Principal Financial Statements for Fiscal Year 1999: Summary Audit Report," February 9, 2000.

Report No. AA 99-115, "Army's Principal Financial Statements for Fiscal Year 1998, Centralized Disbursing, Defense Finance and Accounting Service Indianapolis Center," January 27, 1999.

Report No. AA 98-104, "Army's Principal Financial Statements for Fiscal Years 1997 and 1996: Auditor's Report," February 13, 1998.

Naval Audit Service

Report No. N2000-0018, "Department of the Navy Principal Statements for Fiscal Year 1999," February 10, 2000.

Report No. 054-99, "Department of the Navy Principal Statements for Fiscal Year 1998: Fund Balance With Treasury," August 19, 1999.

Report No. 052-98, "Department of the Navy Principal Statements for Fiscal Years 1997 and 1996: Fund Balance With Treasury," September 30, 1998.

Air Force Audit Agency

Report No. 99053002, "Opinion on Fiscal Year 1999 Air Force Consolidated Financial Statements," February 9, 2000.

Report No. 98053002, "Opinion on Fiscal Year 1998 Air Force Consolidated Financial Statements," March 1, 1999.

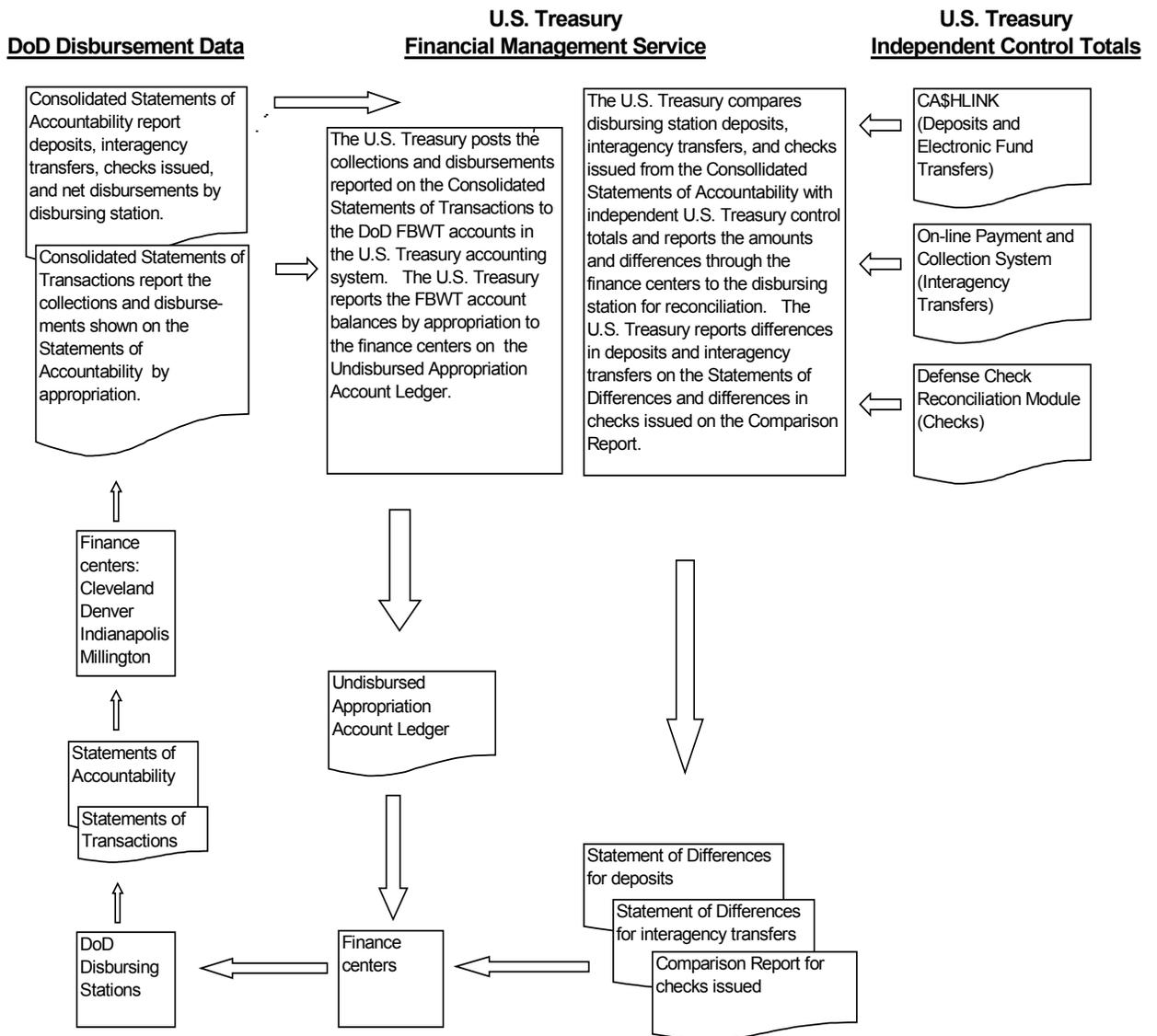
Report No. 97053009, "Opinion on Fiscal Year 1997 Air Force Consolidated Financial Statements," February 27, 1998.

Appendix C. Statement of Transactions and the Fund Balance With Treasury Account

The Statements of Transactions are combined at the finance centers and submitted to the U.S. Treasury. The U.S. Treasury records the data from the Statements of Transactions in the FBWT account maintained for each appropriation in the U.S. Treasury's Standard Treasury Accounting and Reporting System. Each month, the U.S. Treasury reports the outstanding balance in the FBWT account to each Government agency on Department of the Treasury Financial Management Service Form 6653, "Undisbursed Appropriation Account Ledger."

The U.S. Treasury sends the Undisbursed Appropriation Account Ledger to each agency on microfiche and electronically through the Government On-line Accounting Link System. DFAS uses the Undisbursed Appropriation Account Ledger to adjust budgetary data to be reported monthly on SF 133, "Report on Budget Execution," and the Department of the Treasury Financial Management Service Form 2108, "Yearend Closing Statement." The budgetary reports are the primary financial reports supporting the Combined Statement of Budgetary Resources in the DoD Agency-Wide financial statements.

Appendix D. Processes for Identifying Differences and Recording Transactions in the Fund Balance With Treasury Account



Appendix E. Disbursing Stations With the 10 Largest Average Differences in Deposits at Each DFAS Center

Table E-1. Disbursing Stations With the 10 Largest Average Differences (Absolute Value) in Deposits: DFAS Cleveland Center (millions)

<u>Disbursing Station Rank</u>	<u>Disbursing Station Number</u>	<u>Disbursing Station Location</u>	<u>Average Deposit Differences</u>	<u>Ratio of Differences to Deposits¹</u>
1	178522	Cleveland, Ohio	\$355.3	0.4
2	170001	Arlington, Virginia ²	94.3	20.7
3	178565	Columbus, Ohio	87.5	3.9
4	178347	Charleston, South Carolina	83.0	2.0
5	178558	Columbus, Ohio	55.5	3.5
6	178538	Columbus, Ohio	30.1	0.8
7	175242	San Diego, California	13.0	1.0
8	178380	Pensacola, Florida	12.1	1.7
9	176102	Kansas City, Missouri	11.8	0.5
10	175245	Norfolk, Virginia	<u>11.1</u>	1.5
Total			\$753.7	

¹The disbursing station's percentage share of average DoD-wide difference divided by the disbursing station's percentage share of the average DoD-wide U.S. Treasury control total. A disbursing station with 4 percent of the average DoD-wide difference and 2 percent of the average DoD-wide U.S. Treasury control total would have a ratio of differences to deposits of 2. Disbursing stations with ratios greater than 1 have a disproportionate share of deposit differences.

²Navy disbursing station.

Table E-2. Disbursing Stations With the 10 Largest Average Differences (Absolute Value) in Deposits: DFAS Denver Center (millions)

<u>Disbursing Station Rank</u>	<u>Disbursing Station Number</u>	<u>Disbursing Station Location</u>	<u>Average Deposit Differences</u>	<u>Ratio of Differences to Deposits</u>
1	578541	Columbus, Ohio	\$259.9	5.0
2	578559	Columbus, Ohio	179.8	4.9
3	573801	Denver, Colorado	179.7	1.6
4	578560	Columbus, Ohio	34.8	2.6
5	575257	Omaha, Nebraska	9.8	0.4
6	576688	Yokota, Japan ¹	2.8	1.4
7	575030	Dayton, Ohio	2.5	²
8	576599	Washington, D.C. ¹	2.2	0.7
9	576789	Ramstein, Germany	1.5	0.6
10	576607	San Antonio, Texas	<u>1.2</u>	0.2
Total			\$674.2	

¹Air Force disbursing station.

²Ratio less than 0.05.

Table E-3. Disbursing Stations With the 10 Largest Average Differences (Absolute Value) in Deposits: DFAS Indianapolis Center (millions)

<u>Disbursing Station Rank</u>	<u>Disbursing Station Number</u>	<u>Disbursing Station Location</u>	<u>Average Deposit Differences</u>	<u>Ratio of Differences to Deposits</u>
1	216355	Columbus, Ohio	\$136.7	2.4
2	215570	Indianapolis, Indiana	89.3	0.4
3	216422	Columbus, Ohio	63.4	3.6
4	216356	Columbus, Ohio	43.4	1.6
5	216469	Columbus, Ohio	36.6	1.2
6	215499	Mons, Belgium*	36.0	8.5
7	216460	Schwetzingen, Germany*	31.3	5.0
8	216387	Hanau, Germany*	15.1	2.0
9	216551	Columbus, Ohio	11.8	1.0
10	215498	Kaiserslautern, Germany*	<u>11.7</u>	3.6
Total			\$475.3	

*Army disbursing station.

Appendix F. Disbursing Stations With the 10 Largest Average Differences in Interagency Transfers at Each DFAS Center

Table F-1. Disbursing Stations With the 10 Largest Average Differences (Absolute Value) in Interagency Transfers: DFAS Cleveland Center (millions)

<u>Disbursing Station Rank</u>	<u>Disbursing Station Number</u>	<u>Disbursing Station Location</u>	<u>Average Interagency Transfer Differences</u>	<u>Ratio of Differences to Interagency Transfers¹</u>
1	175207	Bayonne, New Jersey	\$102.9	3.5
2	178380	Pensacola, Florida	64.4	1.0
3	175242	San Diego, California	51.2	2.2
4	175245	Norfolk, Virginia	42.4	3.4
5	178347	Charleston, South Carolina	23.7	3.4
6	176102	Kansas City, Missouri	13.8	0.5
7	175234	Oakland, California	8.1	0.2
8	176799	Yokota, Japan ²	6.0	24.5
9	178522	Cleveland, Ohio	5.2	0.1
10	178728	USS Arctic ^{2,3}	2.9	39.5
Total			\$320.6	

¹The disbursing station's percentage share of average DoD-wide difference divided by the disbursing station's percentage share of the average DoD-wide U.S. Treasury control total. A disbursing station with 4 percent of the average DoD-wide difference and 2 percent of the average DoD-wide U.S. Treasury control total would have a ratio of differences to interagency transfers of 2. Disbursing stations with ratios greater than 1 have a disproportionate share of interagency transfer differences.

²Navy disbursing station.

³Another disbursing station inappropriately charged disbursing station 178728, USS Arctic, through the On-line Payment and Collection System.

Table F-2. Disbursing Stations With the 10 Largest Average Differences (Absolute Value) in Interagency Transfers: DFAS Denver Center (millions)

<u>Disbursing Station Rank</u>	<u>Disbursing Station Number</u>	<u>Disbursing Station Location</u>	<u>Average Interagency Transfer Differences</u>	<u>Ratio of Differences to Interagency Transfers</u>
1	575257	Omaha, Nebraska	\$56.7	10.5
2	576723	San Bernadino, California	5.4	0.5
3	573801	Denver, Colorado	5.2	0.1
4	575030	Dayton, Ohio	4.6	0.3
5	576688	Yokota, Japan*	3.4	6.1
6	576624	Orlando, Florida	1.9	5.2
7	576671	Limestone, Maine	1.7	3.4
8	576789	Ramstein, Germany	0.6	2.8
9	578468	Denver, Colorado*	0.1	0.1
10	576683	Pearl Harbor, Hawaii	<u>0.1</u>	0.1
Total			\$79.7	

* Air Force disbursing station.

Table F-3. Disbursing Stations With the 10 Largest Average Differences (Absolute Value) in Interagency Transfers: DFAS Indianapolis Center (millions)

<u>Disbursing Station Rank</u>	<u>Disbursing Station Number</u>	<u>Disbursing Station Location</u>	<u>Average Interagency Transfer Differences</u>	<u>Ratio of Differences to Interagency Transfers</u>
1	215570	Indianapolis, Indiana	\$143.0	3.7
2	215286	Omaha, Nebraska	109.4	4.0
3	216551	Columbus, Ohio	73.1	1.6
4	216410	Rock Island, Illinois	23.1	6.3
5	216355	Columbus, Ohio	22.1	1.8
6	218726	St. Louis, Missouri ¹	15.9	52.0
7	216436	Winchester, Virginia ¹	²	0.1
8	216358	Pearl Harbor, Hawaii ¹	²	0.1
9	216350	Yokota, Japan ¹	²	0.1
10	216388	Norfolk, Virginia	²	1.5
Total			\$386.6	

¹Army disbursing station.

²Differences less than \$50,000.

Appendix G. Disbursing Stations With the 10 Largest Average Differences in Checks Issued at Each DFAS Center

Tables G-1 through G-3 include the 10 largest average differences in checks issued for the DFAS Cleveland Center, DFAS Denver Center, and DFAS Indianapolis Center. Tables for disbursing stations reporting to the U.S. Army Corps of Engineers (Corps) are not included because only 1 of the disbursing stations reporting to the Corps was included among the disbursing stations with the 10 largest average differences in checks issued. Data regarding the Corps' disbursing stations are available upon request.

**Table G-1. Disbursing Stations With the 10 Largest Average Differences
(Absolute Value) in Checks Issued: DFAS Cleveland Center
(millions)**

<u>Disbursing Station Rank</u>	<u>Disbursing Station Number</u>	<u>Disbursing Station Location</u>	<u>Average Checks Issued Differences</u>	<u>Ratio of Differences to Checks Issued¹</u>
1	175207	Bayonne, New Jersey	\$176.9	3.3
2	175234	Oakland, California	158.5	0.9
3	175245	Norfolk, Virginia	146.0	0.9
4	178522	Cleveland, Ohio	121.5	1.5
5	175704	Columbus, Ohio	110.9	3.4
6	178380	Pensacola, Florida	94.0	14.9
7	178347	Charleston, South Carolina	60.8	0.2
8	178538	Columbus, Ohio	41.4	0.9
9	176140	Naval Station, Guam ²	41.2	4.8
10	178780	Yokota, Japan ³	39.5	4
Total			\$990.7	

¹The disbursing station's percentage share of average DoD-wide difference divided by the disbursing station's percentage share of the average DoD-wide U.S. Treasury control total. A disbursing station with 4 percent of the average DoD-wide difference and 2 percent of the average DoD-wide U.S. Treasury control total would have a ratio of differences to checks issued of 2. Disbursing stations with ratios greater than 1 have a disproportionate share of checks issued differences.

²Navy disbursing station.

³Closed February 1, 1998, and transferred to Air Force disbursing station 576688, Yokota, Japan.

⁴The ratio has no mathematical definition because the denominator of the ratio (the U.S. Treasury control total) is zero. The disbursing station did not report its checks issued to the U.S. Treasury through the Defense Check Reconciliation Module.

**Table G-2. Disbursing Stations With the 10 Largest Average Differences
(Absolute Value) in Checks Issued: DFAS Denver Center
(millions)**

<u>Disbursing Station Rank</u>	<u>Disbursing Station Number</u>	<u>Disbursing Station Location</u>	<u>Average Checks Issued Differences</u>	<u>Ratio of Differences to Checks Issued</u>
1	576596	Ramstein, Germany ¹	\$133.2	12.6
2	576599	Washington, D.C. ²	99.2	³
3	575914	Columbus, Ohio ⁴	86.5	1.5
4	575938	Ramstein, Germany ¹	86.2	7.3
5	576789	Ramstein, Germany	61.2	4.8
6	575257	Omaha, Nebraska	42.8	41.7
7	576688	Yokota, Japan ²	39.5	5.5
8	573801	Denver, Colorado	36.6	1.3
9	578559	Columbus, Ohio	32.1	6.1
10	575030	Dayton, Ohio	<u>29.9</u>	22.5
Total			\$647.2	

¹Transferred to DFAS disbursing station 576789, Ramstein, Germany.

²Air Force disbursing station.

³The ratio has no mathematical definition because the denominator of the ratio (the U.S. Treasury control total) is zero. The disbursing station did not report its checks issued to the U.S. Treasury through the Defense Check Reconciliation Module.

⁴Closed May 31, 1992, and transferred to DFAS disbursing station 578541, Columbus, Ohio.

**Table G-3. Disbursing Stations With the 10 Largest Average Differences
(Absolute Value) in Checks Issued: DFAS Indianapolis Center
(millions)**

<u>Disbursing Station Rank</u>	<u>Disbursing Station Number</u>	<u>Disbursing Station Location</u>	<u>Average Checks Issued Differences</u>	<u>Ratio of Differences to Checks Issued</u>
1	218735	Millington, Tennessee ¹	\$110.5	39.4
2	216356	Columbus, Ohio	98.9	2.4
3	218579	Kaiserslautern, Germany ¹	93.2	9.3
4	215499	Mons, Belgium ¹	86.4	19.5
5	215286	Omaha, Nebraska	77.4	16.2
6	215570	Indianapolis, Indiana	53.7	0.3
7	216944	Fort George Meade, Maryland ¹	49.3	1.1
8	215058	Indianapolis, Indiana ²	41.5	5.0
9	216460	Schwetzingen, Germany ¹	35.2	6.6
10	216551	Columbus, Ohio	<u>27.5</u>	1.2
Total			\$673.6	

¹Army disbursing station.

²Closed. Closure date not available. Transferred to Army disbursing station 215053, Indianapolis, Indiana.

Appendix H. Report Distribution

Office of the Secretary of Defense

Under Secretary of Defense (Comptroller/Chief Financial Officer)
Deputy Chief Financial Officer
Deputy Comptroller (Program/Budget)

Department of the Army

Assistant Secretary of the Army (Financial Management and Comptroller)
Commander, U.S. Army Corps of Engineers
Auditor General, Department of the Army

Department of the Navy

Assistant Secretary of the Navy (Financial Management and Comptroller)
Naval Inspector General
Auditor General, Department of the Navy

Department of the Air Force

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

Other Defense Organizations

Director, Defense Finance and Accounting Service
Director, Defense Finance and Accounting Service Cleveland Center
Director, Defense Finance and Accounting Service Columbus Center
Director, Defense Finance and Accounting Service Denver Center
Director, Defense Finance and Accounting Service Indianapolis Center
Director, Defense Finance and Accounting Service Kansas City Center

Non-Defense Federal Organization

Office of Management and Budget

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

Under Secretary of Defense (Comptroller) Comments

Dec-12-00 10:10am From-DOD/USDC/DCFO/AP Policy 7036974608 T-346 P.02/02 F-047



COMPTROLLER

UNDER SECRETARY OF DEFENSE
1100 DEFENSE PENTAGON
WASHINGTON, DC 20301-1100

DEC 11 2000

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

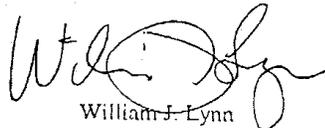
SUBJECT: Office of the Inspector General, Department of Defense (OIG, DoD) Draft Audit
Report, "Performance Measures for Disbursing Stations" (Project No.
D1999FD-0065.001) (Formerly Project No. 9FD-2025.01)

This is in response to your request for comment on the subject draft audit. Your draft audit recommends this office revise the Defense Finance and Accounting Service (DFAS) performance contract with the Defense Management Council to add a performance measure for disbursing officers' (DOs') unreconciled differences with the Treasury Department for deposits, interagency transfers, and checks issued. This office generally agrees with the intent of the recommendation that differences between the DoD and the Treasury Department should be resolved expeditiously.

The fiscal year 2001 DFAS performance contract has been signed and, therefore, a new performance measure cannot be added at this time. This office will direct the DFAS to develop a plan to measure and improve the performance of the DoD disbursing stations in reconciling differences in deposits, interagency transfers, and checks issued.

This office is pleased that the audit found no material weaknesses in management controls for DO reporting of collections and disbursements to the DFAS Centers and the Treasury Department.

The point of contact on this matter is Ms. Sally Matiella. She may be reached by e-mail: matiells@osd.pentagon.mil or by telephone at (703) 697-8281.


William J. Lynn

DEC-12-2000 11:11

7036974608

97%

P.02

Department of the Army Comments



REPLY TO
ATTENTION OF

DEPARTMENT OF THE ARMY
OFFICE OF THE ASSISTANT SECRETARY
FINANCIAL MANAGEMENT AND COMPTROLLER
109 ARMY PENTAGON
WASHINGTON DC 20310-0109

October 19, 2000

MEMORANDUM FOR DIRECTOR, FINANCE AND ACCOUNTING
DIRECTORATE, DEPARTMENT OF DEFENSE
INSPECTOR GENERAL, 400 ARMY NAVY DRIVE,
ARLINGTON, VIRGINIA 22202-2884

SUBJECT: Audit Report on Performance Measures for Disbursing Stations
(Project No. D1999FD-0065.001)(Formerly Project No. 9FD-2025.01)

Reference the subject draft audit report, September 21, 2000, and your request for comments regarding the recommendations.

Recommendation 3: Change to read "The Director, Defense Finance and Accounting Service establish action plans with detailed metrics to improve the performance of disbursing offices with significant differences in deposit, interagency transfers or checks issued. The Assistant Secretaries (Financial Management and Comptroller) will assist and follow-up with Service disbursing officers failing to meet an acceptable level of performance."

Questions regarding this matter can be addressed to Mr. Bill Hunnicut, DSN 699-2223 or (317) 510-2223.


Ernest J. Gregory
Deputy Assistant Secretary of the Army
(Financial Operations)

Printed on  Recycled Paper

Department of the Navy Comments

12/04/00 12:04 FAX 7036855270

ASN FM&C

+ FMO

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DEPARTMENT OF THE NAVY
OFFICE OF THE ASSISTANT SECRETARY
(FINANCIAL MANAGEMENT AND COMPTROLLER)
1000 NAVY PENTAGON
WASHINGTON, D.C. 20350 1000

DEC 1 2000

MEMORANDUM FOR INSPECTOR GENERAL, DEPARTMENT OF DEFENSE

Subj: DRAFT AUDIT REPORT ON PERFORMANCE MEASURES FOR
DISBURSING STATIONS (PROJECT NO. D1999FD-0065.001)
(FORMERLY PROJECT NO. 9FD-2025.01)

Ref: (a) DODIG memo of 21 Sep 00

Encl: (1) DON comments on DODIG Draft Audit Report

By reference (a), you requested comments regarding the
subject draft report. Comments are provided in enclosure (1).

The point of contact is Ms. Lessie M. Turner at
(202) 685-6738.

A handwritten signature in cursive script that reads "Gladys J. Commons".

GLADYS J. COMMONS
Principal Deputy
Assistant Secretary of the Navy
(Financial Management and Comptroller)

Copy to:
NAVINGEN
DFAS

DEPARTMENT OF THE NAVY COMMENTS
ON
DODIG DRAFT AUDIT REPORT OF 21 SEPTEMBER 2000
"PERFORMANCE MEASURES FOR DISBURSING STATIONS"
(Project No. D1999FD-0065.001)

Finding: Performance Measures for Disbursing Stations

RECOMMENDATION 1: We recommend that the Director, Defense Finance and Accounting Service, and the Assistant Secretaries (Financial Management and Comptroller) of the Army, Navy and the Air Force establish action plans with detailed metrics to improve the performance of the Service disbursing stations with differences in deposits, interagency transfers, or checks issued.

ASN(FM&C) Response: Concur in principle. The Department of the Navy (DON) will work with the Defense Finance and Accounting Service to establish metrics to improve the performance of our disbursing stations. This course of action will ensure consistency in disbursing procedures and performance measures. The DON's completion of this action is dependent upon the DFAS established action plans.

Enclosure (1)

Department of the Air Force Comments



Office Of The Assistant Secretary

DEPARTMENT OF THE AIR FORCE
WASHINGTON DC

4 December 2000

MEMORANDUM FOR ASSISTANT INSPECTOR GENERAL FOR AUDITING
OFFICE OF THE INPECTOR GENERAL
DEPARTMENT OF DEFENSE

FROM: AFAFO/FMF
6760 E. Irvington Place
-Denver, CO 80279-8000

Subject: DoDIG Report D1999FD-0065.001, Performance Measures for Disbursing Stations

This is in reply to your memorandum requesting the Assistant Secretary of the Air Force (Financial Management and Comptroller) provide Air Force comments on subject report.

Recommendation 1. We recommend that the Undersecretary of Defense (Comptroller) and the Director, Defense Finance and Accounting Service (DFAS), revise the DFAS performance contract with the Defense Management Council to add a performance measure for disbursing stations' unreconciled differences in deposits, interagency transfers, and checks issued.

Management Response: Concur with recommendation and DFAS comments. SAF/FM will include this recommendation to DFAS in the coordination of the DFAS Performance Contract for FY 2002. Estimated completion date: Dec 31, 2000.

Recommendation 3. We recommend that the Director, DFAS, and the Assistant Secretaries (Financial Management and Comptroller) of the Army, the Navy, and the Air Force establish action plans with detailed metrics to improve the performance of the Service disbursing stations with significant differences in deposits, interagency transfers, or check issues.

Management Response: Concur. SAF/FM will take the lead to work with DFAS to establish plans with detailed metrics to ensure the one remaining Air Force Disbursing Station is in compliance. Estimated completion date: March 30, 2001.

The AFAFO POC is Mr. David Gruba, DSN 926-5857 or commercial (303) 676-5857.

Martha M. Beatty
MARTHA M. BEATTY, Colonel, USAF
Director, Air Force Accounting and
Finance Office

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AFAFO/FMF

12/04/00 10:29 FAX 303 676 5866

Defense Finance and Accounting Service Comments



DEFENSE FINANCE AND ACCOUNTING SERVICE
1931 JEFFERSON DAVIS HIGHWAY
ARLINGTON, VA 22240-5291
WWW.DFAS.MIL



NOV 22 2000

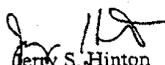
DFAS-ARL/DFD

MEMORANDUM FOR DIRECTOR, FINANCE AND ACCOUNTING DIRECTORATE,
OFFICE OF THE INSPECTOR GENERAL, DoD

SUBJECT: Audit Report on Performance Measures for Disbursing Stations
(Project No. D1999FD-0065.001) (formerly Project No. 9FD-2025.01)

Your memorandum of September 21, 2000, requested that we provide management comments on your draft Audit Report on Performance Measures for Disbursing Stations.

Attached are our comments to Recommendations 1, 2, and 3. If you have any questions, please call my action officer Mrs. Mary Golden at (703) 607-5051.


Jerry S. Hinton
Acting Director for Finance

Attachment:
As stated

DFAS COMMENTS TO DRAFT AUDIT REPORT RECOMMENDATIONS

Recommendation 1. We recommend that the Under Secretary of Defense (Comptroller) and the Director, Defense Finance and Accounting Service (DFAS), revise the DFAS performance contract with the Defense Management Council to add a performance measure for disbursing stations' unreconciled differences in deposits, interagency transfers, and checks issued.

Management Response: Concur with the intent of the recommendation. The DFAS FY 2001 Performance Contract with the Defense Management Council has already been negotiated and signed. The DFAS intends to take the other corrective actions recommended in this report. If we do not see significant improvements as a result of these other corrective actions, this action will be added to the DFAS Performance Contract for FY 2002.

Recommendation 2. We recommend that the Director, DFAS:

- a. Establish a performance plan to measure the performance of all DoD disbursing stations in reconciling differences in deposits, interagency transfers, and checks issued.
- b. Establish a strategic plan to focus DFAS reconciliation resources on disbursing stations with significant differences in deposits, interagency transfers, or checks issued; and
- c. Establish action plans with detailed metrics to improve the performance of the DFAS disbursing stations with significant differences in deposits, interagency transfers, or checks issued.

Management Response: Concur. The DFAS will take the recommended corrective actions as follows:

- a. Establish performance plans: Estimated completion date: March 30, 2001
- b. Establish strategic plans: Estimated completion date: March 30, 2001
- c. Establish action plans with detailed metrics: Estimated completion date: March 30, 2001

Recommendation 3. We recommend that the Director, DFAS, and the Assistant Secretaries (Financial Management and Comptroller) of the Army, the Navy, and the Air Force establish action plans with detailed metrics to improve the performance of the Service disbursing stations with significant differences in deposits, interagency transfers, or checks issues.

Management Response: Concur. The DFAS will work with the Assistant Secretaries (Financial Management and Comptroller) of the Army, the Navy, and the Air Force to establish action plans with detailed metrics. Estimated completion date: March 30, 2001.

Audit Team Members

The Finance and Accounting Directorate, Office of the Assistant Inspector General for Auditing, DoD, produced this report. Personnel of the Office of the Inspector General, DoD, who contributed to the report are listed below.

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J. J. Delino
Tara L. Drotar
Margaret R. Westfall
Christopher A. Ulrich
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