

July 15, 2002



Financial Management

Promptness of FY 2002 Fourth
Quarter DoD Payments to the
Department of the Treasury for
District of Columbia Water and
Sewer Services
(D-2002-128)

**Office of the Inspector General
of the
Department of Defense**

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UNITED STATES OF AMERICA

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ARTICLE I, SECTION 9

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Acronyms

DFAS
IG DoD
WASA

Defense Finance and Accounting Service
Inspector General of the Department of Defense
Water and Sewer Authority



INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
400 ARMY NAVY DRIVE
ARLINGTON, VIRGINIA 22202-4704

July 15, 2002

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

SUBJECT: Report on the Promptness of FY 2002 Fourth Quarter DoD Payments to the
Department of the Treasury for District of Columbia Water and Sewer
Services (Report No. D-2002-128)

We are providing this report for information and use. The audit was mandated by Public Law 106-554. No written response to this report was required and none was received. Therefore, we are publishing this report in final form.

We appreciate the courtesies extended to the staff. Questions on the audit should be directed to Mr. Henry Kleinknecht at (703) 604-9324 (DSN 664-9324) (hkleinknecht@dodig.osd.mil) or Mr. Ronald Hodges at (703) 604-9592 (DSN 664-9592) (rhodges@dodig.osd.mil). See Appendix C for the report distribution. The team members are listed inside the back cover.

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Office of the Inspector General of the Department of Defense

Report No. D-2002-128

July 15, 2002

(Project No. D2001FA-0154.004)

Promptness of FY 2002 Fourth Quarter DoD Payments to the Department of the Treasury for District of Columbia Water and Sewer Services

Executive Summary

Who Should Read This Report and Why? This report should be read by DoD managers who have a direct interest in, or are in need of information about, the promptness of water and sewer payments to the District of Columbia.

Background. The audit was conducted in response to Public Law 106-554, the Consolidated Appropriations Act of 2001. The Act requires the inspector general of each Federal agency that receives water and sewer services from the District of Columbia to report to the Congressional Appropriations Committees on the promptness of payments within 15 days of the start of each quarter. The District of Columbia Water and Sewer Authority supplies both water and sewer services to Federal agencies and DoD Components within the National Capital Region. The Department of the Treasury is the collection agent for Federal agencies and DoD Components' water and sewer payments, with the Department of the Treasury submitting a single payment to the Water and Sewer Authority. The DoD Components, composed of 17 separate installations, sites, and organizations, are required to make advance quarterly payments to the Department of the Treasury for estimated bills on anticipated water usage in FY 2002.

Results. DoD Components, except Fort Myer, promptly made fourth quarter FY 2002 payments to the Department of the Treasury for District of Columbia water and sewer services. The Department of the Treasury withdrew \$230,000 from the Army on July 1, 2002, to pay the District of Columbia for second, third, and fourth quarter water and sewer services to Fort Myer. Army officials dispute the appropriateness of the withdrawal for Fort Myer, because Fort Myer discontinued receiving water services from the District of Columbia in 1999. Also, Washington Headquarters Services paid \$89,000 for Arlington National Cemetery's fourth quarter FY 2002 water and sewer bill as required by Public Law 107-20. The Navy and Air Force Components have credit balances from prior overpayments and were not required to make quarterly payments for FY 2002.

Management Comments. We provided a draft report on July 10, 2002. No written response to this report was required, and none was received. Therefore, we are publishing this report in final form.

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Background

This audit was required by Public Law 106-554, the Consolidated Appropriations Act of 2001. Public Law 106-554 states:

Not later than the 15th day of the month following each quarter, the inspector general of each Federal department, establishment, or agency receiving water services [or sanitary sewer services] from the District shall submit a report to the Committees on Appropriations of the House of Representatives and the Senate analyzing the promptness of payment with respect to the services furnished to such department, establishment, or agency.

This report covers FY 2002 fourth quarter payments and is one in a series of reports discussing the promptness of DoD payments to the Department of the Treasury for District of Columbia water and sewer services.

The District of Columbia Water and Sewer Authority. The District of Columbia supplies both water and sewer services to Federal agencies and DoD Components within the National Capital Region. Since October 1996, the District of Columbia Water and Sewer Authority (WASA) has been responsible for delivery of water and sewer services to DoD Components. WASA provides meter readings and annual estimated billings to the Department of the Treasury for water and sewer services provided to the Federal agencies, including DoD Components.

Department of the Treasury Responsibility. Under the District of Columbia Public Works Act of 1954, the Federal Government was to receive water and sewer services from the District of Columbia, and the District of Columbia was paid with an annual lump sum in accordance with the District of Columbia Appropriations Act. The District of Columbia Appropriations Act of 1990 (Public Law 101-168) changed the payment process by designating the Department of the Treasury as the collection agent for the Federal agencies' water and sewer payments, with the Department of the Treasury remitting a single payment to the District of Columbia. Public Law 106-554 amends the process used by the Federal agencies to make payments to the Department of the Treasury. The Department of the Treasury is now authorized and directed to automatically withdraw funds from Federal agencies and provide those funds to WASA by the second day of each quarter when agencies do not forward timely payments of amounts billed by WASA. The Department of the Treasury bills Federal agencies and DoD Components annually for their estimated water and sewer usage and makes quarterly payments to WASA based on meter readings and estimates provided by WASA. The DoD Components are required to make quarterly payments to the Department of the Treasury for those annual estimated bills. See Appendix B for a list of DoD Components, composed of 17 separate installations, sites, and organizations, that received WASA services.

Public Law 107-20. Public Law 107-20, the Supplemental Appropriations Act of 2001, removes the authority of the Department of the Treasury to withdraw funds from Arlington National Cemetery (Cemetery) for payment to the District

of Columbia for water and sewer services. The law requires that DoD pay the difference between the amount the Cemetery previously paid for estimated water bills and the actual amount billed to the Cemetery. Furthermore, the law requires that for FY 2002 and future years, the Cemetery's water and sewer bills be based on actual meter readings on the grounds of the Cemetery. The law also directs the Department of the Treasury to reimburse the Cemetery for previous withdrawals with funds taken from other DoD appropriation accounts.

Federal Agency Responsibility. Public Law 101-168 mandates responsibility to the respective Federal agencies for payment of water and sewer services. The funds for the services come through the agencies' operating budgets and their respective appropriations bills. Each quarterly payment is due to the U.S. Treasury account, "Federal Payment for Water and Sewer Services," on the first day of the quarter. DoD Components make their payments to the Department of the Treasury through the Defense Finance and Accounting Service (DFAS).

DFAS Responsibilities. DFAS provides finance and accounting services, to include making bill payments, to DoD Components. Specifically, DFAS Indianapolis provides financial services to the Army, DFAS Cleveland provides those same services to the Navy, and DFAS Omaha provides financial services to the Air Force. The DoD Components submit requests for payments of water and sewer services to the appropriate DFAS location, and DFAS pays the Department of the Treasury either by check or electronic transfer in the amount indicated on the request.

Objective

The audit objective was to determine the promptness of DoD FY 2002 fourth quarter payments to the Department of the Treasury for District of Columbia water and sewer services. See Appendix A for a discussion of the scope and methodology and prior coverage related to the objective.

DoD FY 2002 Fourth Quarter Payments to the Department of the Treasury

DoD Components, except Fort Myer, promptly made fourth quarter FY 2002 payments to the Department of the Treasury for District of Columbia water and sewer services. The Department of the Treasury withdrew \$230,000 from the Army on July 1, 2002, to pay the District of Columbia for second, third, and fourth quarter water and sewer services to Fort Myer. Army officials dispute the appropriateness of the withdrawal for Fort Myer, because Fort Myer discontinued receiving water services from the District of Columbia in 1999. Also, Washington Headquarters Services paid \$89,000 for Arlington National Cemetery's fourth quarter FY 2002 water and sewer bill as required by Public Law 107-20. The Navy and Air Force Components have credit balances from prior overpayments and were not required to make quarterly payments for FY 2002.

Promptness of FY 2002 Fourth Quarter DoD Payments

DoD Components, except Fort Myer, made prompt payments of their District of Columbia water and sewer bills for the fourth quarter of FY 2002. The Department of the Treasury withdrew \$230,000 for second, third, and fourth quarter water and sewer services billed by the District of Columbia to Fort Myer. Army officials at Fort Myer believe that the bill should not be paid because Fort Myer discontinued water services with WASA in January of 1999 (FY 1999) after one quarter of usage. The Army previously paid \$185,000 for FY 1999 estimated water usage for Fort Myer. As a result, Army officials contend that the \$185,000 paid on the FY 1999 estimated water usage for Fort Myer should be sufficient. Because Public Law 101-168 does not provide a mechanism to resolve billing disputes between WASA and Federal agencies or between Federal agencies and the Department of the Treasury, the Army will continue to work with WASA and the Department of the Treasury to resolve all outstanding issues regarding Fort Myer. As shown in the following table, DoD Components were billed \$2.1 million, paid \$814,000, had credits from overpayments of \$1.6 million, and the Department of the Treasury withdrew \$230,000 for the FY 2002 fourth quarter payments.

**DoD Components' FY 2002 Fourth Quarter Bills and Payments
(As of July 2, 2002)**

	Amount Billed (thousands)	Credits From Overpayments (thousands)	Amount Paid or Withdrawn (thousands)
Pentagon	\$ 343	\$ 0	\$ 343
Arlington National Cemetery	89	0	89 ¹
Fort Myer	77	0	230 ²
Walter Reed Army Medical Center	382	0	382
Fort McNair ³	6	0	0 ⁴
Navy ^{5, 6}	634	(1,028)	0
Bolling Air Force Base ⁷	409	(580)	0
National Imagery and Mapping Agency	205	0	0 ⁸
Total	\$2,145	\$(1,608)	\$1,044

¹Pursuant to Public Law 107-20, Washington Headquarters Services paid Arlington National Cemetery's fourth quarter bill.

²According to U.S. Treasury officials, they withdrew Fort Myer's second, third, and fourth quarter payments. Fort Myer discontinued water services in January 1999. Fort Myer receives and pays for water services provided by Arlington County, Virginia.

³Includes Fort McNair, National War College, and National Defense University Center.

⁴Fort McNair paid \$24,000 for the FY 2002 bill in the first quarter (\$6,000 per quarter) and thus is not required to make a quarterly payment in the fourth quarter.

⁵Includes Anacostia Naval Station, Bellevue Naval Housing, Naval Observatory, Marine Corps Barracks (8th & I), Naval Research Laboratory, Nebraska Avenue Annex, Potomac Annex, and Washington Navy Yard.

⁶Estimated amount billed for FY 2002 was \$2.5 million (\$634,000 represents the quarterly amount billed); a credit adjustment of \$4.1 million (\$1,028,000 represents the quarterly credit) for FY 1999 overpayments.

⁷Estimated amount billed for FY 2002 was \$1.6 million (\$409,000 represents the quarterly amount billed); a credit adjustment of \$2.3 million (\$580,000 represents the quarterly credit) for FY 1999 overpayments.

⁸The National Imagery and Mapping Agency paid \$410,000 for the third and fourth quarters in the third quarter of FY 2002 and thus is not required to make a quarterly payment in the fourth quarter.

Appendix A. Scope and Methodology

Scope and Methodology

Work Performed. We reviewed DoD Component billing and payment information for the fourth quarter of FY 2002 for District of Columbia water and sewer services. Specifically, we reviewed bills received by DoD Components from the Department of the Treasury to establish the amounts billed for water and sewer services. We contacted the Department of the Treasury to confirm that funds available to DoD Components were withdrawn to pay the District of Columbia for FY 2002 fourth quarter water and sewer bills. See Appendix B for a list of DoD Components that received water and sewer services from WASA.

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

Use of Computer-Processed Data. We did not rely on computer-processed data for our review of billing and payment data for water and sewer services provided to DoD Components by WASA.

Audit Dates and Standards. We performed this audit from June through July 2002 in accordance with generally accepted government auditing standards. We did not review management controls over the payment of water and sewer bills because the audit is required every 3 months by statute and an audit of the management control program is in progress.

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

Prior Coverage

Inspector General of the Department of Defense (IG DoD)

IG DoD Report No. D-2002-082, "Promptness of FY 2002 Third Quarter DoD Payments to the Department of the Treasury for District of Columbia Water and Sewer Services," April 15, 2002

IG DoD Report No. D-2002-040, "Promptness of FY 2002 Second Quarter DoD Payments to the U.S. Treasury for District of Columbia Water and Sewer Services," January 15, 2002

IG DoD Report No. D-2002-007, "Promptness of FY 2002 First Quarter DoD Payments to the U.S. Treasury for District of Columbia Water and Sewer Services," October 15, 2001

IG DoD Report No. D-2001-159, "Promptness and Completeness of FY 2001 Fourth Quarter DoD Payments to the U.S. Treasury for Water and Sewer Services Provided by the District of Columbia," July 13, 2001

IG DoD Report No. D-2001-100, "Promptness and Completeness of FYs 2000 and 2001 DoD Payments to the U.S. Treasury for Water and Sewer Services Provided by the District of Columbia," April 13, 2001

IG DoD Report No. D-2001-053, "DoD Payments to the U.S. Treasury for Water and Sewer Services Provided by the District of Columbia," February 15, 2001

Appendix B. DoD Customers of the District of Columbia Water and Sewer Authority

According to the District of Columbia Water and Sewer Authority, the list below identifies the 17 DoD Components for which the Water and Sewer Authority provides estimated bills to the Department of the Treasury for water and sewer services for FY 2002.

Army

Arlington National Cemetery
Fort McNair
Fort Myer
Walter Reed Army Medical Center

Navy

Anacostia Naval Station
Bellevue Naval Housing
Marine Corps Barracks (8th & I)
Naval Observatory
Naval Research Laboratory
Nebraska Avenue Annex
Potomac Annex
Washington Navy Yard

Air Force

Bolling Air Force Base

Other Defense Organizations

National Defense University Center
National Imagery and Mapping Agency
National War College
Washington Headquarters Services

Appendix C. 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

Auditor General, Department of the Army
Commander, Walter Reed Army Medical Center
Commander, Fort Myer
Director, Arlington National Cemetery

Department of the Navy

Naval Inspector General
Auditor General, Department of the Navy
Director, Field Support Activity

Department of the Air Force

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

Other Defense Organizations

Director, Defense Finance and Accounting Service
Director, National Imagery and Mapping Agency
Director, Washington Headquarters Services

Non-Defense Federal Organizations and Individuals

Office of Management and Budget
Inspector General, Department of the Treasury

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 Efficiency, Financial Management, and Intergovernmental Relations, Committee on Government Reform

House Subcommittee on National Security, Veterans Affairs, and International Relations, Committee on Government Reform

House Subcommittee on Technology and Procurement Policy, Committee on Government Reform

Team Members

The Contract Management Directorate, Office of the Assistant Inspector General for Auditing of the Department of Defense prepared this report. Personnel of the Office of the Inspector General of the Department of Defense who contributed to the report are listed below.

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