

Audit



Report

OFFICE OF THE INSPECTOR GENERAL

DUPLICATE RECORDING OF CONTRACTS
IN THE MECHANIZATION OF
CONTRACT ADMINISTRATION SERVICES SYSTEM

Report No. 96-167

June 18, 1996

Department of Defense

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Acronyms

CAR
DFAS
MOCAS

Contract Administration Report
Defense Finance and Accounting Service
Mechanization of Contract Administration Services



**INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
400 ARMY NAVY DRIVE
ARLINGTON, VIRGINIA 22202-2884**



June 18, 1996

**MEMORANDUM FOR DIRECTOR, DEFENSE FINANCE AND ACCOUNTING
SERVICE
DIRECTOR, DEFENSE LOGISTICS AGENCY**

**SUBJECT: Duplicate Recording of Contracts in the Mechanization of Contract
Administration Services System (Report No. 96-167)**

We are providing this report for your information and use. Management comments on a draft of this report were considered in preparing the final report.

Management comments on the draft report met the requirements of DoD Directive 7650.3. Therefore, no additional comments are required.

We appreciate the courtesies extended to the audit staff. Questions on the audit should be directed to Mr. James L. Kornides, Audit Program Director, or Mr. Joel K. Chaney, Audit Program Manager, at (614) 751-1400. See Appendix H for the report distribution. The audit team members are listed inside the back cover.

A handwritten signature in black ink that reads "Robert J. Lieberman".

Robert J. Lieberman
Assistant Inspector General
for Auditing

Office of the Inspector General, DoD

Report No. 96-167
(Project No. 5FJ-6005)

June 18, 1996

Duplicate Recording of Contracts in the Mechanization of Contract Administration Services System

Executive Summary

Introduction. During FY 1995, the Defense Finance and Accounting Service (DFAS) Columbus Center, Columbus, Ohio, operated three Contract Administration Services Directorates that used the Mechanization of Contract Administration Services system to process payments on 376,048 contracts. The Mechanization of Contract Administration Services system is an automated system that pays contractor invoices. The DFAS Columbus Center maintained a separate data base in the Mechanization of Contract Administration Services system for contracts administered by each directorate. Contracts were transferred between directorates when the contracting officer reassigned responsibility for contract administration and payment. Upon reassignment of a contract, the losing directorate was required to close its contract record and provide financial information on the contract to the gaining directorate.

Audit Objective. The audit objective was to evaluate whether controls in the Mechanization of Contract Administration Services system were adequate to detect or prevent the recording of contract payment information in more than one of the system's data bases. We also evaluated whether the Mechanization of Contract Administration Services system had adequate controls to detect and prevent duplicate contract payments, and whether database errors were corrected in a timely manner. Finally, we evaluated management controls over transfers of contracts between directorates.

Audit Results. During FY 1995, the DFAS Columbus Center duplicated the recording of 284 contracts in 1 or more of its 3 Mechanization of Contract Administration Services data bases. Duplicate recording of the contracts caused obligation data in the system to be overstated by at least \$6.4 billion. Also, 2 of the 11 contracts that we judgmentally selected and reviewed contained \$1.9 million in overpayments, and untimely payments of \$35,434 were made on 1 of the 11 contracts. The errors were caused by inadequate controls in the processing of contract transfers and in the automated system. The management control program at the DFAS Columbus Center has not previously identified those material control weaknesses (see Appendix A).

If implemented, the recommendations in this report will improve the accuracy of recording contracts and will prevent the duplication of contracts in the Mechanization of Contract Administration Services system. The report identifies at least \$1.9 million in monetary benefits from the recouping of overpayments. Additional monetary benefits are likely but could not be quantified. Appendix F summarizes the potential benefits of the audit.

Summary of Recommendations. We recommend that the Director, Defense Finance and Accounting Service Columbus Center:

- o revise desk procedures for processing contract transfers,
- o expand management oversight to ensure that contract records are closed, and
- o review remaining contracts recorded in more than one data base to determine whether overpayments occurred and issue demand letters to recoup any overpayment.

We recommend that the Director, DFAS Columbus Center, and the Director, Defense Logistics Agency Systems Design Center, establish the edit and validation procedures needed for the shared data warehouse system to identify and report the duplicate recording of contracts to the DFAS Columbus Center directorates.

Management Comments. The DFAS and the Defense Logistics Agency concurred with the finding and recommendations and were taking corrective actions. However, the Deputy Director for Finance, DFAS, disagreed with some wording in the Executive Summary and the Summary of Potential Benefits Resulting from Audit (Appendix F). He stated that those sections implied that the overpayments on contracts were directly caused by the duplicate recording of contracts. He also stated that the DFAS Columbus Center had not identified any overpayments to date that were attributable to duplicate recording. See Part I for a summary of management comments and Part III for the complete text of management comments.

Audit Response. The DFAS comments and planned actions were responsive to our recommendations. We have revised the Executive Summary and the Summary of Potential Benefits Resulting From Audit to accurately reflect the recommendations in the report. We continue to believe that the multiple recording of contracts contributed to errors that resulted in the overpayments we identified. The DFAS comments stated that the DFAS Columbus Center had investigated only one of the overpayments we identified. The investigation showed that the overpayment occurred because employees at the new payment office did not record previous payments when the contract was transferred there. This case illustrates that the multiple recording of contracts creates confusion, which contributes to subsequent errors and overpayments.

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Part I - Audit Results

Audit Background

The Defense Finance and Accounting Service (DFAS) Center, Columbus, Ohio, was established in January 1991 to consolidate the payment functions previously carried out by the Defense Logistics Agency Finance Center, the Defense Contract Administration Services Regions, and their various paying activities. In 1991, the DFAS Columbus Center had 5 Contract Administration Services Directorates and 16 contract payment divisions. In November 1993, the five directorates were consolidated into three directorates to serve large geographic regions (Northern, Southern, and Western) of the United States. In June 1995, the DFAS Columbus Center consolidated the 16 contract payment divisions into 12 divisions.

The three directorates make contract payments using Army, Navy, Air Force, and other Defense agencies' appropriated funds. During FY 1995, the DFAS Columbus Center used the Mechanization of Contract Administration Services (MOCAS) system to pay more than 1.2 million contractor invoices; the total value of these invoices was over \$60 billion.

The DFAS Columbus Center implements policies and procedures for the accounting, certification, and disbursing operations performed by the MOCAS system. MOCAS is the automated system that pays contractor invoices. As of September 1995, MOCAS was used to pay invoices on 376,048 active contracts; the total value of these contracts was \$667.4 billion.

In March 1996, the DFAS Columbus Center was coordinating with the Defense Logistics Agency's Systems Design Center to merge all active contract records in MOCAS into the shared data warehouse system. The Defense Logistics Agency Systems Design Center is designing the shared data warehouse as a single repository of the information needed for contract placement, contract administration, and contract payment. Contract payments and other financial transactions will continue to be processed and recorded in MOCAS.

Audit Objectives

The audit objective was to evaluate whether controls in MOCAS were adequate to detect or prevent the recording of contract payment information in more than one of the system's data bases. We also evaluated whether MOCAS had adequate controls to detect and prevent duplicate contract payments, and whether database errors were corrected promptly. Finally, we evaluated management controls over transfers of contracts between directorates.

Contracts Recorded in Multiple MOCAS Data Bases

During FY 1995, the DFAS Columbus Center duplicated the recording of 284 contracts in 1 or more of its 3 MOCAS data bases. The duplicate recording of contracts occurred because:

- o the MOCAS system was not programmed to prevent or detect the duplicate recording of contracts in more than one MOCAS database;

- o desk procedures for transferring contracts between contract payment directorates did not ensure that the losing directorate's contract record was closed, and did not prescribe a time limit within which the transfer should be completed; and

- o supervisory personnel did not review management reports to ensure that the contract records were closed.

In addition, the Quality Assurance Review Division had not reviewed the effectiveness of procedures and controls for contract transfers. As a result, obligation data in MOCAS were overstated by at least \$6.4 billion for the 284 duplicate contracts. Also, 2 of the 11 contracts that we judgmentally selected and reviewed contained \$1.9 million in overpayments, and untimely payments of \$35,434 were made on 1 of the 11 contracts.

Procedures for Transferring Contract Payment Responsibilities

The Federal Acquisition Regulation, subplot 42.2, section 42.206, provides that the contracting officer may transfer contract administration responsibilities if:

- o the contract administration office was incorrectly assigned,
- o the contract administration office has been transferred to another organization,
- o a contract administration office is established or closed, or
- o any other change occurs in the area covered by the contract administration office.

Contract administration offices throughout the United States report to the Northern, Southern, and Western Directorates of the DFAS Columbus Center.

Contracts Recorded in Multiple MOCAS Data Bases

When the administration of a contract is transferred between contract administration offices, the payment responsibility may be transferred between directorates.

Procedures for Transferring Contracts Between Directorates. DFAS Columbus Center Desk Procedure 205 provides guidance for transferring contracts. It lists the sequence of actions required in assembling the transfer package and processing transactions to close the MOCAS contract record. The desk procedure includes checklists that employees must complete and supervisors must review to ensure that required actions are performed.

Closing Contract Records in MOCAS. The MOCAS system at the DFAS Columbus Center consists of three independent data bases. Desk Procedure 205 requires that when contract payment responsibility is transferred between directorates, the losing directorate must close the contract record in its MOCAS data base and the gaining directorate must establish a new contract record.

In each of the three MOCAS data bases, contracts are assigned to one of seven contract administration report (CAR) sections, based on the status of the contract. Open contracts are assigned to CAR sections 1, 2, 3, and 4; closed contracts are assigned to CAR sections 5, 8, and 9. Desk Procedure 205 specifies that before transferring the contract to the gaining directorate, the losing directorate will process a transaction, "Notice of Last Action," coded H, to reclassify the contract to a closed status in the losing directorate's MOCAS data base.

Evaluation of Controls Over Contract Transfers

During FY 1995, DFAS Columbus Center duplicated the recording of 284 contracts in 1 or more of its 3 MOCAS data bases. Of the 284 contracts, 261 were recorded in 2 data bases, 1 was recorded in 3 data bases, and 22 were recorded in the same data base by 2 DFAS divisions. The duplicate recording occurred when contracts were transferred between contract payment directorates or divisions. The DFAS Columbus Center had received guidance for transferring contracts. However, controls were not effective, and contracts were not transferred promptly between directorates and data bases. MOCAS obligation data for the 284 contracts were overstated by \$6.4 billion. Appendix D lists the 284 contracts. In addition, overpayments and untimely payments occurred for 3 of the 11 contracts we reviewed. We limited our review to 11 contracts. However, the existence of duplicate records and overpayments on two of the contracts indicated systemic and procedural weaknesses.

We attributed these conditions to the lack of effective system and management controls. Specifically:

- o the MOCAS system was not programmed to prevent or detect the duplicate recording of contracts in the three data bases;

Contracts Recorded in Multiple MOCAS Data Bases

- o desk procedures for transferring contracts between directorates did not ensure that the losing directorate's contract record was closed, and did not prescribe time limits within which the transfers should be completed; and

- o supervisors did not review monthly reports identifying contracts that were not closed.

In addition, the Quality Assurance Review Division had not reviewed the effectiveness of procedures and controls over the process of transferring contracts. The process was not an assessable unit in the management control program.

Controls in the MOCAS System. MOCAS was not programmed to prevent or detect the duplicate recording of contracts in the three data bases. MOCAS did not have validation criteria to prevent contracts from being recorded in more than one data base. On August 31, 1995, the Defense Information Systems Agency Megacenter downloaded all contracts recorded in the three MOCAS data bases (see Appendix A, Scope and Methodology). We matched the data bases and identified 284 contracts, with a total obligation value of \$13.3 billion, that were duplicated. As a result of the duplicate recording, MOCAS obligations were overstated by at least \$6.4 billion (see Appendix D for a list of the contracts). We calculated the \$6.4 billion overstatement using the lower of the obligation amounts for the duplicated contracts. In addition, 227 of the 284 duplicate MOCAS contract records were active (assigned to CAR section 1 or 2) in both directorates' data bases. Therefore, the directorates could unknowingly process overpayments. The contract record would be shown as active in the losing directorate's data base if the directorate failed to close the contract or processed a financial adjustment after providing a certification of funds to the gaining directorate. The lack of program controls increased the risk of improper payments.

Our review of 11 judgmentally selected contracts, valued at \$90.3 million, identified 2 contracts for which overpayments of \$1.9 million occurred. Total cash disbursements for contract F33657-84-C2232 were \$8,162,199.86. Since \$6,487,182.45 was obligated on the contract, an overpayment of \$1,675,017.41 was apparently made. At the time of the audit, DFAS Columbus Center personnel began reviewing the contract to confirm the amount of the overpayment and planned to issue a demand letter to recover it.

Contract F09603-93-C0629 was also overpaid by \$201,056. This occurred because the Southern Directorate did not record progress payments that were paid by the Northern directorate before the responsibility for contract payments was transferred. As a result, the Southern directorate did not liquidate the progress payments when deliveries were made and invoices were processed. As a result of our audit, DFAS Columbus Center personnel reviewed the payments on the contract, and in November 1995, they issued a demand letter to recoup the \$201,056 overpayment.

For another contract, DAAE07-91-C-1321, the gaining directorate's payment history was incomplete. The losing directorate made six payments, totaling

Contracts Recorded in Multiple MOCAS Data Bases

\$1.9 million, that were not recorded in the gaining directorate's MOCAS data base. An incomplete payment history can result in an overpayment or complicate the contract reconciliation process.

Desk Procedures for Transferring Contracts. Another reason for the duplicate recording of contracts in MOCAS was inadequate desk procedures. DFAS Columbus Center Desk Procedure 205, "Transfer of Contracts," did not ensure that the losing payment directorate closed the MOCAS contract record. This desk procedure lists the sequence of actions for processing contract transfers and includes checklists that employees must complete and supervisors must review before a contract is transferred to another directorate or division. The transfer package is assembled and forwarded to the accounting technician after all payable invoices have been processed. The accounting technician:

- o reconciles the contract to verify contingent liabilities,
- o inputs the transaction to close the MOCAS contract record,
- o prepares a "Transfer of Fiscal File" memorandum that includes the funds certification, and
- o verifies that the contract transfer package is complete.

The "Transfer of Fiscal File" memorandum shows the contract modification that authorizes the transfer; the effective date of the transfer; the funds certification (balances in obligations, work-in-process, disbursement, and unliquidated obligations); and whether unpaid invoices or receiving reports accompany the transfer. The contract modification is the gaining directorate's authority to open a contract record in its MOCAS data base, and the "Transfer of Fiscal File" memorandum, with funds certification, is the directorate's authority to record fund balances for the contract.

The losing directorate's MOCAS records were not closed, although the accounting technicians completed all actions required by Desk Procedure 205. The desk procedure specifies that, before forwarding the "Transfer of Fiscal File" memorandum for supervisory review, the accounting technician should verify that the contract closure transaction ("Notice of Last Action," coded H) was processed and that the contract record was closed (reclassified to CAR Section 5). However, this process does not ensure that the MOCAS contract record is closed; the record is not actually closed until month-end processing is completed. Therefore, when a contract closure transaction fails the month-end edit validation, the MOCAS system automatically reopens the contract record and reclassifies the contract as undergoing payment adjustment (CAR Section 4).

Supervisory Oversight. Supervisors at the DFAS Columbus Center were not monitoring contract transfers and actions taken to close contract records in the directorates' MOCAS data bases. Supervisors did not review monthly reports identifying the contracts that were not closed.

Contracts Recorded in Multiple MOCAS Data Bases

MOCAS was programmed to produce monthly reports identifying contracts that are undergoing payment adjustment. One such report, "Section 5 Contracts Moved to Section 4" (the UYCM10 report), identified all contracts that were reclassified as undergoing payment adjustment at month's end instead of being closed. The MOCAS system's month-end edit validation did not permit contracts to be closed if a balance still existed in unliquidated obligations or contingent liabilities. Reviewing this report would have identified the contracts that were not closed and removed from the losing directorate's data base, but supervisors were not using the report.

Oversight by the Quality Assurance Review Division. The Quality Assurance Review Division at the DFAS Columbus Center had not independently reviewed contract transfers. Such reviews would have detected that MOCAS contract records were not closed by the losing directorates, that contracts were recorded in more than one MOCAS data base, and that desk procedures did not effectively control the process of transferring contracts.

Time Frames for Completing Transfers. Desk Procedure 205 did not set a time limit for the losing and gaining directorates to complete contract transfers. Contract transfers between the MOCAS data bases were not completed promptly. For 8 of the 11 contracts for which information was available, we calculated the period between the effective date of the transfer and the completion of the transfer (the date when the contract and its obligation data were recorded in the gaining directorate's data base). This period ranged from 27 to 245 days and averaged 122 days.

Delays in transferring contracts can cause untimely payments to contractors, resulting in interest penalties. For example, the transfer of contract F19628-88-D0031-0003 from the Southern directorate to the Northern directorate (elapsed days after the effective date of transfer) took over 9 months. During this period, the Southern directorate rejected two invoices, totaling \$35,434, because the responsibility for contract payment had been transferred from the Southern directorate. These invoices should have incurred interest penalties; however, the DFAS Columbus Center paid no interest.

Management Actions Taken. The DFAS Columbus Center issued a demand letter to recoup the \$201,056 overpayment on contract F09603-93-C-0629. Personnel in the DFAS Columbus Center's Quality Assurance Review Division began reviewing the remaining 283 duplicate contracts to confirm the accuracy of the funds certification sent to the gaining directorate; after the review, they will close the contract records.

Shared Data Warehouse

DFAS Columbus Center personnel said they were not proposing a system change to strengthen controls in MOCAS because the shared data warehouse would detect duplicate contract records. The shared data warehouse is being

Contracts Recorded in Multiple MOCAS Data Bases

developed by the Defense Logistics Agency Systems Design Center. It will be a single repository of the information needed for contract placement, contract administration, and contract payment.

The DFAS Columbus Center plans to merge all active MOCAS contract records into the shared data warehouse in September 1996. The shared data warehouse will accept only one contract record for each unique contract number. If two directorates at the DFAS Columbus Center provide records for the same contract number, the records will not be accepted. Therefore, the directorates will need to complete their review of duplicate contract records by September 1996.

The shared data warehouse will not replace the MOCAS system. Contract payments and other financial transactions will continue to be processed and recorded in MOCAS. MOCAS transactions will subsequently be reported to and recorded in the shared data warehouse. When a contract is transferred between directorates or divisions at the DFAS Columbus Center, the shared data warehouse will reassign the contract to the gaining directorate when the gaining directorate establishes its contract record in MOCAS. The shared data warehouse will not close and reopen contract records.

The shared data warehouse will not prevent duplicate recording of contracts in the three MOCAS data bases, and will not prevent a directorate from recording a financial transaction in MOCAS after the contract is transferred to another directorate. However, the shared data warehouse will detect when a losing directorate or division attempts to process a financial adjustment to a contract that has been reassigned to a different directorate.

Summary

Management controls at the DFAS Columbus Center did not prevent contracts from being recorded in more than one of the MOCAS data bases, and did not detect the duplicate recording of contracts. The DFAS Columbus Center is implementing the shared data warehouse, but this will not alleviate the problem of duplicate records in MOCAS.

The DFAS Columbus Center needs to revise operating procedures to ensure that contract transfers are recorded correctly and promptly in MOCAS. The Quality Assurance Review Division should also monitor the effectiveness of the revised procedures for contract transfers.

Recommendations, Management Comments, and Audit Response

1. We recommend that the Director, Defense Finance and Accounting Service Columbus Center:

a. Revise Desk Procedure 205, "Transfer of Contracts." The revised desk procedures should establish time frames for completing contract transfers, and should require accounting technicians in the Contract Administration Report Reconciliation Branch to confirm that the Mechanization of Contract Administration Services system accepts and processes transactions to close contract records.

b. Require supervisors in the Quality Assurance Review Division to review month-end reports to ensure that records in the Mechanization of Contract Administration Services system are closed when contracts are transferred.

c. Review the remaining 283 contracts recorded in more than 1 of the 3 Mechanization of Administration Services data bases to determine whether any overpayments were made, and issue demand letters to recoup the overpayments.

DFAS Comments. The Deputy Director for Finance, DFAS, concurred with Recommendation 1. He stated that Desk Procedure 205, "Transfer of Contracts," will be revised to require confirmation of the contract closeout process, with system-generated documentation and supervisory signatures to certify closure. He also stated that DFAS personnel have implemented quarterly self-audits of internal transfers, and are researching the 283 contracts that were recorded in more than 1 MOCAS data base to determine the appropriate data base and delete duplicate contract records.

2. We recommend that the Director, Defense Finance and Accounting Service Columbus Center, and the Director, Defense Logistics Agency Systems Design Center, establish the edit and validation procedures needed for the shared data warehouse to identify and report duplicate recording of contracts to directorates at the Defense Finance and Accounting Service Columbus Center.

DFAS Comments. The Deputy Director for Finance, DFAS, concurred with Recommendation 2. and stated that DFAS is examining procedural and system changes to quickly identify duplicate contracts recorded in MOCAS. He also stated that DFAS personnel will run a comparison program at least quarterly on all three data bases to identify duplicate contracts.

DLA Comments. DLA concurred with the need for validation procedures for the shared data warehouse to identify and report the duplicate recording of contracts. DLA stated that edit and validation procedures are required to prevent duplicate entry of contracts in the shared data warehouse, and that the shared data warehouse should be in place by the first quarter of FY 1997.

Part II - Additional Information

Appendix A. Scope and Methodology

Scope and Methodology

Scope. We reviewed and evaluated 284 contracts, with obligations valued at \$13.3 billion, which had been recorded in more than 1 MOCAS data base. From this universe, we judgmentally selected a sample of 11 contracts for review. We also found 48 support contracts, valued at \$435.4 million, which had been recorded in MOCAS. These contracts duplicated the prime contracts, which were paid by the DFAS Columbus Center. We reviewed these support contracts because of their duplicative nature and their relationship to the corresponding prime contracts.

Methodology. We obtained records from the three MOCAS data bases at the DFAS Columbus Center. We combined the 3 data bases and compiled a list of the 284 contracts that were duplicated. We reviewed contingent liability records and histories of obligations and disbursements for each contract. We also reviewed contract files to determine whether they included the required documentation, identifying the correct paying office and balances that should be transferred. We also performed tests to determine whether all disbursements and progress payments were properly transferred. However, we did not perform complete contract reconciliations.

Use of Computer-Processed Data. We performed limited tests of the reliability of computer-processed data provided to us by the DFAS Columbus Center. The numbers and values of the multiple contracts in this report are based on information from the DFAS Columbus Center. Except for a judgmental sample of computer-processed data on duplicate contracts, we did not assess the reliability of computer data from the DFAS Columbus Center; inaccuracies in computer-processed contract data have been recognized as a problem at that center, and contributed to the multiple recording of contracts.

Audit Period, Standards, and Locations. We conducted this financial-related audit from March through November 1995. The audit was made in accordance with auditing standards issued by the Comptroller General of the United States as implemented by the Inspector General, DoD. Accordingly, we included such tests of management controls as were considered necessary. We tested the adequacy of controls over the duplicate recording of contracts discussed in this report and over management efforts to correct these duplicate records. Appendix G lists the organizations we visited or contacted.

Management Control Program

DoD Management Control Program. DoD Directive 5010.38, "Internal Management Control Program," April 14, 1987, requires every DoD organization to have management controls over its operations and to perform periodic self-evaluations of those management controls. We reviewed both elements of the DFAS Columbus Center's management control program.

Scope of Review of Management Controls. We reviewed the DFAS Columbus Center's management controls to prevent contracts from being recorded in more than one MOCAS data base. In addition, we reviewed control procedures for transferring contract administration and payment responsibilities between directorates or divisions. We also reviewed the DFAS Columbus Center's self-evaluation program for the management controls reviewed.

Adequacy of Management Controls. We identified material management control weaknesses as defined by DoD Directive 5010.38. The MOCAS system was not programmed to prevent or detect the recording of contracts in more than one MOCAS data base. In addition, the DFAS Columbus Center had not established effective controls over the transfer of contract administration and payment responsibilities. The recommendations in this report, if implemented, will correct the weaknesses. See Appendix F for a summary of potential benefits resulting from the audit. A copy of the final report will be provided to the senior official in charge of management controls in the Office of the Secretary of Defense and DFAS.

Adequacy of the DFAS Columbus Center's Self-Evaluation of Applicable Management Controls. DFAS Columbus Center officials identified various aspects of contract entitlement and quality assurance as assessable units in the FY 1995 annual statement of assurance. The DFAS Columbus Center conducted vulnerability assessments in those areas, but did not report deficiencies in controls over the transfer of contracts between directorates or the inability of MOCAS to detect duplicate contracts.

Appendix B. Prior Audits and Other Reviews

Since April 1992, the Inspector General, DoD, has issued five reports on the adequacy of MOCAS controls and related issues.

Report No. 95-046, "Data Input Controls for the Mechanization of Contract Administration Services System." This report, issued on November 30, 1994, concluded that MOCAS controls over automated data input were not adequate. MOCAS accepted invalid data in 57 of the 484 fields tested, and edit tables available from the Military Departments were not being used. Also, rejected data were not properly corrected and promptly reentered. The Deputy Comptroller (Financial Systems) concurred with the need to issue guidance and implement controls. Implementation is expected in FY 1996.

Report No. 94-054, "Fund Control Over Contract Payments at the Defense Finance and Accounting Service - Columbus Center." This report issued on March 15, 1994, concluded that the MOCAS system contained inaccurate data on obligations and disbursements. The inaccuracies occurred because MOCAS data were entered incorrectly and because the DFAS Columbus Center had problems with transferring data from systems compatible with the Military Standard Contract Administration Procedures System. In addition, supervisors at the DFAS Columbus Center were not reviewing transaction entries, documenting their reviews, or ensuring that input clerks corrected errors at the point of data entry. The Director, DFAS, and the Director, DFAS Columbus Center, concurred with the recommendation to cancel the services provided by a commercial accounting firm, but nonconcurred with the recommendation to terminate the interface with the Military Standard Contract Administration Procedures System.

Report No. 94-048, "Uncleared Transactions By and For Others." This report, issued on March 2, 1994, concluded that DFAS had not taken prompt and effective actions to clear \$35 billion in undistributed disbursements. DFAS gave priority to disbursing funds and moving transactions and supporting documentation through the system, instead of analyzing and correcting problems. In addition, the DFAS Centers had not provided Headquarters, DFAS, with complete and accurate data on the status of undistributed disbursements. The Deputy Comptroller (Management Systems) generally concurred with the findings and recommendations and stated that actions had been taken to correct the material management control weaknesses reported.

Report No. 93-133, "Controls Over Operating System and Security Software Supporting the Defense Finance and Accounting Service." This report, issued on June 30, 1993, concluded that the Defense Information Services Agency's information processing centers at Columbus and Dayton, Ohio, and the Defense Systems Automation Center at Columbus, Ohio, had serious problems with operating system and security software controls. The Director, Defense Information Technology Services Organization, concurred with the findings and recommendations and stated that corrective actions would be monitored until completion.

Report No. 92-076, "Administration of the Contract Closeout Process Within DoD." This report, issued on April 15, 1992, concluded that contracts could not be closed out accurately or promptly because the MOCAS data contained errors. The errors occurred primarily because inexperienced clerks were interpreting and entering data. Although the DFAS Columbus Center conducted random quality assurance reviews of data entry transactions, the reviews did not provide adequate controls or validate the accuracy of appropriation data. The Director, DFAS Columbus Center, concurred with the finding and recommendations and stated that he was establishing procedures to better control payment files, to verify the accuracy of financial data in the MOCAS system, and to collect overpayments.

Appendix C. Other Matters of Interest

As of August 31, 1995, the MOCAS system included active contract records for 12,847 support contracts for which the DFAS Columbus Center did not make payments. Support contracts are distinguished from prime contracts, for which the DFAS Columbus Center does make payments, by the assignment of a different contract administration office code. Although the DFAS Columbus Center was not responsible for the administration and payment of the support contracts, our review showed that 48 of the 12,847 support contracts were active contracts with funds assigned. The MOCAS contract record for the 48 contracts showed total obligations of \$434.4 million, unliquidated obligations of \$102.5 million, and work-in-process valued at \$285,000. The 48 contracts are listed in Appendix E.

Our review of the 48 support contracts was limited because the DFAS Columbus Center did not have contract files for 16 of the 48 contracts. However, using the MOCAS contract history records and the available contract files, we reached tentative conclusions about the 48 contracts. Our review indicated that:

- o 13 of the 48 contracts were apparently misclassified. The contracts were actually prime contracts for which the DFAS Columbus Center made payments. The MOCAS system was programmed to reject payments and adjustments to the records by the DFAS Columbus Center until the contracts were reclassified as prime contracts.

- o 25 of the 48 contracts appeared to be valid support contracts that were erroneously established in the MOCAS system when responsibility for a prime contract was transferred to the DFAS Columbus Center. For 5 of the 25 contracts, we determined that no transactions were processed in MOCAS after the contract records were transferred to the DFAS Columbus Center in FY 1991. These contracts should be reviewed to ensure that all funds assigned to the contracts are removed or the contracts are closed in the MOCAS system.

- o At least 10 of the 48 contracts should have been closed in the MOCAS system when payment responsibility was transferred from the DFAS Columbus Center to another contract administration office. During our review of the contract files, we located the contract amendment that transferred payment responsibility; however, the MOCAS contract records were not closed.

These conditions have existed for as long as 5 years because contracting officers were not effectively monitoring contract transfers between the DFAS Columbus Center and other contract administration offices. Also, the Quality Assurance Review Division did not review support contracts in the MOCAS system.

Appendix C. Other Matters of Interest

Management Actions Taken. During our audit, the DFAS Columbus Center agreed to reconcile the support contracts with the Defense Contract Management Command. After this reconciliation, the support contracts will either be reclassified as prime contracts, or all funds assigned to the contracts will be deleted and MOCAS records will be closed. Therefore, we are making no further recommendations.

Appendix D. Duplicate Contracts

**Amount of Overstated Obligations for Contracts Recorded in
More Than One MOCAS Data Base as of August 31, 1995**
(in thousands)

<u>Contract Number</u>	<u>Data Base</u>			<u>Amount of Overstatement</u>
	<u>Northern</u>	<u>Southern</u>	<u>Western</u>	
DAAA0983C4850	1	\$ 24.2	\$ 0.0	\$ 0.0 ²
DAAA0987G0021		0.0	0.0	0.0 ³
DAAA1588D0008		0.0	0.0	0.0 ³
DAAA2194C0057	\$ 69.8	69.8		69.8
DAAB0783C0159		14.3	14.3	14.3
DAAB0783CJ035		1,931.1	71,409.8	1,931.1
DAAB0786CH036	614.8		662.2	614.8 ⁴
DAAB0786CH048	1,542.4		1,539.4	1,539.4
DAAB0786CH051	3,306.8	3,251.1		3,251.1 ⁴
DAAB0787CT037			43,203.6	43,203.6 ⁵
DAAB0788CT026		175,142.5	46,640.0	46,640.0
DAAB0788DH0300007	101.9		101.9	101.9
DAAB0788DH0300008	964.8		961.0	961.0
DAAB0788DH0300009	2,051.8		1,966.4	1,966.4
DAAB0788DH0300013	25.5		25.3	25.3
DAAB0788DL8070006	2,023.0	2,023.0		2,023.0
DAAB0789DA050		0.0	0.0	0.0 ³
DAAB0789DA0500001		65.0	65.0	65.0
DAAB0789DA0500037		495.6	484.3	484.3
DAAB0789DA0500049		50.0	43.2	43.2
DAAB0791DQ5020001		7,504.5	7,504.5	7,504.5
DAAB0791DQ5020006		864.0	864.0	864.0
DAAB0791DQ7690003	1,754.3	1,754.3		1,754.3
DAAB0792CJ308		64.0	128.0	64.0
DAAB0792CQ758	640.2	1,080.0		640.2

Note: See the footnotes at the end of the appendix.

Appendix D. Duplicate Contracts

<u>Contract Number</u>	<u>Data Base</u>			<u>Amount of Overstatement</u>
	<u>Northern</u>	<u>Southern</u>	<u>Western</u>	
DAAB0793CQ504	\$ 2,364.4	\$ 6,947.0		\$ 2,364.4 ⁴
DAAB0793DK014	0.0	0.0		0.0 ³
DAAB0794CK007		621.1	\$ 260.2	260.2
DAAB0795CA755		170.0	170.0	170.0
DAAB0795DH0070007		37.6		37.6 ⁵
DAAB1086C0511	2,560.9	2,560.9		2,560.9
DAAD0588C9081	344.4	344.4		344.4
DAAE0783GA0040027	16,212.1	16,212.1		16,212.1
DAAE0783GA0040037	92.9	92.9		92.9
DAAE0786CR022	5,648.6	5,548.6		5,548.6
DAAE0787CA050	229.2	229.2		229.2
DAAE0788C2020	11,513.7	10,214.5		10,214.5
DAAE0788CA042	610.9	610.9		610.9
DAAE0788CR133	256.2	256.2		256.2
DAAE0790C0205	22,796.5	22,796.0		22,796.0
DAAE0791C0145	387.2	547.5		387.2
DAAE0791C1321	18,608.9	18,993.8		18,608.9 ⁴
DAAE0791DA003		0.0	0.0	0.0 ³
DAAE0792AJ022		0.0	0.0	0.0 ³
DAAE0792GA003	0.0	0.0	0.0	0.0 ³
DAAE0794C0618		904.8		904.8 ⁵
DAAH0184C0974		11,425.1	11,425.1	11,425.1
DAAH0186D00600006		99.3	99.3	99.3
DAAH0187G00040124			(151.0)	(151.0) ⁵
DAAH0188D00570036		256.9	279.9	256.9
DAAH0192CR211		0.0	54.6	0.0
DAAH0192CR361	55.8		55.8	55.8
DAAH0193C0246			3,070.9	3,070.9 ⁵
DAAH0193C0261			225.7	225.7 ⁵
DAAH0195C0260		0.0		0.0 ⁵
DAAJ0986DA0020009		70.0	0.0	0.0
DAAJ0986DA0020012		2,902.1	2,543.8	2,543.8
DAAJ0987CA107		19.7	19.7	19.7
DAAJ0987DA0370002		487.8	487.8	487.8
DAAJ0993D0065		0.0	0.0	0.0 ³

Note: See the footnotes at the end of the appendix.

Appendix D. Duplicate Contracts

<u>Contract Number</u>	<u>Data Base</u>			<u>Amount of Overstatement</u>
	<u>Northern</u>	<u>Southern</u>	<u>Western</u>	
DAAJ0993D00650023		\$ 200.0	\$ 200.0	\$ 200.0
DAAJ0994C0024	\$ 60.3		574.4	60.3
DAAK2081C0134			3,020.7	3,020.7 ⁵
DAAK7086C0041	6,601.2	6,601.2		6,601.2
DAAK7093D0001		0.0	0.0	0.0 ³
DAAK8079C0523	25,211.4	25,259.4		25,211.4
DAAL0286C0018	9,889.0	9,777.5		9,777.5
DAAL0286C0019	7,692.2	7,692.2		7,692.2
DAAL0286C0110	1,005.3	0.0		0.0
DAAL0289C0026	4,066.2	4,066.2		4,066.2
DACA7691C0006	10,061.8	10,101.0		10,061.8
DASG6085C0103		15,319.3	15,769.3	15,319.3 ⁴
DASG6090C0134		0.0	3,259.0	0.0
DASG6093C0026		3,346.9	2,719.0	2,719.0
DLA10090C0315		31,710.6		31,710.6 ⁵
DLA12091C5087	238.1		238.1	238.1
DLA40092M5685	0.9	0.9		0.9
DLA41292D0082		0.0	0.0	0.0 ³
DLA45192F1093	14.1		20.9	14.1
DLA45192F1143	215.0		214.7	214.7
DLA45193F0466	17.6		17.6	17.6
DLA49093D6033	0.0		0.0	0.0 ³
DLA50092D0128	0.0		0.0	0.0 ³
DLA72088D00020081		88.3	88.3	88.3
DLA90090MQ844		18.0	18.0	18.0
DLA90093C0172	87.3		87.3	87.3
DLA90093DC1100013	2.5		2.5	2.5
DLA92093M0666	2.9		2.9	2.9
F0460687C1120	1,526.1	1,257.5		1,257.5
F0460687G0052SA88		8.1	8.1	8.1
F0460690C0582		14.1	14.1	14.1
F0460690D0661	0.0		0.0	0.0 ³
F0460690D06610004	58.9		25.8	25.8
F0460691G0105		0.0	0.0	0.0 ¹
F0460691M2178	1.7		0.0	0.0

Note: See the footnotes at the end of the appendix.

Appendix D. Duplicate Contracts

<u>Contract Number</u>	<u>Data Base</u>			<u>Amount of Overstatement</u>
	<u>Northern</u>	<u>Southern</u>	<u>Western</u>	
F0460692D02170007	\$ 14.4		\$ 14.4	\$ 14.4
F0470189C0044		\$15,475.4	15,475.4	15,475.4
F0863095C0022		0.0		0.0 ⁵
F0863584C0197		50,804.7	49,129.2	49,129.2
F0960389G0005		0.0		0.0 ⁵
F0960391C1504	5,437.0	9,865.1		5,437.0 ⁴
F0960391D18420009		456.5	75.0	75.0
F0960391G0091TZ21	1.8	1.8		1.8
F0960392G0021	0.0	0.0		0.0 ³
F0960393C0629	201.1	719.0		201.1 ⁴
F0960393C1274	6.0	0.0		0.0
F0960394C0806	31.5	0.0		0.0
F1962884C0082		362.6	362.6	362.6
F1962888D00310003	6,439.0	8,741.1		6,439.0 ⁴
F1962888D00310010	513.7	549.4		513.7
F1962893C0130	29,264.8	8,989.4		8,989.4
F3060285C0266	1,302.3	4,004.6		1,302.3
F3060289C0061		6,662.9	144.9	144.9
F3060289D00970012		247.8	247.8	247.8
F3060290C0037		1,351.3	1,441.3	1,351.3
F3060293C0261		8,725.3	2.0	2.0
F3060294C0083	35.0	11.7		11.7
F3360088G5137		0.0	0.0	0.0 ³
F3360090C0136		63,702.6	15,578.3	15,578.3
F3360091G5422		0.0	0.0	0.0 ³
F3361585C0533		2,281.0	2,376.0	2,281.0
F3361592C2290		11,537.1	9,789.4	9,789.4
F3361594C3604		706.0	375.0	375.0
F3365784C2011	5,351,207.0			5,351,207.0 ⁵
F3365784C2232		6,487.2	2,528.3	2,528.3 ⁴
F3365787C0001	28,807.4	33,277.5		28,807.4
F3460188G6624		0.0	0.0	0.0 ³
F3460190G6713QP20		0.0	0.0	0.0 ³
F3460191G0010QP26		0.0	0.0	0.0 ³
F3460194G0002		0.0	0.0	0.0 ³

Note: See the footnotes at the end of the appendix.

Appendix D. Duplicate Contracts

<u>Contract Number</u>	<u>Data Base</u>			<u>Amount of Overstatement</u>
	<u>Northern</u>	<u>Southern</u>	<u>Western</u>	
F3460194M0058	\$ 2.2	\$ 1.2		\$ 1.2
F3460195M1008	22.3	23.2		22.3
F4160884G0033		0.0		0.0 ⁵
F4160890C0043		1,416.6	\$ 1,416.6	1,416.6
F4160891D03200006		21,159.9	0.0	0.0
F4160894D04790003	48.8	48.8		48.8
F4160894D1441			0.0	0.0 ⁵
F4160895M1063	0.0		13.4	0.0
F4261093M0258	0.8		0.8	0.8
F4263095M0043	0.3	0.3		0.3
F4263095M1007	0.2	7.2		0.2
MDA90382C0570	96.7	96.7		96.7
MDA90388C0249	649.7		99.4	99.4
MDA90389C0273	187.1		187.1	187.1
MDA97091C0002	5,717.8	7,831.8		5,717.8 ⁴
N0001489C2135			446.7	446.7 ⁵
N0001491C2258		158.9	158.9	158.9
N0001491D60060001		794.6	283.9	283.9
N0001492C2014	0.0		2,724.6	0.0
N0001493C2059		110.0	661.1	110.0
N0001495C0018	310.0		310.0	310.0
N0001983C0080	45,274.6		41,319.6	41,319.6
N0001983G01090005	19.4	0.0		0.0
N0001986C0228	173,248.0	105,792.6		105,792.6
N0001986G0061VX62	5,028.3		5,891.0	5,028.3
N0001988C0210		5,650.1	1,462.7	1,462.7
N0001990C0050		2,137.5	11,440.0	2,137.5
N0001991G0051		0.0		0.0 ⁵
N0001993G0190	0.0		0.0	0.0 ³
N0002480C5141		6,266.3	6,208.2	6,208.2
N0002483C4028	723.5	741.4		723.5
N0002483C6204	5,564.0	5,564.0		5,564.0
N0002483C6244	3,724.7	14,736.2		3,724.7
N0002483C6294	158,147.6	199,824.9		158,147.6
N0002484C7010	14,105.7			14,105.7 ⁵

Note: See the footnotes at the end of the appendix.

Appendix D. Duplicate Contracts

<u>Contract Number</u>	<u>Data Base</u>			<u>Amount of Overstatement</u>
	<u>Northern</u>	<u>Southern</u>	<u>Western</u>	
N0002484G6309UR1N	\$ 70.3	\$ 68.8		\$ 68.8
N0002485C6102		13,001.1	\$14,596.1	13,001.1
N0002485C6161	39,947.1	43,609.3		39,947.1
N0002486C5521		4,341.8	4,341.8	4,341.8
N0002487C4284	58.1		69.3	58.1
N0002487C5195		12,185.0	13,366.3	12,185.0
N0002487C6125	6,062.5	17,303.9		6,062.5
N0002488C6009	13,897.3	13,791.3		13,791.3 ⁴
N0002490C6000	8,205.0	8,205.0		8,205.0
N0003286G6134			0.0	0.0 ⁵
N0003987C0201		24,479.3	11,974.6	11,974.6
N0003988C0235			899.3	899.3 ⁵
N0010294DH211	0.0		0.0	0.0 ³
N0010488GA0290009	216.3	182.5		182.5
N0010488GA0290011	96.3	65.4		65.4
N0010488GA0295003	24.0	24.0		24.0
N0010490GA0120004		0.0	3.2	0.0
N0010491GA065		0.0	0.0	0.0 ³
N0010492MV887	10.6		10.6	10.6
N0010493CJ058	33.6		8.0	8.0
N0010493MV537	21.3		21.3	21.3
N0010494MT707	1.7		1.7	1.7
N0010494MV767	0.7	0.7		0.7
N0010494PXM54	16.4		18.2	16.4
N0010495MV322		3.0	6.5	3.0
N0010495MV404	2.1	0.7		0.7
N0010495MV409	1.0	2.7		1.0
N0010495MWB87	9.4		12.0	9.4
N0010495MWC06	0.6		8.0	0.6
N0010495PBH43	0.7	0.7		0.7
N0010495PBH46	19.1	19.1		19.1
N0010495PTM53	10.6	10.6		10.6
N0010495PUQ82	0.6	15.0		0.6
N0012390C0115		4,687.3	5,047.3	4,687.3
N0012392D5252EWVX	1.4	0.0		0.0

Note: See the footnotes at the end of the appendix.

Appendix D. Duplicate Contracts

<u>Contract Number</u>	<u>Data Base</u>			<u>Amount of Overstatement</u>
	<u>Northern</u>	<u>Southern</u>	<u>Western</u>	
N0012394C0187	\$ 0.0		\$ 603.0	\$ 603.0
N0014083C2033	99.8		99.8	99.8
N0016787C0070	1,458.0	\$ 1,497.5		1,458.0
N0018994C0243	11.1		78.0	11.1
N0038387GB201		0.0	0.0	0.0 ³
N0038388GM602	0.0		0.0	0.0 ³
N0038391G2205		0.0	0.0	0.0 ³
N0038391GM601	0.0	0.0		0.0 ³
N0038392GK218	0.0	0.0		0.0 ³
N0038393GB330	0.0		0.0	0.0 ³
N0038393GK312	0.0	0.0		0.0 ³
N0038394C009D	62.5	62.5		62.5
N0038394C010P	61.2			61.2 ⁵
N0038394C018K	76.4		1.4	1.4
N0038394M020G	20.1		20.1	20.1
N0038394M167V	16.1	16.1		16.1
N0060085C0309	71.7	74.4		71.7
N0060086C0044	61.0		21.6	21.6
N0060092D03910149	59.1	59.1		59.1
N0060092D03910150	36.1	36.1		36.1
N0060092D03910151	177.7	171.6		171.6
N0060092D03910154	605.2	635.9		605.2
N0060092D03910155	250.3	250.3		250.3
N0060092D03910156	467.8	183.1		183.1
N6053087C0074			14,591.7	14,591.7 ⁵
N6053089C0304		0.0	491.1	0.0
N6092190CA213		5,368.9	1,607.7	1,607.7
N6133982D00070009		142.3	142.3	142.3
N6133985C0047		2,541.1	2,541.1	2,541.1
N6133986C0108		38,694.1	40,746.6	38,694.1
N6133993C0037	146.0	146.0		146.0
N6133993C0068	136.2	136.2		136.2
N6226988C0008	295.7	451.5		295.7
N6226990D01080014		83.1	367.0	83.1
N6247282C1663	7,650.2		15,124.6	7,650.2

Note: See the footnotes at the end of the appendix.

Appendix D. Duplicate Contracts

<u>Contract Number</u>	<u>Data Base</u>			<u>Amount of Overstatement</u>
	<u>Northern</u>	<u>Southern</u>	<u>Western</u>	
N6247283C1621	\$900.6		\$1,797.1	\$900.6
N6600187D0134		\$ 0.0	0.0	0.0 ³
N6600187D01340006		20.0	20.0	20.0
N6600187D01340007		85.0	85.0	85.0
N6600191D00070046		29.1	29.1	29.1
N6600191D00070052		136.4	136.4	136.4
N6600191D00070055		49.0	49.0	49.0
N6600191D00070056		45.4	45.4	45.4
N6600191D00070065		88.3	88.3	88.3
N6600191D00070066		26.9	26.9	26.9
N6600193D00190003		20.6	20.0	20.0
N6600193D00190006		66.6	66.6	66.6
N6660490D05810072	90.0			90.0 ⁵
N6660490D11190004	0.1	122.9		0.1
N6660491D00480035	49.8	0.0		0.0
N6660491D0076	0.0	0.0		0.0 ³
N6660493D21200030		20.0	35.2	20.0
N6660493D21200031		62.5	51.5	51.5
N6894494C5006	57.3		91.0	57.3
SP010094C1018	189.2	190.1		189.2
SP010095FED81		7.3	7.3	7.3
SP020094FFE88	86.2	86.2		86.2
SP020095FFD89	89.5	89.5		89.5
SP041195MEE80	0.1	0.0		0.0
SP041195MEV41	2.4	2.4		2.4
SP043095C5224	239.6	288.4		239.6
SP043095MY868	6.2	23.7		6.2
SP044094MFC40		16.7	16.4	16.4
SP045194MHP89	1.8		1.8	1.8
SP045194MQ301	0.1		0.1	0.1
SP046094MDM06	21.9		15.1	15.1
SP046095MDB22	0.8	0.7		0.7
SP050094MJE09	0.0	0.3		0.0
SP050094MT629		2.1	2.1	2.1
SP050095MBD43	8.9	8.7		8.7

Note: See the footnotes at the end of the appendix.

Appendix D. Duplicate Contracts

<u>Contract Number</u>	<u>Data Base</u>			<u>Amount of Overstatement</u>
	<u>Northern</u>	<u>Southern</u>	<u>Western</u>	
SP050095MML27	\$ 8.2		\$ 6.9	\$ 6.9
SP050095MSX10	9.1	\$ 5.5		5.5
SP050095MW486		5.4	8.2	5.4
SP072094M0055	2.7	0.9		0.9
SP074094MHC11	22.3		22.8	22.3
SP074095MHA94	5.3	5.3		5.3
SP074095MLA35	0.3	0.3		0.3
SP074095MMN07	3.3		2.1	2.1
SP075095C2047	61.3		122.5	61.3
SP075095MU273	16.0		10.7	10.7
SP075095MU589	15.3	15.3		15.3
SP075095MV551	0.6	0.9		0.6
SP077095C5521	36.7		36.8	36.7
SP097095M6584	18.9	18.9		18.9
Total				\$6,372,996.1⁶

¹A blank space in any column indicates that the contract was not recorded in the data base.

²When 0.0 appears in at least 1 column, this indicates that the contract is open and active, but no amount has been obligated.

³When 0.0 appears in 2 data bases, this indicates that the contract is open and active simultaneously in both data bases, but no amount has been obligated.

⁴These are contracts that we judgmentally selected and reviewed for overpayments.

⁵These contracts appear in more than one organization code within the same data base. The amount of the overstatement for these contracts is the lower of the amounts recorded in two organization codes.

⁶The audit identified 284 contracts with duplicate records in MOCAS. Of the 284 contracts, 262 were recorded in more than 1 of the 3 MOCAS data bases. The remaining 22 contracts were recorded under different organization codes in one MOCAS data base. As a result of the duplicate recordings, obligation data in the MOCAS system were overstated by \$6.4 billion.

Appendix E. Support Contracts

<u>Contract Administration Office</u>	<u>Contract Number</u>	<u>Obligation Amount</u>
DCMAO Atlanta ¹	F1963088D0005BH01	\$ 30,600.00
DCMAO Baltimore	N0002487C5198	31,783,444.00
	N0003091C0098	10,555,000.00
	N0003091C0097	9,388,428.00
	N0002491C5133	7,176,343.00
	N0002488C2139	4,646,329.00
	N0002491C5644	5,349,285.00
	N6660488D00290017	2,185,967.00
	DCA10091C0176	1,183,029.00
	DAHC9492D0006	1,015,263.00
	N0001990D00560012	685,190.06
	N0002489C5318	377,156.00
	N0002491C5625	211,596.00
	N6660486D00060022	159,995.95
	N6660486D00060017	109,199.40
	N0001990D0056	103,268.00
	N6092188CA244	66,545.00
	N6600191D95067J06	44,189.00
	N0001990D00560015	30,000.00
	N0014089DSB05EBX	24,679.67
	N0014089DSB05EBW	24,605.72
	N0014089DSB05EBV	19,684.32
	N6600191D95067J05	8,570.00
	DAEA2686D0004ZJ02	3,429.00
	N0014088DRG68EHPN	24,965.32
DCMAO Birmingham	DASG6093C0041	25,000.00
	DAAH0188D00570005	2,370.21
DCMAO Boston	N0010492GA0765002	22,115.00
DCMAO Chicago	N0010495MU082	10,432.36
	TASA1295P0874	7,000.00
DCMAO Dayton	DAAE0795C0417	134,329.00
	TASA1295C0011	25,984.80

Appendix E. Support Contracts

<u>Contract Administration Office</u>	<u>Contract Number</u>	<u>Obligation Amount</u>
DCMAO Garden City	N0010483GA022UP95	\$ 760.00
DCMAO Indianapolis	DAAJ0985CB017 DAAJ0992C0453	285,624,148.03 64,584,893.00
DCMAO Orlando	N0001992C0115	404,170.00
DCMAO Philadelphia	N6833588D08470017	19,969.00
DCMAO Phoenix	N0001982C0486	300,000.00
DCMAO San Diego	N0001495C2090	50,000.00
DCMAO San Francisco	TASA1295C0013 N0012393D5198JE14 N0060488FHN27	62,003.00 10,500.00 414.00
DCMAO Santa Ana	DAAE0791L0006	183,500.00
DCMAO Seattle	SPO43095MY880	17,770.00
DCMAO Syracuse	N0038395M032G	24,800.00
DCMAO Van Nuys	TASA1295C0019	41,475.00
DPRO Hughes Missile, Fullerton ²	F1962890C0125	8,000,000.00
DPRO Hughes Missile, Tucson	DAAH0190C0434	648,507

¹Defense Contract Management Area Office (DCMAO)

²Defense Plant Representative Office (DPRO)

Appendix F. Summary of Potential Benefits Resulting From Audit

Recommendation Reference	Description of Benefit	Amount and Type of Benefit
A.1.a.	Management controls. Revision of desk procedures will ensure that contract records in MOCAS are accurately transferred.	Nonmonetary.
A.1.b.	Management controls. Supervisory reviews of month-end reports will ensure the completion of transfers and prevent duplicate recording of contracts in MOCAS.	Nonmonetary.
A.1.c.	Economy and efficiency. Recoup overpayments made to contractors.	At least \$1.9 million put to better use in multiple appropriations.
A.2.	Management controls. Ensures that information in the shared data warehouse is used to prevent duplicate recording of contracts in MOCAS.	Nonmonetary.

Appendix G. Organizations Visited or Contacted

Office of the Secretary of Defense

Under Secretary of Defense (Comptroller), Washington, DC

Defense Organizations

Defense Finance and Accounting Service, Washington, DC

Defense Finance and Accounting Service Columbus Center, Columbus, Ohio

Defense Information Services Organization, Columbus Ohio

Defense Logistics Agency, Washington, DC

Defense Logistics Agency Systems Design Center, Columbus, Ohio

Appendix H. Report Distribution

Office of the Secretary of Defense

Under Secretary of Defense (Acquisition and Technology)
 Director, Defense Logistics Studies Information Exchange
 Director, Defense Procurement
Under Secretary of Defense (Comptroller)
 Deputy Chief Financial Officer
 Deputy Comptroller (Program/Budget)
Assistant to the Secretary of Defense (Public Affairs)
General Counsel of the Department of Defense
Assistant Secretary of Defense (Command, Control, Communications and Intelligence)

Department of the Army

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

Department of the Navy

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

Department of the Air Force

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

Other Defense Organizations

Director, Defense Finance and Accounting Service
Director, Defense Finance and Accounting Service Columbus Center
Director, Defense Logistics Agency
Director, Defense Logistics Agency Systems Design Center
Director, Defense Information Systems Agency
Commander, Defense Contract Management Command
Director, National Security Agency
Inspector General, National Security Agency
Director, Defense Contract Audit Agency

Non-Defense Federal Organizations and Individuals

Office of Management and Budget
General Accounting Office
National Security and International Affairs Division, Technical Information Center
National Security and International Affairs Division, Defense Issues
National Security and International Affairs Division, Military Operations and Capabilities Issues

Chairman and ranking minority member of each of the following congressional committees and subcommittees:

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 National Security, Committee on Appropriations
House Committee on Government Reform and Oversight
House Subcommittee on National Security, International Affairs, and Criminal Justice, Committee on Government Reform and Oversight
House Committee on National Security

Part III - Management Comments

Defense Finance and Accounting Service Comments



DEFENSE FINANCE AND ACCOUNTING SERVICE

1931 JEFFERSON DAVIS HIGHWAY
ARLINGTON, VA 22240-5291

MAY 24 1998

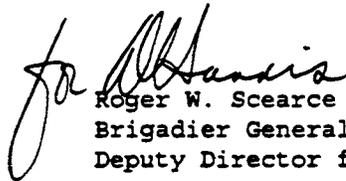
DFAS-HQ/FCC

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

SUBJECT: Preparation of Response to DoD IG Draft Report,
"Duplicate Recording of Contracts in the
Mechanization of Contract Administration Services
System," dated March 15, 1996 (Project No. 5FJ-
6005)

Our comments to the information requested on the
recommendations in the report are attached.

Our point of contact for this response is Mr. Jack Foust,
DFAS-HQ/FCC, at (703) 607-5030.


Roger W. Scarce

Brigadier General, USA
Deputy Director for Finance

Attachment:
As stated

EXCEPTION COMMENTS:

The implication made in the Draft Audit Report that the identified overpayments were caused by the duplicate recording of contracts in one or more databases is erroneous. Other internal controls with the Mechanization of Contract Administration Services (MOCAS) system and the payment process virtually eliminate the opportunity for an overpayment as a result of the duplication of contract records in another database.

We specifically disagree with the language on page ii of the Executive Summary under Summary of Recommendations, point number three, "investigate and recoup any overpayments that have resulted from the duplicate recording of contracts." We also disagree with the language on page 31 of the draft report, under Appendix F, Summary of Potential Benefits Resulting, A1c, "Economy and efficiency. Will recoup overpayments made to contractors because contracts were recorded in more than one database." The Defense Finance and Accounting Service - Columbus Center (DFAS-CO) has not identified any overpayments to date that are attributable to this condition.

RECOMMENDATION 1a:

We recommend that the Director, DFAS-CO: Revise Desk Procedure (DP) 205, "Transfer of Contracts." The revised DP should establish timeframes for completing contract transfers, and should require accounting technicians in the contract Administration Report Reconciliation Branch to confirm that the MOCAS system accepts and processes transactions to close contract records.

RESPONSE:

Concur. DP 205 will be revised. Timeframes will be established and monitored for completion of steps in the process. The revised procedure will require a confirmation of the close-out process with system generated documentation and supervisory signatures certifying closure. We will establish interim procedures to be in place by June 30, 1996. DP 205 will be updated during the next periodic revision and publication cycle.

ESTIMATED COMPLETION DATE: June 30, 1996

Defense Finance and Accounting Service Comments

RECOMMENDATION 1b:

Require supervisors or the Quality Assurance Review Division to review month-end reports to ensure that records in the MOCAS system are closed when contracts are transferred.

RESPONSE:

Concur. We have implemented a quarterly self audit program to be accomplished by each operational division. One of the Self Audit areas of coverage is the review of internal transfers. The Quality Assurance Division will monitor the results of the Self Audit Program on an ongoing basis. Actual operational review by the Quality Assurance Division will be accomplished on a periodic basis as needed.

ESTIMATED COMPLETION DATE: June 30, 1996

RECOMMENDATION 1c:

Review the remaining 283 contracts recorded in more than one of the three MOCAS databases to determine whether any overpayments were made, and issue demand letters to recoup the overpayments.

RESPONSE:

Concur. We have reviewed and resolved approximately one-half of the 283 contracts identified in the draft report. The remaining contracts are currently being researched to determine the appropriate database and perform delete actions from the duplicate databases.

The two overpayments identified in the draft report did not result from being recorded in one or more databases. Contract F090603-93-C0629 was overpaid because the new payment office failed to record the previous payments paid in conjunction with the contract transfer. The fact that the contract was recorded in two different databases did not cause an overpayment. A collection was made in November 1995 on the subject overpayment.

The potential overpayment on contract F33657-84-C2232 is still being researched as part of a complete reconciliation. All necessary collection/refund and adjustment actions will be taken upon completion of the reconciliation.

ESTIMATED COMPLETION DATE:

Resolution of Contracts in Multiple Databases: January 30, 1997.

Completion of Contract Reconciliation: June 30, 1996.

RECOMMENDATION 2:

We recommend that the Director, DFAS-CO, and the Director, Defense Logistics Agency System Design Center, establish the edit and validation procedures needed for the Shared Data Warehouse (SDW) to identify and report duplicate recording of contracts to Directorates at DFAS-CO.

RESPONSE:

Concur. Until DFAS-CO moves to the SDW environment, there are two current actions that we are taking in the MOCAS system. First, we are examining procedural controls and possible minimal system changes to quickly identify duplicate contracts. Completion is estimated for June 30, 1996. Second, we will run a compare program on all three databases to identify duplicate contracts at least quarterly, beginning June 30, 1996.

As a result of prior discussion with the DoDIG on this report, the Defense Systems Design Center and DFAS-CO are working a database integrity project to cleanse the data prior to population of the SDW. Edits and validations will preclude duplicate contracts in the SDW.

ESTIMATED COMPLETION DATE:

Short Term: June 30, 1996

Defense Logistics Agency Comments



DEFENSE LOGISTICS AGENCY
HEADQUARTERS
8725 JOHN J. KINGMAN ROAD, SUITE 2533
FT. BELVOIR, VIRGINIA 22060-6221



IN REPLY
REFER TO

DDAI

8 MAY 1996

MEMORANDUM FOR THE ASSISTANT INSPECTOR GENERAL FOR AUDITING,
DEPARTMENT OF DEFENSE

SUBJECT: Draft Report on the Duplicate Recording of Contracts in the Mechanization of
Contract Administration Services System, SFJ-6005

Enclosed is our response to your request of 15 March 1996.


JACQUELINE G. BRYANT
Chief, Internal Review Office

Encl

cc:
CANP

AUDIT TITLE: Duplicate Recording of Contracts in the Mechanization of Contract Administration Services Systems, 5FJ-6005

RECOMMENDATION 2: Recommend that the Director, Defense Logistics Agency Systems Design Center, establish the edit and validation procedures needed for the shared data warehouse to identify and report duplicate recording of contracts to directorates at the Defense Finance and Accounting Service, Columbus, Ohio.

DLA COMMENTS: Concur with need for validation procedures for the Shared Data Warehouse (SDW) to identify and report duplicate recording of contracts. Current requirements provide for edit and validation procedures to preclude duplicate entry of contracts into the SDW. With only a single logical data base and these validation procedures, duplicate contract recording will not be possible. In addition, when the SDW is populated with contracts from MOCAS, these same validations will preclude transfer of duplicate contracts. SDW will reject any duplicates coming from MOCAS and place the rejected contracts on an error log which will be forwarded to proper staff for resolution. The SDW should be in place by 1st quarter, FY 97.

DISPOSITION:

(X) Action is Ongoing. ECD: 31 Dec 96

ACTION OFFICER: Jane Johannsen, CANP, 767-2161

PSE APPROVAL: Thomas Knapp, Exec.Dir., Information Services

COORDINATION: LaVaeda Coulter, DDAI, 767-6261

JH, DDAI, 26 Apr 96

DLA APPROVAL:

JH, DDAI, 8 Aug 96

Audit Team Members

This report was prepared by the Finance and Accounting Directorate, Office of the Assistant Inspector General for Auditing, Department of Defense.

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