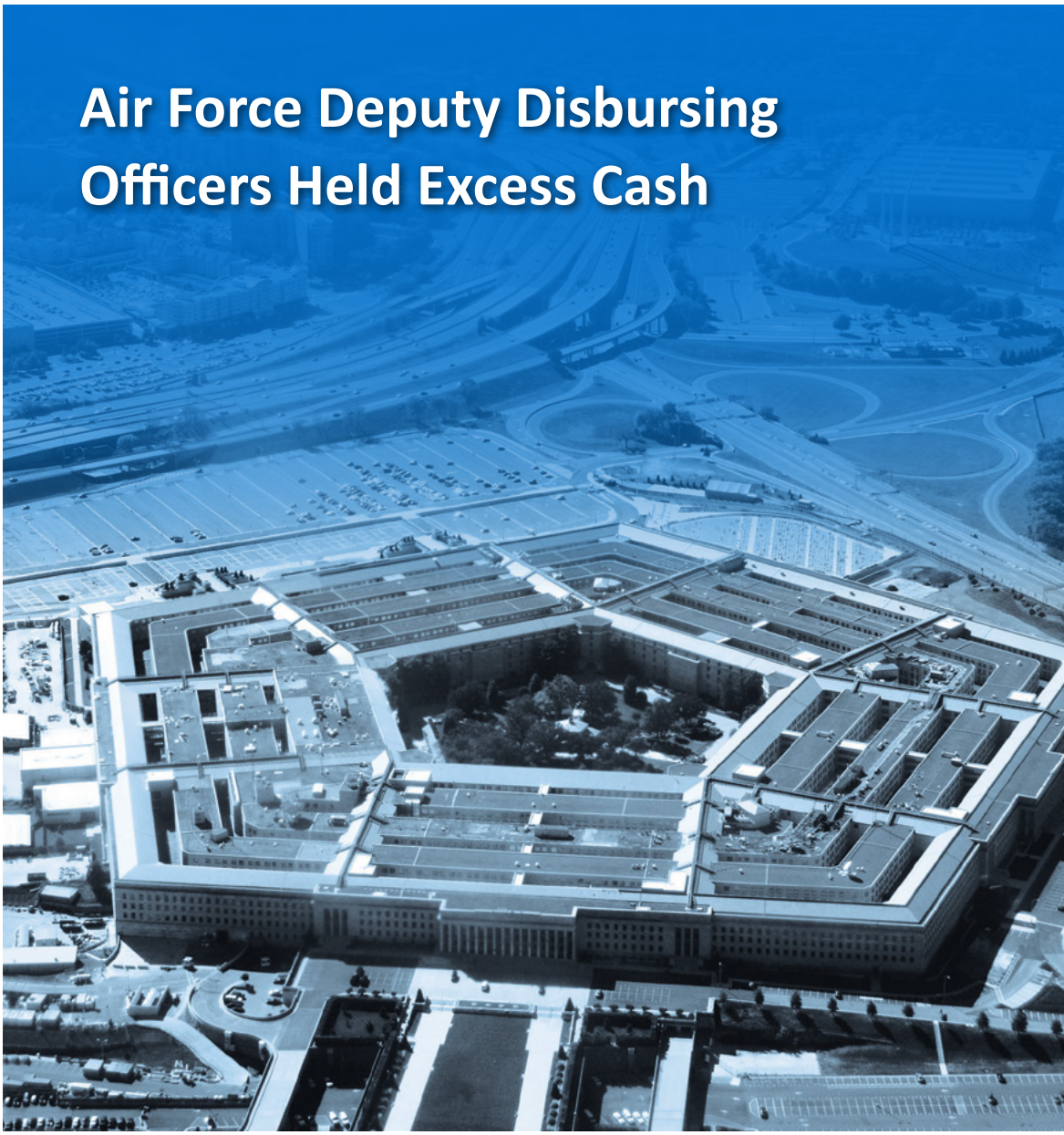
Report No. DODIG-2014-071

Inspector General

U.S. Department of Defense

MAY 8, 2014

Air Force Deputy Disbursing Officers Held Excess Cash



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Results in Brief

Air Force Deputy Disbursing Officers Held Excess Cash

May 8, 2014

Objective

We determined whether selected DoD disbursing offices were holding appropriate amounts of cash on hand and cash in limited depositary checking accounts. Additionally, we determined whether controls were in place to assess cash holding requirements accurately at selected DoD disbursing offices.

Finding

As of October 1, 2013, Air Force deputy disbursing officers (DDOs) held $6.3 million in cash that was in excess of what was needed to fund paying agents and contingency operations. Specifically, the DDOs at:

- Joint Base Charleston held $1.2 million in excess cash to fund paying agents and contingency operations;
- Hurlburt Field held $1.1 million in excess cash to fund paying agents and contingency operations;
- MacDill Air Force Base (AFB) held $1.8 million in excess cash to fund contingency operations;
- Eglin AFB held $2 million in excess cash to fund contingency operations; and
- Offutt AFB held $185,000 in excess cash to fund paying agents.

This occurred because the Defense Finance and Accounting Service (DFAS) Disbursing Operations Procedures Manual did not provide adequate guidance for determining the cash needs for paying agents and contingencies. Additionally, it did not

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Finding Continued

require that automated teller machines or electronic funds transfer be used for contingency operations such as hurricane evacuations in the continental U.S. (CONUS). The U.S. Treasury could save up to $6,300 in annual borrowing costs if the Air Force reduced its level of excess cash. Air Force DDOs could reduce the risks of theft or loss by adopting practices used by the Navy to limit cash held on hand to fund hurricane evacuations.

In addition, the Hurlburt Field DDO held more cash than authorized, exceeding his cash holding authority (CHA) of $1.2 million by $88,000. This occurred because he misinterpreted the DoD Financial Management Regulation's definition of cash. As a result, controls designed to limit the DDO's accountability were weakened and the risks of theft or loss of cash were increased.

During the audit, Joint Base Charleston reduced the amount of cash to fund paying agents by $400,000 in its CHA; while Offutt AFB stated that it planned to reduce its cash to fund paying agents by $185,000 in its CHA. In addition, the Hurlburt Field DDO reduced his cash on hand to be in compliance with his CHA.

Recommendations

We recommend that the Director, Disbursing Operations revise the DFAS Disbursing Operations Procedures Manual to provide DDOs guidance to calculate how much cash is needed to fund paying agents. In addition, revise the manual to require alternatives to cash for CONUS evacuation payments or justify how much cash must be used to make these payments.

Management Comments and Our Response

The Director, DFAS, Indianapolis, responding for the Director, Disbursing Operations (DFAS, Indianapolis), fully addressed all specifics of the recommendation, and no further comments are required. Please see the Recommendations Table on the next page.

Recommendations Table

Management	Recommendations Requiring Comment	No Additional Comments Required
Director, Disbursing Operations (Defense Finance and Accounting Service, Indianapolis)	N/A	1.a, 1.b

INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
4800 MARK CENTER DRIVE
ALEXANDRIA, VIRGINIA 22350-1500

May 8, 2014

MEMORANDUM FOR ASSISTANT SECRETARY OF THE AIR FORCE (FINANCIAL MANAGEMENT AND COMPTROLER)
DIRECTOR, DEFENSE FINANCE AND ACCOUNTING SERVICE

SUBJECT: Air Force Deputy Disbursing Officers Held Excess Cash
(Report No. DODIG-2014-071)

We are providing this report for your information and use. Air Force Deputy Disbursing Officers held $6.3 million in cash that was in excess of what was needed to fund paying agents and contingency operations.

We considered management comments on a draft of this report when preparing the final report. Comments from the Director, Defense Finance and Accounting Service, Indianapolis, responding for the Director, Disbursing Operations (Defense Finance and Accounting Service, Indianapolis), conformed to the requirements of DoD Directive 7650.3; therefore, we do not require additional comments.

We appreciate the courtesies extended to the staff. Please direct questions to me at (703) 601-5945 (DSN 329-5945).

Lorin T. Venable

Lorin T. Venable, CPA
Assistant Inspector General
Financial Management and Reporting

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Introduction

Objectives

Our objective was to determine whether selected DoD disbursing offices were holding appropriate amounts of cash on hand and cash in limited depositary checking accounts. Additionally, we determined whether controls were in place to assess cash holding requirements accurately at selected DoD disbursing offices.

Due to ongoing and prior audits of disbursing offices outside of the continental U.S. (CONUS), we limited our audit to Air Force disbursing offices within CONUS. In addition, the CONUS disbursing offices we selected for our audit do not maintain limited depositary checking accounts, which are primarily used by disbursing offices outside the CONUS. Thus, limited depositary checking accounts are not discussed in this report. See the Appendix for a discussion on the scope, methodology, and prior audit coverage.

Background

We reviewed five Air Force disbursing offices in the CONUS: Joint Base Charleston, South Carolina; MacDill Air Force Base (AFB), Florida; Offutt AFB, Nebraska; Eglin AFB, Florida; and Hurlburt Field, Florida. A disbursing office is an activity, or the organizational unit of an activity whose principal function is the disbursement, collection, and reporting of public funds. Each disbursing office is assigned a disbursing station symbol number (DSSN) by the U.S. Treasury. The DSSN indicates that authority has been granted to receive and disburse public funds and issue checks on behalf of the U.S. Treasury. The Air Force reported its entire cash holding, $52 million as of September 30, 2013, under DSSN 3801.

The Federal Accounting Standards Advisory Board, Statement of Federal Financial Accounting Standards No. 1, "Accounting for Selected Assets and Liabilities," March 30, 1993, defines cash as "(a) coins, paper currency and readily negotiable instruments, such as money orders, checks, and bank drafts on hand or in transit for deposit; (b) amounts on demand deposit with banks or other financial institutions; and (c) foreign currencies." The Federal Government borrows money to obtain and hold cash. Underutilized cash should be returned to the U.S. Treasury. Every dollar held as cash rather than used to augment revenues or decrease expenditures represents a lost opportunity. Funds that are not needed to cover expected transactions can be used to pay off outstanding debt

or can be invested to generate a flow of funds into the U.S. Treasury's account. Thus, there is a borrowing cost or interest cost to holding cash in support of disbursing operations.

We classified Air Force cash into three separate categories: operating cash, cash to fund paying agents, and cash to fund contingency operations. Operating cash is the cash needed to keep the disbursing office open each day. It is used for a variety of purposes including refunds for over payments, entitlement payments to foreign nationals, and cash collections for debts owed by military personnel. Cash is also provided to paying agents to pay for items in locations where other forms of payments are not accepted. Paying agents use cash to pay for expenses such as aircraft fuel and landing fees. Contingency cash is used to fund contingencies such as hurricane evacuations or repairs for hurricane damage.

Cash Holding Guidance

DoD Regulation 7000.14-R, "Financial Management Regulation" (FMR) volume 5, chapter 3, provides guidance for holding and safeguarding public funds including cash. The regulation requires that cash be kept on hand in the minimum amount necessary to meet normal requirements. It also requires deputy disbursing officers (DDOs) to submit a cash holding authority (CHA) request semiannually based on disbursements and collections over a representative period of time, usually 3 months. The CHA defines the maximum amount of cash the DDO and their agents may have and is the primary internal control for limiting cash on hand. Defense Finance and Accounting Service (DFAS) Disbursing Operations Procedures Manual, section III, chapter 15 establishes the process that Air Force DDOs must follow for preparing their CHA request. It provides detailed guidance for computing the cash needed for conducting operations.

DoD FMR, volume 9, chapter 7, provides guidance for making evacuation advances and payments. The regulation states that advances to evacuees will be made using automated teller machines (ATMs) or through electronic funds transfer (EFT). The guidance also states that if no ATM is available or EFT cannot be used, then the supporting disbursing office may use an alternative payment method. Additionally, DoD FMR volume 5, chapter 11, states that cash is the least preferred disbursement method and should only be used when no other alternatives exist.

Disbursing and Deputy Disbursing Officers

Each disbursing office has a disbursing officer (DO) and should have at least one DDO position under the DO's direct cognizance or control. DOs are agents of the U.S. Treasury who perform disbursing functions and are accountable to the U.S. Treasury for the cash items in their possession. DOs may provide funds to DDOs and paying agents or authorize DDOs to obtain funds. Paying agents are appointed by their commander to conduct specific types of transactions for a definitive time period. Paying agents receive an appointment letter and coordinate with the disbursing office to pick up cash. The agents are responsible for the funds until they return the funds, receipts, or both to the disbursing office. The Air Force has one DO in Indianapolis, Indiana who reviews and approves DDO CHA requests. This DO has 79 Air Force sites worldwide, including 63 Air Force CONUS sites.

Excess and Unauthorized Cash

The term *excess* in this audit refers to cash authorized above what we determined was needed to meet the DDO's disbursing needs. We determined excess cash amounts by subtracting the maximum amount of cash advanced to paying agents in the prior 3 months from the amount requested in the CHA. We considered any cash amounts requested for CONUS hurricane evacuations and other CONUS contingencies excess because alternatives to cash, such as ATMs and EFTs are widely available in CONUS. The term *unauthorized cash* in this audit refers to cash held in excess of the DDO's CHA.

Review of Internal Controls

DoD Instruction 5010.40, "Managers' Internal Control Program Procedures," May 30, 2013, requires DoD organizations to implement a comprehensive system of internal controls that provide reasonable assurance that programs are operating as intended and to evaluate the effectiveness of the controls. We identified an internal control weakness pertaining to Air Force DDOs holding cash in excess of what was needed to fund paying agents and contingency operations at the five locations reviewed. This occurred because the DFAS Disbursing Operations Procedures Manual did not provide adequate guidance for determining the cash needs for paying agents and contingencies. In addition, the Hurlburt Field DDO held more cash than authorized, exceeding his CHA of $1.2 million by $88,000 because the DDO misinterpreted policy and mistakenly believed that checks were not part of his CHA. We will provide a copy of the report to the senior official responsible for internal controls in the Air Force.

Finding

Air Force Deputy Disbursing Officers Held Excess Cash

As of October 1, 2013, Air Force DDOs held $6.3 million in cash that was in excess of what was needed to fund paying agents and contingency operations. Specifically, the DDOs at:

- Joint Base Charleston held $1.2 million in excess cash to fund paying agents and contingency operations;
- Hurlburt Field held $1.1 million in excess cash to fund paying agents and contingency operations;
- MacDill AFB held $1.8 million in excess cash to fund contingency operations;
- Eglin AFB held $2 million in excess cash to fund contingency operations; and
- Offutt AFB held $185,000 in excess cash to fund paying agents.

This occurred because the DFAS Disbursing Operations Procedures Manual did not provide adequate guidance for determining the cash needs for paying agents and contingencies. Also, it did not require that ATMs or EFT be used for contingency operations such as hurricane evacuations in the CONUS. Holding cash outside of the U.S. Treasury effectively increases the U.S. Treasury's borrowing costs. In addition, holding excess cash increases the risk of theft or loss and increases administrative costs of securing it. The U.S. Treasury could save up to $6,300[1] in annual borrowing costs if the Air Force reduced its level of excess cash. Air Force DDOs could reduce these risks by adopting practices used by the Navy to limit cash held on hand to fund hurricane evacuations.

In addition, the Hurlburt Field DDO held more cash than authorized, exceeding his CHA of $1.2 million by $88,000. This occurred because the DDO misinterpreted the DoD FMR's definition of cash and mistakenly believed that checks were not part of his CHA. As a result, controls designed to limit the DDO's accountability were weakened and the risks of theft or loss of cash were increased.

[1] We calculated $6,300 by multiplying the total excess cash of $6.3 million by the U.S. Treasury's 1-year interest rate of 0.1% as of October 1, 2013.

Air Force DDOs Held More Cash Than Needed

Air Force DDOs at five sites held $6.3 million in cash that was in excess of what was needed to fund paying agents and contingency operations. DoD FMR volume 5, chapter 3 states that cash should be limited to the minimum necessary to meet normal requirements. Specifically, as of October 1, 2013, DDOs at Joint Base Charleston, Hurlburt Field, and Offutt AFB held $1.5 million in excess cash to fund paying agents. DDOs at Joint Base Charleston, Hurlburt Field, MacDill AFB, and Eglin AFB held $4.8 million in excess cash to fund contingency operations (see Table 1).

Table 1. Air Force Deputy Disbursing Officers Excess Cash as of October 1, 2013

Deputy Disbursing Office Location	Excess Cash to Support:		Total Excess Cash
	Paying Agent Missions	Contingency Operations	
Charleston	$711,000	$500,000	$1,211,000
Hurlburt	619,000	500,000	1,119,000
MacDill	0	1,750,000	1,750,000
Eglin	0	2,000,000	2,000,000
Offutt	185,000	0	185,000
Total	**$1,515,000**	**$4,750,000**	**$6,265,000**

Cash Needed to Fund Paying Agents

The DDOs at Joint Base Charleston, Hurlburt Field, and Offutt AFB held more cash than needed to fund paying agents. Specifically, DDOs at Joint Base Charleston, Hurlburt Field, and Offutt AFB were authorized $2.7 million in cash to support paying agent missions (see Table 2). However, these DDOs could have supported paying agents with $1.2 million, which is the maximum the DDOs advanced to paying agents in the 3 months of cash usage they based their CHA request on or were able to justify. For example, the DDO at Joint Base Charleston had $1 million in CHA to fund paying agents; however, from June 1, 2013, through August 30, 2013, the maximum amount issued to paying agents was $289,000. As a result, the DDO at Joint Base Charleston held $711,000 in excess of what was needed to fund paying agents.

Table 2. Paying Agent Authorizations

Deputy Disbursing Office Location	Cash Authorized for Paying Agents	Cash Needed to Fund Paying Agents
Charleston	$1,000,000	$289,000
Hurlburt	700,000	81,000
Offutt	1,000,000	815,000
Total	**$2,700,000**	**$1,185,000**

Cash Needed to Fund Contingency Operations

Air Force DDOs at Joint Base Charleston, Hurlburt Field, MacDill AFB, and Eglin AFB held $4.8 million in excess cash to support contingency operations. The DDOs stated that they held this cash to advance cash to service members, their dependents, and DoD civilians to aid in evacuations and to resume operations after a disaster. Alternatives to cash, such as the use of ATMs and EFTs to fund CONUS evacuations and resume operations, could reduce or eliminate the need for DDOs to have $4.8 million in cash on hand. However, the DFAS Disbursing Operations Procedures Manual does not require that DDOs use ATMs or EFTs to fund contingencies such as hurricane evacuations. Because ATMs and EFTs are widely available in the CONUS, cash should not be advanced to aid personnel during CONUS evacuations. Additionally, DoD FMR, volume 9, chapter 7 states that cash is the least preferred disbursement method and should be used only when no other alternatives exist. Because of the widespread acceptance of EFTs and checks in CONUS, cash, with the inherent risk associated with it, should not be used in a post disaster scenario.

Cash Calculation Criteria Needed

DDOs held excess cash to fund paying agents and contingency operations because the DFAS Disbursing Operations Procedures Manual did not provide adequate guidance for determining the cash needs for paying agents and contingencies. Also, it did not require that ATMs or EFTs be used for contingency operations, such as CONUS hurricane evacuations. The manual does provide extensive guidance for determining how much cash should be held to meet daily operating cash needs by netting cash disbursements and collections. However, it does not provide guidance for computing how much cash should be held to support paying agents. Paying agent missions tend to be infrequent and paying agents often return a high percentage of the funds

The DFAS Disbursing Operations Procedures Manual did not provide adequate guidance for determining the cash needs for paying agents and contingencies.

advanced to them, which makes netting an ineffective way of calculating cash needs. In addition, DDOs typically had advance notice of missions requiring cash and could replenish cash within 7 days. As a result, the government may pay approximately $6,300 in interest over 1 year. The Director, Disbursing Operations (DFAS, Indianapolis) needs to revise the DFAS Disbursing Operations Procedures Manual to provide DDOs specific guidance to calculate how much cash is needed to fund paying agents and require DDOs use alternatives to cash to make CONUS evacuation payments or justify how much cash will be needed to make these payments.

Navy Cash Management Best Practices

The Navy does not hold or use cash to support CONUS hurricane evacuations; instead, it uses alternatives to cash such as the government travel card, ATMs, and EFTs. The Navy faces the same challenges as the Air Force when evacuating personnel, but it also has facilities that are in locations prone to and vulnerable to hurricanes such as Naval Air Station Pensacola. Naval Air Station Pensacola is on the Gulf of Mexico and is located 43 miles from Hurlburt Field and 54 miles from Eglin AFB, but it holds no cash. Thus, the Air Force DDOs could reduce interest costs to the U.S. Treasury, the risk of theft or loss of funds, and administrative costs associated with securing cash, by adopting practices used by the Navy to limit cash held on hand to fund hurricane evacuations.

The Navy does not hold or use cash to support CONUS hurricane evacuations; instead, it uses alternatives to cash such as the government travel card, ATMs, and EFTs.

Hurlburt Field DDO Exceeded Cash Holding Authority

The Hurlburt Field DDO held more cash than authorized, which exceeded his CHA of $1.2 million by $88,000. As of October 29, 2013, our cash count at the Hurlburt Field DDO revealed $1,288,000 in cash—$902,000 cash on hand and $386,000 with agents. Of the $386,000 with agents, the DDO advanced $101,000 in U.S. Treasury checks to agents but did not consider these checks when determining compliance with his CHA. Thus, the DDO incorrectly calculated his funds with agents when determining CHA compliance as $285,000 instead of $386,000 and believed that he was under the CHA by $14,000[2]

[2] We used rounded numbers throughout the report.

instead of exceeding it by $88,000. This occurred because the Hurlburt DDO misinterpreted the DoD FMR's definition of cash and mistakenly believed that readily negotiable checks were not part of his CHA. As a result, the internal controls that are designed to limit the DDO's accountability were weakened and the risks of theft or loss of cash were increased.

Management Actions

During the audit, Joint Base Charleston reduced the amount of cash it was authorized to support paying agents from $1.4 million in its April 2013 CHA to $1 million in its October 2013 CHA. Joint Base Charleston stated that reducing its October 2013 authorization by an additional $711,000 could leave it unable to support paying agents, which could jeopardize its mission. We believe a further reduction would be reasonable because Joint Base Charleston typically had advance notice of missions requiring cash and was able to replenish cash within 7 days, similar to DDOs at Hurlburt Field and Offutt AFB. Hurlburt Field stated that it was considering reducing its CHA; while Offutt AFB stated that it planned to reduce its cash authorized for paying agents from $1 million to $815,000 on its April 2014 CHA. In addition, the Hurlburt Field DDO has since reduced his cash on hand to be in compliance with his CHA. Based on the actions taken by some of the disbursing offices reviewed and until the recommendations made in this report are implemented, we are not making a recommendation to reduce the cash amounts further.

Recommendations, Management Comments, and Our Response

We recommend that the Director, Disbursing Operations (Defense Finance and Accounting Service, Indianapolis) revise the Defense Finance and Accounting Service Disbursing Operations Procedures Manual to:

a. provide deputy disbursing officers guidance to calculate how much cash is needed to fund paying agents.

Director, Defense Finance and Accounting Service, Indianapolis

The Director, Defense Finance and Accounting Service, Indianapolis, responding for the Director, Disbursing Operations (Defense Finance and Accounting Service, Indianapolis), agreed, stating that the Director, Disbursing Operations (Defense Finance and Accounting Service, Indianapolis) updated his guidance to include

computation instructions for DDOs to use when determining how much cash is needed to fund paying agents. He stated that the updated guidance was sent to Air Force DDOs on January 29, 2014, and provided us a copy.

Our Response

Comments from the Director, Defense Finance and Accounting Service, Indianapolis addressed all specifics of the recommendation, and no further comments are required.

b. require alternatives to cash for continental U.S. evacuation payments or justify how much cash is required to make these payments.

Director, Disbursing Operations DFAS Comments

The Director, Defense Finance and Accounting Service, Indianapolis, responding for the Director, Disbursing Operations (Defense Finance and Accounting Service, Indianapolis), agreed, stating that the Director, Disbursing Operations (Defense Finance and Accounting Service, Indianapolis) reviewed and justified cash that was required for continental U.S. evacuation payments. The director reported a reduction of the Air Force's total cash holding authority of $7.1 million for the period ending April 1, 2014. In addition, the director stated that he considered a non-cash option as an alternative to cash and receives input from commanders in the field who carry out the missions.

Our Response

Comments from the Director, Defense Finance and Accounting Service, Indianapolis addressed all specifics of the recommendation, and no further comments are required.

Appendix

Scope and Methodology

We conducted this performance audit from May 2013 through March 2014 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

After reviewing the universes of DSSNs for all the services, and considering prior and ongoing audit coverage, we selected sites based on the Air Force's portion of DoD's CONUS cash. The Air Force is holding approximately $52 million in cash at 79 sites worldwide; including 63 Air Force CONUS sites. We nonstatistically selected all five CONUS Air Force sites in which the DDOs had cash on hand and cash with agents totaling more than $1 million, from August 2013 through October 2013: (1) Joint Base Charleston; (2) MacDill AFB; (3) Offutt AFB; (4) Eglin AFB; and (5) Hurlburt Field.

During our site visits, we interviewed DDOs, cashiers, paying agents, DFAS officials, and other disbursing staff to gain an understanding of how CHAs are prepared and how cash is used by the DDOs. We also observed DDOs and cashiers perform cash counts at each disbursing office. We compared the results of these cash counts to the cash on hand reported by the DDOs on their daily statements of accountability and found no significant differences. We continued to gather data, perform analysis, and meet with key individuals through February 2014.

In order to determine whether sites had excess cash we reviewed the October 2013 CHAs prepared by each DDO. We calculated each DDO's cash needs based on the three categories of cash: operating cash, cash to fund paying agents, and cash to fund contingency operations. We recalculated operating cash needs based on the net of total cash collections and disbursements over a 3-month time period prior to each DDO's October 2013 CHA request. The specific 3 months of activity varied and were based on the months used in the DDO's calculations. Operating cash needs for the sites were low and we did not find any significant excess cash.

We determined the amount of cash needed to fund paying agents by identifying the maximum amount of cash advanced to paying agents in the 3-month period selected by the DDOs in their calculation of operating cash requirements. We based our calculation on the history of fund advances and returns documented in the DD Form 1081, "Statement of Agent Officer's Account." We also reviewed management explanations of why additional cash may be needed to fund paying agents. We defined excess as any cash requested for paying agents above this amount. We considered the maximum amount of cash advanced to paying agents as a reasonable benchmark because it is a historical snapshot of the DDO's peak cash usage. DDOs were consistently below this benchmark over the 3 months of activity reviewed.

We determined how much cash was needed to fund contingency operations by reviewing management statements regarding the need for the cash and the availability of ATMs and EFTs. We also interviewed Navy military pay management personnel to determine how it funded CONUS hurricane evacuations without cash and reviewed Navy Statements of Accountability to verify that the Navy did not have cash at selected CONUS facilities prone to hurricanes. We considered any cash amount requested for CONUS hurricane evacuations and other CONUS contingencies excess because alternatives to cash such as ATMs and EFTs are widely available in the CONUS.

We determined whether DDOs had unauthorized cash by comparing their cash on hand to what they were authorized to hold in their October 2013 CHA. We considered a DDO to have unauthorized cash when the cash on hand exceeded the authorized amount on the October 2013 CHA.

Use of Computer-Processed Data

We did not rely on computer-processed data to reach our conclusions.

Prior Audit Coverage

During the last 5 years, the Department of Defense Inspector General (DoD IG) and Naval Audit Service have issued eight reports discussing cash on hand and internal controls in place. Unrestricted DoD IG reports can be accessed at http://www.dodig.mil/pubs/index.cfm. Naval Audit Service reports are not available over the internet.

DoD IG

Report No. D-2011-01 "Controls Over Army Deployable Disbursing System Payments Needs Improvement," August 17, 2011

Report No. D-2010-037 "Internal Controls Over United States Marine Corps Commercial and Miscellaneous Payments Processed Through the Deployable Disbursing System," January 25, 2010

Report No. D-2010-034 "Internal Controls Over the Army, General Fund Cash and Other Monetary Assets Held in Southwest Asia," January 8, 2010

Report No. D-2009-003 "Internal Controls over Army, General Fund, Cash and Other Monetary Assets Held Outside of the Continental United States," October 9, 2008

Report No. D-2008-123 "Internal Controls Over Navy General Fund, Cash, and Other Monetary Assets Held OCONUS," August 26, 2008

Report No. D-2008-121 "Internal Controls for Air Force General Fund, Cash, and Other Monetary Assets," August 18, 2008

Naval Audit Service

Report No. N2012-0003 "Department of the Navy Acquisition and Disbursing Checks and Balances at Camp Lemonier, Djibouti, Africa," November 9, 2011

Report No. N2009-0041 "Department of the Navy Acquisition and Disbursing Checks and Balances at Camp Lemonier, Djibouti, Africa," July 30, 2009

Management Comments

Defense Finance And Accounting Service, Indianapolis Comments

Final Report Reference

DEFENSE FINANCE AND ACCOUNTING SERVICE
8899 EAST 56TH STREET
INDIANAPOLIS, IN 46249-0201

APR 21 2014

DFAS-JBK/IN

MEMORANDUM FOR DIRECTOR, DEPARTMENT OF DEFENSE, OFFICE OF INSPECTOR GENERAL

SUBJECT: Draft Report, Audit of the Need for Cash at DoD Disbursing Offices (Project D2013-D000FE-0117.00)

The Defense Finance and Accounting Service Indianapolis is providing management comments for the Draft Report.

My point of contact for this action is [redacted].

Aaron P. Gillison
Director, DFAS Indianapolis

Attachment:
As stated

www.dfas.mil

Director Defense Finance and Accounting Service, Indianapolis provided additional material documenting actions the Director, Disbursing Operations (Defense Finance and Accounting Service, Indianapolis) has taken. This material is not included in this report due to its length.

Defense Finance And Accounting Service, Indianapolis Comments (cont'd)

Audit of the Need for Cash at DoD Disbursing Offices
(Project No. D2013-D000FE-0117.000)

Recommendation 1a: We recommend that the Director, Disbursing Operations (Defense Finance and Accounting Service, Indianapolis) revise the DFAS Disbursing Operations Procedures Manual to provide DDOs guidance to calculate how much cash is needed to fund paying agents.

Management Comments: Director, Disbursing Operations concurs with the recommendation. Updated cash holding authority guidance, to include computation instructions, was sent to the Air Force Deputy Disbursing Officers on January 29, 2014, (see Attachment 1). Additionally, The Disbursing Operations updated the Disbursing Procedures Manual, Chapter 12, specifically Section12-4 Paragraph B-2 Cash Holding Authority (CHA) (see Attachment 2), in January 2014 to further explain the use of the CHA spreadsheet, how to calculate CHAs, and the necessary supporting documents which must accompany the semi-annual CHAs.

Completion Date: January 29, 2014

Recommendation 1b: We recommend that the Director, Disbursing Operations (Defense Finance and Accounting Service, Indianapolis) revise the DFAS Disbursing Operations Procedures Manual to require alternatives to cash for CONUS evacuation payments or justify how much cash is required to make these payments.

Management Comments: Director, Disbursing Operations concurs with the recommendation. As noted in the Management Comment provided for Recommendation 1a, the Disbursing Operations Procedures Manual was updated in January 2014. In addition, all Deputy Disbursing Officers have provided cash holding authority requests including sites that maintain cash for evacuations and these CHA requests have been reviewed and approved by designated Disbursing employees. During the period ended April 1, total CHA for Air Force was reduced by $7.1 Million (see Attachment 3). In addition, the Director, Disbursing Operations always considers a non-cash option as an alternative to cash along with input from the commanders in the field who must carry out the missions.

Completion Date: April 1, 2014

Acronyms and Abbreviations

AFB	Air Force Base
ATM	Automated Teller Machine
CHA	Cash Holding Authority
CONUS	Continental United States
DSSN	Disbursing Station Symbol Number
DDO	Deputy Disbursing Officer
DO	Disbursing Officer
EFT	Electronic Funds Transfer

INSPECTOR GENERAL

DEPARTMENT OF DEFENSE

Whistleblower Protection
U.S. Department of Defense

The Whistleblower Protection Enhancement Act of 2012 requires the Inspector General to designate a Whistleblower Protection Ombudsman to educate agency employees about prohibitions on retaliation, and rights and remedies against retaliation for protected disclosures. The designated ombudsman is the DoD Hotline Director. For more information on your rights and remedies against retaliation, go to the Whistleblower webpage at www.dodig.mil/programs/whistleblower.

For more information about DoD IG reports or activities, please contact us:

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