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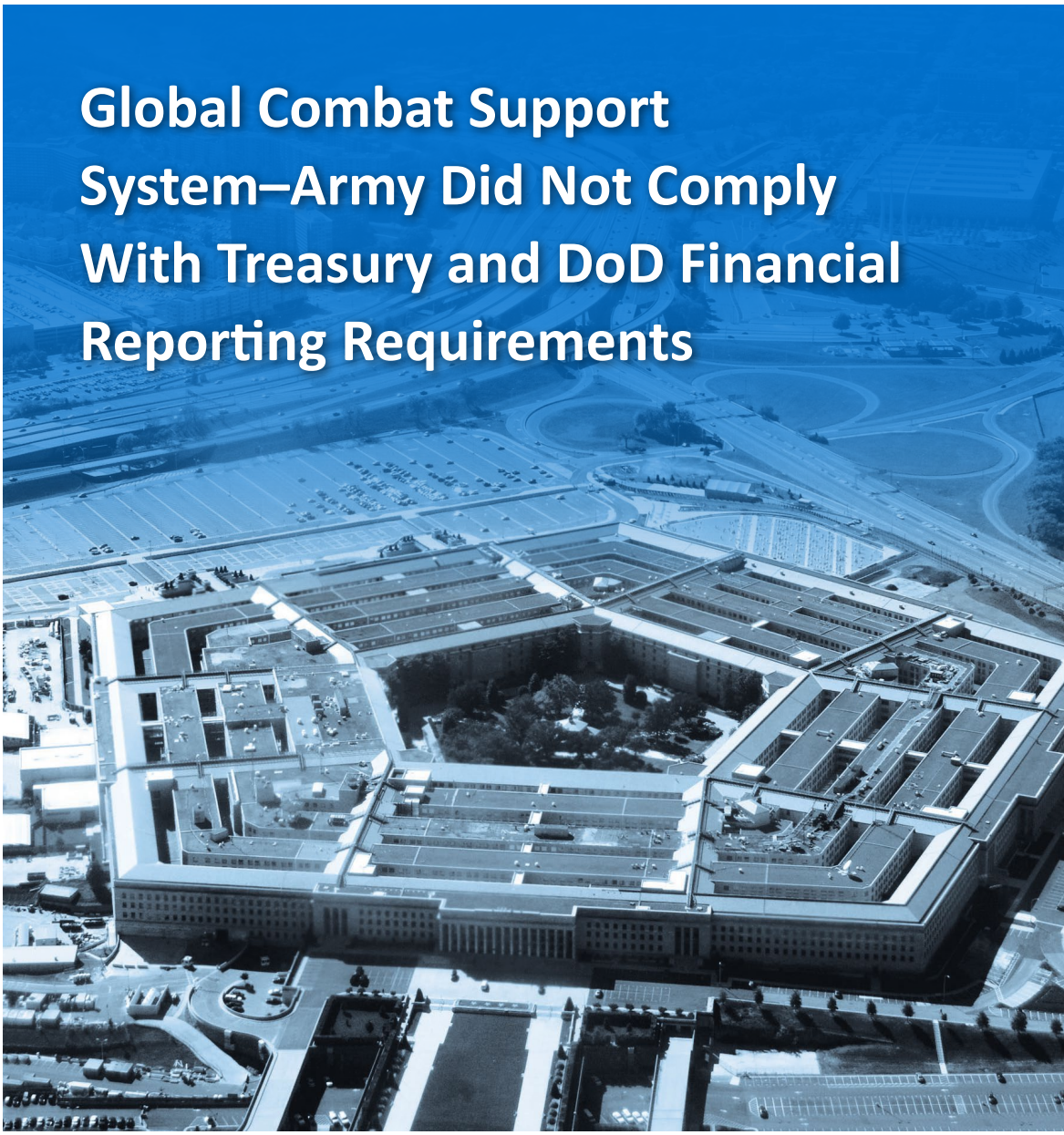
Inspector General

U.S. Department of Defense

SEPTEMBER 3, 2014

Global Combat Support System–Army Did Not Comply With Treasury and DoD Financial Reporting Requirements



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Results in Brief

Global Combat Support System–Army Did Not Comply With Treasury and DoD Financial Reporting Requirements

September 3, 2014

Objective

We determined whether the Army fielded the Global Combat Support System–Army (GCSS–Army) with the proper functionality to provide reliable financial information and support audit readiness requirements.

Finding

Office of the Assistant Secretary of the Army (Financial Management and Comptroller) and GCSS–Army Product Management Office personnel did not field GCCS–Army with the proper functionality to comply with Treasury and DoD guidance, which is necessary to provide reliable financial information and support for audit readiness requirements.

This occurred because DoD and Army management did not have adequate controls, including procedures and annual reviews, in place to ensure GCSS–Army compliance with Treasury and DoD guidance. In addition, the Office of the Under Secretary of Defense (Comptroller)/Chief Financial Officer, DoD, and Office of the Deputy Chief Management Officer personnel did not provide adequate account attribute, chart of account, or posting logic guidance. This occurred because they did not have formal processes for reviewing and ensuring that DoD guidance is complete and consistent and aligns with Treasury guidance.

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Finding (cont'd)

Although Army personnel have been responsive to correcting deficiencies identified during the audit, the Army has spent $725.7 million on a system that still has significant obstacles to overcome to comply with the Federal Financial Management Improvement Act and meet the FYs 2014 and 2017 auditability deadlines. This includes posting logic issues that resulted in abnormal balances of $703.7 million, or 23.5 percent, of the $3.0 billion GCSS–Army fourth quarter FY 2013 Trial Balance.

Recommendations

The Under Secretary of Defense (Comptroller)/Chief Financial Officer, DoD, in coordination with the DoD Deputy Chief Management Officer, should develop and implement procedures to validate that GCSS–Army complies with applicable guidance and internal control standards. They should also publish account attribute, chart of account, and posting logic guidance by the beginning of each fiscal year, with a deadline for system implementation. The Assistant Secretary of the Army (Financial Management and Comptroller), in coordination with the GCSS–Army Product Manager, should formalize and expand the annual review process of GCSS–Army to include a review of the account attributes, chart of accounts, and posting logic and develop an automated functionality for demonstrating GCSS–Army account postings.

Management Comments and Our Response

We request that the Under Secretary of Defense (Comptroller)/Chief Financial Officer, DoD, provide additional comments to Recommendations 1.a.ii, 1.a.iii, and 1.c, and the Assistant Secretary of the Army (Financial Management and Comptroller) provide additional comments on Recommendations 2.b and 2.f. Please see the Recommendations Table on the back of this page.

Recommendations Table

Management	Recommendations Requiring Comment	No additional Comments Required
Under Secretary of Defense (Comptroller)/ Chief Financial Officer, DoD	1.a.ii, 1.a.iii, 1.c	1.a.i, 1.b.i, 1.b.ii, 1.b.iii, 1.d
Assistant Secretary of the Army (Financial Management and Comptroller)	2.b, 2.f	2.a.i, 2.a.ii, 2.a.iii, 2.c, 2.d, 2.e

Please provide comments by October 3, 2014.

INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
4800 MARK CENTER DRIVE
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September 3, 2014

MEMORANDUM FOR UNDER SECRETARY OF DEFENSE (COMPTROLLER)/
CHIEF FINANCIAL OFFICER, DOD
DEPARTMENT OF DEFENSE DEPUTY CHIEF MANAGEMENT OFFICER
AUDITOR GENERAL, DEPARTMENT OF THE ARMY

SUBJECT: Global Combat Support System–Army Did Not Comply With Treasury and DoD Financial Reporting Requirements (Report No. DODIG-2014-104)

We are providing this report for your review and comment. The Army did not ensure Global Combat Support System–Army complied with Treasury and DoD guidance, which is necessary for providing reliable financial information and supporting audit readiness requirements. Although Army personnel have been responsive to correcting deficiencies identified during the audit, the Army has spent $725.7 million on a system that has significant obstacles to overcome to comply with the Federal Financial Management Improvement Act and meet the FYs 2014 and 2017 auditability deadlines. This includes posting logic issues that resulted in abnormal balances of $703.7 million, or 23.5 percent, of the $3.0 billion GCSS–Army fourth quarter FY 2013 Trial Balance.

We considered management comments on a draft of this report when preparing the final report. DoD Directive 7650.3 requires that all recommendations be resolved promptly. Comments from the Under Secretary of Defense (Comptroller)/Deputy Chief Financial Officer, DoD, on Recommendations 1.a.i, 1.b, and 1.d, and from Deputy Assistant Secretary of the Army (Financial Operations) on Recommendations 2.a.i, 2.a.ii, 2.a.iii, 2.c, 2.d, and 2.e, addressed all specifics of the recommendations and conformed to the requirements of DoD Directive 7650.3; therefore, we do not require additional comments. We request that the Under Secretary of Defense (Comptroller)/Chief Financial Officer, DoD, provide additional comments on Recommendations 1.a.ii, 1.a.iii, and 1.c, and the Assistant Secretary of the Army (Financial Management and Comptroller) provide additional comments on Recommendations 2.b and 2.f, by October 3, 2014.

Please send a PDF file containing your comments to audfmr@dodig.mil. Copies of your comments must have the actual signature of the authorizing official for your organization. We cannot accept the /Signed/ symbol in place of the actual signature. If you arrange to send classified comments electronically, you must send them over the SECRET Internet Protocol Router Network (SIPRNET).

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

Lorin T. Venable

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

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INSPECTOR GENERAL

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Introduction

Objective

Our objective was to determine whether the Army fielded the Global Combat Support System–Army (GCSS–Army) with the proper functionality to provide reliable financial information and support audit readiness requirements. See Appendix A for Scope and Methodology and Appendix B for Prior Audit Coverage.

Background

The Army initiated development of GCSS–Army in 1997. In 2003, the program changed from custom software to a web-based SAP[1] Enterprise Resource Planning (ERP) system. According to Army officials, the Army invested approximately $95 million before adopting the ERP approach. The Army plans to replace 13 legacy systems with GCSS–Army, including the Standard Army Retail Supply System and the Standard Army Maintenance System–Enhanced. GCSS–Army contains supply, maintenance, property, and tactical finance functionalities. As of June 2014, the Army has fielded the system to 122 units. When fielding is complete in September 2017, there will be an estimated 160,000 GCSS–Army users across 343 units. According to an Army Program Executive Office Enterprise Information Systems (PEO EIS) representative, as of February 2014, the Army had spent $725.7 million on GCSS–Army and plans to spend a total of $4.3 billion[2]. GCSS–Army Product Management Office (the PMO) personnel estimated the tactical finance functionality will cost approximately $300 million.

Financial Reporting Requirements

Public Law 101-576, "Chief Financial Officers Act of 1990," November 15, 1990, (the CFO Act) requires each executive agency to prepare and submit auditable financial statements annually. Public Law 104-208, "Federal Financial Management Improvement Act of 1996," September 30, 1996, (FFMIA) requires agencies to "implement and maintain financial management systems that comply substantially with Federal financial management systems requirements [and] applicable Federal accounting standards." Public Law 111-84, "National Defense Authorization Act for Fiscal Year 2010," section 1003, "Audit readiness of financial statements of

[1] SAP is a company that develops ERP systems.

[2] The $4.3 billion is based on the November 1, 2012, Economic Analysis for GCSS–Army and includes $3.0 billion for GCSS–Army, $938.7 million for Army Enterprise System Integration Program, and $341.1 million for Standard Army Management Information System phase out.

the Department of Defense," October 28, 2009, requires DoD to develop a plan to ensure that its financial statements are validated as ready for audit no later than September 30, 2017. In addition, Public Law 112-81, "National Defense Authorization Act for Fiscal Year 2012," section 1003, "Additional requirements relating to the development of the Financial Improvement and Audit Readiness Plan," December 31, 2011, requires each Military Department to develop a plan to validate the Statement of Budgetary Resources for audit by no later than September 30, 2014.

The Treasury Financial Management Service publishes the U.S. Government Standard General Ledger (USSGL), which provides a uniform chart of accounts (COA) and guidance standardizing Federal agency accounting, including USSGL transaction and account attribute[3] guidance. All DoD accounting systems must use the USSGL. DoD implemented the Standard Financial Information Structure (SFIS) account attributes to standardize financial reporting and comply with the USSGL at the transaction level. DoD annually publishes the DoD Standard Chart of Accounts (SCOA) and the DoD USSGL Transaction Library (the Transaction Library). The DoD SCOA consists of USSGL accounts and DoD account extensions to provide the detail required for budgetary, financial, and management reports. The Transaction Library breaks down the USSGL transaction guidance into combinations of specific accounts[4] and assigns each combination a DoD Transaction Code (DTC). GCSS–Army is required to use SFIS account attributes and process transactions using the DoD SCOA according to the defined uses and posting logic in the Transaction Library.

Flow of Information for Financial Reporting

GCSS–Army maintains a ledger for Army tactical units. GCSS–Army financial information flows through the General Fund Enterprise Business System (GFEBS), Defense Departmental Reporting System–Budgetary (DDRS–B), and DDRS–Audited Financial Statements (DDRS–AFS), and the Army reports it on the Army General Fund (AGF) financial statements. Figure 1 illustrates the flow of information for financial reporting from GCSS–Army to the AGF financial statements.

[3] Account attributes describe an account and capture the information necessary to meet specific external reporting requirements, including the financial statements.

[4] These accounts are commonly referred to as General Ledger Accounts.

Figure 1. Flow of GCSS–Army Information for Financial Reporting

System-Related Responsibilities

DoD Responsibilities

The CFO Act created the Under Secretary of Defense (Comptroller)/Chief Financial Officer, DoD (USD[C]/CFO) position. It requires that the USD(C)/CFO oversee all financial management activities relating to the programs and operations of the agency; direct, manage, and provide policy guidance and oversight of agency financial management personnel, activities, and operations; and develop and maintain an integrated agency accounting and financial management system, including financial reporting and internal controls, which complies with applicable accounting principles, standards, and requirements and internal control standards. The CFO Act also requires this financial management system to provide for complete, reliable, consistent, and timely information.

DoD Financial Management Regulation (FMR), volume 1, chapter 1, "Chief Financial Officer of the Department of Defense," June 2010, assigns the USD(C)/CFO with responsibility to "oversee all financial management activities relating to the programs and operations of DoD" and requires the USD(C)/CFO "to ensure compliance throughout the DoD with applicable accounting policy, standards and principles," to include SFIS. It also requires USD(C)/CFO to develop and maintain a compliant integrated agency accounting and financial management system that complies with applicable accounting requirements and provides complete, reliable, consistent, and timely information. An agency financial management system is defined as the total of agency financial systems, both manual and automated, for planning, budget formulation and execution, program, and administrative accounting; as well as all other systems for recording and classifying financial data and reporting financial management information. Finally, DoD FMR, volume 6A, chapter 2, "Financial Roles and Responsibilities," August 2011, further requires the Office of the USD(C)/CFO (OUSD[C]/CFO) to establish and approve "schedules required to meet financial reporting requirements and deadlines." The "Financial Improvement and Audit Readiness Guidance," November 2013, assigns Office of the Deputy Chief Management Officer (ODCMO) with the responsibility of assisting with measuring financial management results and coordinating DoD resources in support of OUSD(C)/CFO financial improvement efforts.

Army Responsibilities

The Office of the Assistant Secretary of the Army (Financial Management and Comptroller) (OASA[FM&C]) is responsible for systems pertaining to Army finance and accounting operations. Army PEO EIS provides information management systems to the Army and develops, acquires, and deploys these systems. The PMO, an Army PEO EIS component, is responsible for fielding GCSS–Army. OASA(FM&C) and the PMO are jointly responsible for ensuring GCSS–Army is compliant with Treasury and DoD guidance. However, PMO personnel stated they are required to coordinate all GCSS–Army changes with GFEBS, as part of the Federated Approach that is intended to standardize transactional input and business processes across the Army ERPs and enable common cost management activities.

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 provides reasonable assurance that programs are operating as intended and to evaluate the effectiveness of the controls. We identified internal control weaknesses that occurred because DoD and Army management did not establish procedures and perform annual reviews to ensure GCSS–Army compliance with Treasury and DoD guidance. We will provide a copy of the report to the senior officials responsible for internal controls in the DoD and Department of the Army.

Finding

Insufficient Implementation of Treasury and DoD Financial Reporting Requirements

OASA(FM&C) and PMO personnel did not field GCCS–Army with the proper functionality to comply with Treasury and DoD guidance, which is necessary to provide reliable financial information and support for audit readiness requirements. Specifically, GCSS–Army did not:

- comply with Treasury guidance for 5 of 15 account attributes tested, equating to approximately $1.8 billion[5] of financial impact;
- comply with DoD guidance for defining debit or credit balances[6] of 16 accounts with a net balance of $274.7 million[7];
- timely comply with the FY 2013 DoD SCOA changes;
- define its posting logic;
- include posting logic necessary to attain the same results as the Transaction Library; or
- correctly post transactions for three accounts affecting the Statement of Budgetary Resources.

This occurred because DoD and Army management did not have adequate controls, including procedures and annual reviews, in place to ensure GCSS–Army compliance with Treasury and DoD guidance.

In addition, OUSD(C)/CFO and ODCMO personnel did not provide adequate account attribute, COA, or posting logic guidance. This occurred because they did not have formal processes for reviewing and ensuring that DoD guidance is complete and consistent and aligns with Treasury guidance.

Although Army personnel have been responsive to correcting deficiencies identified during the audit, the Army has spent $725.7 million on a system that still has significant obstacles to overcome to comply with FFMIA and meet the FYs 2014

[5] Dollar values associated with Treasury and DoD compliance are as of the end of third quarter, FY 2013.

[6] Commonly referred to by the guidance as a "Normal Balance Indicator."

[7] Dollar values are associated with four accounts that contained activity.

and 2017 auditability deadlines. In addition, incorrect posting logic for three budgetary accounts, which the Army uses to prepare the Statement of Budgetary Resources, resulted in abnormal balances[8] of $703.7 million, or 23.5 percent, of the $3.0 billion GCSS–Army fourth quarter FY 2013 Trial Balance.

Army Did Not Ensure Compliance with Treasury and DoD Financial Requirements

OASA(FM&C) and PMO personnel did not field GCCS–Army with the proper functionality to comply with Treasury and DoD guidance, which is necessary to provide reliable financial information and support audit readiness requirements.

Account Attributes Not Compliant With Treasury Guidance

OASA(FM&C) and PMO personnel did not ensure GCSS–Army complied with Treasury guidance for 5 of 15 account attributes tested, equating to approximately $1.8 billion of financial impact. According to the "U.S. Government Standard General Ledger Treasury Financial Manual [TFM] Supplement No. S2," August 2012, account attributes identify detailed account characteristics used to meet specific reporting requirements. The Supplement identifies the range of valid inputs for an account attribute. GCSS–Army must comply with these account attributes to ensure it processes transactions in the same manner as other DoD and Army ERP systems.

The GCSS–Army "Federal Indicator" account attribute was not compliant with Treasury guidance.

The five noncompliant account attributes represented approximately 1.6 million unpopulated attributes on transactions with approximately $1.8 billion of financial impact. For example, the GCSS–Army "Federal Indicator" account attribute was not compliant with Treasury guidance. Treasury guidance required the "Federal Indicator" account attribute to be populated when using account 3102. However, GCSS–Army did not consistently populate the "Federal Indicator" account attribute for transactions using this account. The Army needs to populate the "Federal Indicator" account attribute required by Treasury guidance to ensure the accurate reporting of trading partner information for transactions that occur between two parties within the Government, which has been a long-standing material weakness reported in the Army Annual Statement of Assurance. Table 1 identifies the five noncompliant account attributes along with their financial impact.

[8] Abnormal balances are those in which an account's normal balance (debit or credit) is reversed.

Table 1. Noncompliance With Treasury Guidance

Account Attribute	No. of Noncompliant Account Attribute Values	Amount (millions)
Apportionment Category	15,102	$ 30.8
Custodial Indicator	607,481	504.7
Prior Period Adjustment	960,322	905.5
Federal Indicator	842	184.1
Trading Partner	909	184.4
Total	**1,584,656**	**$ 1,809.5**

Note: DoD Office of Inspector General (DoD OIG) auditors verified that the transactions reviewed contained a compliant account attribute value per Treasury guidance and did not determine the correctness of the account attribute values in the transactions. In addition, some of the transactions reviewed were missing multiple account attribute values.

Source: Based on GCSS–Army transactions in the first three quarters of FY 2013

PMO personnel provided a system change request, which they indicated would correct four account attributes in July 2014. In addition, PMO personnel provided another system change request they indicated would correct the remaining account attribute (Prior Period Adjustment) in late FY 2015. PMO personnel stated that, as part of the Federated Approach, they made the decision to delay implementation of this system change request until after the GFEBS Program Management Office implemented a corresponding change to GFEBS in FY 2015. PMO personnel also explained that when they were required to submit the funding request to implement Treasury and DoD guidance timely, they could not predict how much it would cost to make GCSS–Army comply with future requirements. While the PMO personnel subsequently provided an SFIS implementation strategy to become compliant with FY 2013 Treasury account attribute guidance during FY 2015, implementing changes almost 3 years after the fiscal year started is not timely.

The PMO personnel subsequently provided an SFIS implementation strategy to become compliant with FY 2013 Treasury account attribute guidance during FY 2015

OASA(FM&C) is responsible for ensuring GCSS–Army account attribute compliance, while the PMO is responsible for implementing OASA(FM&C) account attribute guidance. However, OASA(FM&C) does not have a process to ensure account attribute compliance with Treasury and DoD guidance. The Assistant Secretary of the Army (Financial Management and Comptroller) (ASA[FM&C]), in coordination

with the GCSS–Army Product Manager, should formalize and implement an annual review process to ensure the timely compliance of GCSS–Army with account attribute guidance.

Furthermore, the FFMIA, CFO Act, and DoD FMR address OUSD(C)/CFO's responsibility for financial systems, which includes GCSS–Army; and DoD FMR, volume 1, chapter 1, addresses OUSD(C)/CFO's responsibility for ensuring GCSS–Army complies with accounting policy, standards, and principles and internal control standards. Based on this guidance, adequate oversight would include establishing controls to validate GCSS–Army account attribute compliance. Additionally, Financial Improvement and Audit Readiness Guidance states ODCMO is responsible for coordinating resources to support OUSD(C)/CFO's financial improvement efforts. Currently, ODCMO's SFIS validation process relies on PMO personnel for notification that a system change request[9] has occurred, signifying the need for ODCMO personnel to revalidate GCSS–Army compliance with established guidance, to include Treasury account attribute guidance. The USD(C)/CFO, in coordination with the Deputy Chief Management Officer (DCMO), should develop and implement a process for the annual validation of GCSS–Army account attribute compliance with Treasury guidance.

DoD FMR, volume 1, chapter 1, addresses OUSD(C)/CFO's responsibility for ensuring GCSS–Army complies with accounting principles, standards, and requirements and internal control standards.

Account Inconsistencies With DoD Guidance

OASA(FM&C) and PMO personnel did not ensure GCSS–Army complied with DoD guidance for defining debit or credit balances of 16 accounts, affecting four accounts with a balance of $274.7 million. The GCSS–Army Normal Balance Indicators (NBIs) for 16 accounts did not match those prescribed in the FY 2013 DoD SCOA. These NBIs identified the normal condition of the account balances, such as debit or credit, in the GCSS–Army COA and should have matched the NBIs in the FY 2013 DoD SCOA. GCSS–Army can identify abnormal balances to system users in instances where an account balance does not match the NBI.

[9] A system change request documents a formal request for a change to an automated information system. The change may be for either a "fix" to a problem or an enhancement.

For example, according to the GCSS–Army COA, account 1010.0120, "Fund Balance With Treasury-Funds Disbursed," had an NBI of debit; however, the FY 2013 DoD SCOA NBI for this account was a credit. To demonstrate the significance of this incorrect NBI, a debit balance in account 1010.0120 would understate disbursements and overstate available Army funds. This NBI functionality is vital in determining whether accounts contain the proper balances. However, because the NBI for account 1010.0120 did not match the DoD SCOA, GCSS–Army incorrectly identified the balance for this account, $268.5 million in FY 2013, as abnormal.

While the previous example depicts an instance of GCSS–Army incorrectly identifying normal balances as abnormal balances, in other instances GCSS–Army would not identify true abnormal balances. For example, if the 1010.0120 account had a debit balance when, according to the FY 2013 DoD SCOA, it should have had a credit balance, GCSS–Army would not have detected this abnormal balance because the incorrect GCSS–Army COA NBI (debit) would have matched the account balance (debit). Without the ability to accurately identify abnormal balances, PMO personnel cannot ensure GCSS–Army is providing reliable financial information to the Army and DoD financial statements.

Without the ability to accurately identify abnormal balances, PMO personnel cannot ensure GCSS–Army is providing reliable financial information

PMO personnel corrected 14 of the 16 accounts with NBIs that did not align with DoD guidance. They explained that they did not correct the remaining accounts because GCSS–Army needed to remain aligned with GFEBS as part of the Federated Approach in which the Army integrated financial reporting across the two systems.

OASA(FM&C) is responsible for Army finance and accounting operations, which includes ensuring GCSS–Army complies with the DoD SCOA. For OASA(FM&C) to fulfill its responsibility, OASA(FM&C) personnel issue GCSS–Army-specific recommended changes to the PMO. While this process includes a review of the GCSS–Army COA, the review process does not include the review of NBIs in GCSS–Army. The ASA(FM&C), in coordination with the GCSS–Army Product Manager, should formalize and expand the annual review process for GCSS–Army to ensure timely compliance with all COA guidance.

Chart of Accounts Needs to Timely Comply With DoD Changes

OASA(FM&C) and PMO personnel did not update GCSS–Army timely to implement the FY 2013 DoD SCOA changes. PMO personnel did not implement the FY 2013 DoD SCOA changes in GCSS–Army until approximately 10 months after OUSD(C)/CFO published it. OUSD(C)/CFO published the DoD SCOA on November 15, 2012, and OASA(FM&C) personnel provided implementing guidance to the PMO on January 7, 2013. However, PMO personnel did not incorporate these changes into the system until August 30, 2013. While PMO personnel eventually implemented the recommended changes, three accounts contained erroneously posted transactions totaling $1.3 million for the first three quarters of FY 2013.

OASA(FM&C) is responsible for Army finance and accounting operations, and the PMO is responsible for implementing OASA(FM&C) COA guidance in a timely manner. However, OASA(FM&C) does not currently provide a deadline for GCSS–Army implementation of the annual DoD guidance. The ASA(FM&C), in coordination with the GCSS–Army Product Manager, should formalize and implement an annual review process that meets the DoD compliance deadline.

The FFMIA, CFO Act, and DoD FMR address OUSD(C)/CFO's responsibility for financial systems, including GCSS–Army; and DoD FMR, volume 6A, chapter 2, addresses OUSD(C)/CFO's responsibility for the "establishment and approval of schedules required to meet financial reporting requirements and deadlines." In addition, ODCMO publishes annual guidance to support OUSD(C)/CFO's financial improvement efforts. The current version of the guidance does not impose an implementation deadline. To ensure timely compliance with the DoD SCOA, the USD(C)/CFO, in coordination with the DCMO, should publish a deadline for system implementation of the SFIS account attributes, DoD SCOA, and Transaction Library guidance.

The current version of the guidance does not impose an implementation deadline.

In addition, OUSD(C)/CFO and ODCMO did not publish the FY 2013 and FY 2014 DoD SCOA guidance in sufficient time to allow OASA(FM&C) to provide recommended GCSS–Army changes for the PMO to implement. The FY 2013 DoD SCOA guidance was published on November 15, 2012, 45 days after the beginning of FY 2013, and the FY 2014 DoD SCOA guidance was published on April 11, 2014, 192 days

after the beginning of FY 2014. To ensure OASA(FM&C) and PMO personnel can comply with guidance in a timely manner, the USD(C)/CFO, in coordination with the DCMO, should publish annual SFIS account attributes, DoD SCOA, and Transaction Library guidance by the beginning of each fiscal year.

Furthermore, OUSD(C)/CFO and ODCMO personnel did not validate that GCSS–Army had implemented over 300 changes to the DoD SCOA since FY 2011. DoD FMR, volume 1, chapter 1, states that OUSD(C)/CFO is responsible for ensuring DoD-wide compliance with applicable accounting policy, standards, and principles, which would include validating GCSS–Army compliance with the DoD SCOA. ODCMO completed an initial SFIS validation of GCSS–Army on October 27, 2011, to support OUSD(C)/CFO's financial improvement efforts and has not performed a subsequent revalidation of changes. Consequently, OUSD(C)/CFO and ODCMO have not validated GCSS–Army implementation of the 154 changes in the FY 2012 DoD SCOA or the 162 changes in the FY 2013 DoD SCOA. To ensure compliance with annual guidance, the USD(C)/CFO, in coordination with the DCMO, should develop and implement a process for the annual validation of the GCSS–Army COA to ensure compliance with current DoD SCOA guidance.

Unable to Define System Posting Logic

OASA(FM&C) and PMO personnel did not require the GCSS–Army contractor to develop and provide the system's posting logic. USD(C)/CFO Memorandum, "Department of Defense Standard General Ledger Account Alignment and Exemption Guidance," June 3, 2013, required financial systems to process transactions according to posting logic in the Transaction Library. In addition, Office of Federal Financial Management, "Core Financial System Requirements," January 2006, required core financial systems to provide automated functionality[10] to "define standard transactions consistent with USSGL posting rules." The FFMIA requires agencies to implement and maintain financial systems that comply substantially with the Federal financial management system requirements. TFM, chapter 9500, "Revised Federal Financial Management System Requirements for FY 2014 Reporting," revised "Core Financial System Requirements," but required systems to capture account transaction information consistent with Treasury account transaction codes. Although these requirements clearly articulate the need for financial systems to be able to demonstrate posting logic compliance with Treasury and DoD standards, PMO personnel stated that Army issued the

[10] An automated functionality is a task performed by the system without manual intervention.

development contract without the requirement for the contractor to develop an automated functionality to define the system's posting logic. Consequently, GCSS–Army does not have the automated functionality to define or verify its posting logic.

GCSS–Army does not have the automated functionality to define or verify its posting logic.

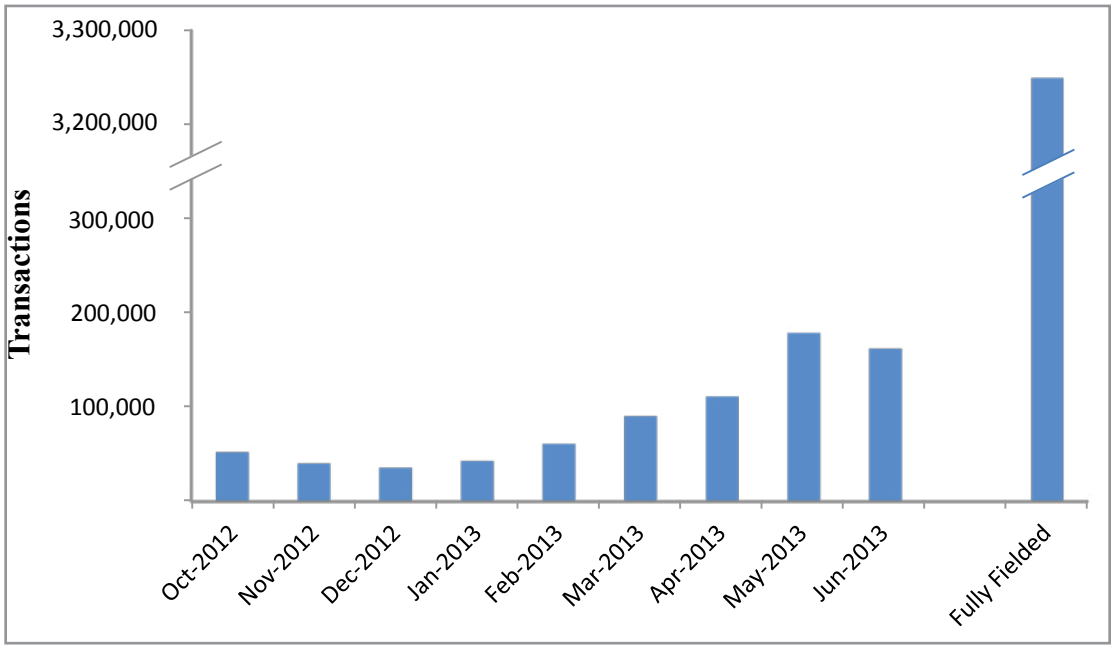
OASA(FM&C) and the PMO are responsible for ensuring that GCSS–Army complies with applicable financial system requirements, and OUSD(C)/CFO and ODCMO are responsible for validating the system's compliance. Without the capability to produce an automated functionality to define the system's posting logic, DoD and Army personnel would have to review a significant number of GCSS–Army transactions occurring during any given period and compare the posting logic to the Transaction Library to validate the posting logic.

The DoD OIG has issued multiple reports identifying the Army's need for an automated functionality to define system posting logic for its ERP systems. Specifically, DoD OIG Report No. DODIG-2011-015, "Insufficient Governance Over Logistics Modernization Program System Development," November 2, 2010, and DoD OIG Report No. DODIG-2013-130, "Army Needs to Improve Controls and Audit Trails for the General Fund Enterprise Business System Acquire-to-Retire Business Process," September 13, 2013, found that two Army ERP systems, the Logistics Modernization Program and GFEBS, did not have this automated functionality. Logistics Modernization Program personnel stated they did not have the $265,000 available to develop this automated functionality. GFEBS personnel created a manually developed posting logic document to demonstrate how GFEBS posted transactions. However, the DoD OIG reported that the manually developed posting logic document did not accurately reflect what was occurring in GFEBS. Since the completion of the GFEBS audit, OASA(FM&C) has provided multiple manually developed posting logic documents, and DoD OIG auditors have continued to identify deficiencies with them.

As Army personnel prepare to meet the FYs 2014 and 2017 auditability deadlines, they will have to develop a process for Army management and auditors to verify how transactions post in GCSS–Army. When DoD OIG auditors inquired into the cost of developing an automated functionality to define the system posting logic, OASA(FM&C) representatives responded that they were not aware of an analysis to determine the cost of implementing this automated functionality to define the GCSS–Army posting logic. The Army should consider conducting a cost-benefit analysis of developing this automated functionality in GCSS–Army or spending

resources each year to perform an analysis similar to the analysis the DoD OIG auditors performed on the 786,092 transactions. The cost-benefit analysis should also take into consideration that future GCSS–Army posting logic analyses would include significantly more transactions, because PMO personnel conservatively estimate that GCSS–Army will produce 39 million transactions annually or 3.3 million monthly when fully deployed. Figure 2 illustrates the increase in the number of transactions during FY 2013 and the projected monthly volume when the Army fully deploys GCSS–Army.

Figure 2. Volume of GCSS–Army Transactions Will Increase Significantly



Source: Based on GCSS–Army transactions in the first three quarters of FY 2013 and a PMO estimate of the number of transactions that will occur when the Army fully deploys GCSS–Army. The 3.3 million "Fully Fielded" transactions is the 39 million estimated annual transactions divided by 12 months.

With an automated functionality to define GCSS–Army posting logic, DoD and Army management should be able to verify whether GCSS–Army provides complete, reliable, consistent, timely, and accurate financial information. In addition, it would help auditors more efficiently and effectively determine whether GCSS–Army complied with financial system requirements. If auditors cannot verify posting logic through use of an automated functionality, they will have to test more transactions, which will be costly. An automated

An automated demonstration of compliance with financial reporting requirements . . . should reduce the overall number of transactions independent auditors would have to test in financial statement audits.

demonstration of compliance with financial reporting requirements, combined with effective system controls, should reduce the overall number of transactions independent auditors would have to test in financial statement audits. The ASA(FM&C), in coordination with the GCSS–Army Product Manager, should develop an automated functionality for demonstrating the account postings for each business event in GCSS–Army.

Posting Logic Did Not Attain the Same Results as the Transaction Library

OASA(FM&C) and PMO personnel did not field GCSS–Army with the posting logic necessary to attain the same results as the Transaction Library. While GCSS–Army is not required to store and maintain the exact DTC used in the Transaction Library for each transaction, it is required to maintain a COA and use posting logic that attains the same results as the Transaction Library for each business event. In the absence of an automated functionality to define the system's posting logic, 166 unique account combinations represented account groupings that should have been consistent with one or more DTCs in the Transaction Library.

Of the 166 unique account combinations identified, PMO personnel identified DTCs for 107 combinations but were unable to crosswalk the remaining 59 combinations to DTCs in the Transaction Library. In addition, PMO personnel stated that 43 of these 59 account combinations were unexpected and should not have occurred in the system, affecting 7,899 transactions totaling $18.1 million. On April 9, 2014, PMO personnel created a helpdesk ticket to correct the 43 combinations that should not have been occurring. They stated this change would correct the transactions that had already occurred along with the posting logic for future transactions.

PMO personnel stated that 43 of these 59 account combinations were unexpected and should not have occurred in the system, affecting 7,899 transactions totaling $18.1 million.

PMO personnel explained that the remaining 16 account combinations were necessary to accommodate GCSS–Army unique transactions. These combinations deviated from Treasury and DoD guidance, but OASA(FM&C) and PMO personnel did not submit documentation to the OUSD(C)/CFO for review as required by Treasury guidance. On April 18, 2014, PMO personnel notified OASA(FM&C) of the necessary account combinations for DoD and Treasury's review. Table 2 illustrates the PMO's attempt to crosswalk the 166 account combinations to DTCs in the Transaction Library.

Table 2. Results of the PMO's Effort to Crosswalk Transactions to DTCs

PMO's Diagnosis	No. of Combinations	No. of Transactions	Amount (millions)
Compliant with the Transaction Library	107	611,538	$ 941.2
Should Not Be Occurring	43	7,899	18.1
Provided Justification	16	166,655	549.2
Total	**166**	**786,092**	**$1,508.5**

Source: PMO personnel provided the information presented in PMO's Diagnosis and No. of Combinations columns. Auditors obtained the transactions and related amounts from GCSS–Army.

While PMO personnel identified DTCs for 107 account combinations as compliant with Treasury and DoD guidance, the work completed to identify these 107 DTCs was unreliable. In various instances, PMO personnel provided DTCs for an account combination that did not match the accounts required in the Transaction Library. For example, PMO personnel crosswalked one account combination, which occurred 2,565 times in the system, to two DTCs.[11] Although the Transaction Library required the use of at least eight accounts for each of these DTCs, GCSS–Army used only two accounts, an increase in Expenses (account 6790.9000) and a decrease in Accounts Receivable (account 1310.9000). When questioned about the accuracy of the crosswalk, PMO personnel provided a different DTC for the account combinations. While the new DTC matched the account combinations, it took PMO personnel 149 days to correctly identify the DTC for this account combination. To help ensure audit readiness, PMO personnel need to provide supporting documentation timely.

PMO personnel provided final results of their review of the 166 account combinations on March 4, 2014. This was 253 days after auditors initially requested a review. The review identified similar deficiencies in the account combinations, and GCSS–Army was unable to attain the same results as the Transaction Library for each business event.

[11] PMO personnel crosswalked this transaction to DTCs C136-004-13 and C138-001-21.

PMO personnel could not confirm compliance with DoD guidance in a timely manner due to the lack of a crosswalk between the system transactions and their corresponding DTCs. OASA(FM&C) and PMO did not have a process for reviewing posting logic compliance with Treasury and DoD guidance. The ASA(FM&C), in coordination with the GCSS–Army Product Manager, should create and maintain a crosswalk between account combinations occurring in the system and the DTCs they support. In addition, the ASA(FM&C), in coordination with the GCSS–Army Product Manager, should formalize and expand the annual review process for GCSS–Army to ensure the system posting logic complies with Treasury and DoD guidance and request approval from DoD for any deviations from the Transaction Library guidance.

OASA(FM&C) and PMO did not have a process for reviewing posting logic compliance with Treasury and DoD guidance.

Furthermore, the FFMIA, CFO Act, and DoD FMR, volume 1, chapter 1, addresses OUSD(C)/CFO's responsibility for ensuring GCSS–Army complies with accounting policy, standards, and principles and internal control standards. To address its responsibilities, the OUSD(C)/CFO must ensure GCSS–Army uses posting logic that attains the same results as the Transaction Library, as required by the USD(C)/CFO Memorandum, "Department of Defense Standard General Ledger Account Alignment and Exemption Guidance," June 3, 2013. As part of the SFIS validation completed on October 27, 2011, ODCMO reviewed the posting logic of 10 GCSS–Army transactions to baseline the system. However, ODCMO personnel stated that they would not review the posting logic again until PMO personnel notify ODCMO that a system change request has occurred. To ensure the implementation of annual changes to the Transaction Library, and to comply with the FFMIA, CFO Act, and DoD FMR, the USD(C)/CFO, in coordination with the DCMO, should develop and implement a process for the annual validation of GCSS–Army posting logic to ensure compliance with Treasury and DoD guidance. This process should include a mechanism for review and approval of deviations from the Transaction Library. Furthermore, the USD(C)/CFO, in coordination with the DCMO, should ensure the Transaction Library is complete and contains all necessary GCSS–Army transaction combinations affecting the DoD financial statements.

Incorrect Posting Logic

OASA(FM&C) and PMO personnel did not configure GCSS–Army to correctly post transactions for three accounts that affect the Statement of Budgetary Resources. DoD FMR, volume 1, chapter 7, "United States Standard General Ledger," June 2009, required financial systems, including GCSS–Army, to process transactions according to the posting logic in the Transaction Library. Specifically, GCSS–Army processed transactions for accounts 4170.9000, 4190.9000, and 4610.9000 using posting logic that was noncompliant with the Transaction Library. This incorrect use of posting logic resulted in $703.7 million of abnormal balances, or 23.5 percent, of the $3.0 billion GCSS–Army fourth quarter FY 2013 Trial Balance.

The FY 2012 DoD SCOA required entities to stop using account 4170.9000, "Transfers-Current-Year Authority," and begin using detail-level accounts 4170.3102, "Transfers-Current-Year Authority Transfers In," and 4170.3103, "Transfers-Current-Year Authority Transfers Out." In addition, the FY 2012 DoD SCOA disallowed reporting entities from using account 4190.9000, "Transfers Prior-Year Balances," in favor of accounts 4190.3102, "Transfers-Prior-Year Balances Transfers In," and 4190.3103, "Transfers-Prior-Year Balances Transfers Out." Because these accounts were not approved for DoD use, the FYs 2012 and 2013 Transaction Libraries did not prescribe any valid transactions using the .9000 accounts. According to an OUSD(C)/CFO representative, the .9000 accounts did not provide the appropriate level of detail for financial reports, including the Standard Form 133, "Report on Budgetary Execution and Budgetary Resources,"[12] which rolls up to the Statement of Budgetary Resources.

According to an OUSD(C)/CFO representative, the .9000 accounts did not provide the appropriate level of detail for financial reports

Even though the FY 2012 DoD SCOA and Transaction Library disallowed the use of accounts 4170.9000 and 4190.9000, GCSS–Army continued to post transactions to them for almost 2 more years. In response to COA changes recommended by OASA(FM&C) on January 7, 2013, PMO personnel blocked accounts 4170.9000 and 4190.9000 and created accounts 4170.3102 and 4190.3103 on August 30, 2013, to record transfers in and transfers out. According to PMO personnel, they used Army guidance in the "Zero Balance Guide" in an attempt to change GCSS–Army posting logic without causing abnormal balances. Even though PMO personnel

[12] The Standard Form 133 displays budgetary resources and their status, changes in obligated balances, and outlays.

stated they followed this guidance, $456.1 million of the $703.7 million of abnormal balances resulted when PMO personnel remapped transactions from the .9000 to the .3102 and .3103 accounts and transferred the account balances. The ASA(FM&C), in coordination with the GCSS–Army Product Manager, should review guidance in the "Zero Balance Guide," along with any other guidance relevant for correcting posting logic issues, to ensure the guidance correctly outlines a process for remapping accounts without causing abnormal balances.

According to an OUSD(C)/CFO representative, the DoD needs to report transfers in (.3102) and transfers out (.3103) as unique items. However, for accounts 4170 and 4190, PMO personnel programmed the system to use only one transfer account, regardless of whether the transaction was a transfer in or out. Without the ability to report transfers in and transfers out as unique items, DoD may not have the information required to prepare the Standard Form 133, which could cause a misstatement of the Statement of Budgetary Resources.

For accounts 4170 and 4190, PMO personnel programmed the system to use only one transfer account, regardless of whether the transaction was a transfer in or out.

OASA(FM&C) and PMO personnel also used incorrect posting logic on account 4610, "Allotments-Realized Resources," causing abnormal balances of $247.6 million. According to PMO personnel, the abnormal balance occurred when GCSS–Army automatically transferred fourth quarter allotments to account 4650, "Allotments-Expired Authority," to prevent further obligations or commitments during year-end closing. An abnormal balance in account 4610 indicates obligations or commitments in excess of authority. Army uses account 4610 to prepare the Standard Form 133. Incorrect posting logic could cause a misstatement of the Statement of Budgetary Resources. The ASA(FM&C), in coordination with the GCSS–Army Product Manager, should publish guidance outlining a process for performing year-end closing activities without causing abnormal balances in the affected accounts.

Inadequate System Controls

DoD and Army management did not have adequate controls, including procedures and annual reviews, in place to ensure GCSS–Army compliance with Treasury and DoD guidance. Specifically, OASA(FM&C) and PMO personnel did not have a complete, formalized annual review process to ensure compliance with Treasury and DoD guidance. Furthermore, OUSD(C)/CFO personnel did not fulfill their oversight responsibilities to ensure and validate system compliance with Treasury and DoD guidance, as prescribed in the FFMIA, CFO Act, and DoD FMR, volume 1, chapter 1 and volume 6A, chapter 2.

OUSD(C)/ CFO personnel did not fulfill their oversight responsibilities to ensure and validate system compliance with Treasury and DoD guidance.

OUSD(C)/CFO personnel disagreed that their oversight and system compliance responsibilities included ensuring and validating compliance with Treasury and DoD guidance and stated their only system oversight responsibility was to issue account attribute, COA, and posting logic guidance. Although DoD FMR, volume 1, chapter 1, requires OUSD(C)/CFO to ensure the system complies with applicable accounting policy, standards, and principles and internal control standards, OUSD(C)/CFO personnel explained it is the PMO's responsibility to validate and self-certify compliance with Treasury and DoD guidance.

However, pursuant to Paragraph 205(a) of the CFO Act, USD(C)/CFO "shall develop and maintain an integrated agency accounting and financial management system, including financial reporting and internal controls, which complies with applicable accounting principles, standards, and requirements, and internal control standards." By definition, GCSS–Army is part of that integrated financial management system. Therefore, USD(C)/CFO is responsible for GCSS–Army compliance. Finally, even though OUSD(C)/CFO personnel stated that ensuring and validating system compliance with Treasury and DoD guidance is not their responsibility, they also stated they are considering using independent public accounting firms to perform SFIS validations for ERPs. The decision to consider other options, such as independent public accounting firms, resulted from ODCMO's lack of adequate resources to validate GCSS–Army compliance with applicable guidance.

Inadequate DoD Guidance

OUSD(C)/CFO and ODCMO personnel did not provide adequate account attribute, COA, or posting logic guidance.

Lack of Account Attribute Guidance

OUSD(C)/CFO and ODCMO personnel did not provide adequate guidance for the implementation of SFIS account attributes.[13] Specifically, OUSD(C)/CFO and ODCMO personnel did not provide SFIS account attribute guidance for 80 accounts in the DoD SCOA. In addition, they did not provide guidance identifying which of the 46 SFIS account attributes with financial impact were applicable to each account in the DoD SCOA. This occurred because OUSD(C)/CFO and ODCMO personnel removed the SFIS account attribute guidance from the FY 2013 DoD Transaction Library and replaced it with DDRS financial reporting guidance, which was inadequate. ODCMO personnel stated they removed the account attributes from the FY 2013 DoD Transaction Library because the account attributes related solely to the account and not to the transaction as a whole. However, deleting the account attributes from the FY 2013 Transaction Library left a void in account attribute guidance. OUSD(C)/CFO, in coordination with ODCMO, should annually develop and publish SFIS account attribute guidance showing which account attributes are applicable to each DoD account.

Deleting the account attributes from the FY 2013 Transaction Library left a void in account attribute guidance.

Inconsistent Guidance

OUSD(C)/CFO and ODCMO personnel did not have adequate controls and processes to prevent inconsistencies between DoD and Treasury guidance. Specifically, there were:

- 202 instances where the Transaction Library did not match the DoD SCOA, and
- 47 instances where the Transaction Library did not match Treasury guidance.

[13] While neither OUSD(C)/CFO nor ODCMO publish guidance as to which SFIS account attributes were applicable to each account, ODCMO personnel posted on their website guidance for reporting in DDRS.

The DoD SCOA and Transaction Library guidance establish the requirements for the implementation of the USSGL in DoD financial systems and must be consistent with Treasury guidance. OUSD(C)/CFO and ODCMO representatives stated OUSD(C)/CFO personnel participate on the Treasury Issue Resolution Committee, which provides a forum for discussing potential issues between Treasury and DoD guidance. However, OUSD(C)/CFO and ODCMO representatives did not have formal processes for reviewing and ensuring the consistency and alignment of the three sets of guidance to Treasury guidance. Of the 249 instances of inconsistency, OUSD(C)/CFO personnel:

- corrected 225 instances in the FY 2014 DoD SCOA and Transaction Library.
- stated 18 instances were errors in Treasury guidance and needed to be corrected. While OUSD(C)/CFO personnel communicated these instances to Treasury and participated in the Treasury Issue Resolution Committee, these inconsistencies remained between the two sources of guidance in FY 2014 and should be resolved.
- stated the remaining 6 instances were to be corrected with the issuance of FY 2014 DoD guidance, but they were not. OUSD(C)/CFO personnel should correct these inconsistencies.

OUSD(C)/CFO personnel stated these 249 inconsistencies in guidance did not directly affect GCSS–Army. Due to GCSS–Army PMO's inability to crosswalk all GCSS–Army transactions to DTCs, the auditors were unable to determine whether these inconsistent DTCs affected GCSS–Army transactions. Regardless, OUSD(C)/CFO personnel authorized systems to post transactions using the inconsistent DTCs, undermining the effectiveness of controls over DoD ERPs. This absence has the potential to affect the consistency of financial information processed in other DoD ERPs. The USD(C)/CFO, in coordination with the DCMO, should review and formalize the controls and processes for ensuring the DoD SCOA and Transaction Library guidance are consistent and align with applicable Treasury guidance.

System Might Not Produce Reliable Information or Correct Army's Material Weakness

The Army's inability to demonstrate that GCSS–Army can process financial transactions in accordance with Treasury and DoD guidance raises doubt as to whether the $725.7 million invested in GCSS–Army, as of February 2014, will result in a system that can comply with FFMIA or assist the Army in:

- resolving the AGF Financial Management Systems material weakness,
- meeting the FYs 2014 and 2017 auditability deadlines, or
- obtaining a favorable audit opinion.

In addition, incorrect posting logic for three budgetary accounts, which the Army uses to prepare the Statement of Budgetary Resources, resulted in abnormal balances of $703.7 million, or 23.5 percent, of the $3.0 billion GCSS–Army fourth quarter FY 2013 Trial Balance.

Management Comments on the Finding and Our Response

Although not required to comment, the Deputy Assistant Secretary of the Army (Financial Operations) (DASA[FO]) provided comments on the finding. For summaries of the DASA(FO)'s comments on the finding and our response, see Appendix C.

Recommendations, Management Comments, and Our Response

Recommendation 1

We recommend that the Under Secretary of Defense (Comptroller)/Chief Financial Officer, DoD, in coordination with the DoD Deputy Chief Management Officer, comply with DoD Financial Management Regulation, volume 1, chapter 1, which requires his Office to ensure system compliance with accounting policy, standards, and principles and internal control standards, through the following actions:

a. develop and implement processes to validate Global Combat Support System–Army compliance by:

i. annually validating Global Combat Support System–Army's timely compliance with Treasury and DoD guidance for:

1. account attributes,

2. chart of accounts, and

3. posting logic.

ii. reviewing and approving any deviations from the Transaction Library.

iii. ensuring the Transaction Library is complete and contains all necessary Global Combat Support System–Army transaction combinations affecting the DoD Financial Statements.

Under Secretary of Defense (Comptroller)/Chief Financial Officer Comments

The Deputy Chief Financial Officer (DCFO), responding for the USD(C)/CFO, did not agree with the recommendations, stating that, in accordance with DoD guidance controlling defense business system investments, the Component pre-certification authority is responsible for preparing the certification of compliance with established requirements and functionality.

Our Response

The DCFO's response did not address the specifics of the recommendations. We agree with the DCFO comment that the Army is responsible for GCSS–Army compliance with established requirements and certifying GCSS–Army compliance with requirements. However, DoD FMR volume 1, chapter 1, requires the USD(C)/CFO to ensure GCSS–Army compliance with requirements. Also, the CFO Act requires the USD(C)/CFO provide oversight of GCSS–Army, as part of the DoD financial management system. However, the DCFO response did not address how they would ensure GCSS–Army compliance.

While the DCFO did not agree with the recommendations, the DCFO developed a plan of action that addresses Recommendation 1.a.i. The OUSD(C)/CFO and ODCMO engaged the Joint Interoperability Test Command to perform conformance testing of financial management systems and address deficiencies reported in recent DoD Inspector General reports on financial management systems. The DCFO issued a memorandum titled "DoD United States Standard General Ledger and Standard Financial Information Structure System Testing Requirement," dated July 14, 2014, outlining the testing initiative. On June 25, 2014, the OUSD(C)/CFO briefed the Financial Improvement and Audit Readiness Subcommittee on the Joint Interoperability Test Command Validation Program. The OUSD(C)/CFO presentation stated that, after the initial year of validation, the Joint Interoperability Test Command will assess new requirements in subsequent years. Because DoD publishes annual requirements, the assessment of new requirements will be completed annually. The Joint Interoperability Test Command will test GCSS–Army in FY 2016.

The DCFO's comments did not address Recommendations 1.a.ii and 1.a.iii because they did not include any discussion of DoD Transaction Library deviations and completeness. Therefore, we request that the USD(C)/CFO provide further comments to the final report addressing the review and approval of deviations from the Transaction Library and Transaction Library completeness by October 3, 2014.

b. publish the following guidance by the beginning of each fiscal year with a deadline for system implementation:

i. Standard Financial Information Structure account attribute,

ii. DoD Standard Chart of Accounts, and

iii. Transaction Library guidance.

Under Secretary of Defense (Comptroller)/Chief Financial Officer Comments

The DCFO, responding for the USD(C)/CFO, agreed, stating his office will publish updated guidance for the SFIS, DoD SCOA, and Transaction Library annually, within 45 days of release of annual updates to the TFM USSGL supplement. System owners will be instructed to implement the updated guidance at the beginning of each fiscal year.

Our Response

The DCFO's comments addressed all specifics of the recommendations, and no further comments are required.

c. develop and publish consistent Standard Financial Information Structure account attribute, DoD Standard Chart of Accounts, and Transaction Library guidance that aligns with applicable Treasury guidance.

Under Secretary of Defense (Comptroller)/Chief Financial Officer Comments

The DCFO, responding for the USD(C)/CFO, disagreed, stating that his office will publish annual updates as indicated in their response to Recommendation 1.b. He stated that they already publish consistent guidance and cited specific DoD FMR guidance that requires the DoD SCOA and Transaction Library to align with the TFM USSGL Supplement, Section I, "USSGL Chart of Accounts," and TFM USSGL Supplement, Section III, "USSGL Account Transactions," respectively.

Our Response

The DCFO's response partially addressed the recommendation, as indicated in his response to Recommendation 1.b, where he agreed to issue annual guidance. The DCFO comment that consistent standing guidance already exists is not accurate. We agree the DoD FMR requires the DoD SCOA and Transaction Library to align with the TFM USSGL Supplement, Section I, "USSGL Chart of Accounts," and Section III, "USSGL Account Transactions," respectively. However, our report presented 249 instances where the standing annual DoD and Treasury guidance were inconsistent, making this annual DoD guidance non-compliant with the DoD FMR and Treasury. As stated in the report, OUSD(C)/CFO and ODCMO personnel did not have adequate controls and processes to prevent inconsistencies between DoD and Treasury guidance. We request that the DCFO provide further comments to the final report by October 3, 2014, on what controls will be implemented to prevent inconsistencies between DoD and Treasury guidance.

d. develop and publish annual Standard Financial Information Structure account attribute guidance showing which account attributes are applicable for each DoD account.

Under Secretary of Defense (Comptroller)/Chief Financial Officer Comments

The DCFO, responding for the USD(C)/CFO, agreed, stating he is developing documentation which will identify appropriate SFIS data elements required to be recorded for each account within the DoD SCOA.

Our Response

The DCFO's comments addressed all specifics of the recommendation, and no further comments are required.

Recommendation 2

We recommend that the Assistant Secretary of the Army (Financial Management and Comptroller), in coordination with the Global Combat Support System–Army Product Manager:

a. formalize and expand the annual review process for Global Combat Support System–Army to include a review of the timely compliance of:

i. account attributes,

ii. chart of accounts, and

iii. posting logic.

Assistant Secretary of the Army (Financial Management and Comptroller) Comments

The DASA(FO), responding for the ASA(FM&C), agreed, stating that GCSS–Army will formalize and expand the annual review process to ensure timely compliance of all COA guidance to include account attributes, COA, and posting logic. He also stated that timely compliance and implementation is contingent upon the timely receipt of the DoD SCOA from OUSD(C)/CFO. Finally, he stated that, by the end of FY 2015, account attributes and posting logic reviews will be performed concurrent with the completion of SFIS 10 implementation and that Army will formalize and implement a process for a continual review of account attributes and updates to posting logic documents to ensure timely compliance.

Our Response

The DASA(FO)'s comments addressed all specifics of the recommendations, and no further comments are required.

b. develop an automated functionality for demonstrating the account postings for each business event in Global Combat Support System–Army.

c. create and maintain a crosswalk between account combinations occurring in the system and the DoD Transaction Codes they support.

Assistant Secretary of the Army (Financial Management and Comptroller) Comments

The DASA(FO), responding for the ASA(FM&C), agreed with Recommendations 2.b and 2.c. However, he responded that, in FY 2015, GCSS–Army personnel will launch an effort for a manually prepared and maintained posting logic document rather than develop an automated functionality. He explained that the Army was doubtful that a comprehensive automated posting logic functionality with built-in crosswalks to DoD transaction codes could be built in SAP, and if possible, such effort would likely require prohibitive and costly outlays. He also stated a manually prepared and maintained posting logic document will crosswalk each business event to the Transaction Library/DoD Transaction Codes.

Our Response

The DASA(FO)'s comments partially addressed Recommendation 2.b and addressed all specifics of Recommendation 2.c. An automated functionality to demonstrate GCSS–Army posting logic document would be inherently more reliable and consistent than a manually prepared posting logic document. The manual process proposed by the Army to produce the posting logic document introduces an increased risk of errors. In addition, the DASA(FO)'s comments indicate that the Army has concluded not to develop the automated functionality without determining whether it is possible or the associated cost of development. We request that the ASA(FM&C) reconsider this position for Recommendation 2.b and provide further comments to the final report by October 3, 2014, indicating consideration for building the automated posting logic in SAP. No further comments are required for Recommendation 2.c.

d. develop and implement a process to request approval from DoD for any deviations from the Transaction Library guidance.

Assistant Secretary of the Army (Financial Management and Comptroller) Comments

The DASA(FO), responding for the ASA(FM&C), agreed, stating that GCSS–Army personnel implemented a process to request approval from DoD for any deviations from the Transaction Library. He also stated that GCSS–Army has already submitted currently known deviations to DASA(FO) for approval.

Our Response

The DASA(FO)'s comments addressed all specifics of the recommendation, and no further comments are required.

e. document a review of guidance in the "Zero Balance Guide," along with any other guidance relevant for correcting posting logic issues, to ensure the guidance correctly outlines a process for remapping accounts without causing abnormal balances.

Assistant Secretary of the Army (Financial Management and Comptroller) Comments

The DASA(FO), responding for the ASA(FM&C), agreed, stating that, beginning in FY 2015, ASA(FM&C) will work with the GFEBS Project Manager and the GCSS–Army Product Manager to review and update current guidance in the "Zero Balance Guide."

Our Response

The DASA(FO)'s comments addressed all specifics of the recommendation, and no further comments are required.

f. publish guidance for performing year-end closing activities in account 4610 without causing abnormal balances.

Assistant Secretary of the Army (Financial Management and Comptroller) Comments

The DASA(FO), responding for the ASA(FM&C), disagreed, stating that full implementation of the recommendation will require a major change to the SAP system functionality that must also be implemented in GFEBS as well, if at all feasible, and at considerable cost to both systems. He explained that a normal (credit) balance existed in account 4610 throughout the year and until moments before September 30 year-end close out and that this procedure is also a SAP system standard for all Federal Public Sector entities that handle single year quarterly apportioned funds. The DASA(FO) stated the Army will reassess the postings to determine if there are other alternatives that will not lead to abnormal balances in account 4610. He stated that a review, in concert with GFEBS, will take place in FY 2015. However, he also stated there may not be an alternative through which this recommended change could be made to work or its cost could be justified.

Our Response

The DASA(FO)'s response did not address the specifics of the recommendation. We agree with the DASA(FO)'s planned efforts to determine whether there is an alternative through which closing activities in account 4610 could be made without causing abnormal balances. However, the DASA(FO)'s response did not address the publication of guidance for performing year-end closings in account 4610 without causing abnormal balances. We request the ASA(FM&C) provide further comments to the final report by October 3, 2014, on when ASA(FM&C) will publish guidance for performing year-end closing activities in account 4610 without causing abnormal balances.

Appendix A

Scope and Methodology

We conducted this performance audit from June 2013 through May 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.

We conducted site visits at Fort Bliss, Texas; Fort Irwin, California; and Fort Lee, Virginia, to interview Army Training and Doctrine Command, Forces Command, and Combined Arms Support Command personnel. We also communicated with personnel from OUSD(C)/CFO, ODCMO, OASA(FM&C), Army PEO EIS, Army Enterprise Systems Integration Program-Program Management Office, GFEBS Program Management Office, and the Defense Finance and Accounting Service. We obtained an understanding of the functional roles and responsibilities in relation to the creation and maintenance of the SFIS account attributes, DoD SCOA, and Transaction Library, along with the GCSS–Army COA and posting logic.

We requested PMO personnel provide a:

- crosswalk between GCSS–Army account attributes and Treasury guidance. We tested 15 of the 21 GCSS–Army account attributes. For the other six attributes, PMO personnel did not provide information timely for us to review.
- review of the 166 unique account combinations that we identified and crosswalk them to the appropriate DTCs.

We also examined GCSS–Army transactions for compliance with FY 2013 Treasury and DoD guidance to determine whether the system provided DoD management with reliable financial information. Specifically, we examined:

- 15 account attributes against the universe of 786,092 transactions that occurred in the first three quarters of FY 2013 to determine compliance with applicable Treasury guidance,
- the GCSS–Army COA to determine compliance with DoD SCOA guidance,

- 166 account combinations representing the 786,092 transactions that occurred in the first three quarters of FY 2013 to determine compliance with Treasury and DoD guidance, and
- the fourth quarter FY 2013 DDRS Trial Balance to determine whether GCSS–Army transactions generated abnormal balances.

In addition, we compared the FY 2013 SFIS account attribute, DoD SCOA, and Transaction Library to identify any inconsistencies. We also compared these to applicable Treasury guidance to identify any inconsistencies and determine whether DoD guidance complied with Treasury guidance.

PMO personnel did not provide GCSS–Army information timely. The PMO took an average of 46 days to provide requested documentation and information. This occurred because the Army PEO EIS established a lengthy approval and coordination process for GCSS–Army information requested by the auditors. This process involved 12 other DoD and Army organizations that needed to review and approve any documentation provided to the auditors. With the current approval process, Army will not be able to provide documentation in a timely manner to the auditors.

Use of Computer-Processed Data

To perform this audit, we used FY 2013 GCSS–Army transactional data, trial balances, and COAs. We validated the accuracy of the GCSS–Army COA, account attributes, and posting logic against guidance. We used this information to determine whether the Army complied with Treasury and DoD requirements when developing and deploying GCSS–Army. Through this analysis, we identified accounts, attributes, and transactions that did not comply with guidance. The data reliability issues we identified are discussed in the finding. We determined the computer-processed data we used were sufficiently reliable to support the audit finding and conclusions in this report.

Use of Technical Assistance

We did not use technical assistance in conducting this audit.

Appendix B

Prior Coverage

During the last 5 years, the Government Accountability Office (GAO) and the DoD OIG, and the U.S. Army Audit Agency (AAA) issued 27 reports related to GCSS–Army or SFIS. Unrestricted GAO reports can be accessed at http://www.gao.gov. Unrestricted DoD OIG reports can be accessed at http://www.dodig.mil/pubs/index.cfm. Unrestricted Army reports can be accessed at http://www.army.mil/aaa.

GAO

GAO Report No. GAO-13-557, "DOD BUSINESS SYSTEMS MODERNIZATION: Further Actions Needed to Address Challenges and Improve Accountability," May 2013

GAO Report No. GAO-12-685, "DOD BUSINESS SYSTEMS MODERNIZATION: Governance Mechanisms for Implementing Management Controls Need to Be Improved," June 2012

GAO Report No. GAO-12-177T, "DOD FINANCIAL MANAGEMENT: Challenges in the Implementation of Business Systems Could Impact Audit Readiness Efforts," October 2011

GAO Report No. GAO-11-933T, "DOD FINANCIAL MANAGEMENT: Improved Controls, Processes, and Systems Are Needed for Accurate and Reliable Financial Information," September 2011

GAO Report No. GAO -11-684, "DEPARTMENT OF DEFENSE: Further Actions Needed to Institutionalize Key Business System Modernization Management Controls," June 2011

GAO Report No. GAO-11-139, "DEFENSE LOGISTICS: Additional Oversight and Reporting for the Army Logistics Modernization Program Are Needed," November 2010

GAO Report No. GAO-11-53, "DOD BUSINESS TRANSFORMATION: Improved Management Oversight of Business System Modernization Efforts Needed," October 2010

GAO Report No. GAO-10-1059T, "DEPARTMENT OF DEFENSE: Financial Management Improvement and Audit Readiness Efforts Continue to Evolve," September 2010

GAO Report No. GAO-10-695, "DEPARTMENT OF DEFENSE: Additional Actions Needed to Improve Financial Management of Military Equipment," July 2010

DoD IG

DoD IG Report No. DODIG-2013-130, "Army Needs to Improve Controls and Audit Trails for the General Fund Enterprise Business System Acquire-to-Retire Business Process," September 2013

DoD IG Report No. DODIG-2013-057, "Enterprise Business System Was Not Configured to Implement the U.S. Government Standard General Ledger at the Transaction Level," March 2013

DoD IG Report No. DODIG-2012-140, "An Unreliable Chart of Accounts Affected Auditability of Defense Enterprise Accounting and Management System Financial Data," September 2012

DoD IG Report No. DODIG-2012-111, "Enterprise Resource Planning Systems Schedule Delays and Reengineering Weaknesses Increase Risks to DoD's Auditability Goals," July 2012

DoD IG Report No. DODIG-2012-066, "General Fund Enterprise Business System Did Not Provide Required Financial Information," March 2012

DoD IG Report No. DODIG-2012-051, "Navy Enterprise Resource Planning System Does Not Comply With the Standard Financial Information Structure and U.S. Government Standard General Ledger," February 2012

DoD IG Report No. DODIG-2011-015, "Insufficient Governance Over Logistics Modernization Program System Development," November 2010

Army

AAA Report No. A-2012-0177-FMR, "Examination of Federal Financial Management Improvement Act Compliance—Requirements Baseline Revalidation: Global Combat Support System–Army," September 2012

AAA Report No. A-2012-0153-FMR, "Examination of the General Fund Enterprise Business System—Federal Financial Management Improvement Act Compliance: Examination Requirements Through Test Event 1.4.4," August 2012

AAA Report No. A-2012-0123-FMR, "Examination of Federal Financial Management Improvement Act Compliance Validation: Logistics Modernization Program System Third Deployment—Selected Requirements," July 2012

AAA Report No. A-2012-0090-FFM, "Audit Readiness: Statement of Budgetary Resources–Appropriations Received," April 2011

AAA Report No. A-2011-0012-FFR, "Examination of Federal Financial Management Improvement Act of 1996 Compliance—Business Processes: Global Combat Support System–Army Release 1.1," October 2010

AAA Report No. A-2010-0187-FFM, "General Fund Enterprise Business System—Federal Financial Management Improvement Act Compliance: Examination of Requirements Through Test Event 1.4.0," September 2010

AAA Report No. A-2010-0220-FFM, "Examination of Federal Financial Management Improvement Act Compliance—Requirements: Logistics Modernization Program System, Third Deployment," September 2010

AAA Report No. A-2009-0224-FFM, "Examination of Federal Financial Management Improvement Act Compliance—Requirements: Global Combat Support System–Army Release 1.1," September 2009

AAA Report No. A-2009-0226-FFM, "Examination of Federal Financial Management Improvement Act Compliance—Test Validation: General Fund Enterprise Business System Release 1.2," September 2009

AAA Report No. A-2009-0231-FFM, "General Fund Enterprise Business System—Federal Financial Management Improvement Act Compliance: Examination of Release 1.3 Functionality," September 2009

AAA Report No. A-2009-0232-FFM, "General Fund Enterprise Business System—Federal Financial Management Improvement Act Compliance: Examination of Releases 1.4.1, 1.4.2, 1.4.3, and 1.4.4 Requirements," September 2009

Appendix C

Army Comments on Findings and Our Response

The DASA(FO)'s comments below discuss additional details and comments related to the audit results and findings.

Management Comments on Insufficient Implementation of Treasury and DoD Financial Reporting Requirements

The DASA(FO) commented that there is a significant time lag between publishing of USSGL requirements (which are updated at least annually) and publishing of corresponding SFIS updates. OSD(C)/CFO needs to have a process for those updates to flow into SFIS requirements and from there to DoD financial systems, such as GCSS–Army. The current process, from Treasury adding or changing attributes to them being available in GCSS–Army, takes too long for the attributes to be available on October 1. Until DoD documents a process and the DoDIG accepts that process, there will continue to be a disconnect between reality and expectation.

Our Response

We agree with the DASA(FO)'s comments, and we addressed this issue in Recommendation 1.b, which was directed to OUSD(C)/CFO. The DCFO agreed with the recommendation and outlined the action his office will take.

Management Comments on Account Attributes Not Compliant with Treasury Guidance

The DASA(FO) stated that GCSS–Army will be upgraded with SFIS 9 on or before September 30, 2014, and SFIS 10 later in FY 2015 in coordination with GFEBS. The SFIS 9 updates will include rules that will not only remedy and correct the errors noted in four attributes, but will also bring GCSS–Army into SFIS 9 compliance. With the implementation of the SFIS 10 upgrade in late FY 2015, the "Prior Year Adjustment Code" attribute will be captured and reported making GCSS–Army 100 percent SFIS 10 compliant. When Army accomplishes SFIS compliance, GCSS–Army account attribute rules will comply with Treasury guidance allowing GCSS–Army to process transactions and report correctly.

Our Response

While the implementation of this account attribute guidance will not be completed timely, we recognized in our report the Army's plan to become compliant. We commend the DASA(FO) for actions taken to upgrade GCSS–Army that are intended to correct the attribute errors identified during the audit and bring the system into compliance.

Management Comments on Account Inconsistencies With DoD Guidance

The DASA(FO) stated that the current version of the Abnormal Balance Report is not reliable and is being modified with an updated GFEBS design that will improve its accuracy and relevance. The report will be updated in FY 2015. However, in accordance with the audit recommendation, GCSS–Army has corrected NBIs on 14 of 16 accounts per DoD guidance. Accounts 3106 and 4190 with credit and debit NBIs, respectively, the same as in GFEBS, are not in conformance with DoD guidance, which require debit in account 3106 and credit in account 4190. PMO personnel are not going to correct the NBI for these two accounts. The current NBIs must remain so as to preserve master data alignment between the GFEBS and GCSS–Army systems and to ensure that all financial accounting and reporting is conducted consistently, correctly, completely, accurately, and timely.

Our Response

We agree with Army's actions taken and plan to improve the accuracy and relevance of the Abnormal Balance Report. However, the Army should request Treasury and DoD approval of NBI guidance deviations for accounts 3106 and 4190, similar to the process set forth in Recommendation 2.d. ASA(FM&C) would "submit an issue to the USSGL Board through the agency's USSGL representative [OUSD(C)/CFO]" to seek approval for transactions not already considered.

Management Comments on Posting Logic Did Not Attain the Same Results as the Transaction Library

The DASA(FO) disagreed with the comment that the work completed to identify items that were compliant with the Transaction Library was unreliable. He stated that the auditors did not provide details in support of the comment and, therefore, this comment lacks balance. He concluded that if the auditors performed the audit work in accordance with generally accepted auditing standards, there would be no question as to the reliability of the GCSS–Army data. Finally, he

explained that USSGL recognizes there are valid deviations from the guidance. However, the DoDIG has not recognized the uniqueness of the GCSS–Army ERP and has not taken into consideration nor examined the underlying business case that has led to these valid deviations.

Our Response

We performed the audit in accordance with generally accepted government auditing standards for performance audits. We planned and performed the audit to obtain sufficient, appropriate evidence to provide a basis for our findings and conclusions based on our objective. Generally accepted government auditing standards defines reliability as referring "to the consistency of results when information is measured or tested and includes the concepts of being verifiable or supported." We obtained evidence showing three attempts by PMO personnel to determine which transactions were compliant with DoD Transaction Library guidance and which were not. The number of compliant and non-compliant transactions significantly changed between attempts and this raised doubt as to the reliability of the work completed. We recognize the difficulties PMO personnel experienced attempting to determine whether posting logic is compliant with guidance. Implementation of our recommendations would reduce these difficulties.

We acknowledge that USSGL Account Transactions Guidance recognizes that there are valid accounting postings, identified in this report as account combinations, not yet documented and that agencies may engage in financial activity that the USSGL Board has not yet addressed. However, the Guidance requires agencies to "submit an issue [account combination] to the USSGL Board through the agency's USSGL representative."

We did not determine whether the 166 unique account combinations in GCSS–Army were USSGL compliant or whether these combinations should have been used in GCSS–Army. PMO personnel made the determination and provided results showing that 16 of the 166 account combinations were not compliant with USSGL but were necessary to accommodate GCSS–Army unique transactions. However, the PMO did not submit these through ASA(FM&C) to the OUSD(C)/CFO, the agency's USSGL representative. In addition, PMO personnel made the determination and provided results showing that 43 of the 166 account combinations should not have occurred in GCSS–Army. Our report acknowledges that GCSS–Army PMO personnel have taken actions to correct these problems. The Army's implementation of our recommendations will help to prevent, detect, and correct these problems in the future.

Management Comments on Incorrect Posting Logic

The Army agreed with the recommendation about accounts 4170.3102, 4170.9000, 4190.3103, and 4190.9000. GCSS–Army will take steps to correct and change posting logic in accordance with DoD SCOA in FY 2015 after Army's approval and in coordination with GFEBS. This will accomplish required intragovernmental eliminations.

Our Response

We commend the DASA(FO) for the Army's planned actions to correct and change posting logic to comply with DoD SCOA.

Management Comments

Under Secretary of Defense (Comptroller)/Chief Financial Officer, DoD

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

COMPTROLLER

JUL 18 2014

MEMORANDUM FOR DEPUTY INSPECTOR GENERAL FOR AUDITING, DEPARTMENT OF DEFENSE OFFICE OF INSPECTOR GENERAL

SUBJECT: Comments on the Department of Defense Inspector General Draft Report, "Global Combat Support System-Army Did Not Comply With Treasury and DoD Financial Reporting Requirements," Project No. D2013-D000FL-0163.000

We received the subject June 18, 2014, draft audit report and reviewed your recommendations to the Under Secretary of Defense (Comptroller)/Chief Financial Officer. Responses addressing your recommendations are attached.

Thank you the opportunity to review and comment on the draft audit report. My staff point of contact is [redacted]. He can be reached at [redacted]

Mark E. Easton
Deputy Chief Financial Officer

Attachment:
As stated

Under Secretary of Defense (Comptroller)/Chief Financial Officer, DoD (cont'd)

DOD IG DRAFT REPORT – DATED JUNE 18, 2014
DOD IG PROJECT NO. D2013-D000FL-0163.000

"GLOBAL COMBAT SUPPORT SYSTEM – ARMY DID NOT COMPLY WITH TREASURY AND DOD FINANCIAL REPORTING REQUIREMENTS"

OFFICE OF THE UNDER SECRETARY OF DEFENSE (COMPTROLLER) (OUSD(C)) RESPONSE TO DOD IG RECOMMENDATIONS

RECOMMENDATION 1: We recommend that the Under Secretary of Defense (Comptroller)/Chief Financial Officer, DoD, in coordination with the DoD Deputy Chief Management Officer, comply with DoD Financial Management Regulation, volume 1, chapter 1, which requires his office to ensure system compliance with accounting principles, standards, and requirements and with internal control standards, through the following actions:

- **a. Develop and implement processes to validate Global Combat Support System-Army compliance by:**
  - **i. annually validating Global Combat Support System-Army's timely compliance with Treasury and DoD guidance for:**
    1. **account attributes**
    2. **chart of accounts**
    3. **posting logic**
  - **ii. reviewing and approving any deviations from the Transaction Library.**
  - **iii. ensuring the Transaction Library is complete and contains all necessary Global Combat Support System-Army transaction combinations affecting the DoD Financial Statements.**

OUSD(C) RESPONSE: Non-concur. In accordance with DoD guidance controlling Defense Business System (DBS) investments, the certification of compliance with established requirements and functionality is a responsibility of the component pre-certification authority (PCA). The component is required to prepare a standard certification package which is subsequently provided to the DoD Investment Review Board. The component PCA is responsible for preparing certification of compliance; validating compliance with requirements, policies, and law; and ensuring the system transaction library is complete.

- **b. Publish the following guidance by the beginning of each fiscal year with a deadline for system implementation**:
  - **i. Standard Financial Information Structure (SFIS) account attribute**
  - **ii. DoD Standard Chart of Accounts (SCOA), and**
  - **iii. Transaction Library guidance.**

OUSD(C) RESPONSE: Concur. OUSD(C) will comply with the recommendation and publish updated guidance for the SFIS, DoD SCOA, and Transaction Library annually, within 45 days of release of annual updates to the Treasury Financial Manual (TFM) U.S. Government Standard General Ledger (USSGL) supplement (typically released in summer). System owners will be instructed to implement the updated guidance at the beginning of each fiscal year.

Attachment

Under Secretary of Defense (Comptroller)/Chief Financial Officer, DoD (cont'd)

c. Develop and publish consistent Standard Financial Information Structure account attribute, DoD Standard Chart of Accounts, and Transaction Library guidance that aligns with applicable Treasury guidance.

OUSD(C) RESPONSE: Non-concur. We will publish annual updates as indicated in our response to Recommendation 1.b., but we have already published consistent standing guidance. The DoD Financial Management Regulation (FMR) Volume 1, Chapter 7, Paragraph 070201 aligns DoD SCOA with the TFM USSGL Supplement, Section I, "USSGL Chart of Accounts." Paragraph 070203 of the same DoD FMR chapter aligns the DoD Transaction Library with TFM USSGL Supplement, Section III, "USSGL Account Transactions."

d. Develop and publish annual Standard Financial Information Structure account attribute guidance showing which account attributes are applicable for each DoD account.

OUSD(C) RESPONSE: Concur. The DCFO is currently developing documentation which will identify appropriate SFIS data elements required to be recorded for each account within the DoD SCOA. The documentation will provide standard guidance on appropriate actions to take when a transaction is posted. The documentation will be published in conjunction with the DoD SCOA and Transaction Library, and it will be updated at the same time as those documents to maintain consistency between the DoD SCOA, the Transaction Library, and the SFIS data elements.

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Assistant Secretary of the Army (Financial Management and Comptroller)

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

REPLY TO
attention OF

SAFM-FO

JUL 17 2014

MEMORANDUM FOR Assistant Inspector General for Audit, Department of Defense Inspector General, 4800 Mark Center Drive, Alexandria, VA 22350-1500

SUBJECT: Army Reply to Recommendation 2, Draft Report, Global Combat Support System–Army Did Not Comply With Treasury and DoD Financial Reporting Requirements, Project No. D2013-D000FL-0163.000, dated, June 18, 2014

1. The Army response to Recommendation 2 in the subject draft report is attached. There are two enclosures. Enclosure 1 addresses the audit recommendations. Enclosure 2 provides additional Army comments on the findings in the report. The report recommends the Assistant Secretary of Army (Financial Management and Comptroller) and the Product Manager-Global Combat Support System-Army (PM-GCSS-A) take several actions to improve the chart of accounts, posting logic, year-end closing activities, and compliance with the DoD Transaction Library guidance.

2. Army generally concurs with the subject draft report; with one non-concurrence related to year end closing activity in General Ledger Account 4610 (Allotments, Realized Resources).

3. The GCSS-Army is part of an enterprise system implementation in the Army. Therefore, system improvements will continue for the foreseeable future. The Army is dedicated to providing accurate and reliable financial information to leadership and Congress. We openly encourage increased dialog with the audit community to ensure fair and balanced reporting of Army's system implementation actions.

4. The point of contact for this action is [redacted] She can be reached by e-mail at [redacted] or by telephone at [redacted]

Encl
as

James J. Watkins
Deputy Assistant Secretary of the Army
(Financial Operations)

Assistant Secretary of the Army (Financial Management and Comptroller) (cont'd)

Enclosure 1

Army reply to Draft Audit Report-Global Combat Support System–Army Did Not Comply With Treasury and DoD Financial Reporting Requirements
***Project No. D2013-D000FL-0163.000,* June 18, 2014**

Recommendation 1

The Under Secretary of Defense (Comptroller)/Chief Financial Officer, DoD (USD[C]/CFO), in coordination with the DoD Deputy Chief Management Officer, should develop and implement procedures to validate that GCSS–Army complies with applicable guidance and internal control standards. They should also publish account attribute, chart of account, and posting logic guidance by the beginning of each fiscal year, with a deadline for system implementation.

NOTE: This recommendation is addressed to the Under Secretary of Defense (Comptroller)/Chief Financial Officer, DoD (USD[C]/CFO), in coordination with the DoD Deputy Chief Management Officer. The Army is not required to reply.

The following reply to Recommendation 2 reflects the position of Assistant SEcretray of the Army (Financial Management and Comptroller) – Financial Operations (FO) and Financial Information Management (FIM), Product Manager GCSS-Army, and Program Manager, Army Enterprise Systems Integration Program.

Recommendation 2

We recommend that the Assistant Secretary of the Army (Financial Management and Comptroller), in coordination with the Global Combat Support System–Army Product Manager:

a. formalize and expand the annual review process for Global Combat Support System–Army to include a review of the timely compliance of:

i. account attributes,

ii. chart of accounts, and

iii. posting logic.

Army Reply:

Concur. GCSS-Army will formalize and expand the annual review process to ensure timely compliance of all Chart of Accounts (COA) guidance to include account attributes, chart of

1

Assistant Secretary of the Army (Financial Management and Comptroller) (cont'd)

accounts and posting logic. Timely compliance and implementation is contingent upon the timely receipt of the DoD Chart of accounts from OUSD(C).

Account attributes and posting logic review: Concurrent with the completion of SFIS 10 implementation by the end of FY2015, we will formalize and implement a process for a continual review of :

(a) account attributes, and

(b) updates to posting logic document to ensure timely compliance.

Chart of Accounts: The annual review and chart of accounts update processes are not 'plug and play'. The process is highly labor intensive, will take considerable time from start to finish, and will require completion of several steps and thorough testing through the system landscape before they are promoted to the production system. In addition, as mentioned above, if OUSD(C) does not provide the DOD chart of accounts prior to the start of the fiscal year, Army cannot timely implement changes for the affected fiscal year.

b. develop an automated functionality for demonstrating the account postings for each business event in Global Combat Support System–Army.

c. create and maintain a crosswalk between account combinations occurring in the system and the DoD Transaction Codes they support.

Army Reply:

Concur with parts b. and c.

There are ways to validate accounting postings using the accounting documents for each financial transaction in GCSS-Army. However, we are doubtful that a comprehensive automated posting logic functionality with built-in crosswalks to DoD transaction codes can be built in SAP. The lack of SAP knowledge and expertise has led to audit recommendations that may not be attainable. Moreover, such an effort if possible and embarked upon will likely require prohibitive and costly outlays. Resource and fund constraints aside, the posting logic documentation aids in validating transaction postings and is critical for audit readiness activities. Consequently, an alternative to automated posting documentation is needed. Beginning in FY2015, GCSS-Army will launch an effort for a manually prepared and maintained posting logic document. The objective of the posting logic document would be to document expected accounting results to provide complete, reliable, consistent, timely and accurate financial accounting and would help identify deviations, if any. The document will:

(a) show a crosswalk for each business event to the Transaction Library/DoD Transaction Code(s),

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Assistant Secretary of the Army (Financial Management and Comptroller) (cont'd)

(b) identify deviations from the Transaction Library Guidance that are approved or pending DoD approval, and

(c) link items in (a) and (b) to SAP transaction codes, accounts, debit, credit indicators. To this end, we will designate qualified and knowledgeable personnel to maintain and update the document as changes occur and on an annual basis.

(d) address maintenance of the crosswalk to ensure that it is regularly updated with current USSGL/SFIS requirements and system configuration.

d. develop and implement a process to request approval from DoD for any deviations from the Transaction Library guidance.

Army Reply:

Concur. We have already implemented a process to request approval from DoD for any deviations from the Transaction Library Guidance. Consequently, we have submitted an initial request to the Deputy Assistant Secretary of the Army (Financial Operations) (DASA-FO) on April 18, 2014 for approval of all 39 business events related to currently known deviations that were identified during the DoDIG audit.

e. document a review of guidance in the "Zero Balance Guide," along with any other guidance relevant for correcting posting logic issues, to ensure the guidance correctly outlines a process for remapping accounts without causing abnormal balances.

Army Reply:

Concur. The Assistant Secretary of the Army (Financial Management and Comptroller) (ASA(FM&C) will work in concert with PMs GFEBS and GCSS-Army to review and update current guidance in the 'Zero Balance Guide' that will outline a process for steps to correct posting logic issues/remapping steps for accounts during annual Chart of Account updates. We will begin the review in FY2015.

f. publish guidance for performing year-end closing activities in account 4610 without causing abnormal balances.

Army Reply:

Non-concur. We do not agree with this recommendation because this will require a major change to the SAP system functionality that must also be implemented in GFEBS as well, if at all feasible and at considerable cost to both systems. The debit (abnormal) balance in account 4610 of $247.6 million resulted from transferring current authority quarterly apportioned funds to expired authority account 4650 moments before September 30, a system mandated requirement to prepare quarterly apportioned funds for yearend close out. The account was then zeroed out by closing the debit balance back to account 4650 at 1:35 PM on October 3 after the year end close rules were executed in accordance with USSGL year end close rules. Thus, the abnormal balance is transient and lasted less than 62 hours before the account became 'empty'. These

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Assistant Secretary of the Army (Financial Management and Comptroller) (cont'd)

steps are essential for performing a successful year end close and provides a safeguard against expired funds being used and has been consistently in use and copied from and implemented in GFEBS. However, we will reassess the postings to determine if there are other alternatives that will not lead to abnormal balances in account 4610. We will begin the review in concert with GFEBS in FY2015.

Although GCSS-Army personnel went to great lengths to explain this process and provided a detailed analysis of all account activity to demonstrate that a normal (credit) balance existed in account 4610 throughout the year and until moments before September 30 yearend close out, DoDIG auditors failed to grasp the functionality of the SAP system. This procedure is also a SAP system standard for all Federal Public Sector entities that handle single year quarterly apportioned funds. In our view, there may not be an alternative through which this recommended change could be made to work or its cost could be justified.

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Assistant Secretary of the Army (Financial Management and Comptroller) (cont'd)

Enclosure *2*

This Enclosure provides additional details and comments related to the audit results and findings in this draft report.

Finding (page 5): Insufficient Implementation of Treasury and DoD Financial Reporting Requirements

The report states the GCSS-Army was not fielded with proper functionality to comply with Treasury and DoD guidance. There is a significant time lag between publishing of USSGL requirements and publishing of corresponding SFIS updates. Treasury issues updates at least annually to USSGL and OSD needs to have a process for those updates to flow into SFIS requirements and from there to DoD financial systems, such as GCSS-Army. Current process takes too long to flow so that new or changed attributes which need to be captured cannot be available on Oct. 1. Until DoD documents a process and the DoDIG accepts that process, there will continue to be a disconnect between reality and expectation.

Finding (pages 6-18) Army Did Not Ensure Compliance with Treasury and DoD Financial Requirements

Account Attributes Not Compliant with Treasury Guidance (pages 6-8):

Army Comments:

This finding is solely based on the known fact that GCSS-A has not yet implemented SFIS 9 and SFIS 10 compliant attribute reporting. We are currently implementing an upgrade to SFIS 9 scheduled for completion on or before September 30, 2014. These updates will include rules that will not only remedy and correct the errors noted in the four attributes: 'Apportionment Category Code', 'Custodial/Non–Custodial Indicator', 'Federal /Non–Federal Indicator', and 'Trading Partner Indicator Code', but it also will bring our system to SFIS 9 compliance. We are also scheduled to implement SFIS 10 upgrade later in Fiscal Year (FY) 2015 in coordination with GFEBS. SFIS 10 has introduced the 'Prior Year Adjustment Code' attribute value and the system will capture and report it. All of the above changes will:

(a) accomplish steps to perform an update of all account attribute rules for compliance with Treasury Guidance. allowing GCSS-Army to process transactions and report correctly,

(b) rectify, capture and correctly report results for all applicable account attributes, and

(c) bring the system up to 100% SFIS 10 compliance by 4th quarter FY 2015.

Account Inconsistencies With DoD Guidance (pages 8-9):

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Assistant Secretary of the Army (Financial Management and Comptroller) (cont'd)

Army Comments:

Contrary to the DoDIG audit comment, the Abnormal Balances Report in its current form has limited utility, and is not a reliable source of financial information in the conduct of GCSS-Army's day to day operations. In our view, correctness and completeness of each account balance have primacy in ensuring the integrity and reliability of financial statements while Normal Balance Indicators (NBIs) in and of themselves are of secondary importance and relatively insignificant. We informed the DoDIG auditors during their field work that the current version of the Abnormal Balance Report is flawed and is currently being modified with an updated GFEBS design that will improve its accuracy and relevance. The report will be updated in FY 2015.

However, in accordance with the audit recommendation, GCSS-Army has corrected NBIs on 14 of 16 accounts per DoD guidance. Accounts 3106 and 4190 with credit and debit NBIs, respectively, the same as in GFEBS, are not in conformance with DoD guidance which require debit in account 3106 and credit in account 4190. The Program is not going to correct the NBI for these two accounts. The current NBIs must remain so as to preserve master data alignment between the GFEBS and GCSS-Army systems and to ensure that all financial accounting and reporting is conducted consistently, correctly, completely, accurately and timely. It must be noted that account balances in all 16 accounts are correctly stated, regardless of NBI and there are no known material errors with regard to aggregate balance in any one account. Moreover, the aggregate balance in all cash accounts to date has always been maintained in the positive, free of errors and has never impacted budget availability or conduct of operations, as incorrectly observed in the DoDIG report.

Chart of Accounts Needs to Timely Comply with DoD Changes (pages 10-11):

Army Comments:

See Recommendation 2 (a)

Unable to Define System Posting Logic (pages 11-14):

Army Comments:

See Recommendation 2 (b) and 2(c)

Posting Logic Did Not Attain the Same Results as the Transaction Library (pages 14-16):

Army Comments:

We disagree with this because the finding is not commensurate with the summary of results from an examination of approximately 786,092 transactions as shown in Table 2: 'Results of the PMOs Efforts to Crosswalk Transactions to DTCs'. This table showed 'PMO's Diagnosis' of:

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Assistant Secretary of the Army (Financial Management and Comptroller) (cont'd)

(a) 107 combinations of accounts and 611,538 transactions 'Compliant with the Transaction Library aggregating $941.2 million,

(b) 43 combinations of accounts and 7,899 transactions 'Should Not Be Occurring' for aggregating $18.1 million, and

(c) 16 combinations of accounts and 166,655 transactions 'Provided Justification' aggregating $549.2 million.

Regarding items in (a) GCSS-Army has provided complete and 100% DTC compliant documentation in support of each underlying account combination, items in (b)- correction of these errors is underway through implementation of a change request, and items in (c) comprising accounting deviations from DTCs due to absence of specific transaction guidance to address and account for the uniqueness of GCSS-Army's integrated logistics/supply/accounting resulting from numerous but repetitious activities including conversion of open obligations from the legacy systems to SAP at each deployment. As explained to the DoDIG auditors, these 'deviations' were necessary, are transparent, and once DoD approves our request, would become normal and regular for GCSS-Army business needs that would enable us to provide complete, reliable, consistent, timely and accurate financial information.

The chronology of events leading up to the above results and the preceding analysis of a significant amount of work completed can be explained as follows: GCSS-Army personnel initially provided DTC analysis within the three week deadline, although the magnitude of the work effort was such that it required a longer period of detailed analysis to guarantee 100% accurate answers. Subsequently, the DoDIG auditor's initial draft audit comments indicated incorrect and inaccurate conclusions. In response, GCSS-Army personnel went back and updated their initial responses and resubmitted to auditors on March 4, from which the auditors issued their audit comments referred to in the paragraphs above.

The auditors did not request any further information and we do not agree with their audit comment "that the work completed to identify items that were Compliant with the Transaction Library was unreliable". Further, auditors did not provide details in support of the comment. Therefore, in our view, this comment lacks balance. If they performed the audit work in accordance with generally accepted auditing standards there would be no question as to the reliability of the GCSS-Army data.

Response to accounts 1310.9000 and 6790.9000: The GCSS-Army business process for accounting for return of repairable carcasses for credit requires only the use of these two accounts for transaction processing per DTC C414-025-01. The accounting for this process is consistent with our purchase method of accounting to expense items at the time of purchase resulting in budgetary account impacts only when a receivable is collected. We have requested DoD approval of a deviation from the Department of Defense Transaction Code (DTC) guidance to include 'federal receivables' verbiage only. The remaining six accounts that the DoD IG thinks the program must account for per DTC D526-001-01 guidance <u>are not relevant</u> to GCSS-Army. Therefore there is no activity to capture in the remaining six accounts for they are not germane to the GCSS-A business processes.

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Assistant Secretary of the Army (Financial Management and Comptroller) (cont'd)

In this regard, we copied below from published USSGL FY2014 Account Transactions Part 2, Fiscal Year reporting Section III, Part 2 Fiscal Year 2014 Reporting, Page 1:

"There are valid accounting events/postings not yet documented. Agencies may engage in financial activity that the USSGL Board has not yet addressed"

Our interpretation of the above USSGL statement is that the USSGL recognizes there can be deviations and that they are valid. The DoDIG has taken a rigid stance and has not recognized the uniqueness of the GCSS-Army ERP and has not taken into consideration nor examined the underlying business case that has led to these valid deviations.

Incorrect Posting Logic (pages 17-18):

Army Comments:

GCSS-Army response below addresses abnormal balances of $703.7 million (a) account 4170-$249 million, (b) account 4190-$207 million, and (c) account 4610-$247.6 million- zero balance after September 30, 2013 year end close. Balances in (a) and (b) aggregating $456 million are expected to be zero and declared 'normal' once the planned remedy actions outlined below are completed early in FY2015.

We agree with the recommendation with regard to accounts 4170.3102, 4170.9000, 4190.3103 and 4190.9000. GCSS-Army will take steps to correct and change posting logic in accordance with DoD SCOA and in coordination with GFEBS will:

(a) transfer all residual balances in accounts 4170.3102 and 4170.9000 to account 4610.XXXX (.XXXX point account represents a yet to be determined and ASA FM&C approved sub-account). This action will close out cumulative balances in 4170.3102 and 4170.9000 and will prevent recurrence of abnormal balances, in particular, correct $249 million cited in the audit report.

(b) transfer all residual balances in accounts 4190.3103 and 4190.9000 to account 4650.XXXX (.XXXX point account represents a yet to be determined and ASA FM&C approved sub-account). This action will close out cumulative balances in 4190.3103 and 4190.9000 and will prevent recurrence of abnormal balances, in particular, correct $207 million cited in the audit report.

(c) change posting logic for accounting for receipt of monies for current year authority to account 4610.XXXX, the same as in (a) and discontinue the use of accounts 4170.9000 and 4170.3102.

(d) change posting logic for accounting for receipt of monies for expired authority to account 4650.XXXX, the same as in (b) and discontinue the use of accounts 4190.9000 and 4190.3103.

We anticipate completing all of the actions mentioned above in FY2015 after Army's approval and in coordination with GFEBS. This will accomplish required intragovernmental eliminations.

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Acronyms and Abbreviations

AGF	Army General Fund
ASA(FM&C)	Assistant Secretary of the Army (Financial Management and Comptroller)
COA	Chart of Accounts
DASA(FO)	Deputy Assistant Secretary of the Army (Financial Operations)
DCFO	Deputy Chief Financial Officer
DCMO	Deputy Chief Management Officer
DDRS	Defense Departmental Reporting System
DTC	DoD Transaction Code
ERP	Enterprise Resource Planning
FFMIA	Federal Financial Management Improvement Act of 1996
FMR	Financial Management Regulation
GCSS–Army	Global Combat Support System–Army
GFEBS	General Fund Enterprise Business System
NBI	Normal Balance Indicator
OASA(FM&C)	Office of the Assistant Secretary of the Army (Financial Management and Comptroller)
ODCMO	Office of the Deputy Chief Management Officer
OUSD(C)/CFO	Office of the Under Secretary of Defense (Comptroller)/Chief Financial Officer, DoD
PEO EIS	Program Executive Office Enterprise Information Systems
SCOA	Standard Chart of Accounts
SFIS	Standard Financial Information Structure
TFM	Treasury Financial Manual
USD(C)/CFO	Under Secretary of Defense (Comptroller)/Chief Financial Officer, DoD
USSGL	U.S. Government Standard General Ledger

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, visit www.dodig.mil/programs/whistleblower.

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