Report No. DODIG-2013-130 September 13, 2013

Inspector General
United States Department of Defense

Army Needs to Improve Controls and Audit Trails for the General Fund Enterprise Business System Acquire-to-Retire Business Process

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Acronyms and Abbreviations

A2R	Acquire-to-Retire
AGF	Army General Fund
ASA(FM&C)	Assistant Secretary of the Army (Financial Management and Comptroller)
BEA	Business Enterprise Architecture
CIP	Construction-In-Progress
CEFMS	Corps of Engineers Financial Management System
DASA(FO)	Deputy Assistant Secretary of the Army (Financial Operations)
DFAS	Defense Finance and Accounting Service
GFEBS	General Fund Enterprise Business System
GLAC	General Ledger Account Code
IFS	Integrated Facilities System
IMCOM	Installation Management Command
OACSIM	Office of the Assistant Chief of Staff for Installation Management
OASA(FM&C)	Office of the Assistant Secretary of the Army (Financial Management and Comptroller)
PMO	Program Management Office
REMIS	Real Estate Management Information System
RPUID	Real Property Unique Identifier
USACE	U.S. Army Corps of Engineers
USSGL	U.S. Government Standard General Ledger

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September 13, 2013

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

SUBJECT: Army Needs to Improve Controls and Audit Trails for the General Fund Enterprise Business System Acquire-to-Retire Business Process (Report No. DODIG-2013-130)

We are providing this report for review and comment. The Army's inadequate controls over the recording of accounting transactions for the Acquire-to-Retire business process in the General Fund Enterprise Business System contributed to more than $100 billion of journal voucher adjustments during FY 2012.

We considered management comments on a draft of this report when preparing the final report. DoD Directive 7650.3 requires that recommendations be resolved promptly. Comments from the Director, Operations, who responded for the Assistant Chief of Staff for Installation Management, were responsive, and we do not require additional comments. Comments from the Deputy Assistant Secretary of the Army (Financial Operations), who responded for the Assistant Secretary of the Army (Financial Management and Comptroller), were partially responsive. We request that the Assistant Secretary of the Army (Financial Management and Comptroller) provide additional comments on Recommendations A.1 through A.3, A.5 through A.7.b, A.9, and A.10 by October 15, 2013.

Please provide comments that conform to the requirements of DoD Directive 7650.3. If possible, send a Microsoft Word (.doc) file and portable document format (.pdf) file containing your comments to audfmr@dodig.mil. Copies of the management comments must contain the actual signature of the authorizing official. We are unable to accept the /Signed/ symbol in place of the actual signature. If you arrange to send classified documents 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 (DSN 329-5945).

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Assistant Inspector General
Financial Management and Reporting

Report No. DODIG-2013-130 (Project No. D2012-D000FL-0160.000) September 13, 2013

Results in Brief: Army Needs to Improve Controls and Audit Trails for the General Fund Enterprise Business System Acquire-to-Retire Business Process

What We Did

We performed this audit to determine whether the Army had adequate controls over recording accounting transactions within the Acquire-to-Retire (A2R) business process through the General Fund Enterprise Business System (GFEBS). We also determined whether the Army had verifiable audit trails to support these transactions.

What We Found

The Army had inadequate controls over the recording of accounting transactions for the A2R business process in GFEBS. This occurred because Army personnel did not: develop necessary real property functionality and fully implement their A2R business process prior to deploying GFEBS for the management of 13,427 buildings and structures; follow the data conversion strategy in converting real property data from the legacy system for Fort Lee and Redstone Arsenal; develop or implement processes in GFEBS to record $10 billion of construction costs in the general ledger; understand the financial impact of recording converted and purchased fixed assets as transfers-in; and have the ability to generate a transaction library from GFEBS.

As a result, the Army will continue using inefficient legacy business processes and diminish the estimated benefits associated with business system modernization. Although the Army has spent $814 million on GFEBS, it did not provide Army decision makers with relevant and reliable financial information for real property, and it is unable to identify the cost to correct the unreliable real property information. In addition, the Army is at increased risk of not accomplishing the FY 2017 audit readiness goal. Accounting personnel created over $100 billion of adjustments because of the ineffective use of GFEBS in accounting for $160 billion of fixed assets reported on the FY 2012 Army General Fund Financial Statements.

In addition, the GFEBS Program Management Office (PMO) did not maintain a verifiable audit trail for all land tracts reported in GFEBS. Because GFEBS PMO personnel did not follow their plan for converting land assets into GFEBS, the system's land information is unreliable; the acreage of land at four activities was overstated by 247,850 acres; the Army will have to expend additional resources to correct GFEBS land information; and the GFEBS land information cannot be used to make financial decisions.

What We Recommend

Army officials should create working groups to implement functionality in GFEBS necessary for Army real property management; develop standardized procedures and controls that leverage all GFEBS capabilities; provide job-specific training; review all real property data, including land, in GFEBS for accuracy; develop integrated processes for recording construction costs; and develop procedures for converting fixed assets.

Management Comments and Our Response

Management comments were responsive for three of twelve recommendations. We request that the Assistant Secretary of the Army (Financial Management and Comptroller) provide additional comments on Recommendations A.1 through A.3, A.5 through A.7.b, A.9, and A.10. Please see the Recommendations Table on the back of this page.

Recommendations Table

Management	Recommendations Requiring Comment	No Additional Comments Required
Assistant Secretary of the Army (Financial Management and Comptroller)	A.1, A.2, A.3, A.5, A.6, A.7.a, A.7.b, A.9, A.10	A.4, A.8
Assistant Chief of Staff for Installation Management		B

Please provide comments by October 15, 2013.

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Introduction

Objectives

We determined whether the Army's controls over recording accounting transactions within the Acquire-to-Retire (A2R) business process[1] through the General Fund Enterprise Business System (GFEBS) were adequate. In addition, we determined whether these transactions were supported with verifiable audit trails. We reviewed the Army's A2R business processes using GFEBS to record real property accounting transactions and to manage real property accountability. We also reviewed transaction posting logic for fixed assets. See Appendix A for Scope and Methodology and Appendix B for Prior Audit Coverage.

Background

This review is the fourth in a series of DoD Office of Inspector General (DoD OIG) audits addressing GFEBS and the second to address system functionality. The first audit, DoD OIG Report No. D-2008-041, "Management of the General Fund Enterprise Business System," January 14, 2008, reported that the Army did not effectively plan the acquisition of GFEBS; use an appropriate method to contract for services; or prepare a realistic economic analysis for the GFEBS program. The report made 16 recommendations to address 3 major deficiencies in the planning and development of GFEBS. The second audit, DoD OIG Report No. D-2011-072, "Previously Identified Deficiencies Not Corrected in the General Fund Enterprise Business System Program," June 15, 2011, showed that management actions were insufficient for correcting the GFEBS program planning, acquisition, and justification deficiencies identified in the first report. The third audit, DoD OIG Report No. DODIG-2012-066, "General Fund Enterprise Business System Did Not Provide Required Financial Information," March 26, 2012, reported that GFEBS did not contain accurate and complete FY 2010 U.S. Government Standard General Ledger (USSGL) and Standard Financial Information Structure information as required by the Federal Financial Management Improvement Act of 1996 and Under Secretary of Defense (Comptroller)/Chief Financial Officer, DoD, guidance.

Public Law 111-84, "National Defense Authorization Act for Fiscal Year 2010," October 28, 2009 (NDAA 2010), requires DoD to develop a plan to ensure that the DoD financial statements "are validated as ready for audit by not later than September 30, 2017." To contribute to its ability to achieve audit readiness by 2017, DoD is modernizing its business and financial systems through the deployment of enterprise resource planning[2] systems. The Army asserted on January 7, 2013, on the existence and completeness of 53 percent of its real property assets and plans to assert on all Army real property assets for existence and completeness by FY 2014. According to the "Financial

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[1] The A2R business process includes business events related to other end-to-end business processes. We limited our review to business events unique to A2R and not included in the other business processes.
[2] Enterprise resource planning systems are software systems designed to support and automate key operational processes.

Improvement and Audit Readiness (FIAR) Guidance," February 2013, DoD determined that existing assets will not be subject to the valuation assertion.

GFEBS is one of the Army's enterprise resource planning system solutions for complying with the NDAA 2010 requirement. The Army developed GFEBS to be a web-enabled financial, asset, and accounting management system. GFEBS' objectives include improving effective and efficient use of resources, complying with statutory and regulatory accounting requirements, standardizing financial and business processes, and ensuring a flexible system that provides the capabilities to meet future needs. To support cost management, the system processes financial, real property, cost, and performance data. As of April 10, 2013, the Army has spent $814 million on the development of GFEBS.

On July 1, 2012, the Army completed the final planned deployment of GFEBS with more than 53,000 users at 227 locations in 71 countries. GFEBS is the general ledger for the Army General Fund (AGF). In addition, the November 2012 DoD Financial Improvement and Audit Readiness Plan states that GFEBS is the Army's system of record for real property assets. GFEBS replaced the Integrated Facilities System (IFS).[3] As GFEBS replaced IFS, it took over physical and financial accountability of Army real property inventory, which requires the ability to identify, track, account, and manage real property. The Army's systems of record for land and Army National Guard real property are the Real Estate Management Information System (REMIS) and the Planning Resource for Infrastructure Development and Evaluation system, respectively.

Fixed Assets and Real Property

Fixed assets, also known as property, plant, and equipment, are those assets that have a recorded cost that equals or exceeds the DoD capitalization threshold[4] and have a useful life of two years or more. Fixed assets normally include items such as real property, motor vehicles, furniture, office equipment, computers, fixtures and fittings, and plant and machinery. The FY 2012 AGF Financial Statements reported $160 billion in General Property, Plant, and Equipment, including $92 billion of military equipment. Real property consists of land and improvements to land, buildings, and structures, including improvements and additions, and utilities. Real property also includes equipment affixed and built into the building as an integral part of the building (such as heating systems), but not movable equipment (such as plant equipment). The FY 2012 AGF Financial Statements reported $46 billion of buildings, structures, and facilities; $601 million of land; and $10 billion of construction-in-progress (CIP).

Acquire-to-Retire Business Process

The Business Enterprise Architecture (BEA) defines the DoD business transformation priorities, the business capabilities required to support those priorities, and the

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[3] IFS, the Army's real property system since 1976, was shut down on September 14, 2012.
[4] Currently, the DoD capitalization threshold is $100,000, except for real property. The DoD capitalization threshold for real property is $20,000.

combinations of enterprise systems and initiatives that enable those capabilities. The BEA guides and constrains implementation of interoperable defense business system solutions, such as GFEBS. The scope of the BEA is defined within the end-to-end framework, consisting of integrated business flows that include both functions and organizations. The BEA includes functions, processes, rules, or standards that are required to be used in a consistent manner to support or describe the DoD business enterprise. The BEA identifies 15 DoD end-to-end business processes that are intended to streamline and enable standard, integrated, and optimized business processes; improve records management; and establish process governance that promotes transparency, collaboration, integration, and innovation across the Army. We focused this audit on the BEA A2R business process, which encompasses all business functions necessary to obtain, manage, and dispose of accountable and reportable property through the property's entire lifecycle. Specifically, we focused on the Army's business functions for placing an asset in service, managing an asset, and disposing of an asset. The Army's A2R process for real property is depicted in Figure 1.

Figure 1. Army's A2R Business Process for Real Property

Army Acquire-to-Retire Roles and Responsibilities

Several organizations contribute to the planning, acquiring, placing in service, managing, and disposing of fixed assets and real property in the Army's A2R business process.

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

The Office of the Assistant Secretary of the Army (Financial Management and Comptroller) (OASA[FM&C]) is responsible for programs and systems pertaining to Army finance and accounting operations. Part of OASA(FM&C)'s mission is to provide timely, accurate, and reliable financial information to enable leaders and managers to incorporate cost considerations into their decision making. OASA(FM&C) oversees the functional and process components for GFEBS.

U.S. Army Office of the Assistant Chief of Staff for Installation Management

The U.S. Army Office of the Assistant Chief of Staff for Installation Management (OACSIM) provides policy formulation, enterprise integration, program analysis and integration, requirements and resource determination, and best practices for services, programs, and installation support. As a result, OACSIM is responsible for improving the management of installations, facilities and services, and establishing policy for Army real property management. The Assistant Chief of Staff for Installation Management also serves as the Commander of the U.S. Army Installation Management Command.

U.S. Army Installation Management Command

The U.S. Army Installation Management Command (IMCOM) provides oversight of all aspects of installation management, such as construction and public works and installation funding. In October 2002, the Army placed installation management under the Installation Management Agency, an OACSIM field-operating agency. In October 2006, IMCOM assumed the responsibilities of the Installation Management Agency and the Army's Community and Family Support Center and Environmental Center.

U.S. Army Corps of Engineers

The U.S. Army Corps of Engineers (USACE), Army's construction agent, provides engineering, construction, real estate, stability operations, and environmental management products and services for the Army. In performing real estate services for the Army, USACE is responsible for acquiring, managing, and disposing of real estate. USACE utilizes REMIS to maintain accountability information on the Army's land.

U.S. Army Program Executive Office Enterprise Information Systems

The U.S. Army Program Executive Office Enterprise Information Systems provides infrastructure and information management systems to the Army and develops, acquires, and deploys information technology systems. GFEBS is a program of the Program Executive Office Enterprise Information Systems. The GFEBS Project Management Office (PMO) is responsible for the life cycle management of the GFEBS program and has overall responsibility for planning, programming, budgeting, and execution of funds through the entire GFEBS lifecycle.

Review of Internal Controls

DoD Instruction 5010.40, "Managers' Internal Control Program (MICP) Procedures," July 29, 2010, 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 and audit trail weaknesses over Army's use of GFEBS in its A2R business process. Army personnel did not: develop necessary real property functionality and fully implement their A2R business process prior to deploying GFEBS; follow the data conversion strategy in converting real property data from the legacy system for Fort Lee, Virginia, and Redstone Arsenal, Alabama; develop an integrated process in GFEBS to record costs incurred by USACE in the construction of a real property asset; understand the financial impact of recording converted and purchased fixed assets as transfers-in; and have the ability to generate a transaction library from GFEBS. In addition, GFEBS PMO personnel did not follow their plan for converting land assets into GFEBS. We will provide a copy of the report to the senior official responsible for internal controls in the Department of the Army.

Finding A. Inadequate Controls Over the GFEBS Acquire-to-Retire Process

The Army's controls over the recording of accounting transactions for the A2R business process in GFEBS were inadequate. Specifically, the Army did not:

- ensure real property personnel could efficiently and effectively perform their day-to-day responsibilities related to the management of 13,427 buildings and structures[5] using GFEBS. This occurred because the OASA(FM&C), OACSIM, and GFEBS PMO personnel fielded the system before developing necessary real property functionality and without fully implementing their reengineered A2R business processes.

- ensure the accuracy of real property data prior to and during the conversion process from IFS to GFEBS for Fort Lee and Redstone Arsenal. This occurred because the GFEBS PMO personnel did not follow the data conversion strategy to preserve the integrity and auditability of GFEBS.

- use GFEBS to record the $10 billion of CIP costs[6] reported in the FY 2012 AGF Financial Statements. This occurred because OASA(FM&C) personnel did not develop an integrated process in GFEBS to record costs incurred by USACE in the construction of a real property asset. In addition, OASA(FM&C) and GFEBS PMO personnel did not implement a business process to record in-house CIP into the general ledger.

- use accurate accounting methods for recording real property and other fixed assets in GFEBS. This occurred because OASA(FM&C) and GFEBS PMO personnel did not understand the financial impact of the decision to record converted and purchased fixed assets in general ledger account code (GLAC) 5720 (Financing Sources Transferred in Without Reimbursement).

In addition, GFEBS could not produce an automated transaction library showing the general ledger account postings for fixed asset transactions. OASA(FM&C) and GFEBS PMO personnel stated this occurred because GFEBS did not have the capability to generate a transaction library.

As a result, the Army will continue using inefficient legacy business processes and diminish the estimated benefits associated with transforming business operations through business system modernization. Although the Army has spent $814 million on GFEBS, it did not meet the program objectives to provide Army decision makers with relevant

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[5] These buildings and structures include active permanent, relocatable, semi-permanent, and temporary facilities as of August 24, 2012, at the five sampled locations. See Appendix A for sampled locations.
[6] CIP costs are the costs of real property assets while under construction, which include the costs of project design and actual construction such as labor, materials, and overhead costs.

and reliable financial information and standardized business processes for real property. In addition, the Army is unable to identify the cost it will incur to correct unreliable real property information in GFEBS. Consequently, the Army is at increased risk of not accomplishing the goal of full financial statement audit readiness by FY 2017. For example, Defense Finance and Accounting Service (DFAS) made over $100 billion of adjustments because of the ineffective use of GFEBS in accounting for the $160 billion of fixed assets reported on the FY 2012 AGF Financial Statements. DFAS adjusted the statements by $82 billion to remove an overstatement because Army inappropriately used GLAC 5720 to record fixed assets in GFEBS and also adjusted the statements by $19 billion to add fixed assets that bypassed GFEBS, the Army's general ledger.

Inefficient and Ineffective Performance

The Army did not ensure real property personnel could efficiently and effectively perform their day-to-day responsibilities related to the management of 13,427 building and structures using GFEBS. Specifically:

- OASA(FM&C) and GFEBS PMO personnel did not develop GFEBS with sufficient reporting functionality to manage real property,
- OASA(FM&C) and GFEBS PMO personnel did not integrate the GFEBS modules[7] responsible for real property with the modules responsible for the funding and purchasing of real property assets, and
- OACSIM and GFEBS PMO personnel did not develop adequate functional training for Army personnel involved in the A2R business process.

Real Property Reporting

OASA(FM&C) and the GFEBS PMO personnel did not develop GFEBS with sufficient reporting functionality to manage real property. Specifically, real property personnel at Fort Hood, Texas; Fort Leavenworth, Kansas; Fort Lee; Redstone Arsenal; and the U.S. Army Reserves stated they did not have the ability to easily obtain information from GFEBS. In addition, GFEBS PMO personnel were not able to produce an Army-wide universe of real property assets from GFEBS. Army Regulation 405-45, "Real Property Inventory Management," November 2004, sets forth the requirements, authority, policy, and responsibility for the accountability and management of all real property and interest therein. This guidance states that the real property inventory is a basic source of information on status, cost, area, capacity, condition, use, and management of real property at the installation and major Army command level. This regulation is the basis for supplying real property information to offices of Congressional committees; DoD; Headquarters, Department of the Army; General Services

GFEBS PMO personnel were not able to produce an Army-wide universe of real property assets from GFEBS.

[7] GFEBS uses the following eight Systems, Applications, and Products in Data Processing modules to support Army business process areas: Funds Management, Financials, Controlling, Spending Chain, Fixed Assets, Real Estate, Materials Management, and Business Intelligence.

Administration; and other interested Government agencies. Until GFEBS can readily provide reports containing all the necessary real property data, installation personnel and decision makers will not have an accurate source for status, cost, area, capacity, condition, use, and management of real property information.

Installation Real Property Inventory

Army real property staff stated that they could not generate real property reports out of GFEBS containing the information needed to perform their day-to-day management of real property, including the periodic inspections of real property for which they were responsible. For example, Fort Hood personnel stated that GFEBS could not generate a complete listing of the 7,851 facilities on their installation that included all the necessary data elements. According to Army Regulation 405-45, real property officers are accountable for the completeness and accuracy of all real property records. As demonstrated in the examples below, GFEBS did not provide sufficient functionality to manage real property:

- The Fort Hood Real Property Accountable Officer stated that, prior to GFEBS, the real property inventory report allowed him to maintain visibility over assets under his responsibility and ensure accuracy of the information. However, with GFEBS, he was unable to extract the necessary data elements and identify any changes from one month to the next.

- Redstone Arsenal personnel stated that they were unable to extract information necessary to perform their required annual certifications or plan for asset inspections, limiting their ability to manage their workload.

- U.S. Army Reserve Installation Management Directorate personnel stated that they were not able to obtain and report information on their leased and relocatable assets. In addition, they stated that, in response to a request, they could not use GFEBS to provide information on their presence and economic impact in each state. U.S. Army Reserve Installation Management Directorate personnel also stated that, since early 2012, they have submitted multiple requests to the GFEBS PMO and OACSIM for modifications to the GFEBS real property inventory report and, as of May 24, 2013, have not received a response.

Due to the difficulty in obtaining GFEBS real property reports, installations hired contractor support to assist with retrieving data. Specifically, Fort Leavenworth personnel awarded a contract for almost $37,000 to provide training and support over the GFEBS reporting processes and project systems function. Fort Leavenworth personnel stated that the contractor created a database that compiled data from multiple GFEBS reports to provide management the information needed to make property management decisions.

Due to the difficulty in obtaining GFEBS real property reports, installations hired contractor support to assist with retrieving data.

Army-Wide Real Property Inventory

GFEBS PMO personnel were not able to provide an Army-wide universe of real property assets. Army Regulation 405-45 required OASCIM to maintain a central inventory of Army real property and analyze the inventory for accuracy. Initially, GFEBS PMO personnel stated that the only method to provide an Army-wide universe of real property would be to generate a report for each of the more than 5,000 GFEBS business entities and combine the reports to create the universe. GFEBS PMO personnel stated that they did not have the resources to expend on such an effort. Later they informed us that they could provide a data extract rather than a report. On November 30, 2012, we requested the Army-wide real property data extract from the GFEBS PMO. As of March 2013, the GFEBS PMO has not provided the Army-wide real property data extract. GFEBS PMO personnel also stated that the system has the capability to generate an Army-wide listing of real property assets. However, they indicated they have not had a need to generate such a listing and therefore, are not certain if the system will actually run the report for such a large volume of assets. Army Regulation 405-45 also requires that the real property inventory be updated continuously and reported semiannually. The ability to generate an Army-wide listing of real property assets from GFEBS would provide the Army more visibility over its complete real property inventory than does generating a report for each of the more than 5,000 business entities in GFEBS and combine them.

Integration Did Not Occur Between System Modules

OASA(FM&C) and GFEBS PMO personnel did not integrate the GFEBS modules responsible for real property with the modules responsible for the funding and purchasing of real property assets. Specifically, relevant information entered into GFEBS during the purchase request and contracting processes was not transferred to the real property asset records. The Office of Management and Budget Circular A-123, "Management's Responsibility for Internal Controls," December 21, 2004, required agencies to operate systems with appropriate internal controls to ensure the accuracy of data, completeness and consistency of transaction processing, and reliable financial reporting. In addition, the Office of Federal Financial Management, "Core Financial System Requirements," January 2006, stated that a financial system must provide for "one-time" data entry and reuse of transaction data to support downstream integration, interfacing, or business and reporting requirements. The lack of integration between the components increases the risk for duplication of duties, and inconsistent and unreliable data.

Relevant information entered into GFEBS during the purchase request and contracting processes was not transferred to the real property asset records.

Real property personnel at the installations manually re-entered data that already existed in GFEBS. For example, personnel at the installations manually entered the funding organization and appropriation information into GFEBS instead of this being derived from the purchase request or funding authorization within GFEBS. Since GFEBS already contained this information as part of the development and funding of the asset, the information should have been automatically populated by the system. To prevent inconsistencies, financial data should enter the system only once and automatically update the other parts of the system as necessary.

Army Personnel Received Inadequate Functional Training

OACSIM and GFEBS PMO personnel did not develop adequate functional training for Army personnel involved in the A2R business process. The Office of Management and Budget Circular A-127, "Financial Management Systems," January 9, 2009, required that adequate training and appropriate user support be provided to the users of the core financial systems. In addition, training must enable the users of the systems to understand, operate, and maintain the system. Proper training is critical to ensure financial management systems achieve their objectives.

Real property personnel at Fort Hood, Fort Leavenworth, Fort Lee, Redstone Arsenal, and U.S. Army Reserves stated that the GFEBS training they received was inadequate for them to perform their assigned tasks. Real property personnel stated that they received training on how to log on to GFEBS and perform basic navigation in the system, but they did not receive functional training on how to perform their specific job. In addition, Redstone Arsenal personnel stated that when they asked the instructors how to use GFEBS to perform their real property responsibilities, they were told that it depended on their installation business process. GFEBS PMO personnel stated that OASA(FM&C) personnel directed the development of "Day-In-The-Life" training teams because the formal training provided by the system integrator did not teach job specific tasks. However, Redstone Arsenal personnel stated that the "Day-In-The-Life" training they received did not adequately address how to perform day-to-day real property functions. Because the functional training over real property processes was inadequate, each of the installations visited developed their own non-standardized processes for performing their day-to-day responsibilities.

Real property personnel stated that they received training on how to log on to GFEBS and perform basic navigation in the system, but they did not receive functional training on how to perform their specific job.

Identification of Needed Real Property Functionality

Real property personnel could not efficiently and effectively perform their day-to-day responsibilities using GFEBS because the OASA(FM&C), OACSIM, and GFEBS PMO personnel fielded the system before developing necessary real property functionality and without fully implementing their reengineered A2R business process.

Insufficient Real Property Reporting Functionality

OASA(FM&C), OACSIM, and GFEBS PMO personnel fielded the system before developing necessary real property functionality. In the FY 2007 Department of the Army Financial Statements, the Assistant Secretary of the Army (Financial Management and Comptroller) (ASA[FM&C]) stated that GFEBS had shown that it could capture all real property inventory information and its associated financial data. However, the GFEBS PMO acknowledged that they became aware of a reporting capability gap in FY 2011, 2 years after fielding GFEBS to the first installations. In an effort to alleviate the reporting capability gap, GFEBS PMO personnel stated that they were developing "23 reports" for the real property community and "fielding dates for these reports will be

identified as soon as they are through their test and validation phase." However, OASA(FM&C) and GFEBS PMO personnel should have developed, tested, and validated the reports required for real property personnel to perform their day-to-day jobs prior to fielding GFEBS to over 200 locations.

In addition, OACSIM personnel held a capabilities review concerning GFEBS real property functionality on September 26, 2012, around three months after the July 1, 2012, date on which the Army reported that GFEBS was fully deployed. The group included personnel from OACSIM, IMCOM, GFEBS PMO, and various real property personnel from Army installations. The review was intended to determine whether GFEBS contained all the data elements, business procedures, and reporting capabilities needed by the Army real property community. During the one-day session, the group partially addressed the required data elements and postponed completion of the remaining data elements and the business procedures and reporting capabilities until a later date. For example, during the September 2012 meeting, the group did not review the disposal value data element, the real property inventory report, and the process of performing a transfer of a relocatable asset from one site to another. OACSIM personnel stated they held another capabilities review on May 7, 2013, and plan to hold an additional meeting, at a date yet to be determined, to accomplish the objective of the initial review.

Until the installation real property personnel have report capabilities containing the necessary data elements, the Army will continue spending money on GFEBS support contracts to obtain assistance in getting the reports they need to perform their real property responsibilities and meet various reporting requirements. The ASA(FM&C) should develop a working group to identify all functionality not in GFEBS necessary for complete Army real property management, including the capability to generate an Army-wide real property universe, and develop and implement the identified functionality into GFEBS. In addition, the ASA(FM&C) should use this working group to perform user acceptance testing of the 23 real property reports prior to implementing them.

System Fielded Without Implementing Reengineered Business Processes

OASA(FM&C), OACSIM, and GFEBS PMO personnel fielded GFEBS without implementing their reengineered A2R business process. NDAA 2010, section 1072 directed the chief management officer for each defense business system modernization to determine whether appropriate reengineering efforts had been completed, and, if not, to develop a plan to complete the reengineering efforts. GFEBS system design documentation[8] described a process that integrated real property information across several components within the system. For example, the design documentation indicated that costs associated with a project would periodically be transferred from the module used for project management to an asset under construction or a completed asset. This would create an audit trail by linking the costs for the asset to the completed asset.

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[8] Army's business process design documentation, dated May 2009, prepared by the GFEBS system integrator and Army personnel.

However, at the installations we contacted, no costs had been transferred to assets under construction or to completed assets. Furthermore, Fort Hood personnel stated that they had not transferred costs from projects to any assets since they converted to GFEBS almost 2 years ago because they had not been provided any guidance on how to do so. On November 29, 2012, GFEBS PMO personnel provided an informal draft procedure to document the settlement process and as of March 2013, they had not provided a final version of this document.

OASA(FM&C), OACSIM, and GFEBS PMO personnel did not reengineer the A2R business process to create standardized procedures and controls for inputting real property data into GFEBS, increasing the risk for duplication of duties, inconsistent and unreliable data, and that inefficient legacy business processes would be recreated in the new system. For example, Redstone Arsenal personnel stated they were told during training that their process had not changed, just the system into which they entered the data. In addition, the real property internal control policies and checklists issued by OACSIM have not been updated since August 2001 and therefore, did not incorporate the use of GFEBS. As a result, the Army spent $814 million without achieving the benefits of modernizing its system. The ASA(FM&C) should develop a working group to fully implement its reengineered A2R business process by developing and implementing standardized procedures and controls for using GFEBS and provide job-specific training to personnel involved in the A2R business process ensuring that similar transactions are recorded consistently.

The real property internal control policies and checklists issued by OACSIM have not been updated since August 2001 and therefore, did not incorporate the use of GFEBS.

Need to Convert Accurate Data

The GFEBS PMO did not ensure the accuracy of real property data prior to and during the conversion process from IFS to GFEBS for Fort Lee and Redstone Arsenal. Specifically, GFEBS PMO personnel completed the conversion process prior to the cleansing of the data and did not maintain the reliability of the data during the conversion process. GFEBS documentation on the conversion process states that once data was loaded into GFEBS, it must be validated to ensure it was accurate. The GFEBS PMO was responsible for the oversight of the data cleansing efforts, while the installations were responsible for completing the cleansing of the data. The data cleansing efforts were to be finished before the final conversion process. As a best practice, errors existing in the legacy system should not be perpetuated in the new system because it is generally easier to perform data cleansing prior to deployment of the new system than after.

Data Cleansing

Fort Lee and Redstone Arsenal personnel stated their sites' data was converted to GFEBS prior to completion of their clean-up efforts. Personnel indicated they were informed the data conversion process would consist of three extracts of their data from IFS, which is consistent with GFEBS documentation describing the data conversion process. The field sites were responsible for performing a quality review of their data to validate the number of records and the integrity of the data in IFS prior to conversion to GFEBS. However,

Fort Lee and Redstone Arsenal personnel stated their data was only extracted twice. Both locations reported expending time and resources to clean-up IFS data in anticipation of the third data extract. Because the third extract did not occur, Fort Lee and Redstone Arsenal personnel were not able to fully cleanse their IFS data prior to conversion and had to spend additional time and resources to clean-up the same data after it was converted to GFEBS.

Installation Personnel Cannot Rely on Accuracy of Real Property Data

Redstone Arsenal personnel reported that they could not rely on the real property data within GFEBS. They identified space assignment errors within their GFEBS data. For example, personnel made changes to square footage assignments between the first and second extracts of data. Instead of updating the original assignments during the second data extract, GFEBS added the square footage assignments from the first and second extracts. Redstone Arsenal personnel stated they have a plan to correct the data but it will take time and resources.

In addition, according to GFEBS PMO personnel, some validation controls were relaxed during data conversion due to gaps in IFS data. They indicated the controls were reinstituted after the conversion to GFEBS. As a best practice, bypassing a system's data edit and validation controls during the conversion process may result in data integrity deficiencies and increase the risk of future problems. GFEBS PMO personnel have not been able to provide documentation supporting what controls were relaxed during the conversion process. OACSIM reported the installations were not able to correct errors after the controls were reinstituted.

According to GFEBS PMO personnel, some validation controls were relaxed during data conversion due to gaps in IFS data.

Data Conversion Strategy

The GFEBS PMO did not ensure the accuracy of real property data because GFEBS PMO personnel did not follow the data conversion strategy to preserve the integrity and auditability of GFEBS. The GFEBS Data Conversion Plan implemented the detailed steps for the data conversion in the GFEBS Data Guide. The guide states that the data cleansing effort should have been completed prior to the final extract of their data. In addition, according to best practices once conversion has been completed, it is necessary to confirm that converted data is functioning as designed. When asked if there was enough time to review data prior to conversion, IMCOM personnel stated that GFEBS was on a deadline to complete the wave deployment on-time. IMCOM personnel also stated that it was possible the field sites may not have understood what they were supposed to do as GFEBS was so different, it could be confusing.

OACSIM and GFEBS PMO personnel stated they are currently reconciling errors resulting from the conversion to GFEBS. U.S. Army Reserves has hired contractors to assist their personnel with the input and correction of erroneous data in GFEBS for their assets. The Army Contracting Command modified an Army Support Contract to include

$5 million for these data cleansing efforts. According to GFEBS PMO personnel, the GFEBS program does not routinely track and report manual data cleansing and data quality improvement costs arising from conversion or other data upload issues and a requirement to do so would require manual cost collection. To ensure the reliability of the data, the ASA(FM&C) needs to develop a working group to perform a review of all real property data within GFEBS to ensure it is correct. In addition, this group should track the costs of this review and other data cleansing efforts to identify the full cost of the GFEBS implementation or as part of the Army's audit readiness efforts.

General Ledger Did Not Record Construction-In-Progress

The Army did not use GFEBS to record the $10 billion of CIP costs reported in the FY 2012 AGF Financial Statements. Specifically, USACE provided CIP costs directly to the DFAS for inclusion in the AGF financial statements and the GFEBS transaction register did not contain any in-house CIP costs. DoD Financial Management Regulation, Volume 4, Chapter 6, "Property, Plant, and Equipment," June 2009, stated that GLAC 1720 (Construction-in-Progress) should be created when either of the following events occurs:

- project design and fund authorizations are received for construction projects performed by an agent, or
- work order and funding authorizations are received for an in-house minor construction.[9]

The Regulation also stated that all costs for a construction project should be accumulated in this CIP account and tracked by construction project to ensure visibility, traceability, and accountability. Office of Federal Financial Management, "Core Financial System Requirements," January 2006, also stated that all transactions recording financial events must post to the general ledger regardless of the origin of the transaction. The Army created GFEBS to have a single source for financial and related non-financial data and for consolidated financial reporting on the AGF. GFEBS, as the AGF's general ledger, should record any financial transaction related to AGF financial reporting even those that originate in other systems such as the Corps of Engineers Financial Management System (CEFMS). Furthermore, because GFEBS is the Army's accountable system of record for real property, CIP costs should be traceable back to the individual projects contained in the system.

USACE personnel provided CIP costs to DFAS for inclusion in the FY 2012 AGF financial statements. Because these CIP costs were provided by USACE in response to a data call and directly input to the FY 2012 AGF Financial Statements using a journal voucher, this business process to record CIP completely bypassed GFEBS, the AGF's general ledger system. GFEBS planning documents indicated that for construction projects completed by USACE, CEFMS would provide the actual CIP data to the Army

[9] Minor construction consists of project costs that do not exceed $750,000.

financial statements and send planned CIP costs to GFEBS through a system interface. As of September 2013, the GFEBS PMO stated that there are no plans for GFEBS to interface with CEFMS. Therefore, CIP costs from real property assets constructed by USACE were not recorded in the Army's general ledger.

In addition, the Army did not record any FY 2012 in-house CIP costs in GFEBS under GLAC 1720. According to OASA(FM&C) personnel, for in-house construction projects over $20,000, once the project requirements were identified, a CIP indicator should have been selected within GFEBS to create an asset under construction project. They also indicated that this would capture the expenditures and GFEBS would record monthly accumulated costs to CIP. As described in the following example, this process did not occur. Fort Hood personnel entered a General Purpose Administration building into GFEBS that was placed in service on April 9, 2012. However, the $511,995 of construction costs for the building in Figure 2 was never recorded in the CIP account in GFEBS for FY 2012 or on the FY 2012 AGF Financial Statements as CIP. Furthermore, because no CIP transactions were processed through GFEBS for FY 2012, the Army is not using the CIP account in GFEBS to record construction costs.

Figure 2. General Purpose Administration Building

Source: Fort Hood Real Estate Personnel

Process For Recording Construction Costs Not Integrated

The Army did not record CIP costs from USACE in GFEBS because OASA(FM&C) personnel did not comply with their March 2008 agreement to develop an integrated process in GFEBS to record costs incurred by USACE in the construction of a real property asset. DoD OIG Report No. D-2008-072, "Controls Over Army Real Property Financial Reporting," March 28, 2008, reported that the Army did not accurately or efficiently transfer CIP costs between accounting and property management systems resulting in the inability to ensure accuracy and completeness of the acquisition costs of its real property assets. In the report, the DoD OIG recommended that the Army develop an integrated process within GFEBS to receive construction costs directly from any construction agent's accounting system and to record in-house costs incurred in the construction of a capital asset to the corresponding project's CIP account. In response to

these recommendations, OASA(FM&C) personnel stated that the process for recording CIP would be automated by FY 2011 as part of the transformation to GFEBS; however, the GFEBS PMO indicated that there are currently no plans for GFEBS to interface with CEFMS. Although required to record transactions in the general ledger, the Army still has not used GFEBS to record FY 2013 CIP transactions. The ASA(FM&C) should develop a working group to create an integrated process to record Army's construction costs from CEFMS in GFEBS. Because the Army did not implement efficiencies for receiving construction costs from CEFMS to record CIP in GFEBS, DFAS personnel prepared a journal voucher to account for completed CIP projects transferred to the Army in the FY 2012 AGF Financial Statements. The journal voucher adjusted GLAC 1730 (Buildings, Improvements, and Renovations) by $5 billion to include completed projects. The FY 2012 AGF Financial Statements reported $46 billion in Buildings, Structures, and Facilities. Therefore, this journal voucher accounted for 11 percent of the Army's buildings and structures reported in the FY 2012 AGF Financial Statements.

Because the Army did not implement efficiencies for receiving construction costs from CEFMS to record CIP in GFEBS, DFAS personnel prepared a journal voucher to account for completed CIP projects. . .in the FY 2012 AGF Financial Statements.

Insufficient Business Process to Record In-House Construction Costs

The Army also did not record in-house CIP costs in GFEBS because OASA(FM&C) and GFEBS PMO personnel did not implement a business process to record in-house CIP into the general ledger. Although OASA(FM&C) and GFEBS PMO personnel indicated the functionality to record in-house CIP existed in GFEBS, it is not currently being used. GFEBS training documentation stated that personnel can indicate when an asset is under construction. However, assets were not recorded in GFEBS until completed, so this indicator was not used. Therefore, the Army has spent $814 million on a system that did not record costs for in-house CIP. The ASA(FM&C) should develop a working group to create an integrated process for recording in-house costs incurred in the construction of a real property asset to the corresponding project's CIP account.

Use of Inaccurate Accounting Methods

The Army did not use accurate accounting methods for recording real property and other fixed assets in GFEBS. Specifically, OASA(FM&C) and GFEBS PMO personnel inappropriately used GLAC 5720 (Financing Sources Transferred in Without Reimbursement) to:

- move all fixed asset data from the legacy systems to GFEBS, and
- record newly acquired AGF fixed assets in GFEBS.

According to the U.S. Department of the Treasury, agencies can only use GLAC 5720 for transfers between Federal entities. However, OASA(FM&C) personnel stated that they are using GLAC 5720 to record all fixed assets in GFEBS regardless of the acquisition method. The FY 2012 GFEBS trial balance reported $133 billion in GLAC 5720.

Recording the Purchase/Transfer of Fixed Assets

OASA(FM&C) and GFEBS PMO personnel used GLAC 5720 to move all fixed asset data from legacy systems to GFEBS, creating accounting transactions in GFEBS when no business event actually occurred. For example, the Army converted a building from IFS to GFEBS on October 1, 2011, using the transaction depicted in Table 1.

Table 1. Conversion Example

Account Number	Account Description	Debit	Credit
1730.0100	Building, Improvements, & Renovations	$591,690,065	
1739.0100	Accumulated Depreciation for Buildings, Improvements & Renovations		$1,232,688
5720.0100	Financing Sources Transfer In without Reimbursement		$590,457,378

Note: Debit and credit discrepancy is due to rounding

As the Army would have recorded a transaction in the legacy accounting system when this asset was originally acquired, they should not have recorded another transaction for this asset in GFEBS. In addition, there was no offsetting transaction recorded to GLAC 5730 (Financing Sources Transferred Out Without Reimbursement) in the legacy accounting systems. By recording this transaction in GFEBS, the Army overstated the balance in GLAC 5720 by $590.5 million for this asset.

Furthermore, OASA(FM&C) and GFEBS PMO personnel used GLAC 5720 to record newly acquired AGF fixed assets in GFEBS. For example, the Army recorded the acquisition of an infantry fighting vehicle in GFEBS on February 4, 2012, using the transaction depicted in Table 2.

Table 2. Acquisition Example

Account Number	Account Description	Debit	Credit
1750.0200	Equipment - Military Equipment	$4,409,064	
5720.0100	Financing Sources Transfer In without Reimbursement		$4,409,064

As the infantry fighting vehicle was manufactured by a defense contractor, there was no Federal entity to transfer this asset out, and, consequently, this transaction overstated GLAC 5720 by $4.4 million. The transaction to record a fixed asset should document the method used to acquire the asset. For example, to correctly record the infantry fighting vehicle in Table 2, the Army could have increased the military equipment asset account and decreased cash or accounts payable depending on the payment method.

Impact of Decisions

The OASA(FM&C) and GFEBS PMO inappropriately used GLAC 5720 to record fixed assets in GFEBS because they did not understand the financial impact of the decision to record converted and purchased fixed assets in GLAC 5720. OASA(FM&C) personnel stated that they now realize that recording converted and purchased assets as transfers in may not have been the best decision. In addition, they indicated that they plan to hold workshops to further review the A2R business process and its effects on the financial statements. While the FY 2012 GFEBS trial balance reported $133 billion in GLAC 5720, DFAS personnel prepared an unsupported journal voucher to remove an $82 billion overstatement in GLAC 5720 from the FY 2012 AGF Financial Statements. To correct the overstatement in GLAC 5720, the ASA(FM&C) reclassified the $82 billion to GLAC 7190 (Other Gains), which created an overstatement for this account. The final balance for GLAC 7190 was $102 billion, which means that 80 percent of the balance consisted of the overstatement caused by this reclassification. Therefore, the Army has spent $814 million on a system that did not properly account for the purchase of fixed assets and created material misstatements in the financial statements. The ASA(FM&C) should develop a working group to create procedures to ensure that fixed asset conversions in GFEBS, or other Army systems, in the future do not overstate any general ledger account balances.

Since OASA(FM&C) treated the acquisition of all fixed assets as transfers in, GFEBS did not capture the amounts of its current year acquisitions of fixed assets. According to the GFEBS PMO, their organization did not incorporate the purchase of fixed assets into the GFEBS solution. Although, GLAC 8802 (Purchases of Property, Plant, and Equipment) should be used to track current year purchases of fixed assets, the FY 2012 GFEBS trial balance did not have a balance for this account. As GFEBS did not record any amounts in GLAC 8802, DFAS personnel prepared a $14 billion journal voucher to estimate the purchases of fixed assets for FY 2012. However, OASA(FM&C) personnel stated that this estimate related solely to the acquisition of military equipment. The $14 billion journal voucher amount was equivalent to the amount reported on the FY 2012 AGF Financial Statements for the Resources that Finance the Acquisition of Assets (Note 21). Therefore, because the journal voucher did not include amounts for any other property, plant, and equipment, other than military equipment, the FY 2012 AGF Financial Statements were understated for the current year acquisition of fixed assets. The ASA(FM&C) should develop a working group to create and implement procedures for recording the acquisition of fixed assets in accordance with USSGL guidance.

Inability to Provide a Transaction Library

GFEBS could not produce an automated transaction library showing the general ledger account postings for fixed asset transactions. Office of Federal Financial Management, "Core Financial System Requirements," January 2006, stated that core financial systems must provide automated functionality to define the general ledger account postings used in a standard transaction and define standard transactions that include proprietary, budgetary, and memorandum accounts. OASA(FM&C) and GFEBS PMO personnel stated that they could not provide an automated transaction library because GFEBS did

not have the capability to generate a transaction library. The GFEBS PMO provided a manually created transaction library to demonstrate how GFEBS posted accounting transactions. OASA(FM&C) and GFEBS PMO personnel included transactions for the purchase of property and equipment in the manual transaction library; however, GFEBS PMO personnel stated that these transactions were not used as part of the GFEBS solution. Therefore, the manual transaction library did not accurately reflect the way the GFEBS PMO configured the system to post accounting transactions. In addition, an automated transaction library would decrease the risk that it does not represent the actual way accounting transactions are recorded in the system. Without an automated transaction library, the Army is at an increased risk for not being audit ready, as auditors and Army financial managers cannot validate the general ledger account postings for fixed asset transactions. The ASA(FM&C) should develop a working group to create an automated process for demonstrating the general ledger account postings for each business event in the GFEBS transaction library.

Without an automated transaction library, the Army is at an increased risk for not being audit ready. . .and Army financial managers cannot validate the general ledger account postings for fixed asset transactions.

Conclusion

The Army did not have adequate controls over the recording of accounting transactions for the A2R business process in GFEBS. Although the Army spent $814 million on GFEBS, the Army did not:

- ensure real property personnel could efficiently and effectively perform their day-to-day responsibilities related to the management of 13,427 buildings and structures using GFEBS,
- ensure the accuracy of real property data prior to and during the conversion process from IFS to GFEBS for Fort Lee and Redstone Arsenal,
- use GFEBS to record the $10 billion of CIP costs reported on the FY 2012 AGF Financial Statements, and
- use accurate accounting methods for recording real property and other fixed assets in GFEBS.

In addition, GFEBS could not produce an automated transaction library. As a result, unless the issues identified are corrected, the Army will:

- continue using inefficient legacy business processes and diminish the estimated benefits associated with transforming business operations through business system modernization,

- not meet GFEBS program objectives to provide Army decision makers with relevant and reliable financial information and standardized business processes for real property, and

- increase the risk of not accomplishing its goal of full financial statement audit readiness by FY 2017.

For example, DFAS made over $100 billion of adjustments because of the ineffective use of GFEBS in accounting for the $160 billion of fixed assets reported on the FY 2012 AGF Financial Statements. DFAS adjusted the statements by $82 billion to remove an overstatement because Army inappropriately used GLAC 5720 to record fixed assets in GFEBS and also adjusted the statements by $19 billion to add fixed assets that bypassed GFEBS, the Army's general ledger. In addition, the $82 billion adjustment created an overstatement in GLAC 7190 (Other Gains), resulting in a material misstatement on the financial statements.

Management Comments on the Finding and Our Response

Army Comments

The Deputy Assistant Secretary of the Army (Financial Operations) (DASA[FO]) stated that the recommendations generally confirmed deficiencies previously identified by the Army in real property processes and associated financial transactions. He indicated the Army shared its concerns when the audit was announced that the A2R functions of GFEBS were not audit ready, it was working audit readiness activities supporting the Statement of Budgetary Resources, and it was evaluating internal audit results and business process improvements. In addition, the DASA(FO) stated that internal audit assessments for existence and completeness were ongoing and included the use of independent public accountants. He indicated that by taking these actions, the Army plans to have the Statement of Budgetary Resources and existence and completeness for real property audit ready by 2015. For the full text of the DASA(FO)'s comments, see the Management Comments section of the report.

The Director, Operations, OACSIM, stated that the Army's continued implementation of real property accountability and financial completeness processes in GFEBS will ensure a greater probability of the Army receiving an unqualified opinion on the Army's existence and completeness audit.

Our Response

On October 15, 2012, the Under Secretary of the Army declared that GFEBS achieved full deployment on July 1, 2012. He stated this determination was based on the successful completion of system development, operational testing and evaluation, and fielding to all approved sites in the GFEBS deployment plan. However, OACSIM personnel waited until September 26, 2012, almost three months after the Army's stated full deployment date for GFEBS, before they began a review intended to determine

whether GFEBS contained all the data elements, business procedures, and reporting capabilities needed by the Army real property community. OASA(FM&C) and the GFEBS PMO should have developed the A2R functionality within GFEBS before fully deploying the system.

Successful implementation of GFEBS is critical for the Army to meet its goals of improving the timeliness and reliability of financial information and obtaining a clean audit opinion. To accomplish this, GFEBS must have the capability to process all current AGF transactions as early in development and implementation as possible. We previously recommended[10] that the Army stop deployment of GFEBS and resolve issues regarding the completeness and posting of USSGL information within the system before moving forward with any further deployment. However, the Army disagreed and continued with the deployment of the system. With more than 53,000 users at 227 locations in 71 countries using GFEBS, correcting identified deficiencies will require extended time and additional funds. In addition, the DASA(FO) stated that internal audit assessments for existence and completeness were ongoing; however, existence and completeness are only two of the five broad categories of management representations embodied in financial statement components. For the Army to achieve an unqualified audit opinion on the AGF financial statements, it must also address the remaining categories of management representations, including the valuation of assets by ensuring the proper recording of real property transactions in the GFEBS general ledger.

Recommendations, Management Comments, and Our Response

A. We recommend that the Assistant Secretary of the Army (Financial Management and Comptroller) develop a working group, including the Assistant Chief of Staff for Installation Management; the Chief, U.S. Army Corps of Engineers; and the General Fund Enterprise Business System Program Manager to:

1. Identify all Acquire-to-Retire functionality not in the General Fund Enterprise Business System necessary for complete Army real property management.

Army Comments

The DASA(FO), responding for the ASA(FM&C), agreed. He stated that the Army recognized the importance of fully understanding the A2R real property processes and their connections to GFEBS for complete real property management. The DASA(FO) indicated the Army has undertaken an effort to define full end-to-end real property management processes to include an assessment of A2R functionality not in GFEBS and the impact on proper financial recognition and accountability.

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[10] Report No. DODIG-2012-066, "General Fund Enterprise Business System Did Not Provide Required Information," March 26, 2012.

Although not required to comment, the Director, Operations, OACSIM, stated that he agrees that ASA(FM&C) should create and manage working groups to ensure the sustainable real property business processes exist within GFEBS. He also agreed that GFEBS can leverage all its capabilities as an ERP system, integrating internal and external management of information across the entire organization as evidenced in Recommendations A.1 through A.10.

Our Response

Comments from the DASA(FO) were partially responsive. He did not address for this, or for the remaining recommendations in this finding, the establishment of a working group and the working group's effort to define full end-to-end real property management processes. It is important that all stakeholders in the A2R business process, including OACSIM, USACE, and GFEBS PMO, be involved in the effort to identify A2R functionality necessary for complete Army real property management. We request that the ASA(FM&C) provide comments to the final report that address the establishment of a working group and milestones for the effort to define full end-to-end real property management processes, including assessing A2R functionality not in GFEBS and the impact on proper financial recognition and accountability.

2. Develop and implement the identified functionality into the General Fund Enterprise Business System, including the capability to generate an Army-wide real property universe.

Army Comments

The DASA(FO) partially agreed. He stated that GFEBS supports Army real property management and maintenance once real property assets have been placed in service and that the execution of military construction and management activities are not directly supported within GFEBS. In addition, the DASA(FO) indicated that land record accountability is managed outside of GFEBS. He also stated the USACE is responsible for execution and management of military construction funding as well as land and lease activity. The DASA(FO) indicated that the current end-to-end process analysis effort is intended to reinforce the requirement for strong and reliable interaction points with GFEBS.

Although not required to comment, the Director, Operations, OACSIM, stated that efforts are currently underway to incorporate real property data from other systems of record (REMIS, the Rental Facility Management Information System, and the Planning Resources for Infrastructure Development and Evaluation) to ensure GFEBS provides visibility on the entire Army real property universe.

Our Response

The DASA(FO) comments were not responsive. Personnel from the Office of the Under Secretary of Defense (Comptroller)/Chief Financial Officer, DoD, provided the funding authorization for the Army military construction appropriation to ASA(FM&C), not USACE. Therefore, the OASA(FM&C) is responsible for the execution and management of this funding. In addition, Office of Federal Financial Management,

"Core Financial System Requirements," January 2006, stated that all transactions recording financial events must post to the general ledger regardless of the origin of the transaction. GFEBS, as the AGF's general ledger, should record any financial transaction related to AGF financial reporting, even those that originate in other systems and CIP costs should be traceable back to the individual projects contained in GFEBS, the Army's real property system of record. Until this occurs, GFEBS will not be the single source for financial and related non-financial data and for consolidated AGF financial reporting as it was intended. In addition, the DASA(FO) did not address how the Army will implement the capability into GFEBS to generate an Army-wide real property universe, which will be critical for future financial statement opinion audits. We request that the ASA(FM&C) reconsider her position and provide comments to the final report addressing how the GFEBS PMO will develop and implement the identified functionality into GFEBS, including the capability to generate an Army-wide real property universe.

3. Perform user acceptance testing of the 23 real property reports under development prior to implementing the reports.

Army Comments

The DASA(FO) disagreed. He stated that the 23 products are job aids to support users in understanding GFEBS functionality and associated business processes and user acceptance testing would not be practical. The DASA(FO) indicated adjustments are routinely made to job aids to better support the needs of users. He also stated that GFEBS personnel recognize the correlation between aligning end-to-end real property management processes with reporting capabilities. The DASA(FO) also indicated that the current comprehensive end-to-end real property business process analysis and reengineering efforts will ensure that the GFEBS real property capabilities can support the Army real property community.

Although not required to comment, the Director, Operations, OACSIM, stated that a collaborative effort would be made to identify the required standard reports and ensure they are readily accessible by GFEBS users.

Our Response

The DASA(FO)'s comments were not responsive. Whether the products are job aids or reports, OASA(FM&C) and GFEBS PMO personnel should involve the end users in developing and testing to ensure the products meet the needs of the real property community. By not doing so, OASA(FM&C) and GFEBS PMO personnel risk creating job aids that do not correct the reporting capability gap identified by the Army in FY 2011. The DASA(FO) did not provide details concerning how the Army will ensure the job aids meet the end-users needs, including the lack of reporting capabilities for the real property community to perform their day-to-day responsibilities. We request that the ASA(FM&C) reconsider her position and provide comments on the final report addressing how the GFEBS PMO will ensure the job aids meet the needs of the real property community and that the real property community has the necessary reporting capabilities.

4. Implement the Army's reengineered Acquire-to-Retire business process by developing standardized procedures and controls that leverage all the capabilities the General Fund Enterprise Business System provides.

Army Comments

The DASA(FO) agreed. He stated that the Army is working to leverage the capabilities that GFEBS provides with the current end-to-end real property business process analysis and reengineering efforts. The DASA(FO) added that, although these efforts started before the audit, the DoD IG's assessment has helped the Army focus on several real property functions, process scenarios, and systems interaction points. He also indicated that the current analysis includes a full review of controls over risks associated with real property existence and completeness audit readiness.

Although not required to comment, the Director, Operations, OACSIM, stated that OASA(FM&C) and the GFEBS PMO will lead a collaborative effort with OACSIM, USACE, U.S. Army Reserve, and Army National Guard personnel to integrate the reengineered A2R business processes and controls across the components and ensure the full capabilities of GFEBS are realized. He indicated that this would ensure that relevant financial data entered into GFEBS during real property asset data entry, such as purchase request and contracting processes, are transferred automatically to the real property asset records.

Our Response

The DASA(FO)'s comments were responsive, and no additional comments are required.

5. Provide job-specific training to Army real property personnel and other personnel involved in the Acquire-to-Retire business process.

Army Comments

The DASA(FO) agreed. He stated that the efforts of GFEBS personnel over several years have resulted in a series of "Day-In-The-Life" training resources and job aids. The DASA(FO) added that this is an important effort that will need to be supported and given continued attention in the future. He stated that the OASA(FM&C), OACSIM, and GFEBS PMO will develop and deploy additional training aids in the future as needs are identified.

Although not required to comment, the Director, Operations, OACSIM, stated that OACSIM conducted Real Property Management and Space Utilization training through the USACE Proponent Sponsored Engineer Corps Training program until FY 2013. He indicated that OACSIM is in the process of developing several courses of action for leadership consideration that would provide a comprehensive real property management and systems training program. The Director stated the program would combine the "Day-In-The-Life" scenarios with statutory and regulatory guidance that explains how the Army manages real property. He stated that the program would be collaboratively developed by OACSIM, the real property functional experts, and OASA(FM&C) and the

GFEBS PMO, the financial and system experts, to ensure the best training product will be available.

Our Response

The DASA(FO)'s comments were partially responsive. Redstone Arsenal personnel stated that the "Day-In-The-Life" training they received did not adequately address how to perform day-to-day real property functions. Real property personnel need functional training on how to perform their specific job. Without adequate functional training on real property processes, installation personnel may develop their own non-standardized processes for performing their day-to-day responsibilities. We request that the ASA(FM&C) provide additional comments explaining how the "Day-In-The-Life" training aids have been updated to address the performance of day-to-day real property functions.

6. Perform a review of all real property data in the General Fund Enterprise Business System to ensure that the General Fund Enterprise Business System contains the correct data going forward and track the costs associated with this effort and other data cleansing efforts so they can be calculated as part of the cost of the General Fund Enterprise Business System implementation or as part of the Army's audit readiness efforts.

Army Comments

The DASA(FO) partially agreed. He stated that the Army has begun reviewing and reconverting real property data in GFEBS. However, the DASA(FO) disagreed with tracking the costs associated with this effort and other data cleansing efforts since there are multiple organizations involved in each step of the real property data review and cleansing process.

Our Response

The DASA(FO)'s comments were partially responsive. The task of financial system data cleansing and conversion can be a significant part of the financial system implementation in terms of workload, complexity, risk, and cost. The costs for data cleansing and conversion are a part of the overall investment cost for GFEBS. Therefore, the costs to perform a review of all real property data in GFEBS to ensure that the system contains the correct data going forward should be tracked, regardless of the number of organizations involved. If the OASA(FM&C) does not track these costs, Congress and DoD senior management will not receive accurate information on the full cost for GFEBS implementation or for the Army's efforts to become audit ready. We request that the ASA(FM&C) reconsider her position and provide comments to the final report addressing how the Army will track the costs with this effort and other data cleansing efforts so they can be included as part of the cost of the GFEBS implementation or as part of the Army's audit readiness efforts.

7. Develop an integrated process within the General Fund Enterprise Business System to:

a. Record construction costs from the Corps of Engineers Financial Management System in the General Fund Enterprise Business System, the Army's general ledger.

Army Comments

The DASA(FO) disagreed. He stated that USACE is responsible for execution and management of military construction funding. The DASA(FO) indicated that construction projects and the associated recording of CIP are managed within CEFMS, which directly feeds the Army's financial statements through the Defense Departmental Reporting System.

Although not required to comment, the Director, Operations, OACSIM, stated that OACSIM will work with the key A2R business process stakeholders, other than USACE, to ensure that CIP costs transfer accurately to GFEBS from their systems of record. He later clarified that OACSIM will collaborate with the Office of the Secretary of Defense on the CIP business processes for construction projects managed through the Naval Facilities Engineering Command or other construction agencies tracking CIP costs for projects on Army installations. The Director indicated this may include construction by DoD Agencies and Army National Guard projects on Army installations not specifically managed by USACE.

Our Response

The DASA(FO)'s comments were not responsive. Personnel from the Office of the Under Secretary of Defense (Comptroller)/Chief Financial Officer, DoD, provided the funding authorization for the Army military construction appropriation to ASA(FM&C). Therefore, the OASA(FM&C) is responsible for the execution and management of this funding, not USACE. The Army created GFEBS to have a single source for financial and related non-financial data. Office of Federal Financial Management, "Core Financial System Requirements," January 2006, stated that all transactions recording financial events must post to the general ledger regardless of the origin of the transaction. GFEBS, as the AGF's general ledger, should record any financial transaction related to AGF financial reporting, even those that originate in CEFMS. Until this occurs, GFEBS will not be the single source for consolidated AGF financial reporting as it was intended. We request that the ASA(FM&C) reconsider her position and provide comments on the final report addressing how OASA(FM&C) will work with OACSIM, USACE, and the GFEBS PMO to ensure GFEBS records construction costs from CEFMS.

b. Record in-house costs incurred in the construction of a real property asset to the corresponding project's construction-in-progress account.

Army Comments

The DASA(FO) agreed. He stated that CIP incremental costs should be recorded and settled to the asset in GFEBS upon placement in service for the narrow scope of real property construction undertaken by installation activities.

Our Response

The DASA(FO)'s comments were partially responsive. He agreed that CIP incremental costs should be recorded and settled to the asset in GFEBS. However, the DASA(FO) did not state what actions the Army would take to ensure it developed the integrated process within GFEBS. We request that the ASA(FM&C) provide comments on the final report addressing planned or taken corrective actions and the planned completion date.

8. Develop procedures to ensure that fixed asset conversions in the General Fund Enterprise Business System, or other Army systems, in the future do not overstate any general ledger account balances.

Army Comments

The DASA(FO) agreed. He stated that the business rules for real property data migration and asset establishment were developed in 2010 and were updated in 2013 as part of the current end-to-end real property business process analysis and reengineering effort. The DASA(FO) indicated that the GFEBS Functional personnel are responsible for maintaining the asset conversion business rules documentation. He added that the revised business rules ensure that there is a complete and accurate universe of assets that comprise the baseline for the real property sub-ledger and supports the trial balance general ledger accounts in detail. The DASA(FO) stated that by doing so, GFEBS can have adequate assurance that the applicable general ledger account balances are not overstated as a result of conversion efforts.

Our Response

The DASA(FO)'s comments were responsive, and no additional comments are required.

9. Develop and implement procedures for recording the acquisition of fixed assets in accordance with the U.S. Government Standard General Ledger.

Army Comments

The DASA(FO) agreed. He stated that GFEBS is already configured to recognize the varied methods of acquisition of real property assets that results in correct general ledger posting recognition in accordance with the USSGL. The DASA(FO) also stated that the current end-to-end real property business process analysis and reengineering effort will assist the Army with developing associated training materials and job aids to help users in correctly applying the existing capability within GFEBS.

Our Response

The DASA(FO)'s comments were partially responsive. The Army did not use accurate accounting methods for recording real property and other fixed assets in GFEBS. While the system may contain the appropriate general ledger account postings, procedures were not in place to ensure the Army recorded the acquisition of fixed assets in accordance with the USSGL. As previously mentioned, the Army incorrectly recorded the acquisition of an infantry fighting vehicle as a transfer-in, resulting in a $4.4 million overstatement in GLAC 5720. Users were following an existing job aid that incorrectly

directed them to record all newly acquired assets as transfers-in, regardless of the acquisition method. We request that the ASA(FM&C) provide comments on the final report that address the recommended working group and how the Army will ensure it records the acquisition of fixed assets in accordance with the USSGL. In addition, the comments to the final report should indicate the organizations involved in and milestones for the end-to-end real property business process analysis and reengineering efforts.

10. Develop an automated functionality for demonstrating the general ledger account postings for each business event in the General Fund Enterprise Business System.

Army Comments

The DASA(FO) disagreed. He stated that, in accordance with its financial management requirement mandates, GFEBS has automated functionality to define general ledger account postings used in standard transactions and has defined standard transactions that include proprietary, budgetary, and memorandum accounts within the system. In addition, the DASA(FO) stated that there are no requirements to develop and maintain automated transaction library extracts or reports.

Our Response

The DASA(FO)'s comments were not responsive. He stated that GFEBS has an automated functionality to define general ledger account postings used in standard transactions; however, OASA(FM&C) and GFEBS PMO personnel could not use GFEBS to demonstrate the general ledger account postings for the A2R business events. The manually created transaction library did not accurately reflect the GFEBS general ledger account postings. Without an automated method within GFEBS that demonstrates the general ledger account postings, Army financial managers and auditors cannot verify that GFEBS complies with USSGL and DoD Standard Financial Information Structure requirements. We request that the ASA(FM&C) reconsider her position and provide comments to the final report describing how GFEBS can demonstrate the general ledger account postings for each A2R business event.

Finding B. GFEBS Contained Unreliable Land Information

The GFEBS PMO did not maintain a verifiable audit trail for land tracts reported in GFEBS. Specifically, 33 of the 154 land tracts included in the sample were reported at the summary level in GFEBS and contained land tract numbers that did not exist in REMIS, the Army's accountable property system of record for land. This occurred because GFEBS PMO personnel did not follow their plan for converting land assets into GFEBS and incorporated summary level land information from IFS as well as land tract level information from REMIS. As a result, GFEBS overstated the total acreage for 4 activities by at least 247,850 acres and the land information reported in GFEBS is unreliable. The Army will have to expend additional funds and resources to reconcile and correct the land information in GFEBS. In addition, DoD and Army personnel cannot use the information in GFEBS to make financial decisions regarding the use of resources due to the inaccuracies in the land information.

Insufficient Audit Trail

The Army did not maintain a verifiable audit trail for all of the land tracts we reviewed. Specifically, 33 of 154 land tract numbers from Fort Hood, Fort Leavenworth,[11] Fort Lee, and Redstone Arsenal were reported at the summary level in GFEBS and did not contain land tract numbers that existed in REMIS. DFAS 7900.4-M, "Financial Management Systems Requirements Manual," stated that all transactions must be traceable to individual source transactions, creating an audit trail. While audit trails are critical to providing support for transactions and account balances, they are also essential for verification by auditors and system evaluators, and necessary for the day-to-day operation of systems. To improve the accessibility and consistency of real property data across the DoD, the Office of the Deputy Under Secretary of Defense for Installations and Environment created real property unique identifiers (RPUIDs). DoD Instruction 4165.14, "Real Property Inventory and Forecasting," March 31, 2006, required that all DoD real property systems use the RPUID. Therefore, USACE should be able to use the RPUID to find land records in REMIS.

We provided USACE personnel with the RPUID, Land Tract Identification, Address, Acquisition Basic Cost, and Acquisition date from GFEBS for all 154 sampled items. Using the information provided from GFEBS, USACE personnel were unable to locate 33 of the land assets in REMIS. Specifically, USACE personnel stated that they could not locate the RPUIDS or the land tracts numbers in the REMIS database.

Using the information provided from GFEBS, USACE personnel were unable to locate 33 of the land assets in REMIS.

[11] Fort Leavenworth included sample items from Active Army and the U.S. Army Reserve Command.

Summary Land Information

An audit trail did not exist between GFEBS and REMIS for many land assets because GFEBS PMO personnel did not follow their plan for converting land assets into GFEBS. According to GFEBS design documentation,[12] the Army should have converted land assets from REMIS at the land tract level into GFEBS. However, OACSIM personnel stated that during the conversion process, GFEBS PMO personnel also converted summary level land information from IFS into GFEBS. The real property conversion file from IFS into GFEBS should have excluded land records. OACSIM personnel could not determine why GFEBS PMO personnel converted land information from both systems.

Additional Work Needed to Correct Land Information

As a result, GFEBS contained at least 247,850 acres more than REMIS and the land information reported in GFEBS is unreliable. The Army will have to expend additional funds and resources to reconcile and correct the information contained within the system. In addition, DoD and Army personnel cannot use the information in GFEBS to make financial decisions regarding the use of resources due to the inaccuracies in the land information. Table 3 illustrates the variances we identified between the GFEBS and REMIS records.

Table 3. Variances between GFEBS and REMIS records

Location	Tracts of Land			Acres of Land		
	GFEBS	REMIS	Variance	GFEBS	REMIS	Variance
Fort Hood	1,162	1,323	(161)	427,659	214,694	212,965
Fort Leavenworth	6	5	1	6,048	5,629	419
Fort Lee	41	131	(90)	5,907	5,808	99
Redstone Arsenal	313	337	(24)	72,595	38,228	34,367
Total	**1,522**	**1,796**	**(274)**	**512,209**	**264,359**	**247,850**

The variances do not identify the full scope of the inaccuracies. For example, the 41 tracts of land in GFEBS for Fort Lee are not in REMIS. In order to ensure the information is correct within GFEBS, all 41 records will have to be replaced with the detailed information from REMIS. As a result of the variances, GFEBS overstated the total acreage for these 4 activities by at least 247,850 acres. Furthermore, OACSIM personnel are working with USACE to perform a review of the accuracy of Army's land information in REMIS and stated they plan to dispose of the summary land records in GFEBS once they complete the review. The Assistant Chief of Staff for Installation Management should form a working group to complete a full review of the land

[12] Army's functional design documentation dated March 2009, prepared by the Property, Plant, and Equipment – Equipment and Assets Team.

information reported in GFEBS and ensure the correct information is contained in the system.

Recommendation, Management Comments, and Our Response

B. We recommend that the Assistant Chief of Staff for Installation Management develop a working group, consisting of the Chief, U.S. Army Corps of Engineers and the General Fund Enterprise Business System Program Manager to perform a 100 percent review of land assets to ensure General Fund Enterprise Business System land information is correct and consistent with land data in the Real Estate Management Information System.

Army Comments

The Director, Operations, OACSIM, responding for the Assistant Chief of Staff for Installation Management, agreed. He stated that the OACSIM will establish and manage a Land Reconciliation Working Group with GFEBS PMO, USACE, U. S. Army Reserve, and Army National Guard personnel to ensure the land tract data in REMIS and the Rental Facilities Management Information System, the Army's source systems for land, is correlated with GFEBS data and that future land acquisitions or transactions are traceable back to the individual source systems transactions. He indicated that OACSIM has unfunded requirements to USACE to update and reconcile land tract data with REMIS and the Rental Facilities Management Information System and the project, if funded, should be substantially complete by the end of FY 2014. He stated that OACSIM will leverage this working group and the Army Military Land Tract project data to potentially make this land data synchronize with the source systems in 2014. In addition, he indicated that efforts are currently underway to ensure GFEBS reflects the land parcel data within REMIS and the Rental Facilities Management Information System.

Our Response

The Director, Operations, OACSIM, comments were responsive, and no additional comments are required.

Appendix A. Scope and Methodology

We conducted this performance audit from June 2012 through May 2013 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 contacted personnel from the Office of the Under Secretary of Defense (Comptroller)/Chief Financial Officer, DoD; Army Office of Business Transformation; Office of the Deputy Chief Management Officer; OASA(FM&C); OACSIM; Program Executive Office Enterprise Information Systems; GFEBS PMO; DFAS; Army Materiel Command; USACE; Army Mission Installation Contracting Command; IMCOM; and the U.S. Army Reserves to discuss their roles and responsibilities regarding the A2R business process. The Army's A2R business process includes business events for the master planning and acquiring of an asset. As these business events were not unique to the A2R business process and related to other end-to-end processes, we did not include them in our review. Therefore, we reviewed A2R business events related to the placing of an asset in service, management of an asset, and disposal of an asset.

We non-statistically selected five locations based on the length of time the locations had used GFEBS. These five locations were Fort Hood, Fort Lee, Fort Leavenworth, Leavenworth U.S. Army Reserve Center, and Redstone Arsenal. We met with personnel from Department of Public Works, Resource Management, and Contracting to observe and discuss their duties as they related to the A2R business process and gathered supporting documentation to assess the audit trail of real property assets, excluding land. We used statistical sampling and other analytical procedures to assess the audit trail of land assets from GFEBS to the supporting documentation obtained from the respective USACE district offices. We selected the sample of land assets by using stratified sample design as shown in the following table.

Table A. Land Sample Design

Location	Universe Size	Sample Size
Fort Hood	1,162	64
Fort Leavenworth	6	6
Leavenworth U.S. Army Reserve Center	1	1
Fort Lee	46	27
Redstone Arsenal	313	56
Total	**1,528**	**154**

In addition, we attempted to obtain an automated GFEBS transaction library to determine the accuracy of the posting logic for the fixed assets reported in GFEBS. We reviewed fixed asset transactions to determine whether they complied with the USSGL transaction library. We selected a non-statistical sample of transactions for fixed assets that were placed in service in FY 2012 and recorded in GLAC 5720 as transfers-in.

We obtained a universe of Army real property and land assets for the five selected locations from GFEBS for statistical sampling. Due to the excessive amount of time to obtain the needed information within GFEBS and the significance of the other issues already identified during the audit, we did not complete our review of the real property asset samples. We could not readily identify transactions related to each real property asset in GFEBS and GFEBS PMO personnel were unable to demonstrate that GFEBS had this capability. In addition, we did not project the results of the review of the land sample items because the summary information included in the GFEBS land universe made the data unreliable.

Use of Computer-Processed Data

To perform this audit, we used data obtained from GFEBS. We used land asset information as of August 2012 and FY 2012 transactions related to the A2R process from GFEBS. We determined the reliability of the data by comparing the GFEBS land information to the REMIS reports, comparing general ledger account totals with the FY 2012 GFEBS trial balance to determine consistency, and reviewing FY 2012 AGF journal vouchers from the Defense Departmental Reporting System-Audited Financial Statements to determine the completeness of GFEBS A2R data. We also discussed data integrity with financial management and system design experts, agency officials, and officials at organizations involved with using GFEBS. The data reliability issues we identified are discussed in the findings. We believe the computer-processed data we used were sufficient to support the findings in this report.

Use of Technical Assistance

The Quantitative Methods Division provided technical assistance throughout the sample selection and evaluation process. The Quantitative Methods Division provided statistical samples of real property and land assets reported in GFEBS.

Appendix B. Prior Coverage

During the last 5 years, the Government Accountability Office (GAO), the DoD OIG, and U.S. Army Audit Agency (AAA) have issued 16 reports discussing GFEBS functionality or end-to-end business processes. Unrestricted GAO reports can be accessed over the Internet at http://www.gao.gov. Unrestricted DoD IG reports can be accessed at http://www.dodig.mil/audit/reports. Unrestricted Army reports can be accessed from .mil and gao.gov domains over the Internet at https://www.aaa.army.mil.

GAO

GAO Report No. GAO-12-685, "DoD Business Systems Modernization: Governance Mechanisms for Implementing Management Controls Need to Be Improved," June 1, 2012

GAO Report No. GAO-12-134, "DoD Financial Management: Implementation Weaknesses in Army and Air Force Business Systems Could Jeopardize DoD's Auditability Goals," February 28, 2012

GAO Report No. GAO-11-53, "DoD Business Transformation: Improved Management Oversight of Business System Modernization Efforts Needed," October 7, 2010

DoD IG

DoD IG Report No. DODIG-2012-111, "Enterprise Resource Planning Systems Schedule Delays and Reengineering Weaknesses Increase Risks to DoD's Auditability Goals," July 13, 2012

DoD IG Report No. DODIG-2012-087, "Logistics Modernization Program System Procure-to-Pay Process Did Not Correct Material Weaknesses," May 29, 2012

DoD IG Report No. DODIG-2012-066, "General Fund Enterprise Business System Did Not Provide Required Financial Information," March 26, 2012

DoD IG Report No. D-2011-072, "Previously Identified Deficiencies Not Corrected in the General Fund Enterprise Business System Program," June 15, 2011

DoD IG Report No. D-2009-084, "Controls Over Army Working Capital Fund Real Property Assets," May 29, 2009

DoD IG Report No. D-2008-072, "Controls Over Army Real Property Financial Reporting," March 28, 2008

Army

AAA Attestation Report A-2012-0153-FMR, "Examination of the General Fund Enterprise Business System - Federal Financial Management Improvement Act Compliance. Examination of Requirements Through Test Event 1.4.4," August 7, 2012

AAA Attestation Report 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 14, 2010

AAA Audit Report 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 30, 2009

AAA Audit Report A-2009-0231-FFM, "General Fund Enterprise Business System - Federal Financial Management Improvement Act Compliance. Examination of Releases 1.3 Functionality," September 30, 2009

AAA Attestation Report A-2009-0226-FFM, "Examination of Federal Financial Management Improvement Act Compliance - Test Validation. General Fund Enterprise Business System Release 1.2," September 30, 2009

AAA Attestation Report A-2008-0263-FFM, "General Fund Enterprise Business System - Federal Financial Management Improvement Act Compliance. Examination of Release 1.3 Requirements," September 29, 2008

AAA Attestation Report A-2008-0204-FFM, "General Fund Enterprise Business System - Federal Financial Management Improvement Act Compliance. Examination of Release 1.2 Business Process Designs," August 14, 2008

Department of the Army Comments

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

JUL 17 2013

SAFM-FO

MEMORANDUM FOR Department of Defense Inspector General, Assistant Inspector General for Auditing, 8899 East 56th Street, Indianapolis, IN 46249-7501

SUBJECT: Command Comments for Army Needs to Improve Controls and Audit Trails for the General Fund Enterprise Business System Acquire-to-Retire Business Process_(12FL-0160)

1. The subject report recommendations generally confirm deficiencies in Real Property processes and any associated financial transactions previously identified by Army. At the time of the Inspector General (IG) announcement, the Army shared concerns that this part of the General Fund Enterprise Business System (GFEBS) was not audit ready and that we were working audit readiness activities supporting of the Statement of Budgetary Resources. We also stated that we were evaluating internal audit results and business process improvements. Our internal audit assessments for Existence and Completeness are ongoing and include the use of independent public accountants. By taking these actions to address the noted deficiencies, the Army plans to have the SBR and E&C for Real Property audit ready by 2015.

2. We appreciate the opportunity to comment on the report and look forward to addressing the recommendations .

3. My point of contact for this action is [redacted] who can be reached at [redacted]

Encl

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

CF:
Department of the Army, Office of the Assistant Chief of Staff for Installation Management, 600 Army Pentagon, Washington, DC 20310-0600

Department of the Army Comments

Project: D2012-D000FL-0160.000

Audit Locations: Alexandria, VA; Fort Hood, Fort Lee, Fort Leavenworth, Leavenworth USARC, Redstone Arsenal

Objective Title: Army Needs to Improve Controls and Audit Trails for the General Fund Enterprise Business System Acquire-to-Retire Business Process

Objective: To determine whether the Army had adequate controls over recording accounting transactions within the Acquire-to-Retire (A2R) business process through the General Fund Enterprise Business System (GFEBS). And to determine whether the Army had verifiable audit trails to support these transactions.

Conclusion: No, the Army does not have adequate controls over the recording of accounting transactions for the real property A2R business processes in GFEBS. The Army created GFEBS to have a single source for financial and non-financial data and for consolidating financial reporting on the Army General Ledger. Accounting personnel created over $100 billion of adjustments because of the ineffective use of GFEBS in accounting for $160 billion of fixed assets reported in FY 2012 Army General Fund Financial Statements. Additionally GFEBS did not record $10 billion of Construction in Progress (CIP) costs to the FY 2012 Army General Fund Financial Statements. GFEBS is unable to produce an automated transaction library showing the history of the general ledger account postings potentially jeopardizing the Army's ability to achieve audit readiness by FY17.

Land tracts recorded in GFEBS could not be audited back to the USACE Real Estate Management Information System (REMIS), the source system for land tracts. GFEBS overstated the total acreage of the 4 surveyed locations by at least 247,850 acres and 33 of the 154 land tracts sampled had land tract numbers that did not exist in REMIS.

Recommendation(s) Finding A1-A10: Assistant Secretary of the Army (Financial Management and Comptroller) develop a working group, including the Assistant Chief of Staff for Installation Management; Chief U.S. Army Corps of Engineers; and the GFEBS Program Manager to:

A-1. Identify all Acquire-to-Retire (A2R) functionality not in the General Fund Enterprise Business System necessary for complete Army real property management.

ARMY Concur. The Army recognizes the importance of understanding the full bounds of the A2R real property processes and their linkages to GFEBS for complete real property management. As previously stated, the Army has undertaken an effort to define full end to end real property management processes. This will include an assessment of A2R functionality not in GFEBS and associated linkages to proper financial recognition and accountability in GFEBS.

Department of the Army Comments

A-2: Develop and implement the identified functionality Into the General Fund Enterprise Business System, including the capability to generate an Army-wide real property universe.

ARMY Partially Concur. GFEBS supports Army real property management and maintenance once real property assets have been placed in service. To that end, Military Construction execution and management activities are not directly supported within GFEBS. Likewise, land record accountability is managed outside of GFEBS. The U.S. Army Corps of Engineers is responsible for MILCON execution and management as well as land and lease activity; of course, it is understood that there is a requirement for strong and reliable interaction points with GFEBS and that is what the end to end process analysis effort currently underway is intended to reinforce.

A-3: Perform user acceptance testing of the 23 real property reports under development prior to implementing the reports.

ARMY Non-Concur. Rather than reports, these 23 products to which the DoDIG refers are job aids. These job aids support users in understanding delivered GFEBS functionality and associated business processes. As such, no user acceptance testing can be practically provided; however, adjustments are routinely made to job aids to better support the needs of users. GFEBS recognizes the correlation between aligning end to end real property management processes with reporting capabilities. Through the comprehensive end to end real property business process analysis and reengineering efforts currently underway, the Army will ensure that the GFEBS real property capabilities can support the Army Real property community.

A-4: Implement the Army's reengineered Acquire-to-Retire business process by developing standardized procedures and controls that leverage all the capabilities the General Fund Enterprise Business System provides.

ARMY Concur. The Army is working to that aim with the comprehensive end to end real property business process analysis and reengineering efforts currently underway. Although started prior to the A2R audit, the DoD IG's assessment has aided the Army in honing its focus on several real property functions, process scenarios and systems interaction points. The analysis currently being conducted includes a full review of controls over risks associated with real property existence and completeness audit readiness.

A-5: Provide job-specific training to Army real property personnel and other personnel involved in the Acquire-to-Retire business process.

ARMY Concur. GFEBS has been working on that direction for several years. This has resulted in a range of "Day in the Life" training resources and job aids. Clearly this is an important effort that will need to be supported and given continued attention in the future. The GFEBS PMO (Project Management Office), ASA(FM&C) and Office of the Assistant Chief of Staff of Information Management (OACSIM) will develop and deploy additional training aids in the future as need is identified.

Department of the Army Comments

A-6: Perform a review of all real property data in General Fund Enterprise Business System to ensure that General Fund Enterprise Business System contains the correct data going forward and track the costs associated with this effort and other data cleansing efforts so they can be calculated as part of the cost of the General Fund Enterprise Business System implementation or as part of the Army's audit readiness efforts.

ARMY Partially Concur. The Army concurs with reviewing all real property data in GFEBS and this reconversion effort has already begun. However, the Army non-concurs with GFEBS tracking costs associated with this effort and other data cleansing efforts as there are multiple organizations involved in each process step of the real property data review and cleansing process (e.g. interface monitoring, data reviews, conversion management, etc.).

A-7a: Develop an integrated process within the General Fund Enterprise Business system to receive construction costs directly from the U.S. Corps of Engineers Financial Management System (CEFMS).

ARMY Non-Concur. The U.S. Army Corps of Engineers is responsible for MILCON execution and management. As such, the management of construction projects and the associated recording of Construction in Progress (CIP) is managed within the applicable accounting system, the Corps of Engineers Financial Management System, which directly feeds the Army's financial statements through Defense Departmental Reporting System (DDRS).

A-7b: Develop an integrated process within the General Fund Enterprise Business system to record in-house costs incurred in the construction of a real property asset to the corresponding project's Construction-in-Progress account.

ARMY Concur. The Army agrees that Construction-in-Progress incremental costs should be recorded and eventually settled to the asset in GFEBS upon placement in service for the narrow scope of real property construction undertaken by installation activities in GFEBS.

A-8: Develop procedures to ensure that fixed asset conversions in the General Fund Enterprise Business System, or other Army systems, in the future do not overstate any general ledger account balances.

ARMY Concur. Business rules for real property data migration and asset establishment had been developed in 2010. These rules have been updated in 2013 as part of our ongoing end to end real property business process analysis and reengineering effort currently underway. GFEBS Functional is the maintainer of the asset conversion business rules document. The revised business rules ensure that there is a complete and accurate universe of assets that comprise the baseline for the real property sub-ledger and supports the trial balance general ledger accounts in detail. By ensuring that the universe of assets is complete and accurate GFEBS can have adequate assurance that the applicable general ledger account balances are not overstated as a result of conversion efforts.

Department of the Army Comments

A-9: Develop and implement procedures for recording the acquisition of fixed assets in accordance with the U.S. Government Standard General Ledger

ARMY Concur. GFEBS is already configured to recognize the varied methods of acquisition of real property assets that results in correct general ledger posting recognition in accordance with the United States Standard General Ledger (USSGL). The comprehensive end to end real property business process analysis and reengineering effort already underway will assist the Army with developing associated training materials and job aids to aid users in correctly applying the existing capability within GFEBS.

A-10: Develop an automated functionality for demonstrating the general ledger account postings for each business event in GFEBS.

ARMY Non-Concur. In accordance with its financial management requirement mandates, GFEBS has and is using automated functionality to define general ledger account postings used in standard transactions and has defined standard transactions that include proprietary, budgetary, and memorandum accounts within the system. There is no requirement to develop and maintain automated transaction library extracts or reports.

Department of the Army Comments

DEPARTMENT OF THE ARMY
ASSISTANT CHIEF OF STAFF FOR INSTALLATION MANAGEMENT
600 ARMY PENTAGON
WASHINGTON DC 20310-0600

DAIM-OD

MEMORANDUM FOR DEPARTMENT OF DEFENSE, Office of Inspector General, ATTN: Ms Kathleen Furey, 8899 E. 56th Street, suite 115-z, Indianapolis, IN 46249

SUBJECT: Command Comments for Army Needs to Improve Controls and Audit Trails for the General Fund Enterprise Business System (GFEBS) Acquire-to-Retire Business Process_(12FL-0160)

1. References:

a. DODOIG proposed report Project No. D2012-D000FL-0160.000, Army Needs to Improve Controls and Audit Trails for the General Fund Enterprise Business System Acquire-to-Retire Business Process.

2. The Army's continued implementation of real property accountability and financial completeness processes in the GFEBS enterprise resource planning (ERP) system will ensure a greater probability of the Army receiving an unqualified or "clean opinion" to the Army's Existence and Completeness audit.

3. The Army provides comments to the findings and recommendations as cited in the DODOIG proposed Draft report in reference 1a and as specifically discussed in the enclosure attached. We agree that ASA(FM&C), the GFEBS proponent, create and manage working groups to ensure the sustainable real property business processes exist within GFEBS and that GFEBS can leverage all its capabilities as an ERP system, integrating internal and external management of information across the entire organization as evidenced in findings A1-A10. We also concur that OACSIM will establish a collaborative working group to address the Army military land tract issue with GFEBS and USACE as evidenced in finding B.

4. Point of contact for this action is DAIM-ODO, Asset Management Branch, [redacted]

ENCL

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Department of the Army Comments

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DAIM-OD

Project: D2012-D000FL-0160.000
Audit Locations: Alexandria, VA; Fort Hood, Fort Lee, Fort Leavenworth, Leavenworth USARC, Redstone Arsenal
Objective Title: Army Needs to Improve Controls and Audit Trails for the General Fund Enterprise Business System Acquire-to-Retire Business Process

Objective: To determine whether the Army had adequate controls over recording accounting transactions within the Acquire-to-Retire (A2R) business process through the General Fund Enterprise Business System (GFEBS). And to determine whether the Army had verifiable audit trails to support these transactions.

Conclusion: The Army does not have adequate controls over the recording of accounting transactions for the real property A2R business processes in GFEBS. The Army created GFEBS to have a single source for financial and non-financial data and for consolidating financial reporting on the Army General Ledger. Accounting personnel created over $100 billion of adjustments because of the ineffective use of GFEBS in accounting for $160 billion of fixed assets reported in FY 2012 Army General Fund Financial Statements. Additionally GFEBS did not record $10 billion of Construction in Progress (CIP) costs to the FY 2012 Army General Fund Financial Statements. GFEBS is unable to produce an automated transaction library showing the history of the general ledger account postings potentially jeopardizing the Army's ability to achieve audit readiness by FY17.

Land tracts recorded in GFEBS could not be audited back to the USACE Real Estate Management Information System (REMIS), the source system for land tracts. GFEBS overstated the total acreage of the 4 surveyed locations by at least 247,850 acres and 33 of the 154 land tracts sampled had land tract numbers that did not exist in REMIS.

Recommendation(s) Finding A1-A10: Assistant Secretary of the Army (Financial Management and Comptroller) develop a working group, including the Assistant Chief of Staff for Installation Management; Chief U.S. Army Corps of Engineers; Chief U.S. Army Reserve; Director Army National Guard and the GFEBS Program Manager to:

A-1. Identify all Acquire-to-Retire (A2R) functionality not in the GFEBS necessary for complete Army real property management.

ARMY Concur. The Army recognizes the importance of understanding the full bounds of the A2R real property processes and their linkages to GFEBS for complete real property management. As previously stated, the Army has undertaken an effort to define full end to end real property management processes. This will include an assessment of A2R functionality not in GFEBS and associated linkages to proper financial recognition and accountability in GFEBS.

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A-2: Develop and implement the identified functionality into the GFEBS, including the capability to generate an Army-wide real property universe.

ARMY Partially Concur. GFEBS supports Army real property management and maintenance once real property assets have been placed in service. To that end, Military Construction execution and management activities are not directly supported within GFEBS. Likewise, land record accountability is managed outside of GFEBS. The U.S. Army Corps of Engineers is responsible for MILCON execution and management as well as land and lease activity; of course, it is understood that there is a requirement for strong and reliable interaction points with GFEBS and that is what the end to end process analysis effort currently underway is intended to reinforce. Efforts are currently underway to incorporate real property data from other systems of record, REMIS, RFMIS and PRIDE, to ensure GFEBS' provides visibility on the entire Army real property universe.

A-3: Perform user acceptance testing of the 23 real property reports under development prior to implementing the reports.

ARMY Non-Concur. Rather than reports, these 23 products to which the DoDIG refers are job aids. These job aids support users in understanding delivered GFEBS functionality and associated business processes. As such, no user acceptance testing can be practically provided; however, adjustments are routinely made to job aids to better support the needs of users. GFEBS recognizes the correlation between aligning end to end real property management processes with reporting capabilities. Through the comprehensive end to end real property business process analysis and reengineering efforts currently underway, the Army will ensure that the GFEBS real property capabilities can support the Army Real property community.

OACSIM supplementary comment. A collaborative effort will be made to identify the requisite standard reports and ensure they are readily accessible by GFEBS users.

A-4: Implement the Army's reengineered Acquire-to-Retire business process by developing standardized procedures and controls that leverage all the capabilities the GFEBS provides.

ARMY Concur. The Army is working to that aim with the comprehensive end to end real property business process analysis and reengineering efforts currently underway. Although started prior to the A2R audit, the DoD IG's assessment has aided the Army in honing its focus on several real property functions, process scenarios and systems interaction points. The analysis currently being conducted includes a full review of controls over risks associated with real property existence and completeness audit readiness.

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A-4 OACSIM supplementary comment. ASA(FM&C) and the GFEBS PMO, will lead a collaborative effort with USACE, USAR, ARNG and OACSIM to integrate the A2R reengineering business processes and controls across the components within the system assuring the full ERP capability of GFEBS are realized. This will ensure that relevant data entered into GFEBS during the financial aspect of real property asset data entry, such as purchase request and contracting processes are transferred automatically to the real property asset records ensuring an ERP systems approach is sustained.

A-5: Provide job-specific training to Army real property personnel and other personnel involved in the Acquire-to-Retire business process.

ARMY Concur. GFEBS has been working on that direction for several years. This has resulted in a range of "Day in the Life" training resources and job aids. Clearly this is an important effort that will need to be supported and given continued attention in the future. The GFEBS PMO (Project Management Office), ASA(FM&C) and Office of the Assistant Chief of Staff of Information Management (OACSIM) will develop and deploy additional training aids in the future as need is identified.

OACSIM supplementary comment. Until FY13 OACSIM conducted RP Management and Space Utilization training through the USACE Proponent Sponsored Engineer Corps Training (PROSPECT) program. OACSIM is in the process of developing several courses of action for leadership consideration that would provide a comprehensive real property management and systems training program. This will be collaboratively developed with the OACSIM, OASA(FM&C), and the GFEBS PMO. "Day in the Life" scenarios will be incorporated with the "why of real property management"; which includes the statutory and regulatory reasons the Army manages real property the way we do. OACSIM is the real property functional expert while the OASA(FM&C) and GFEBS PMO are the financial and system experts so a collaborative effort to develop the POIs will ensure the best training product will be available.

A-6: Perform a review of all real property data in GEFBS to ensure that GFEBS contains the correct data going forward and track the costs associated with this effort and other data cleansing efforts so they can be calculated as part of the cost of the GFEBS implementation or as part of the Army's audit readiness efforts.

ARMY Partially Concur. The Army concurs with reviewing all real property data in GFEBS and this reconversion effort has already begun. However, the Army non-concurs with GFEBS tracking costs associated with this effort and other data cleansing efforts as there are multiple organizations involved in each process step of the real property data review and cleansing process (e.g. interface monitoring, data reviews, conversion management, etc.).

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A-7a: Develop an integrated process within the GFEBS to receive construction costs directly from the U.S. Corps of Engineers Financial Management System (CEFMS).

ARMY Non-Concur. The U.S. Army Corps of Engineers is responsible for MILCON execution and management. As such, the management of construction projects and the associated recording of Construction in Progress (CIP) is managed within the applicable accounting system, the Corps of Engineers Financial Management System, which directly feeds the Army's financial statements through Defense Departmental Reporting System (DDRS).

OACSIM supplementary comment. OACSIM will work with the other than USACE key A2R business process stakeholders to ensure CIP costs transfer accurately to GFEBS from their systems of record.

A-7b: Develop an integrated process within the GFEBS to record in-house costs incurred in the construction of a real property asset to the corresponding project's Construction-in-Progress account.

ARMY Concur. The Army agrees that Construction-in-Progress incremental costs should be recorded within GFEBS and eventually settled to the asset in GFEBS upon placement in service for the narrow scope of real property construction undertaken by installation activities in GFEBS.

A-8: Develop procedures to ensure that fixed asset conversions in the GFEBS, or other Army systems, in the future do not overstate any general ledger account balances.

ARMY Concur. Business rules for real property data migration and asset establishment had been developed in 2010. These rules have been updated in 2013 as part of our ongoing end to end real property business process analysis and reengineering effort currently underway. GFEBS Functional is the maintainer of the asset conversion business rules document. The revised business rules ensure that there is a complete and accurate universe of assets that comprise the baseline for the real property sub-ledger and supports the trial balance general ledger accounts in detail. By ensuring that the universe of assets is complete and accurate GFEBS can have adequate assurance that the applicable general ledger account balances are not overstated as a result of conversion efforts.

A-9: Develop and implement procedures for recording the acquisition of fixed assets in accordance with the U.S. Government Standard General Ledger.

ARMY Concur.

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A-10: Develop an automated functionality for demonstrating the general ledger account postings for each business event in GFEBS.

ARMY Non-Concur. In accordance with its financial management requirement mandates, GFEBS has and is using automated functionality to define general ledger account postings used in standard transactions and has defined standard transactions that include proprietary, budgetary, and memorandum accounts within the system. There is no requirement to develop and maintain automated transaction library extracts or reports.

Recommendation Finding B: GFEBS Contained Unreliable Land Information. Assistant Chief of Staff for Installation Management develop a working group, including the Chief, U.S. Army Corps of Engineers and the GFEBS Program Manager to perform a 100 percent review of land assets to ensure GFEBS land information is correct and consistent with land data in the Real Estate Management Information System.

B. OACSIM concurs with comment. OACSIM will establish and manage a Land Reconciliation Working Group with GFEBS PMO, USACE, USAR and ARNG to ensure the land tract data in REMIS & RFMIS, the Army's source system for land, is correlated with the data in GFEBS and that future land acquisitions or transactions are traceable to the individual source systems transactions. OACSIM has unfunded requirements to USACE to update and reconcile land tract data with REMIS & RFMIS (ongoing since 2008) and this project would be, if funded, substantially complete by end 2014. OACSIM will leverage this working group and the Army Military Land Tract project data to potentially make this land data synchronize with the source systems in 2014. Efforts are presently underway to ensure GFEBS reflects the current land parcel data within REMIS & RFMIS.

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Inspector General
Department of Defense