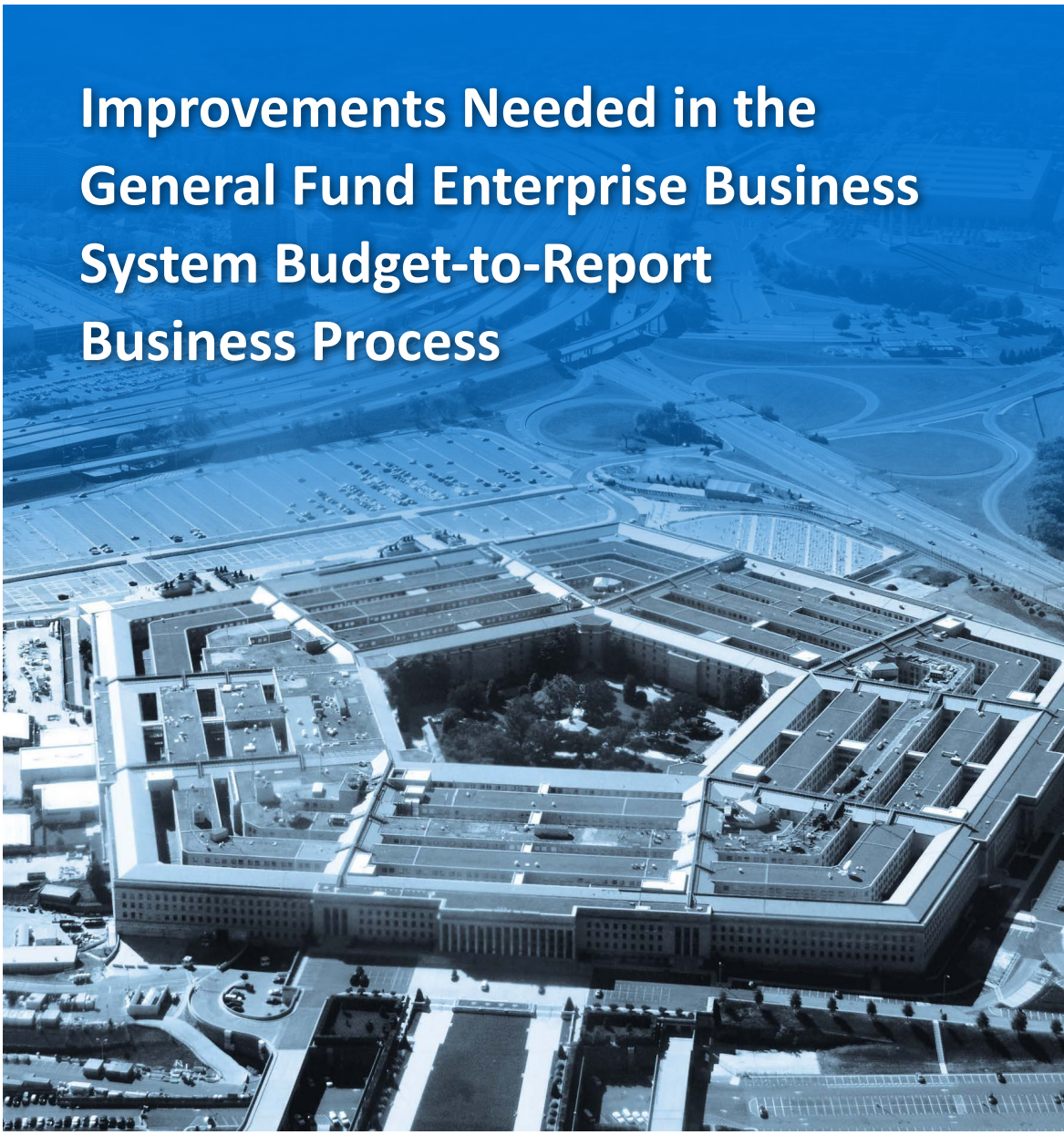
Report No. DODIG-2014-090

Inspector General

U.S. Department of Defense

JULY 2, 2014

Improvements Needed in the General Fund Enterprise Business System Budget-to-Report Business Process



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Results in Brief

Improvements Needed in the General Fund Enterprise Business System Budget-to-Report Business Process

July 2, 2014

Objective

We performed this audit to determine whether the General Fund Enterprise Business System (GFEBS) Program Management Office (PMO) implemented the DoD Business Enterprise Architecture Budget-to-Report (B2R) Business Process to properly support the Army General Fund (AGF) Statement of Budgetary Resources (SBR).

Finding

GFEBS PMO and Army Budget Office (ABO) personnel did not implement the B2R business process to properly support the AGF SBR. Specifically, GFEBS PMO personnel did not configure GFEBS to properly record at least $6.3 billion in AGF B2R transactions. In addition, ABO personnel did not accurately record $103.2 billion of AGF B2R transactions in GFEBS and did not record 22 FY 2013 AGF appropriations, totaling $176.5 billion, in a timely manner. This occurred because Office of the Assistant Secretary of the Army (Financial Management and Controller) (OASA[FM&C]) personnel did not provide adequate oversight to verify that the GFEBS PMO configured the system to properly record B2R transactions; OASA(FM&C) and GFEBS PMO personnel did not create adequate procedures for some B2R business processes; and ABO personnel were not aware of their responsibilities after the implementation of GFEBS. In addition, GFEBS was not the main

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Finding (cont'd)

source of data for the FY 2013 AGF SBR because OASA(FM&C) personnel decided to keep most prior-year funding in legacy systems instead of converting the data into GFEBS.

As a result, GFEBS B2R data is unreliable and the Army is at risk of not meeting the FY 2014 SBR audit readiness date. The GFEBS fourth quarter FY 2013 trial balance contained $6.3 billion in abnormal balances related to budgetary General Ledger Account Codes. In addition, Defense Finance and Accounting Service personnel could not use the GFEBS budgetary trial balance data to prepare the FY 2013 AGF SBR, which reported $266.5 billion of Total Budgetary Resources, without making $141.3 billion of adjustments to the GFEBS trial balance.

Recommendations

Army officials should verify that the GFEBS posting logic documentation is accurate and complete, and use it to validate GFEBS general ledger account postings; direct GFEBS PMO to reconfigure GFEBS to properly record B2R transactions; provide ABO with training on performing their B2R responsibilities using GFEBS; create procedures that address the entire B2R process; use GFEBS to execute all AGF appropriations; and assess how implementing corrective actions for the findings identified in this report will impact the timeline for asserting audit readiness of the AGF SBR.

Management Comments and Our Response

We request that the Assistant Secretary of the Army (Financial Management and Comptroller) provide additional comments on Recommendations 1.d and 1.e. 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 Controller)	1.d, 1.e	1.a, 1.b, 1.c, 2
General Fund Enterprise Business System Program Management Office		2

Please provide comments by August 4, 2014.

INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
4800 MARK CENTER DRIVE
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July 2, 2014

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: Improvements Needed in the General Fund Enterprise Business System Budget-to-Report Business Process (Report No. DODIG-2014-090)

We are providing this report for your review and comment. Despite spending $910 million on the General Fund Enterprise Business System development and implementation, the system's data for the Budget-to-Report business process was unreliable and required $141.3 billion of adjustments to prepare the FY 2013 Army General Fund Statement of Budgetary Resources, which reported $266.5 billion of Total Budgetary Resources. As a result, the Army is at risk of not meeting the FY 2014 SBR audit readiness date.

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 Deputy Assistant Secretary of the Army (Financial Operations) on Recommendations 1.a, 1.b, 1.c, and 2 addressed all specifics of the recommendations and conformed to the requirements of DoD Directive 7650.3; therefore, we do not require additional comments. We request that the Assistant Secretary of the Army (Financial Management and Comptroller) provide additional comments on Recommendations 1.d and 1.e by August 4, 2014.

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

We appreciate the courtesies extended to the staff. Please direct questions to me at (703) 601-5945 (DSN 329-5945). If you desire, we will provide a formal briefing on the results.

Lorin T. Venable

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

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Introduction

Objective

We determined whether the General Fund Enterprise Business System (GFEBS) Program Management Office (PMO) implemented the DoD Business Enterprise Architecture (BEA) Budget-to-Report (B2R) Business Process to properly support the Army General Fund (AGF) Statement of Budgetary Resources (SBR). This is the fifth report in a series of DoD Office of Inspector General (OIG) audits addressing GFEBS and the third to address system functionality. See Appendix A for scope and methodology and Appendix B for prior audit coverage.

Background

The Army developed GFEBS to improve the use of resources, comply with statutory and regulatory accounting requirements, standardize financial and business processes, and provide the capabilities to meet future needs. GFEBS is the AGF general ledger and, beginning in FY 2013, the system of record for AGF fund distribution. On July 1, 2012, the Army completed GFEBS deployment to more than 53,000 users at 227 locations in 71 countries. As of April 22, 2014, the Army had spent $910 million on the development and implementation of GFEBS.

Statement of Budgetary Resources

GFEBS is one of the Army's enterprise resource planning system solutions for complying with the National Defense Authorization Act (NDAA) requirements to produce audit-ready financial statements, including the SBR. Public Law 111-84, "National Defense Authorization Act for Fiscal Year 2010," October 28, 2009 (NDAA 2010), requires DoD to develop a plan to verify that the DoD financial statements "are validated as ready for audit by not later than September 30, 2017." In addition, Public Law 112-81, "National Defense Authorization Act for Fiscal Year 2012," December 31, 2011 (NDAA 2012), section 1003 requires each military department to develop a plan to support the Secretary of Defense goal that SBR is validated for audit by not later than September 30, 2014. To comply with this requirement, the plan must include process and control improvements and business systems modernization efforts necessary for the DoD to consistently prepare timely, reliable, and complete financial management information.

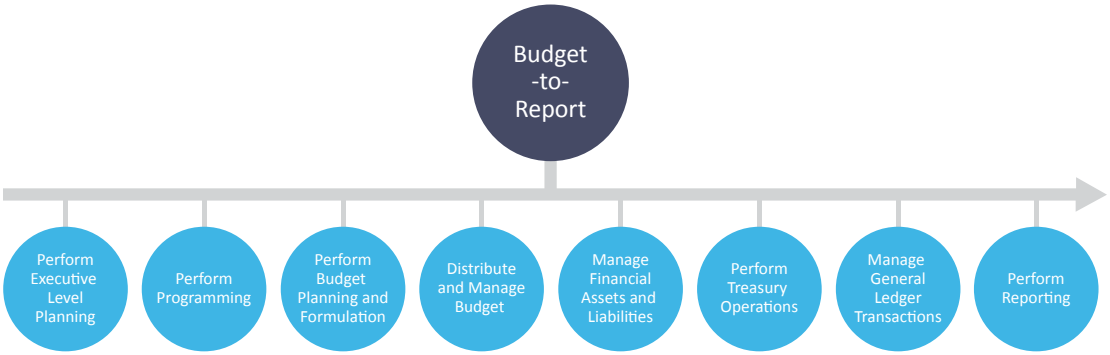
SBR describes how budgetary resources were made available as well as their status at the end of the period. The FY 2013 AGF SBR reported Total Budgetary Resources of $266.5 billion and Agency Outlays, Net, of $189.6 billion. The DoD SBR audit

readiness strategy limits the scope of the first-year audit to the Schedule of Budgetary Activity (SBA), a report limited to budgetary activities and transactions related to the current-year funding. Once a DoD Component obtains an audit opinion on its current-year activity, it will then add successive years until it has built a foundation for beginning balances that can support an audit of its complete SBR.

Budget-to-Report Business Process

BEA describes the DoD business transformation priorities, the business capabilities required to support those priorities, and the combinations of enterprise systems and initiatives that enable those capabilities. BEA also guides and constrains implementation of interoperable defense business system solutions such as GFEBS. In addition, 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 B2R business process, which encompasses all business functions necessary to plan, formulate, create, execute against and report on the budget and business activities of the entity, including updates to the general ledger. The GFEBS funds management business process area includes those functions related to budget authority and fund allocation, fund maintenance and availability, fund analysis, budgetary accounting, and reporting. The BEA B2R process is illustrated in the figure below.

Figure. BEA B2R Business Process



Army Budget-to-Report Roles and Responsibilities

Several organizations contribute to the business functions necessary to plan, formulate, create, execute against and report on the budget and business activities of the Army's B2R business process.

Office of the Assistant Secretary of the Army (Financial Management and Comptroller) (OASA[FM&C])

OASA(FM&C) is responsible for programs and systems pertaining to Army finance and accounting operations, including oversight of the functional and process components for GFEBS. Its mission is to oversee the use of appropriated resources to accomplish the Army's assigned missions and provide timely, accurate, and reliable financial information for decision making. Within OASA(FM&C), the Army Budget Office (ABO) is responsible for the Army's budget formulation, execution, and analysis; reprogramming actions; and appropriation fund control and distribution.

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 PMO is responsible for the lifecycle management of the GFEBS program and has overall responsibility for planning, programming, budgeting, and execution of funds through the entire GFEBS lifecycle.

Defense Finance and Accounting Service

The Defense Finance and Accounting Service (DFAS) is responsible for producing a trial balance from the Army general ledgers and preparing the financial reports for the Army, including the AGF SBR. To create the AGF SBR, DFAS uses data from GFEBS and legacy accounting systems and prepares journal vouchers in the Defense Departmental Reporting System (DDRS). Preparation of journal vouchers is important to ensure the financial statements accurately present accounting-, financial-, or other general ledger-related events.

Review of Internal Controls

DoD Instruction 5010.40, "Managers' Internal Control Program Procedures," May 30, 2013, requires DoD organizations to implement a comprehensive system of internal controls that provides reasonable assurance that programs are operating as intended and to evaluate the effectiveness of the controls. We identified internal control weaknesses over the Army's use of GFEBS in its B2R business process. The Army did not develop and implement needed B2R functionality and processes. We will provide a copy of the report to the senior official(s) responsible for internal controls in the Department of the Army.

Finding

Budget-to-Report Business Process Not Properly Implemented

GFEBS PMO and ABO personnel did not implement the B2R business process to properly support the AGF SBR. Specifically,

- GFEBS PMO personnel did not configure GFEBS to properly record at least $6.3 billion in AGF B2R transactions;
- ABO personnel did not accurately record $103.2 billion of AGF B2R transactions in GFEBS; and
- ABO personnel did not record 22 FY 2013 AGF appropriations, totaling $176.5 billion, in a timely manner.

This occurred because the Army's internal controls over the B2R business process were inadequate. Specifically,

- OASA(FM&C) personnel did not provide adequate oversight to verify that the GFEBS PMO configured the system to properly record B2R transactions;
- OASA(FM&C) and GFEBS PMO personnel did not create adequate procedures for some B2R business processes; and
- ABO personnel were not aware of all the transactions that they were required to record in GFEBS.

In addition, GFEBS, the AGF general ledger, was not the main source of data for the FY 2013 AGF SBR. This occurred because of the OASA(FM&C) decision to keep most prior-year funding data in legacy systems instead of converting the data into GFEBS.

As a result, despite spending $910 million on GFEBS development and implementation, the system contains unreliable B2R data and the Army is at risk of not meeting NDAA 2012 SBR audit readiness requirements. The GFEBS fourth quarter FY 2013 trial balance contained $6.3 billion in abnormal balances[1] related to budgetary General Ledger Account Codes (GLACs).[2] In addition, DFAS personnel could not use the

[1] Abnormal balances are those in which the normal balance (debit or credit) for a general ledger account code is reversed.
[2] General ledger accounts record, classify, and report balances in an accounting general ledger.

GFEBS budgetary trial balance data to prepare the FY 2013 AGF SBR, which reported $266.5 billion of Total Budgetary Resources, without making $141.3 billion of adjustments to the GFEBS trial balance. Included in the abnormal balance and adjustment totals above are $676.2 million of abnormal balances and $136.7 billion of adjustments related to current-year appropriations, which present significant obstacles that the Army must overcome to demonstrate it can produce a reliable and auditable SBA. Until the Army corrects the issues identified with the reliability of AGF data in GFEBS, it is at significant risk of not meeting the FY 2014 SBR audit readiness date.

Army General Fund Statement of Budgetary Resources Not Properly Supported

GFEBS PMO and ABO personnel did not implement the B2R business process to properly support the AGF SBR. Office of Management and Budget Circular No. A-136 Revised, "Financial Reporting Requirements," August 3, 2012, requires SBR preparation using primarily financial data reported from an activity's budgetary general ledger accounts.[3] In addition, the Office of the Under Secretary of Defense (Comptroller)/ Chief Financial Officer, DoD, established the Standard Financial Information Structure (SFIS) to achieve the financial data standardization required to comply with the U.S. Government Standard General Ledger (USSGL). Therefore, GFEBS must contain reliable and SFIS-compliant budgetary data to report an accurate AGF SBR.

Improper System Configuration

GFEBS PMO personnel did not configure GFEBS to properly record at least $6.3 billion in AGF B2R transactions. Specifically, GFEBS PMO personnel configured the system so that it improperly:

- used GLAC 4119, "Other Appropriations Realized," an account used only for current-year appropriations, for $4.1 billion in prior-year funding;
- recorded $2.2 billion to summary-level budgetary GLACs instead of to the detail-level GLACs required by SFIS for financial reporting; and
- processed at least 18 transactions, totaling $51.3 million, that did not comply with the DoD SFIS Transaction Library.

[3] The U.S. Government Standard General Ledger separates general ledger accounts into proprietary accounts (series 1000, 2000, 3000, 5000, 6000, and 7000), budgetary accounts (series 4000), and memorandum accounts (series 8000).

Incorrect system configuration contributed to GFEBS submitting inaccurate account balances for the AGF SBR.

Inappropriate Use of Prior-Year Funding

GFEBS PMO personnel configured GFEBS so that it inappropriately used GLAC 4119 to record $4.1 billion in prior-year funding for 44 AGF appropriations. According to Treasury Financial Manual Supplement No. S2 12-03, August 2012, GLAC 4119 is defined as "the amount of budget authority appropriated as specified in the appropriation language for all other appropriations not otherwise classified." All appropriations are presumed to be annual appropriations unless the appropriation act expressly provides otherwise. In addition, amounts from GLAC 4119 should close each year into GLAC 4201, "Total Actual Resources–Collected." Therefore, GLAC 4119 is inherently for current-year appropriations only. However, GFEBS PMO personnel configured GFEBS to allow posting to GLAC 4119 for prior-year appropriations. In August 2013, GFEBS PMO personnel concurred that GLAC 4119 should not allow posting of entries from prior years. The Army developed a corrective action plan which indicated that the GFEBS configuration needed revision to prevent the posting of prior-year funding to GLAC 4119. As of April 2014, GFEBS PMO personnel had not corrected this issue. As a result of the incorrect system configuration, the GFEBS trial balance overstated the balance of GLAC 4119 by $4.1 billion; however, DFAS personnel prepared journal vouchers at FY 2013 yearend to correct the balance.

Incorrect Use of Summary-Level GLACs

GFEBS PMO personnel configured GFEBS so that it recorded $2.2 billion to summary-level budgetary GLACs instead of to the detail-level GLACs required by SFIS for financial reporting. According to the FY 2013 DoD Standard Chart of Accounts, DoD Components should post transactions to detail-level GLACs instead of the summary-level GLACs 4170.9000, "Transfers–Current-Year Authority," and 4190.9000, "Transfers–Prior-Year Balances." OUSD(C)/CFO personnel stated that they could not accurately report transfer data to Treasury if the transactions were not recorded in the required detail-level account. GFEBS PMO personnel stated that a GFEBS ticket was created in March 2013 to correct this issue. As of April 2014, GFEBS PMO personnel had not corrected this issue.

Noncompliant B2R Transactions

GFEBS PMO personnel configured GFEBS so that it processed at least 18 transactions, totaling $51.3 million, which did not comply with the DoD SFIS Transaction Library.

The OUSD(C)/CFO memorandum, "Department of Defense (DoD) Standard Chart of Accounts (SCOA), Transactions, and Posting Guidance in Standard Financial Information Structure (SFIS) Update for Fiscal Year (FY) 2010 and FY 2011," August 23, 2010, requires that the DoD SFIS Transaction Library be implemented by the fourth quarter of FY 2010. Proper implementation of the DoD SFIS Transaction Library reduces customization of DoD general ledger accounting systems, provides standard general fund DoD enterprise transaction-level postings, and improves comparability of account balances across DoD. The incorrect account postings configured by GFEBS PMO created misstatements in some budgetary and proprietary GLACs. To correct these misstatements, DFAS personnel had to create journal vouchers when preparing the FY 2013 AGF financial statements.

Inaccurately Recorded Appropriations and Transfers

ABO personnel did not accurately record $103.2 billion of AGF B2R transactions in GFEBS. Specifically, they did not accurately record:

- $101.4 billion of unavailable authority;
- $139.1 million of rescissions; and
- $1.7 billion of transfers.

The inaccurate recording of these AGF B2R transactions resulted in unreliable data within GFEBS and contributed to the need for DFAS personnel to prepare journal vouchers to correct the account balances. In addition, the data were unreliable for preparing the Standard Form 133, "Report on Budget Execution and Budgetary Resources," (SF 133), which management used to monitor the status of funds, and tied an agency's financial statements to its budget execution.

Continuing Resolution Transactions Were Inappropriately Recorded

ABO personnel inappropriately recorded Continuing Resolution (CR) transactions when they did not record $101.4 billion of unavailable authority. CRs are joint resolutions, passed by the House and the Senate and signed by the President, that provide continuing appropriations for a fiscal year. CRs are implemented when Congress does not pass appropriations bills for a fiscal year or when the President vetoes congressionally passed appropriations bills. CRs provide formulas for

calculating the annualized amounts and the apportioned amounts[4] available for continuing programs at minimal levels. After a CR is implemented, the Office of Management and Budget issues a bulletin to automatically apportion amounts made available by the CR.

According to the USSGL, GLAC 4119 should be debited and GLAC 4450, "Unapportioned Authority," credited to record the annualized appropriation provided under a CR. In addition, the USSGL requires GLAC 4450 be debited to record the amount of the annualized appropriation not apportioned and GLAC 4395, "Authority Unavailable for Obligation Pursuant to Public Law–Temporary," should be credited. However, ABO personnel only recorded the amounts apportioned by the Office of Management and Budget in GLACs 4119 and 4450 and did not record the full annualized appropriation as required. Table 1 presents a comparison of the USSGL required transactions to the transactions ABO personnel recorded in GFEBS.

Table 1. Comparison of CR Transactions (billions)

GLAC	Account Title	USSGL Debit	USSGL Credit	GFEBS Debit	GFEBS Credit
4119	Other Appropriations Realized	$177.9		$76.5	
4450	Unapportioned Authority		$177.9		$76.5
4450	Unapportioned Authority	$101.4		—	
4395	Authority Unavailable for Obligation Pursuant to Public Law–Temporary		$101.4		—

The incorrect recording of the transactions in GFEBS resulted in the understatement of GLAC 4119 and GLAC 4395. If not corrected, these misstatements would understate lines 1100, "Appropriation," and 1134, "Appropriations precluded from obligation (-)," on the SF 133 by $101.4 billion.

Rescission Transactions Were Improperly Recorded

ABO personnel did not properly record $139.1 million in rescissions for three AGF appropriations. A rescission is any legislative action taken by Congress to reduce budgetary resources. According to USSGL, GLAC 4450 should be debited and GLAC 4392, "Permanent Reduction–New Budget Authority," should be credited to record rescissions. However, the Army removed the rescinded amounts prior to recording

[4] An apportionment is an Office of Management and Budget-approved plan to use budgetary resources that typically limits the obligations that may be incurred for specified time periods, programs, activities, projects, or objects, and is legally binding.

the appropriations in GFEBS. Table 2 presents a comparison of the USSGL required transactions to the transactions ABO personnel recorded in GFEBS.

Table 2. Comparison of Rescission Transactions (millions)

GLAC	Account Title	USSGL Debit	USSGL Credit	GFEBS Debit	GFEBS Credit
4119	Other Appropriations Realized	$1,821.8		$1,682.7	
4450	Unapportioned Authority		$1,821.8		$1,682.7
4450	Unapportioned Authority	$139.1		—	
4392	Permanent Reduction–New Budget Authority		$139.1		—

The incorrect recording of the transactions in GFEBS resulted in the understatement of GLAC 4119 and GLAC 4392. If not corrected, these misstatements would understate lines 1100, and 1130, "Appropriations permanently reduced (-)," on the SF 133 by $139.1 million.

Transfers Were Inaccurately Recorded

ABO personnel did not accurately record $1.7 billion in Army transfers.[5] Specifically, they used incorrect GLACs for $91.5 million in transfers and did not record $1.6 billion in current-year transfers.

ABO personnel did not accurately record 13 fund transfers, valued at $91.5 million, when they used a different GLAC than what was indicated on the SF 1151, "Nonexpenditure Transfer Authorization" (SF 1151). According to the Treasury Financial Manual, volume 1, part 2, chapter 2000, "Warrant and Nonexpenditure Transfer (NET) Transactions," March 2012, the correct GLAC must be selected within the Treasury's Government-Wide Accounting system to avoid agency- and Government-wide elimination discrepancies. The manual also requires that the Army use the Government-wide Accounting system to process Nonexpenditure Transfer transactions, including approvals. The SF 1151 is used to document approved transfers and provides the GLAC, effective date, and fund account and dollar amount for each transfer. ABO personnel corrected 3 of the 13 transfers, valued at $41.5 million, before yearend. However, ABO personnel did not correct two of these three transfers until 231 days after the initial recording.

[5] Transfers move funds from one budget account to another.

ABO personnel did not correct the remaining 10 transfers, valued at $50 million, before the Army issued the FY 2013 AGF SBR. ABO personnel used GLAC 4175, "Allocation Transfers of Current-Year Authority for Noninvested Accounts," to record 7 of the 10 transfers, although, the SF 1151 indicated they should use GLAC 4176, "Allocation Transfers for Prior-Year Balances." ABO personnel did not provide a reason for the other three incorrectly recorded transfers. Specifically, ABO personnel incorrectly recorded one of the transfers in GLAC 4119 instead of in GLAC 4190; one of the transfers in GLAC 4119 instead of in GLAC 4170; and the other transfer in GLAC 4114, "Appropriated Receipts Derived from Available Trust or Special Receipts," instead of in GLAC 4175. The incorrect recording of the transactions resulted in the overstatement of GLACs 4114 and 4119 and the understatement of GLACs 4170, 4175, 4176, and 4190. If not corrected, these misstatements would overstate lines 1100 and 1201, "Appropriation (special or trust fund)," and understate lines 1121, "Appropriations transferred from other accounts," and 1011, "Unobligated balance transferred from other accounts," on the SF 133. Table 3 shows the magnitude of these misstatements.

Table 3. Transfer Misstatements (millions)

GLAC	Account Title	Overstatement	Understatement
4114	Appropriated Receipts Derived from Available Trust or Special Receipts	$1.1	
4119	Other Appropriations Realized	$48.5	
4170	Transfers–Current-Year Authority		$26.3
4175	Allocation Transfers of Current-Year Authority for Noninvested Accounts	$0.5	$1.1
4176	Allocation Transfers of Prior-Year Balances		$0.5
4190	Transfers–Prior-Year Balances		$22.2

In addition, ABO personnel did not record four current-year Army fund transfers, valued at $1.6 billion. In March 2013, ABO personnel received transfer authority to transfer $700 million from the FY 2013 Army Military Personnel appropriation to the FY 2013 Army Operations and Maintenance (O&M) appropriation. ABO personnel recorded the transfer of funds to the O&M appropriation but did not record the transfer from the Military Personnel appropriation. In April 2013, ABO personnel received an SF 1151 to transfer the funds from the O&M appropriation back to the Military Personnel appropriation. However, ABO personnel did not transfer the funding out of the O&M appropriation until September 2013, 62 days after we notified them of the error. Because ABO personnel did not record the initial transfer out, they did

not record a transfer back to the Military Personnel appropriation. ABO personnel also did not record two AGF transfers, valued at $204.3 million, which overstated the GFEBS balance for the FY 2013 Army Afghanistan Security Forces Fund appropriation by $178 million and the FY 2013 Army Cemeterial Expense appropriation by $26.3 million. ABO personnel did not provide a reason why they did not record these transactions.

Appropriations Were Not Recorded Timely

ABO personnel did not record 22 FY 2013 AGF appropriations, totaling $176.5 billion, in a timely manner. Statement of Federal Financial Accounting Standards No. 7, "Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting," states that appropriations should be recognized as capital when passed into law. Congress passed the "Consolidated and Further Continuing Appropriations Act, 2013," on March 26, 2013. Table 4 shows when ABO personnel fully recorded the FY 2013 AGF appropriations in GFEBS.

Table 4. Timeline for Recording FY 2013 AGF Appropriations (billions)

Month	Number of Appropriations	Amount
April	0	$ 0.0
May	1	5.1
June	8	76.9
July	2	8.7
August	4	12.9
September	3	70.6
Never Fully Recorded	4	2.1
Total	**22**	**$176.5***

*Difference due to rounding.

ABO personnel entered the correct amounts for 18 of the 22 appropriations before the Army issued the FY 2013 AGF SBR. ABO personnel did not fully record the remaining four appropriations because they either removed the rescinded amounts prior to recording the appropriations in GFEBS, or they incorrectly recorded the appropriation as a transfer. Therefore, the GFEBS data used to populate the quarterly and yearend FY 2013 AGF SBRs were misstated. As a result, DFAS personnel had to create journal vouchers to correct the data.

Business Process Controls Were Inadequate

GFEBS PMO and ABO personnel did not implement the B2R business process to properly support the AGF SBR because the Army's internal controls over the B2R business process were inadequate. The Office of Management and Budget Circular A-123, "Management's Responsibility for Internal Controls," December 21, 2004, requires agencies to operate systems with appropriate internal controls to ensure the accuracy of data, completeness and consistency of transaction processing, and reliable financial reporting.

Internal controls manage the risks associated with Federal programs and operations. Internal controls also provide reasonable assurance regarding the effectiveness and efficiency of operations, reliability of financial reporting, and compliance with applicable laws and regulations. Until the Army implements effective internal controls over the B2R business process, it will not achieve these benefits.

Inadequate Oversight of Budgetary Transactions

OASA(FM&C) personnel did not provide adequate oversight to verify that GFEBS PMO configured GFEBS to properly record B2R transactions. OASA(FM&C) is required to provide timely, accurate and reliable financial information to enable leaders and managers to incorporate cost decisions into their decision-making. Therefore, OASA(FM&C) personnel were required to monitor the implementation of the GFEBS B2R business process to verify the system was capable of recording all budgetary transactions and fully supporting the AGF SBR.

DoD IG Report No. DODIG-2013-130, "Army Needs to Improve Controls and Audit Trails for the General Fund Enterprise Business System Acquire-to-Retire Business Process," September 13, 2013, identified the lack of an automated transaction library and recommended the Army create an automated process for demonstrating the GLAC postings for each business event in GFEBS. OASA(FM&C) personnel stated that because automated posting logic[6] was not a GFEBS capability, they tested and documented posting logic using alternative procedures. They created a "posting logic scenario file" based on extraction of GFEBS transaction data and used the file to determine whether the GFEBS transactions were consistent with the DoD SFIS Transaction Library. OASA(FM&C) personnel indicated they would complete the

[6] Posting logic describes how the system was programmed to record accounting transactions.

posting logic scenarios file by December 31, 2013. However, the file provided on December 13, 2013, approximately 16 months after full deployment of GFEBS, did not contain 3,756 B2R related transactions from the DoD SFIS Transaction Library. For example, the file did not document the transaction to record the annualized-, or full-year, level of an appropriation provided under a CR or to record Fund Balance With Treasury under a CR. A complete and accurate posting logic scenario file earlier in the system's development may have prevented the system misconfiguration and the related misstatements identified in this report. OASA(FM&C) personnel should verify that the GFEBS posting logic documentation is accurate and complete, and use it to validate GFEBS general ledger account postings. In addition, OASA(FM&C) personnel should direct the GFEBS PMO to reconfigure GFEBS to properly record B2R transactions, including implementing system controls to address the system misconfiguration identified in this report.

Inadequate Procedures

ABO personnel did not accurately record AGF B2R transactions because OASA(FM&C) and GFEBS PMO personnel did not create adequate procedures for some B2R business processes. OASA(FM&C) and GFEBS PMO personnel provided ABO personnel with an inaccurate job aid[7] for recording the annualized appropriation provided under a CR and authority temporarily unavailable pursuant to public law. The job aid contained transactions that were not consistent with the DoD SFIS Transaction Library. Specifically, the job aid instructed ABO personnel to offset GLAC 4395 with GLAC 4119 instead of GLAC 4450. In addition, OASA(FM&C) and GFEBS PMO personnel did not create procedures to post transactions to the GLACs used for prior-year transfers. For example, during FY 2013, ABO personnel recorded some transfers using GLAC 4175 because OASA(FM&C) and GFEBS PMO personnel did not provide a job aid on the use of GLAC 4176. GFEBS PMO personnel provided ABO with a draft job aid for using GLAC 4176 in November 2013. However, OASA(FM&C) and GFEBS PMO personnel did not create a job aid on the use of GLAC 4191, "Balance Transfers–Extension of Availability Other Than Reappropriations." OASA(FM&C) and GFEBS PMO personnel should develop and implement job aids that address all the GLACs required for the B2R business process and are consistent with the DoD SFIS Transaction Library.

[7] Job aids are procedures that provide detailed step-by-step instructions on how to enter transactions in GFEBS.

Budget Office Was Not Aware of Responsibilities

ABO personnel did not accurately record AGF B2R transactions in GFEBS and did not record the FY 2013 AGF appropriations in a timely manner because they were not aware of all the transactions they were required to record in GFEBS. For example, ABO personnel stated that in prior years, DFAS personnel recorded the GLAC 4395 transactions in DDRS and ABO personnel believed DFAS personnel would continue to do so after the implementation of GFEBS. After the Army implemented GFEBS, ABO personnel should have recorded these transactions in GFEBS because it was the AGF general ledger. In addition, ABO personnel did not perform monthly reconciliations between the transfer documents and GFEBS transfer transactions as required by the Army's business process for Funds Receipt and Distribution Management. This reconciliation may have identified the missed transfers in time to record them in GFEBS before yearend. OASA(FM&C) personnel should train ABO personnel to use GFEBS to comply with B2R requirements.

GFEBS Not Main Source of Army General Fund Statement of Budgetary Resources

GFEBS, the AGF general ledger, was not the main source of the data for the FY 2013 AGF SBR. The Army developed GFEBS to be the single source of financial and related nonfinancial data and for consolidated financial reporting on the AGF. However, in the FY 2013 AGF SBR, Total Budgetary Resources totaled $266.5 billion, of which only $129.2 billion, or 48.5 percent, related to data originating in GFEBS. Furthermore, the Unobligated Balance Brought Forward totaled $44.3 billion, of which negative $59.8 billion related to data originating in GFEBS. DFAS personnel stated that the negative balance in this line was the result of GFEBS not being the system of record for funding before FY 2013. Therefore, DFAS personnel used the funding submitted by the legacy systems and removed the prior-year funding received from GFEBS. Table 5 below provides the percentage of GFEBS data for select FY 2013 AGF SBR lines. See Appendix C for the analysis of the complete FY 2013 AGF SBR.

Table 5. Value of GFEBS Data in FY 2013 AGF SBR (millions)

AGF SBR Line	SBR Line Total	GFEBS Data	Non-GFEBS Data	Percent of Line from GFEBS[1]
Unobligated Balance Brought Forward	$44,329	$(59,810)[2]	$104,139	36.5
Total Budgetary Resources	266,478	129,211	137,267	48.5
Unobligated balance, end of year, unapportioned	13,568	(68,534)	82,102	45.5
Recoveries of prior year unpaid obligations (-)	(33,763)	(4,505)	(29,258)	13.3
Change in uncollected pymts, Fed sources (+ or -)	2,234	(3,092)	5,326	36.7
Distributed offsetting receipts (-)	(596)[3]	(12)	(583)	2.1

[1] The percentages are calculated using absolute value of GFEBS data and non-GFEBS data totals.
[2] Numbers in parentheses represent negative amounts.
[3] Difference due to rounding.

As a result, the majority of the data to create the AGF SBR continue to come from unreliable legacy systems and other sources.

Prior-Year Funding Decision

GFEBS was not the main source of the data for the AGF SBR because OASA(FM&C) personnel decided to keep most prior-year funding data in legacy systems instead of converting the data into GFEBS. OASA(FM&C) personnel stated that the Army's data conversion strategy was to minimize the amount of legacy transactional data converted to GFEBS. Their goal was to preserve the integrity and auditability of GFEBS and mitigate the risks associated with extensive and costly data cleansing and conversion activities. Although GFEBS was fully deployed in July 2012, the Army did not execute all current-year funding in the system. For example, ABO personnel recorded funds distribution transactions[8] for the FY 2013 Military Personnel appropriation in GFEBS, but the Army continued to record funds execution transactions[9] in legacy systems. DFAS 7900.4-M, "Financial Management Systems Requirements Manual," volume 1, "General Ledger," September 2012, stated that all transactions recording financial events must post to the general ledger regardless of the origin of the transaction. The Army's lack of a single, standard, transaction-driven general ledger has been a material weakness for AGF for more than a decade. Keeping the historical transaction data in legacy systems will continue to impair the Army's ability to have auditable financial statements. OASA(FM&C) should use GFEBS to execute all AGF appropriations.

[8] Funds distribution transactions related to the receipt and allocation of budget authority.
[9] Funds execution transactions related to the use of the budget authority.

Unreliable Financial Statement Data

Despite spending $910 million on GFEBS development and implementation, the system contains unreliable B2R data, and the Army is at risk of not meeting NDAA 2012 SBR audit readiness requirements. The abnormal balance and adjustment totals related to the FY 2013 AGF SBR include $676.2 million of abnormal balances and $136.7 billion of adjustments related to current-year appropriations, which would be the basis for the AGF SBA. If the Army does not correct the deficiencies causing unreliable GFEBS B2R data for the AGF, especially as they relate to the reliability of data for current-year appropriations, it is at a significant risk of not meeting the FY 2014 SBR audit readiness date.

Budgetary Account Abnormal Balances

The GFEBS fourth quarter FY 2013 trial balance contained $6.3 billion in abnormal balances related to budgetary GLACs. Abnormal balances are accounting irregularities that indicate internal control and operational deficiencies such as incorrect posting of transactions. Table 6 displays the five GLACs with the largest abnormal balances.

Table 6. Abnormal Balance Examples (millions)

GLAC	Account Title	Abnormal Amount
4610.9000	Allotments–Realized Resources	$4,819.7
4901.0700	Delivered Orders–Obligations, Unpaid - Undistributed	$252.8
4190.3103	Transfers–Prior-Year Balances Transfers Out	$245.3
4251.0700	Reimbursements and Other Income Earned–Receivable - Undistributed	$241.2
4902.0700	Delivered Orders–Obligations, Paid - Undistributed	$236.4

GFEBS PMO personnel stated they are researching the abnormal balances and their root causes. Until Army financial managers identify and correct the root causes, the abnormal balances will distort the AGF financial statements because the correct balances cannot be determined.

Budgetary Account Adjustments

DFAS personnel could not use the GFEBS trial balance data to prepare the FY 2013 AGF SBR without making significant adjustments in DDRS. Specifically, to compile the FY 2013 AGF SBR, DFAS personnel prepared 342 journal vouchers, valued at $141.3 billion, to the GFEBS budgetary trial balance data. See Appendix D for the magnitude of adjustments to GFEBS data for each line of the FY 2013 AGF SBR.

Because GFEBS PMO did not configure GFEBS to properly record all B2R transactions and ABO personnel did not accurately record B2R transactions in GFEBS, the GFEBS trial balance data provided to DDRS was unreliable. For example, DFAS personnel created five journal vouchers to remove $101.7 million of prior-year O&M funding from GFEBS GLAC 4119, which was for current-year funding only. In addition, DFAS personnel created journal vouchers to:

- correct invalid GLAC postings (19 journal vouchers, totaling $18.7 million);
- reconcile GFEBS budgetary GLACs with budgetary status data (54 journal vouchers, totaling $74.3 billion);
- bring the trial balances into agreement with the FY 2013 appropriation amounts (17 journal vouchers, totaling $35.5 billion); and
- reverse funding recorded in GFEBS (12 journal vouchers, totaling $5.1 billion).

According to DFAS personnel, the risk of inaccurate financial statements increases if the unreliable GFEBS trial balance data is not adjusted. In addition, it creates an inability to reach strategic goals for auditable financial statements including the ability to meet the FY 2014 SBR audit readiness assertion goals.

Army May Not Meet Audit Readiness Goals

If the Army does not correct the reliability of GFEBS B2R data for the AGF, it is at a significant risk of not meeting the FY 2014 SBR audit readiness date. Obtaining an audit opinion on the AGF SBA is the first step towards achieving auditability of the AGF SBR. As the SBA is limited to budgetary activities and transactions related to the current-year funding, it is imperative that the Army correct the problems identified in this report that impact the processing of current-year appropriation data. For example, $676.2 million of the $6.3 billion of abnormal balances was related to current-year appropriations. In addition, $136.7 billion of the $141.3 billion in journal vouchers prepared by DFAS personnel was related to current-year appropriations. OASA(FM&C) should assess how implementing corrective actions based on the recommendations in this report will impact the AGF SBA assertion timeline.

Management Comments on the Finding and Our Response

Although not required to comment, the Deputy Assistant Secretary of the Army (Financial Operations) (DASA[FO]) provided the following comments on the finding. For the full text of the DASA(FO)'s comments, see the Management Comments section of the report.

Army Comments

DASA(FO) stated that the Army has taken initial corrective actions on the processes to record AGF B2R transactions in GFEBS and plans to identify and correct additional B2R processes by no later than June 30, 2014. He added that OASA(FM&C) is performing a comprehensive analysis of the GFEBS chart of accounts for FY 2014. In addition, he stated that OASA(FM&C) has established processes to ensure the full and timely recording of appropriations, and records appropriations when all required documentation is received. He indicated that FY 2013 required documentation was not provided in a timely manner because of the sequestration. Further details on the Army actions taken and planned are in Appendix E.

DASA(FO) stated that all systems, including enterprise resource planning systems such as GFEBS, have data that may need to be adjusted or reclassified over time. He indicated that characterizing these data as unreliable is not a true assessment of transactions that are supported and provide a clear audit trail, but may need to be reclassified to another GLAC. He also stated that recent audit examinations have shown that the Army has made significant improvements towards auditability and will continue to make revisions to ensure full auditability.

DASA(FO) stated that OASA(FM&C) personnel have provided oversight, including review and approval over business processes, functional design documentation, and GLAC posting for each applicable business process, on the configuration of GFEBS. DASA(FO) stated that OASA(FM&C) personnel and GFEBS PMO personnel have provided adequate business processes to incorporate feeder system processes into an enterprise resource planning architecture such as GFEBS. He indicated that given the breadth and complexity of the system, it is reasonable to state that some processes and posting logic will need to be revised to comply with the most current and continually developing guidance. He also indicated that the SFIS guidance cites that the library is not an all-inclusive listing of transactions, and that the mere absence of a transaction from the library does not constitute noncompliance. In addition, DASA(FO) stated

that GFEBS was also not the main source of data for prior AGF financial statements. He indicated that the Army adopted this strategy to avoid converting legacy financial data, a process the DoD OIG has noted as being unreliable in the past. He also stated that the brown-out strategy was developed through lessons learned from other major DoD transformation efforts and coordinated extensively with the Offices of the Under Secretary of Defense (Comptroller)/Chief Financial Officer, DoD, and the Deputy Chief Management Officer.

Our Response

We commend the Army for the actions it has taken and the future corrective actions it has planned. However, the problems discussed in this report, such as inaccurately recording transactions and posting transactions to the incorrect account, need to be corrected in order to improve the reliability of the budgetary data in GFEBS. Posting transactions to the incorrect GLAC makes the data inaccurate, and therefore unreliable.[10] In addition, the $6.3 billion in abnormal balances are another indication that GFEBS data are unreliable. Until Army financial managers identify and correct the root cause for the abnormal balances, the abnormal balances will continue to distort the AGF financial statements because the correct balances cannot be determined.

We acknowledge that Office of the Under Secretary of Defense (Comptroller)/Chief Financial Officer, DoD, guidance cites that the DoD transaction library is not an all-inclusive listing of transactions, and that a mere absence of a transaction from the library does not constitute noncompliance. However, before developing and implementing GFEBS, the OASA(FM&C) should have identified necessary accounting transactions that were Generally Accepted Accounting Principles-compliant but were not captured in the DoD transaction library. These transactions should have been documented and the Army should have coordinated with Office of the Under Secretary of Defense (Comptroller)/Chief Financial Officer, DoD, to obtain approval before programming the transactions into GFEBS.

GFEBS is the AGF general ledger and system of record for funds distribution. By distributing funds in one system and executing funds in another, the Army has created unnecessary complications. In addition, the Army's lack of a single, standard, transaction-driven general ledger has been a material weakness for AGF for more than a decade. Therefore, all AGF appropriations should be executed in GFEBS to improve the Army's ability to have auditable financial statements by FY 2017.

[10] Government Accountability Office Report No. GAO-03-273G, "Assessing the Reliability of Computer-Processed Data," October 2002, states that reliable data are complete and accurate.

Recommendations, Management Comments, and Our Response

Recommendation 1

We recommend that the Assistant Secretary of the Army (Financial Management and Comptroller):

a. Verify that the General Fund Enterprise Business System posting logic documentation is accurate and complete, and use it to validate General Fund Enterprise Business System general ledger account postings.

Army Comments

The DASA(FO), responding for the Assistant Secretary of the Army (Financial Management and Comptroller) (ASA[FM&C]), agreed, stating that the Army has initiated an effort to document and validate the GFEBS posting logic general ledger mapping in phases. The first phase will tie transactions that affect the FY 2015 SBA assertion, followed by the transactions affecting the FY 2017 assertion. He indicated that the Army is also undertaking a larger effort to identify, document, and monitor system derived posting logic to include current and prior fiscal years. For the B2R process, the Army plans to develop a plan of action and milestone by July 31, 2014, to outline the actions required to document and potentially adjust applicable posting logic.

Our Response

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

b. Direct the General Fund Enterprise Business System Program Management Office to reconfigure the General Fund Enterprise Business System to properly record Budget-to-Report transactions, including implementing system controls to address items identified in this report.

Army Comments

The DASA(FO), responding for the ASA(FM&C), agreed, stating that as individual changes are identified and approved through the GFEBS configuration management process, they will be scheduled and implemented by GFEBS PMO personnel in FY 2015.

Our Response

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

c. Provide the Army Budget Office personnel with training on performing their Budget-to-Report responsibilities using the General Fund Enterprise Business System.

Army Comments

The DASA(FO), responding for the ASA(FM&C), agreed, stating that OASA(FM&C) personnel will work with GFEBS PMO personnel to review end-to-end processes, existing training materials, and job aids beginning no later than June 30, 2014. Updates to training materials and job aids will be implemented and communicated to the stakeholders.

Our Response

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

d. Use the General Fund Enterprise Business System to execute all Army General Fund appropriations.

Army Comments

The DASA(FO), responding for the ASA(FM&C), agreed, stating that it is the Army's intent to maximize General Fund execution within GFEBS where possible. The Army strategy, as endorsed by the Office of the Secretary of Defense, has been to migrate from using legacy financial and feeder systems to using the Army enterprise resource planning systems. After full migration to the target-state systems' environment, the Army will concentrate its execution in a few key General Fund financial systems with GFEBS at its core. In addition, he indicated the Army will explore the long-term benefits of performing General Fund General Ledger consolidation before submission to DDRS with the objective to consolidate all trial balance reporting in GFEBS Business Intelligence prior to submission to DDRS. He also expressed concern over the Army-wide single system approach, stating that this has proven to be very expensive and ineffective in the past. He indicated that the brown-out of legacy financial systems has had its costs and challenges, but this approach was determined to be far more preferable than having to cleanse and convert data that the DoD IG itself has criticized as being highly suspect.

Our Response

The DASA(FO) comments did not address the specifics of the recommendation. The 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. In order for GFEBS to fulfill this requirement, AGF financial information must be consolidated into a single general ledger. We request the ASA(FM&C) provide further comments by August 4, 2014, to explain how and when GFEBS will be used to execute all AGF appropriations.

e. Assess how implementing corrective actions based on the recommendations in this report will impact the Army General Fund Schedule of Budgetary Activity assertion timeline.

Army Comments

The DASA(FO), responding for the ASA(FM&C), disagreed, stating that the Army is on track to assert as scheduled. He added that OASA(FM&C) personnel are reviewing the findings in this audit report and making progress to address the issues noted. He also stated that ASA(FM&C) and stakeholders regularly monitor and brief management on the status of corrective actions to ensure milestones are met and robust interim compensating controls are in place.

Our Response

The DASA(FO) comments did not address the specifics of the recommendation. He stated that the Army is on track to assert on the SBA as scheduled, but did not provide an assessment as to why recommendations with no date for corrective actions to be completed (Recommendation 1.d) or with anticipated corrective actions after the FY 2014 SBR audit readiness date (Recommendation 1.b) would not impact the assertion. We request the ASA(FM&C) provide comments to the final report by August 4, 2014, indicating how the issues identified in this report will be materially resolved in time for the SBA audit.

Recommendation 2

We recommend that Assistant Secretary of the Army (Financial Management and Comptroller) and the General Fund Enterprise Business System Program Management Office develop and implement job aids that address all the general ledger account codes required for the Budget-to-Report business process and are consistent with the DoD Standard Financial Information Structure Transaction Library.

Army Comments

The DASA(FO), responding for the ASA(FM&C) and GFEBS PMO, agreed, stating that ASA(FM&C) will work with GFEBS PMO personnel to review existing training material and jobs aids beginning with a meeting no later than June 30, 2014. Any required revisions will be verified to ensure compliance with the DoD SFIS Transaction Library and the Treasury Financial Manual, and communicated to stakeholders.

Our Response

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

Appendix A

Scope and Methodology

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

We contacted personnel from the OUSD(C)/CFO; DCMO; Army Office of Business Transformation; OASA(FM&C); ABO; Program Executive Office Enterprise Information Systems; GFEBS PMO; and DFAS to discuss their roles and responsibilities regarding the B2R business process. The B2R business process includes eight phases; however, we only reviewed the three B2R process phases unique to the budgetary processes within GFEBS: Distribute and Manage Budget, Manage General Ledger Transactions, and Perform Reporting.

We obtained and reviewed B2R process documentation such as appropriation warrants, apportionment and reapportionment schedules, and nonexpenditure transfer authorities. We also reviewed transactions in GFEBS, including appropriation, transfer, and reprogramming transactions to determine if the GFEBS PMO adequately implemented required transactions and posting logic and to evaluate the timeliness of transactions. In addition, we obtained and reviewed procedures for GFEBS B2R business processes to determine if they were adequate and if the Army followed the procedures.

We determined whether GFEBS contained all of the DoD accounts and posting logic required for FY 2013 AGF reporting. In addition, we compared GFEBS posting logic documentation to the DoD SFIS Transaction Library to determine if the GFEBS PMO configured the correct transaction codes to support the AGF SBR.

We reviewed GFEBS trial balance and the GFEBS data within DDRS to determine whether GFEBS was the main source of data for the FY 2013 AGF SBR. We also reviewed the GFEBS budgetary data in the fourth quarter FY 2013 AGF Trial Balance to determine if abnormal balances existed in the general ledger accounts associated with the GFEBS B2R business process. In addition, we reviewed adjustments to the GFEBS data used to prepare the FY 2013 AGF SBR.

Use of Computer-Processed Data

To perform this audit, we used data obtained from GFEBS and DDRS. We determined data reliability by comparing selected GFEBS B2R transactions to the supporting documentation. We also reviewed the FY 2013 AGF and GFEBS Trial Balances for abnormal balances related to budgetary GLACs. We reviewed 342 journal vouchers recorded in DDRS for fourth quarter FY 2013 to determine whether the vouchers corrected GFEBS B2R transaction posting errors. We compared data from the FY 2013 GFEBS trial balance and found significant variances between the trial balance data and the GFEBS amounts reported in the FY 2013 AGF SBR. The data reliability issues we identified are discussed in the finding. The computer-processed data we used were sufficiently reliable for reaching the audit conclusions and supporting the finding in this report.

Use of Technical Assistance

We did not use technical assistance in conducting this audit.

Appendix B

Prior Coverage

During the last 5 years, the Government Accountability Office (GAO), the DoD OIG, and U.S. Army Audit Agency (AAA) have issued 16 reports related to GFEBS or the B2R business process. 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/pubs/index.cfm?office=Audit. 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-13-557, "DoD Business Systems Modernization: Further Actions Needed to Address Challenges and Improve Accountability," May 17, 2013

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-2013-130, "Army Needs to Improve Controls and Audit Trails for the General Fund Enterprise Business System Acquire-to-Retire Business Process," September 13, 2013

DoD IG Report No. DODIG-2013-111, "Status of Enterprise Resource Planning Systems' Cost, Schedule, and Management Actions Taken to Address Prior Recommendations," August 1, 2013

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-2012-066, "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

Army

AAA Attestation Report A-2013-0039-FMR, "General Fund Enterprise Business System-Vendor Pay Processing Issues," January 22, 2013

AAA Attestation Report A-2013-0017-FMR, "General Fund Enterprise Business System-Vendor Pay," November 19, 2012

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 Release 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

Appendix C

Value of GFEBS Data in FY 2013 Statement of Budgetary Resources

SBR Line	SBR Line Amount (millions)	GFEBS Amount (millions)	Other Amount (millions)	Percent of GFEBS Data
Budgetary Resources:				
Unobligated balance brought forward, October 1	$44,329	$(59,810)	$104,139	36.5
Unobligated balance brought forward, October 1, as adjusted,	44,329	(59,810)	104,139	36.5
Recoveries of prior year unpaid obligations	33,763	4,505	29,258	13.3
Other changes in unobligated balance (+ or -)	(3,983)	206	(4,188)	4.7
Unobligated balance from prior year budget authority, net	74,110	(55,099)	129,209	29.9
Appropriations (discretionary and mandatory)	172,739	173,823	(1,084)	99.4
Spending Authority from offsetting collections (discretionary and mandatory)	19,630	10,487	9,142	53.4
Total Budgetary Resources	**266,478**	**129,211**	**137,267**	**48.5**
Status of Budgetary Resources:				
Obligations Incurred	227,841	108,781	119,059	47.7
Unobligated balance, end of year				
Apportioned	24,855	88,754	(63,900)	58.1
Exempt from Apportionment	215	209	6	97.2
Unapportioned	13,568	(68,534)	82,102	45.5
Total Unobligated Balance, End of Year	**38,637**	**20,430**	**18,208**	**52.9**
Total Budgetary Resources	**266,478**	**129,211**	**137,267**	**48.5**
Change in Obligated Balance:				
Unpaid obligations:				
Unpaid obligations, brought forward, October 1	138,730	30,420	108,310	21.9
Obligations incurred	227,841	108,781	119,059	47.7
Outlays (gross) (-)	(212,097)	(77,105)	(134,992)	36.4
Recoveries of prior year unpaid obligations (-)	(33,763)	(4,505)	(29,258)	13.3
Unpaid Obligations, end of year	120,711	57,591	63,119	47.7
Uncollected payments:				

SBR Line	SBR Line Amount (millions)	GFEBS Amount (millions)	Other Amount (millions)	Percent of GFEBS Data
Uncollected payments from Federal sources, brought forward, October 1 (-)	(29,376)	(4,210)	(25,166)	14.3
Change in uncollected payments from Federal Sources (+ or -)	2,234	(3,092)	5,326	36.7
Uncollected payments from Federal sources, end of year (-)	(27,143)	(7,302)	(19,840)	26.9
Obligated Balance, Start of Year (+ or -)	**109,353**	**26,210**	**83,143**	**24.0**
Obligated Balance, End of Year (+ or -)	**93,568**	**50,289**	**43,279**	**53.8**
Budget Authority and Outlays, Net:				
Budget authority, gross (discretionary and mandatory)	192,368	184,310	8,058	95.8
Actual offsetting collections (discretionary and mandatory) (-)	(21,868)	(7,400)	(14,468)	33.8
Change in uncollected customer payments from Federal Sources (discretionary and mandatory) (+ or -)	2,234	(3,092)	5,326	36.7
Budget Authority, net (discretionary and mandatory)	**172,734**	**173,818**	**(1,084)**	**99.4**
Outlays, gross (discretionary and mandatory)	212,097	77,105	134,992	36.4
Actual offsetting collections (discretionary and mandatory) (-)	(21,868)	(7,400)	(14,468)	33.8
Outlays, net (discretionary and mandatory)	190,229	69,706	120,523	36.6
Distributed offsetting receipts (-)	(596)	(12)	(583)	2.1
Agency Outlays, net (discretionary and mandatory)	**189,633**	**69,693**	**119,940**	**36.8**

Appendix D

Magnitude of Adjustments to the FY 2013 GFEBS Data

SBR Line	GFEBS Trial Balance (millions)	GFEBS in DDRS (millions)	Percent Change
Budgetary Resources:			
Unobligated balance brought forward, October 1	$7,003	$(59,810)	(954.1)
Unobligated balance brought forward, October 1, as adjusted,	7,003	(59,810)	(954.1)
Recoveries of prior year unpaid obligations	4,508	4,505	(0.1)
Other changes in unobligated balance (+ or -)	456	206	(54.9)
Unobligated balance from prior year budget authority, net	11,967	(55,099)	(560.4)
Appropriations (discretionary and mandatory)	179,295	173,823	(3.1)
Spending Authority from offsetting collections (discretionary and mandatory)	10,499	10,487	(0.1)
Total Budgetary Resources	**201,761**	**129,211**	**(36.0)**
Status of Budgetary Resources:			
Obligations Incurred	106,067	108,781	2.6
Unobligated balance, end of year			
Apportioned	88,604	88,754	0.2
Exempt from Apportionment	14	209	1,393.1
Unapportioned	7,075	(68,534)	(1,068.7)
Total Unobligated Balance, End of Year	**95,693**	**20,430**	**(78.7)**
Total Budgetary Resources	**201,760**	**129,211**	**(36.0)**
Change in Obligated Balance:			
Unpaid obligations:			
Unpaid obligations, brought forward, October 1	30,435	30,420	(0.1)
Obligations incurred	106,067	108,781	2.6
Outlays (gross) (-)	(74,142)	(77,105)	4.0
Recoveries of prior year unpaid obligations (-)	(4,508)	(4,505)	(0.1)
Unpaid Obligations, end of year	57,851	57,591	(0.5)
Uncollected payments:			
Uncollected payments from Federal sources, brought forward, October 1 (-)	(4,319)	(4,210)	(2.5)
Change in uncollected payments from Federal Sources (+ or -)	(3,092)	(3,092)	0.0

SBR Line	GFEBS Trial Balance (millions)	GFEBS in DDRS (millions)	Percent Change
Uncollected payments from Federal sources, end of year (-)	(7,410)	(7,302)	(1.5)
Obligated Balance, Start of Year (+ or -)	**26,116**	**26,210**	**0.4**
Obligated Balance, End of Year (+ or -)	**50,441**	**50,289**	**(0.3)**
Budget Authority and Outlays, Net:			
Budget authority, gross (discretionary and mandatory)	189,793	184,310	(2.9)
Actual offsetting collections (discretionary and mandatory) (-)	(7,407)	(7,400)	(0.1)
Change in uncollected customer payments from Federal Sources (discretionary and mandatory) (+ or -)	(3,092)	(3,092)	0.0
Budget Authority, net (discretionary and mandatory)	**174,902**	**173,818**	**(0.6)**
Outlays, gross (discretionary and mandatory)	74,142	77,105	4.0
Actual offsetting collections (discretionary and mandatory) (-)	(7,110)	(7,400)	4.1
Outlays, net (discretionary and mandatory)	67,032	69,706	(4.0)
Distributed offsetting receipts (-)	571	(12)	(102.2)
Agency Outlays, net (discretionary and mandatory)	**67,603**	**69,693**	**3.1**

Appendix E

Army Comments on Actions Taken and Planned

The DASA(FO) comments below discuss actions the Army has taken and plans to take to address the deficiencies identified in this report.

Management Comments on Improper System Configuration

DASA(FO) stated that GFEBS PMO personnel will reclassify the $6.3 billion in incorrect funding postings to the proper USSGL approved accounts before the close of FY 2014. He also indicated that the GFEBS PMO plans to incorporate the USSGL transaction library postings, which relate to the specific finding, in the appropriate funding process.

Management Comments on Inappropriate Use of Prior-Year Funding

DASA(FO) stated that OASA(FM&C) personnel, in coordination with GFEBS PMO personnel, will verify and revise the posting logic configuration within GFEBS by the first quarter of FY 2015. He added that any correcting entries will be revised and communicated quarterly to DFAS Departmental Reporting to appropriately state balances for financial reporting. He also indicated that OASA(FM&C) personnel are in the process of recommending updates to the applicable job aids.

Management Comments on Incorrect Use of Summary Level GLACS

DASA(FO) stated that OASA(FM&C) personnel are performing a comprehensive analysis of the GFEBS chart of accounts relative to guidance published by the Office of the Deputy Chief Management Officer. He indicated that, based on this analysis, OASA(FM&C) personnel will determine accounts to be added, re-linked, blocked from posting, and accounts to be posted at the detail level by FY 2014 yearend. He also stated that OASA(FM&C) personnel will coordinate with GFEBS PMO personnel to ensure the deficiencies referenced in this report are remediated and the GFEBS chart of accounts is updated.

Management Comments on Noncompliant B2R Transactions

DASA(FO) stated that OASA(FM&C) personnel are collaborating closely with GFEBS PMO personnel to complete a comprehensive analysis of the GFEBS transactions posting logic and associated business rules. He indicated that the analysis will identify

B2R transactions that are currently not listed in the DoD transaction library or the treasury guidance. He also stated that OASA(FM&C) personnel would develop an annual review at the end of the analysis for FY 2015.

Management Comments on Inaccurately Recorded Appropriations and Transfers

DASA(FO) stated that the Army has taken initial corrective action on the processes to record AGF B2R transactions within GFEBS. He indicated that additional corrective actions on related B2R processes will be identified by OASA(FM&C) personnel and the GFEBS PMO personnel by no later than June 30, 2014.

Management Comments on Inadequate Business Process Controls

DASA(FO) stated that OASA(FM&C) personnel will continue to identify key risks for the B2R business processes and ensure that key controls are designed and implemented as needed.

Management Comments on Inadequate Oversight of Budgetary Transactions

DASA(FO) stated that OASA(FM&C) personnel are developing a policy memorandum directing the Program Executive Office Enterprise Information Systems to document business processes, associated business rules and posting logic for all transactions processed in the Army's enterprise resource planning systems, including GFEBS. He indicated that the policy will be supported by an implementation guide to document business rules and posting logic in an SAP* enterprise resource planning environment by the second quarter of FY 2015.

Management Comments on Prior-Year Funding Decision and Budgetary Account Adjustments

DASA(FO) stated that the Army is monitoring the GFEBS trial balance at multiple levels and collaborating with GFEBS PMO personnel and DFAS personnel to ensure the accuracy and completeness of GFEBS data. He indicated that DDRS is configured to balance at a different level than GFEBS and the Army is working with all stakeholders to determine the best way forward to minimize and eliminate these adjustments.

* SAP is a company that develops ERP systems.

Management Comments on Budgetary Account Abnormal Balances

DASA(FO) stated that OASA(FM&C) personnel are reviewing the entries that impacted FY 2013 abnormal balances to determine if the abnormal balances still exist in FY 2014. He indicated that if an abnormal balance exists or a new abnormal balance similar in nature exists in FY 2014, OASA(FM&C) personnel will work with GFEBS PMO personnel and DFAS personnel to identify the root cause of the abnormal balance and implement corrective entries before yearend.

Management Comments on Army May Not Meet the Audit Readiness Goals

DASA(FO) stated that the Army has made significant progress in the reliability, accuracy, and completeness of the GFEBS B2R data. He indicated that OASA(FM&C) personnel and GFEBS PMO personnel will develop corrective action plans and make adjustments as necessary to mitigate risks to the AGF audit readiness. He also stated that the impacts to audit readiness efforts are actively tracked by Army management to minimize or eliminate impacts on the AGF SBA assertion.

Management Comments

Department of the Army

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

May 23 2014

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

SUBJECT: Army Response to Draft Report, Project No. D2013-D000FL-0156.000, Improvements Needed in the General Fund Enterprise Business System Budget-to-Report Process, dated April 24, 2014

1. The Army response to the subject draft report is attached. Enclosure 1 addresses the audit recommendations. Enclosure 2 provides additional Army comments on the audit results. The report recommends the Assistant Secretary of Army (Financial Management and Comptroller) take several actions to properly record Budget to Report transactions in the General Fund Enterprise Business System (GFEBS). It also recommends ASA(FMC) develop and implement job aids which address all general ledger accounts required for the Budget-to-Report business process consistent with the DoD Standard Financial Information Structure Transaction Library.

2. Army generally concurs with the subject draft report. The issues reported are not new. ASA(FMC) leadership and the GFEBS Program Management Office (PMO) are analyzing actions and considering process and solution design improvements. Regretfully, the subject report did not acknowledge that ASA(FMC) and the PMO have continued to make progress with general funds execution and reporting; an omission which could lead to readers of this report to a less than favorable perception of accomplishments made due to implementing GFEBS.

3. As with any massive system implementation, improvements continue for the foreseeable future. The Army is dedicated to providing accurate and reliable financial information to leadership and Congress. We openly encourage increased dialog in order to more accurately reflect costs, operational considerations and benefits of a project the size and scope of GFEBS in support of Army Financial Improvement overall.

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

Enclosure

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

Department of the Army (cont'd)

Enclosure1: Official Comments

Improvements Needed in the General Fund Enterprise Business System Budget-to-Report Business Process (Project D2013-D000FL-0156.000)

Recommendation 1

We recommend that the Assistant Secretary of the Army (Financial Management and Comptroller):

Recommendation 1a: Verify that the General Fund Enterprise Business System posting logic documentation is accurate and complete, and use it to validate General Fund Enterprise Business System general ledger account postings.

Response: Concur. Prior to this audit, the Assistant Secretary of the Army (ASA (FM&C)) initiated an effort to document and validate the GFEBS posting logic. The Army has undertaken an effort to validate posting logic and GL mapping in phases, tying it first to the transactions that affect the FY 2015 SBA assertion, followed by the transactions affecting the FY 2017 assertion. To date, our work has resulted in posting logic changes for undeposited collections, recoveries, and anticipations. Additionally, ASA (FM&C) is in the process of verifying posting logic based on transactions processed in the current and prior fiscal years. This is being executed as part of a larger effort to identify, document, and monitor system derived posting logic and will be continued on a regular basis for each system and business process. Any inconsistencies or deviations from DoD or USSGL posting guidance will be addressed, as identified, through the relevant Program's configuration management process. For the Budget to Report process area, the Army plans to develop a POAM (estimated completion date July 31, 2014) outlining actions required to document and potentially adjust applicable posting logic.

Recommendation 1b: Direct the General Fund Enterprise Business System Program Management Office to reconfigure the General Fund Enterprise Business System to properly record Budget-to-Report transactions, including implementing system controls to address items identified in this report.

Response: Concur. As individual changes are identified and approved through the GFEBS configuration management process, these changes will be scheduled and implemented by the GFEBS PMO in FY 2015.

Recommendation 1c: Provide the Army Budget Office personnel with training on performing their Budget-to-Report responsibilities using the General Fund Enterprise Business System.

Response: Concur. GFEBS PMO and ASA(FM&C) will review end-to-end processes, existing training materials, and job aids. Updates to training materials and job aids will be identified, implemented, and communicated to the stakeholders. A kick off meeting

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for review of related processes materials with GFEBS PMO and ASA(FM&C) will be conducted no later than June 30, 2014.

Recommendation 1d: Use the General Fund Enterprise Business System to execute all Army General Fund appropriations.

Response: Concur. It is the Army's intent to maximize General Fund execution within GFEBS where possible; however, the Army's strategy for General Fund execution is informed by certain operational and system design efficiencies as well as the practicalities of migrating from a broad range of financial and non-financial feeder system legacy environments. The Army strategy, as endorsed by OSD, has been to leverage GCSS-Army to support General Fund standard stock procurement financial execution, utilize General Fund Enterprise Business System – Sensitive Activities (GFEBS-SA) for classified execution and leverage the Army Corps of Engineers' Financial Management System (CEFMS) for execution of applicable General Fund appropriations and incrementally migrate from using legacy financial and feeder systems to the ERPs. Lessons learned from other DoD implementations led the Army away from the alternative of a monolithic, Army-wide single-system big-bang implementation, the likes of which have proven to be very expensive and ineffective.

The brown-out of legacy financial systems has had its costs and challenges, but this approach was determined to be far more preferable than having to cleanse and convert data that the DoDIG itself has criticized as being highly suspect. Once having fully migrated to the target-state systems environment, the Army will endeavor to concentrate its execution in a few key General Fund financial systems, with GFEBS at its core. Army Leadership will explore the long term benefits of performing the General Fund General Ledger consolidation before submission to Defense Department Reporting System (DDRS) with the objective to consolidate all Army General Fund trial balance reporting in GFEBS Business Intelligence (GFEBS BI) prior to submission to DDRS.

Recommendation 1e: Assess how implementing corrective actions based on the recommendations in this report will impact the Army General Fund Schedule of Budgetary Activity assertion timeline.

Response: Non-Concur. The Army is on track to assert as scheduled. ASA(FM&C) is reviewing the findings from the DoDIG's Budget to Report audit report and is making progress to address the issues noted. ASA(FM&C) and stakeholders regularly monitor and brief management on the status of corrective actions to ensure milestones are met and robust interim compensating controls are in place.

Recommendation 2: We recommend that the ASA(FM&C) and the GFEBS PMO develop and implement job aids that address all the general ledger account codes required for the Budget-to-Report business process and are consistent with the DoD Standard Financial Information Structure Transaction Library.

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Department of the Army (cont'd)

Response: Concur. GFEBS PMO and ASA (FM&C) will review existing training materials and job aids. Updates to training materials and job aids will be made as needed. Any such revisions will be communicated to the stakeholders accordingly. Additionally, any required revisions will be verified to ensure compliance with the DoD SFIS Transaction Library, and the Treasury Financial Manual, and they will cover business processes related to the budget-to-report process. A kick off meeting for review of related materials with GFEBS PMO and ASA (FM&C) will be conducted no later than June 30, 2014.

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Department of the Army (cont'd)

Enclosure 2: Army Comments on Audit Results

Improvements Needed in the General Fund Enterprise Business System Budget-to-Report Business Process (Project D2013-D000FL-0156.000)

Here are Army comments providing additional explanations for audit results in the draft report.

1. **Budget-to-Report Business Process Not Properly Implemented (pg. 4)**

a. GFEBS PMO personnel did not configure GFEBS to properly record at least $6.3 billion in Army General Fund (AGF) Budget to report (B2R) transactions

Comment: The GFEBS PMO concurs with the finding and will reclassify the $6.3 billion in incorrect funding postings to the proper USSGL approved accounts before close of Fiscal Year 2014. Additionally, the GFEBS PMO plans to incorporate the USSGL transaction library postings that relate to the specific finding in the appropriate funding process.

b. ABO personnel did not accurately record $103.2 billion of AGF B2R transactions in GFEBS.

Comment: The Army has taken initial corrective action on the processes to record AGF B2R transactions within GFEBS. Additional corrective actions on related B2R processes will be identified with GFEBS PMO and ASA (FM&C) by no later than June 30, 2014.

c. ABO personnel did not record 22 FY 2013 AGF appropriations, totaling $176.5 billion, in a timely manner.

Comment: ASA (FM&C) has established processes to ensure the full and timely recording of appropriations, and records appropriations when all required documentation is received. Due to the sequestration that occurred during FY 2013, required documentation was not provided in a timely manner.

d. OASA(FM&C) personnel did not provide adequate oversight to verify that the GFEBS PMO configured the system to properly record B2R transactions.

Comment: ASA (FM&C) has provided oversight on the configuration of the GFEBS system. That oversight includes review and approval over business processes and functional design documentation as well as General Ledger account posting logic for each applicable business process. Given the breadth and complexity of the system, it is reasonable to state some posting logic will need to be revised, and ASA (FM&C) will work with the GFEBS PMO to make the updates.

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e. OASA(FM&C) and GFEBS PMO personnel did not create adequate procedures for some B2R business processes.

Comment: ASA(FM&C) and GFEBS PMO have provided adequate business processes to incorporate feeder system processes into an ERP architecture such as GFEBS. Developing these includes review and approval over business processes and functional design documentation as well as General Ledger account posting logic for each applicable business process. Given the breadth and complexity of the system, it is reasonable to state that some processes will need to be revised to comply with the most current, and continually developing guidance.

f. ABO personnel were not aware of all the transactions that they were required to record in GFEBS.

Comment. GFEBS PMO and ASA(FM&C) will review end to end processes together, with existing training materials and job aids. Updates to training materials and job aids will be identified, implemented, and communicated to the stakeholders. A kick off meeting for review of related processes materials with GFEBS PMO and ASA(FM&C) will be scheduled for no later than June 30, 2014

2. Improper System Configuration: GFEBS PMO personnel did not configure GFEBS to properly record at least $6.3 billion in AGF B2R transactions. Specifically, GFEBS PMO personnel configured the system so that it improperly (pg. 5)

   a. Used GLAC 4119, "Other Appropriations Realized," an account used only for current year appropriations, for $4.1 billion in prior year funding.

   b. Recorded $2.2 billion to summary-level budgetary GLACs instead of to the detail-level GLACs required by SFIS for financial reporting.

   c. Processed at least 18 transactions, totaling $51.3 million that did not comply with the DoD SFIS Transaction Library.

Comment: The GFEBS PMO will reclassify the $6.3 billion in incorrect funding postings to the proper USSGL approved accounts before the close of FY 2014. Additionally, the GFEBS PMO plans to incorporate the USSGL transaction library postings that relate to the specific finding in the appropriate funding process.

3. Inappropriate Use of Prior-Year Funding: GFEBS PMO personnel configured GFEBS so that it inappropriately used GLAC 4119 to record $4.1 billion in prior-year funding for 44 AGF appropriations (pg. 6)

Comment: ASA(FM&C), in coordination with GFEBS PMO, will verify and revise the posting logic configuration within GFEBS. The solution is targeted for

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Department of the Army (cont'd)

implementation in the first quarter of FY 2015 in accordance with GFEBS configuration management processes. Any correcting entries will be revised and communicated quarterly at year end to DFAS Departmental Reporting to appropriately state balances for financial reporting. ASA(FM&C) is in the process of recommending updates to the job aids.

4. Incorrect Use of Summary-Level GLACs: GFEBS PMO personnel configured GFEBS so that it recorded $2.2 billion to summary-level budgetary GLACs instead of to the detail-level GLACs required by SFIS for financial reporting. (pg. 6)

   Comment: ASA(FM&C) is performing a comprehensive analysis of the GFEBS chart of accounts (COA) for FY 2014. The analysis is being performed relative to DoD Standard COA guidance published by OSD(C) Deputy Chief Management Officer (DCMO). Based on the analysis ASA(FM&C) will determine accounts to be: added, re-linked, blocked from posting, and accounts to be posted at the detail level by FY 2014 year end.

   ASA(FM&C) will coordinate with the GFEBS PMO to ensure the referenced deficiencies above are remediated and the GFEBS COA is updated per the latest DCMO guidance. The more complex COA changes will be communicated to GFEBS PMO to be addressed. ASA(FM&C) will coordinate or update the relevant job aids as required by the first quarter of FY 2015.

5. Noncompliant B2R Transactions: GFEBS PMO personnel configured GFEBS so that it processed at least 18 transactions, totaling $51.3 million, which did not comply with the DoD SFIS Transaction Library. (pg. 7)

   Comment: ASA(FM&C) is collaborating closely with GFEBS PMO to complete a comprehensive analysis of the GFEBS transactions posting logic and associated business rules. The analysis will identify B2R transactions that are currently not listed in the DoD transaction library or the Treasury guidance. OSD(C) guidance cites that the library is not an all-inclusive listing of transactions, and that mere absence of a transaction from the Transaction Library does not constitute non-compliance. Transactions which are GAAP, valid and necessary to the Army's operation and accounting, but not captured in the Treasury or DoD Transaction Libraries, will be documented accordingly. ASA(FM&C) will begin the analysis through the existing review process for new posting logic and associated business rule requests and develop an annual review by the end for FY 2015.

6. Inaccurately Recorded Appropriations and Transfers: ABO personnel did not accurately record $103.2 billion of AGF B2R transactions in GFEBS. (pg. 7)

   Comment: Reference the response to item 1b.

7. Business Process Controls Were Inadequate: GFEBS PMO and ABO personnel did not implement the B2R business process to properly support the AGF SBR because

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Department of the Army (cont'd)

the Army's internal controls over the B2R business process were inadequate. (pg. 12)

Comment: ASA(FM&C) will continue to identify key risks for the B2R business processes and ensure that key controls are designed and implemented as needed.

8. Inadequate Oversight of Budgetary Transactions: OASA(FM&C) personnel did not provide adequate oversight to verify that GFEBS PMO configured GFEBS to properly record B2R transactions (pg. 12)

   A complete and accurate posting logic scenario file earlier in the system's development may have prevented the system misconfiguration and the related misstatements identified in this report.

   Comment: ASA(FM&C) is developing a policy memorandum to direct Army PEO EIS PMO's to document business process, associated business rules and posting logic for all transactions processed in the Army's ERP systems, including GFEBS. This policy will be supported by an implementation guide to document business rules and posting logic in an SAP ERP environment by the second quarter of FY 2015.

9. Inadequate Procedures: ABO personnel did not accurately record AGF B2R transactions because OASA (FM&C) and GFEBS PMO personnel did not create adequate procedures for some B2R business processes. (pg. 13)

   Comment: Reference the response for item 1e.

10. Budget Office Was Not Aware of Responsibilities: ABO personnel did not accurately record AGF B2R transactions in GFEBS and did not record the FY 2013 AGF appropriations in a timely manner because they were not aware of all the transactions they were required to record in GFEBS. (pg. 14)

    Comments: Reference the responses provided for items 1b and 1c

11. GFEBS Not Main Source of Army General Fund Statement of Budgetary Resources (pg. 14)

    Comments: GFEBS was not the main source of data for prior Army General Fund financial statements. That was part of the brown-out strategy that the Army adopted to avoid the specter of converting legacy financial data that the DoDIG itself has noted as being unreliable. The brown-out strategy was informed by lessons-learned from other major DoD transformation efforts and coordinated extensively with OSD-Comptroller and OSD-DCMO.

Department of the Army (cont'd)

12. Prior-Year Funding Decision: GFEBS was not the main source of the data for the AGF SBR because OASA(FM&C) personnel decided to keep most prior-year funding data in legacy systems instead of converting the data into GFEBS (pg. 15)

    Comments: Reference the response for item 15

13. Unreliable Financial Statement Data: Despite spending $910 million on GFEBS development and implementation, the system contains unreliable B2R data, and the Army is at risk of not meeting NDAA 2012 SBR audit readiness requirements (pg. 16)

    Comments: As of August, 2012, after reaching Full Deployment, the Acquisition Cost for the GFEBS Program was $667.2 million.

    All systems whether financial or part of a robust ERP environment such as GFEBS, have data that may need to be adjusted or reclassified over time. This is an on-going process in most systems. To characterize this as unreliable is not a true assessment of transactions that are supported and provide a clear audit trail, but may need to be reclassified to another general ledger account. Additionally, the GFEBS Program continues with Audit examinations. Recent findings have shown that we have made significant improvements towards audibility; and will continue to make revisions to ensure full auditability.

14. **Budgetary Account Abnormal Balances:** The GFEBS fourth quarter FY 2013 trial balance contained $6.3 billion in abnormal balances related to budgetary GLACs. (pg. 16)

    Comments: ASA(FM&C) is reviewing the entries that impacted FY 2013 abnormal balances to determine if the abnormal balance still exists in FY 2014. If an abnormal balance exists or a new abnormal balance similar in nature exists in FY 2014, ASA(FM&C) will work with GFEBS PMO and DFAS AM&C to identify the root cause of the abnormal balance and implement corrective entries to resolve the abnormal balance before the FY 2014 year end. As mentioned in the response to item 2, the GFEBS PMO will reclassify the $6.3 billion in incorrect funding postings to the proper USSGL approved accounts before the close of FY 2014.

15. **Budgetary Account Adjustments:** DFAS personnel could not use the GFEBS trial balance data to prepare the FY 2013 AGF SBR without making significant adjustments in DDRS. (pg. 17)

    Comments: Army is monitoring the GFEBS trial balance at multiple levels and collaborating with GFEBS PMO and DFAS to ensure the accuracy and completeness of GFEBS data. DDRS is configured to balance at a different level than GFEBS. Army is working with all stakeholders to determine the best way forward to minimize and eliminate these adjustments.

Department of the Army (cont'd)

16. **Army May Not Meet Audit Readiness Goals:** If the Army does not correct the reliability of GFEBS B2R data for the AGF, it is at a significant risk of not meeting the FY 2014 SBR audit readiness date. (pg. 18)

Comments: The Army has made significant progress in the reliability, accuracy, and completeness of the GFEBS B2R data. ASA(FM&C) and GFEBS PMO will develop corrective actions plans and make adjustments as necessary to mitigate risks to the AGF audit readiness. Corrective actions are prioritized and tracked for progress by all Army stakeholders. The impacts to audit readiness efforts are actively monitored and addressed by Army management to minimize or eliminate impacts on the AGF Schedule of Budgetary Activity assertion.

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Acronyms and Abbreviations

ABO	Army Budget Office
AGF	Army General Fund
ASA(FM&C)	Assistant Secretary of the Army (Financial Management and Comptroller)
B2R	Budget-to-Report
BEA	Business Enterprise Architecture
CR	Continuing Resolution
DASA(FO)	Deputy Assistant Secretary of the Army (Financial Operations)
DDRS	Defense Departmental Reporting System
DFAS	Defense Finance and Accounting Service
GFEBS	General Fund Enterprise Business System
GLAC	General Ledger Account Code
NDAA	National Defense Authorization Act
O&M	Operations and Maintenance
OASA(FM&C)	Office of the Assistant Secretary of the Army (Financial Management and Comptroller)
PMO	Program Management Office
SBA	Schedule of Budgetary Activity
SBR	Statement of Budgetary Resources
SFIS	Standard Financial Information Structure
USSGL	U.S. Government Standard General Ledger

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DEPARTMENT OF DEFENSE

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