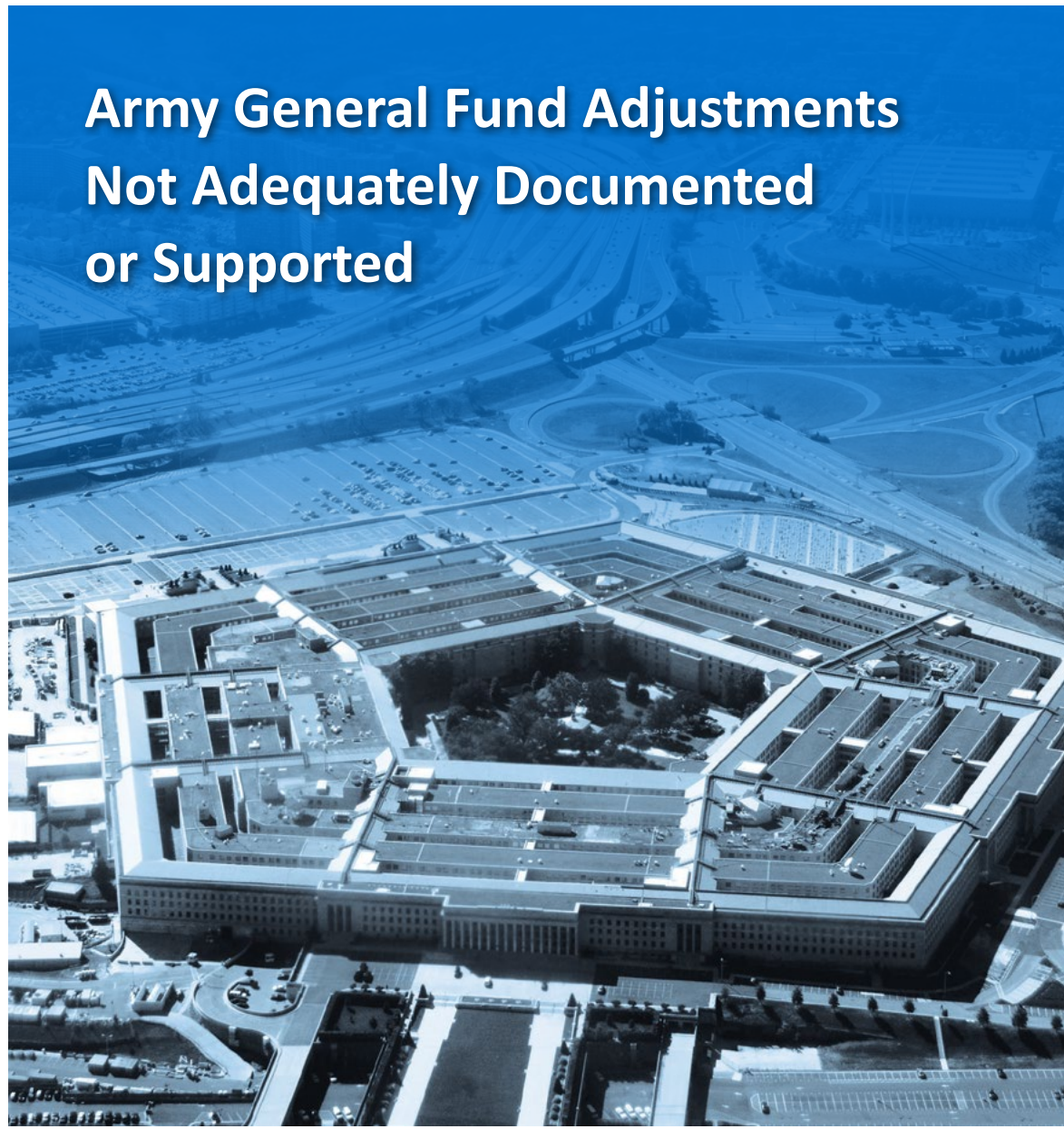# INSPECTOR GENERAL

U.S. Department of Defense

Army General Fund Adjustments Not Adequately Documented or Supported

INTEGRITY ★ EFFICIENCY ★ ACCOUNTABILITY ★ EXCELLENCE

Mission

Our mission is to provide independent, relevant, and timely oversight of the Department of Defense that supports the warfighter; promotes accountability, integrity, and efficiency; advises the Secretary of Defense and Congress; and informs the public.

Vision

Our vision is to be a model oversight organization in the Federal Government by leading change, speaking truth, and promoting excellence—a diverse organization, working together as one professional team, recognized as leaders in our field.

Results in Brief

Army General Fund Adjustments Not Adequately Documented or Supported

Objective

We determined whether adjustments made to Army General Fund (AGF) data during the FY 2015 financial statement compilation process were adequately documented and supported. In addition, we assessed the internal controls over the compilation process.

Finding

The Office of the Assistant Secretary of the Army (Financial Management & Comptroller) (OASA[FM&C]) and the Defense Finance and Accounting Service Indianapolis (DFAS Indianapolis) did not adequately support $2.8 trillion in third quarter journal voucher (JV) adjustments and $6.5 trillion in yearend JV adjustments[1] made to AGF data during FY 2015 financial statement compilation.[2] The unsupported JV adjustments occurred because OASA(FM&C) and DFAS Indianapolis did not prioritize correcting the system deficiencies that caused errors resulting in JV adjustments, and did not provide sufficient guidance for supporting system-generated adjustments.

In addition, DFAS Indianapolis did not document or support why the Defense Departmental Reporting System-Budgetary (DDRS-B), a

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[1] JV adjustments adjust errors identified during financial statement compilation; record accounting entries that, due to system limitations or timing differences, have not been otherwise recorded; and are used for month and yearend closing purposes.

[2] Amounts are not cumulative and should not be added together.

Finding (cont'd)

budgetary reporting system, removed at least 16,513 of 1.3 million records during third quarter FY 2015. This occurred because DFAS Indianapolis did not have detailed documentation describing the DDRS-B import process or have accurate or complete system reports.

As a result, the data used to prepare the FY 2015 AGF third quarter and yearend financial statements were unreliable and lacked an adequate audit trail. Furthermore, DoD and Army managers could not rely on the data in their accounting systems when making management and resource decisions. Until the Army and DFAS Indianapolis correct these control deficiencies, there is considerable risk that AGF financial statements will be materially misstated and the Army will not achieve audit readiness by the congressionally mandated deadline of September 30, 2017.

Recommendations

OASA(FM&C) should periodically review system-generated adjustments to understand the reasons for the adjustments and to verify the support for the adjustments. OASA(FM&C) and DFAS Indianapolis should provide resources to review system change requests to correct system deficiencies that caused errors resulting in JV adjustments, determine when the requests will be implemented, and develop new cost-effective corrective actions if they will not be implemented; identify root causes of errors that result in unsupported JV adjustments, including system-generated adjustments; and develop corrective actions with milestones to correct the identified root causes. DFAS Indianapolis should revise the manual used to support system-generated adjustments, fully document the complete DDRS-B import process, and update the Army Report Data Type Management Report and Feeder File Inventory Control Report to ensure the information they contain is accurate and complete. See the full report for additional recommendations.

Management Comments and Our Response

The Deputy Assistant Secretary of the Army (Financial Operations), responding for the Assistant Secretary of the Army (Financial Management & Comptroller), and the Director, DFAS Indianapolis, agreed with the recommendations. Comments from the Deputy Assistant Secretary and the Director addressed all the specifics of the recommendations to provide the resources necessary to review system change requests, identify root causes of errors that result in unsupported JV adjustments, identify support for JV adjustments that cannot be eliminated and system-generated adjustments, and update system-generated reports. Therefore, we are not requesting additional comments for these recommendations. However, comments from the Deputy Assistant Secretary and the Director did not address all the specifics of the other recommendations.

The actions proposed by the Army and DFAS Indianapolis will not:

- provide an understanding of the reasons for system-generated JV adjustments,
- address the prioritization of system change requests for correcting system deficiencies resulting in JV adjustments, and
- address the full scope of JV adjustments that may potentially be eliminated.

In addition, the Director, DFAS Indianapolis, comments do not address the DDRS-B import process for general ledger files. Therefore, we request that the Assistant Secretary of the Army (Financial Management & Comptroller) and the Director, DFAS Indianapolis, provide additional comments to this report by August 25, 2016. Please see the Recommendations Table on the next page.

Recommendations Table

Management	Recommendations Requiring Comment	No Additional Comments Required
Assistant Secretary of the Army (Financial Management & Comptroller)	1, 2.c, 2.e	2.a, 2.b, 2.d, 2.f
Director, Defense Finance and Accounting Service Indianapolis	2.c, 2.e, 3.b	2.a, 2.b, 2.d, 2.f, 3.a, 3.c

Please provide Management Comments by August 25, 2016.

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

July 26, 2016

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

SUBJECT: Army General Fund Adjustments Not Adequately Documented or Supported
        (Report No. DODIG-2016-113)

We are providing this report for review and comment. Army and Defense Finance and Accounting Service Indianapolis personnel did not adequately support $2.8 trillion in third quarter adjustments and $6.5 trillion in yearend adjustments made to Army General Fund data during FY 2015 financial statement compilation. We conducted this audit in accordance with generally accepted government auditing standards.

We considered comments on a draft of this report when preparing the final report. DoD Instruction 7650.03 requires that recommendations be resolved promptly. The Deputy Assistant Secretary of the Army (Financial Operations), responding for the Assistant Secretary of the Army (Financial Management & Comptroller), agreed with the recommendations but did not address all the specifics of Recommendations 1, 2.c, and 2.e. In addition, the Director, Defense Finance and Accounting Service Indianapolis, agreed with the recommendations but did not address all the specifics of Recommendations 2.c, 2.e, and 3.b. We request that the Assistant Secretary of the Army (Financial Management & Comptroller) and the Director, Defense Finance and Accounting Service Indianapolis, provide additional comments in response to the final report by August 25, 2016.

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

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

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

Contents

Introduction

Objective

We determined whether adjustments made to Army General Fund (AGF) data during the FY 2015 financial statement compilation process were adequately documented and supported. In addition, we assessed the internal controls over the compilation process. See Appendix A for a discussion of the scope and methodology and for prior audit coverage related to the objective.

Background

Longstanding financial management challenges prevent the Army from issuing auditable financial statements for the AGF. Public Law 111-84[3] 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."[4] The FY 2015 AGF financial statements reported assets of $282.6 billion, liabilities of $42.7 billion, and budgetary resources of $219.5 billion.

The Federal Financial Management Improvement Act of 1996 requires each Federal agency to implement and maintain financial management systems that comply substantially with Federal financial management system requirements, applicable Federal accounting standards, and the U.S. Government Standard General Ledger at the transaction level. The Army developed the General Fund Enterprise Business System (GFEBS), an enterprise resource planning system,[5] to improve the timeliness and reliability of financial information and to obtain a clean audit opinion.

Unsupported Adjustments Identified as Material Weakness

The Government Accountability Office identified unsupported adjustments made to the financial statements as a material internal control weakness during its audit of the FY 1991 Army financial statements.[6] The Army indicated in its FY 2008 Statement of Assurance on Internal Controls[7] that this material weakness would be corrected by the end of FY 2011 with the deployment of GFEBS. However, the FY 2015 Statement of Assurance on Internal Controls indicated this material weakness remained uncorrected, and may not be corrected until

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[3] Public Law 111-84, "National Defense Authorization Act for Fiscal Year 2010," October 28, 2009.

[4] Public Law 111-84, section 1003(a)(A)(ii).

[5] Enterprise resource planning systems are software systems designed to support and automate key operational processes.

[6] "Examination of the Army's Financial Statements for Fiscal Year 1991," GAO/AFMD-92-83, August 1992 (Note: the Government Accountability Office was known as the General Accounting Office when this report was issued.)

[7] An annual statement of assurance on internal controls documents the results of senior leaders' evaluation of the reliability of internal accounting and administrative controls over financial reporting in effect during the fiscal year.

third quarter FY 2017. In February 2015, Army and Defense Finance and Accounting Service Indianapolis (DFAS Indianapolis) management established the Journal Voucher (JV) Working Group to address the inadequate support and approval of JV adjustments[8] impacting the FY 2015 Schedule of Budgetary Activity.[9] To meet the congressionally mandated FY 2017 audit-readiness deadline, the Army needs to demonstrate progress toward correcting the material weakness in its accounting adjustments the Government Accountability Office identified in the FY 1991 audit.

Process for Compiling Army General Fund Statements

DFAS Indianapolis personnel receive and process AGF information files (feeder files) from GFEBS and legacy systems[10] containing data such as obligations, collections, disbursements, and funding. In addition, DFAS Indianapolis personnel receive feeder files from non-Army sources. DFAS Indianapolis personnel import these feeder files into Defense Departmental Reporting System-Budgetary (DDRS-B) to produce budgetary reports and transfer the data to DDRS-Audited Financial Statements (DDRS-AFS) to produce the AGF financial statements.[11] During the compilation, DFAS Indianapolis personnel use JVs and data calls[12] to process monthly, quarterly, and annual adjustments to general ledger account balances in DDRS-B and DDRS-AFS. In addition, DDRS-B processes system-generated[13] adjustments to the AGF financial data.

Roles and Responsibilities for Financial Reporting

Office of Management and Budget Circular No. A-123[14] requires management to develop effective internal controls over its financial reporting process. The Circular requires that agencies document the business processes and controls in place and the assessment process that management uses to determine control effectiveness. In addition, DoD Financial Management Regulation (DoD FMR) 7000.14-R[15] defines the Office of the Under Secretary of Defense (Comptroller) (OUSD[C]), DoD Components, and DFAS responsibilities

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[8] JV adjustments are primarily used to adjust errors identified during financial statement compilation; to record those accounting entries that, due to system limitations or timing differences, have not been otherwise recorded; and for month and yearend closing purposes.

[9] The Schedule of Budgetary Activity is a report limited to budgetary activities and transactions related to the current-year funding.

[10] A legacy system is software or hardware that has been superseded, but is difficult to replace because of its wide use.

[11] DDRS is the consolidated financial management and budgetary reporting system used by all military services and defense agencies. DDRS-B and DDRS-AFS are two modules within DDRS.

[12] Data calls provide source entry information when the data are not recorded in detailed transactions.

[13] System-generated adjustments are automated within DDRS-B based on system change requests and without manual involvement by DFAS personnel.

[14] Office of Management and Budget Circular No. A-123 Revised, "Management's Responsibility for Internal Control," December 21, 2004.

[15] DoD Regulation 7000.14-R, "DoD Financial Management Regulation," volume 6A, chapter 2, "Financial Roles and Responsibilities."

for the proper preparation and adequate support of JV adjustments. Financial Improvement and Audit Readiness Guidance, April 2015, requires that reporting entities have effective controls ensuring that all JV adjustments recorded in DDRS-B and DDRS-AFS are accurate and valid to demonstrate audit readiness.

Office of the Under Secretary of Defense (Comptroller) (OUSD[C])

OUSD(C) develops, approves, oversees, and implements DoD policy on financial reports, including determining policies on preparing, approving, and reviewing JV adjustments. OUSD(C) also provides guidance to improve financial management and internal controls to ensure that DoD has reliable financial information.

Army

The Army is responsible for ensuring accurate, complete, timely, and well-supported data for entry into finance and accounting systems and inclusion in financial reports. In addition, the Army must maintain audit trails in sufficient detail to support reported financial information. The Office of the Assistant Secretary of the Army (Financial Management & Comptroller) (OASA[FM&C]) is responsible for properly preparing and adequately supporting JV adjustments, and for assessing the accuracy of financial information reported by DFAS.

Defense Finance and Accounting Service (DFAS)

DFAS ensures that data provided by DoD Components are recorded accurately and in a timely manner in accordance with established standards, and processed in the finance and accounting systems. DFAS must also properly prepare and adequately support JV adjustments. In addition, DFAS must maintain documentary support and audit trails to support its reports. Further, DFAS must ensure that financial reports are prepared using a consistent, timely, and auditable process and that controls are in place to ensure accurate reports.

Review of Internal Controls

DoD Instruction 5010.40[16] 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 in the documentation and support of adjustments in the compilation of the FY 2015 AGF third quarter and yearend financial statements. The Army and DFAS Indianapolis did not have adequate controls to ensure AGF adjustments were properly documented and supported. We will provide a copy of the report to the senior officials responsible for internal controls in the Department of the Army and DFAS Indianapolis.

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[16] DoD Instruction 5010.40, "Managers' Internal Control Program Procedures," May 30, 2013.

Finding

Army General Fund Adjustments Not Adequately Documented or Supported

OASA(FM&C) and DFAS Indianapolis personnel did not adequately document or support adjustments made to AGF data during FY 2015 financial statement compilation. Specifically, OASA(FM&C) and DFAS Indianapolis personnel did not adequately support $2.8 trillion in JV adjustments for third quarter and $6.5 trillion in JV adjustments for yearend.[17] This occurred because:

- OASA(FM&C) and DFAS Indianapolis personnel did not prioritize correcting the system deficiencies that caused errors resulting in JV adjustments; and

- DFAS Indianapolis management did not provide sufficient guidance to ensure DFAS Indianapolis personnel adequately supported DDRS-B system-generated JV adjustments.

In addition, DFAS Indianapolis personnel did not document or support why DDRS-B removed at least[18] 16,513 of 1.3 million feeder file records during third quarter FY 2015. This occurred because DFAS Indianapolis personnel did not have detailed documentation describing the import process or have accurate or complete system reports.

As a result, the data used to prepare the FY 2015 AGF third quarter and yearend financial statements were unreliable and lacked an adequate audit trail. In addition, DoD and Army managers could not rely on the data in their accounting systems when making management and resource decisions. Until the Army and DFAS Indianapolis correct these control deficiencies, there is considerable risk that the AGF financial statements will be materially misstated and the Army will not achieve audit readiness by the congressionally mandated September 30, 2017, deadline. Further, without maintaining adequate documentation during financial statement compilation, the accuracy and completeness of the AGF financial data could not be confirmed, and some adjustments may go undetected.

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[17] Amounts are not cumulative and should not be added together.

[18] DFAS personnel could not determine how many records were removed during the DDRS-B import process because two DDRS-B–generated reports that DFAS personnel used to review and analyze the import process were not accurate or complete.

FY 2015 Financial Statement Compilation Adjustments Not Supported or Documented

OASA(FM&C) and DFAS Indianapolis personnel did not adequately document or support adjustments made to AGF data during FY 2015 financial statement compilation. Specifically,

- OASA(FM&C) and DFAS Indianapolis personnel did not adequately support $2.8 trillion in JV adjustments for third quarter and $6.5 trillion in JV adjustments for yearend, and

- DFAS Indianapolis personnel did not document or support why DDRS-B removed at least 16,513 of 1.3 million feeder file records during third quarter FY 2015.

Properly preparing and adequately supporting adjustments is important to ensure that adjustments accurately record financial events and that documentation for a detailed audit trail exists.

Journal Voucher Adjustments Not Supported

OASA(FM&C) and DFAS Indianapolis personnel did not adequately support $2.8 trillion in JV adjustments for third quarter and $6.5 trillion in JV adjustments for yearend. The DoD FMR, volume 6A, chapter 2, requires the JV preparer to identify whether the adjustment is supported or unsupported. DFAS Indianapolis personnel determined whether the 64,321 third quarter and 142,355 yearend AGF JV adjustments, including DFAS Indianapolis-prepared and system-generated adjustments, were supported.

> OASA(FM&C) and DFAS Indianapolis personnel did not adequately support $2.8 trillion in JV adjustments for third quarter and $6.5 trillion in JV adjustments for yearend.

A JV adjustment is considered supported if the underlying detail transaction level documentation in support of the adjustment is available. Table 1 summarizes the DFAS Indianapolis determination for these AGF JV adjustments. Of the 60,706 unsupported JV adjustments for third quarter, DDRS-B automatically generated 60,302, totaling $0.5 trillion. Of the 138,887 unsupported JV adjustments, for yearend, DDRS-B automatically generated 137,618, totaling $4 trillion. DFAS Indianapolis personnel stated that due to the volume of some types of JV adjustments necessary to prepare the AGF financial statements, they decided to use system-generated adjustments rather than manual adjustments to be efficient and comply with reporting timeframes.

Table 1. DFAS Indianapolis Determination of Unsupported and Supported JV Adjustments

Quarter FY 2015	Unsupported		Supported		Total	
	Count	Value (trillions)	Count	Value (trillions)	Count	Value (trillions)
Third	60,706	$0.88	3,615	$2.29	64,321	$3.17
Yearend	138,887	4.44	3,468	2.43	142,355	6.87

Source: DFAS Indianapolis JV adjustment listings.

> We determined that ... 170, totaling $2.1 trillion, of the 194 yearend JV adjustments in our sample, were in fact unsupported.

We reviewed a nonstatistical sample of 263 adjustments, totaling $2.2 trillion, of the 3,615 third quarter JV adjustments and 194 adjustments, totaling $2.3 trillion, of the 3,468 yearend JV adjustments that DFAS Indianapolis personnel determined were supported to verify that the underlying detail transaction level documentation was available.[19] Table 2 provides the results of our review of a sample of the JV adjustments DFAS Indianapolis personnel categorized as supported. We determined that 236, totaling $2 trillion, of the 263 third quarter JV adjustments in our sample and 170, totaling $2.1 trillion, of the 194 yearend JV adjustments in our sample, were in fact unsupported because the adjustments:

- forced general ledger amounts to agree with other data sources without reconciling the differences or determining which data source was correct;
- corrected errors or reclassified amounts to other accounts without adequately documenting why the adjustments were needed; or
- changed general ledger data without adequate documentation to support the adjustments.

Table 2. Review of the JV Adjustments DFAS Indianapolis Categorized as Supported

Quarter FY 2015	Unsupported		Supported		Total	
	Count	Value (trillions)	Count	Value (trillions)	Count	Value (trillions)
Third	236	$1.96	27	$0.25	263	$2.21
Yearend	170	2.10	24	0.21	194	2.31

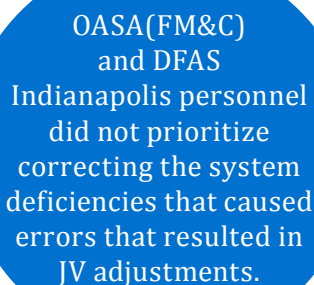Source: DFAS Indianapolis JV adjustment supporting documentation.

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[19] The 263 JV adjustments reviewed for third quarter include 262 JV adjustments and the June 2015 Electronic Error Correction and Transaction Analysis (ELECTRA) JV adjustment. The 194 JV adjustments reviewed for yearend include 193 JV adjustments and the September 2015 ELECTRA JV adjustment.

We included both DFAS Indianapolis-prepared and system-generated adjustments in our sample. Specifically, 32 of the 263 JV adjustments reviewed for third quarter and 39 of the 194 JV adjustments reviewed for yearend were automatically generated by DDRS-B. Unlike DFAS Indianapolis-prepared JV adjustments, DFAS Indianapolis personnel did not prepare and approve individual documentation packets for each of these system-generated JV adjustments. Instead, DFAS Indianapolis personnel used the "Departmental Reporting Desktop Journal Voucher 'How To' Preparation Manual," (JV Preparation Manual) as the supporting documentation for the system-generated JV adjustments. However, documentation included in the JV Preparation Manual did not provide adequate support for the adjustments. For example, the JV Preparation Manual did not indicate where the underlying transaction level documentation could be found or explain how the system calculated the amount of the adjustment. Therefore, we determined that all 32 third quarter JV adjustments, totaling $0.9 trillion, and all 39 yearend JV adjustments, totaling $1.1 trillion, were unsupported.

OASA(FM&C) and DFAS Indianapolis personnel did not adequately support JV adjustments because they did not prioritize the correction of system deficiencies that resulted in JV adjustments. In addition, DFAS Indianapolis management did not provide sufficient guidance in the JV Preparation Manual to ensure DFAS Indianapolis personnel adequately supported DDRS-B system-generated JV adjustments.

Correction of System Deficiencies Not Prioritized

OASA(FM&C) and DFAS Indianapolis personnel did not prioritize correcting the system deficiencies that caused errors that resulted in JV adjustments. Because Army and DFAS Indianapolis financial management systems and processes were inadequate, DFAS Indianapolis personnel used JV adjustments and data calls to prepare the AGF financial statements. DFAS Indianapolis personnel made unsupported JV adjustments to correct errors caused by system deficiencies because OASA(FM&C) did not configure GFEBS and legacy systems to record transactions to the proper general ledger accounts in accordance with the U.S. Government Standard General Ledger. For example, DFAS Indianapolis personnel processed a correcting JV adjustment totaling $74.1 billion because OASA(FM&C) personnel configured GFEBS to record transactions to the wrong general ledger accounts without providing the detailed transaction level documentation. DFAS Indianapolis personnel explained that this type of adjustment would be

> OASA(FM&C) and DFAS Indianapolis personnel did not prioritize correcting the system deficiencies that caused errors that resulted in JV adjustments.

necessary until OASA(FM&C) configures GFEBS to record transactions to the correct general ledger accounts. In addition, system configuration deficiencies in DFAS Indianapolis reporting systems, such as DDRS-B, also resulted in DFAS Indianapolis personnel preparing unsupported JV adjustments. For example, DFAS Indianapolis personnel prepared 11 third quarter FY 2015 JV adjustments, totaling $8.3 million, because DDRS-B incorrectly recorded annual funding as quarterly funding. OASA(FM&C) and DFAS Indianapolis personnel need to ensure controls and processes are incorporated into reliable systems to reduce the need for JV adjustments correcting errors caused by system deficiencies.

The JV Working Group identified the need for multiple system changes to correct the system configuration deficiencies that caused unsupported adjustments. The JV Working Group documented the root causes it identified; however, it did not identify a corrective action for each root cause, when the corrective actions would be completed, or the order in which the corrective actions should occur. For example, in September 2013, DFAS Indianapolis personnel requested a system change to correct a system deficiency, which caused budgetary cash and proprietary cash to be out of balance,[20] because GFEBS did not correctly deobligate funds.[21] This deficiency required DFAS Indianapolis personnel to prepare a JV adjustment to correct the budgetary cash balance. According to JV Working Group documentation, this deficiency in the system configuration still exists, more than 2 years after DFAS Indianapolis personnel requested the correction. OASA(FM&C) and DFAS Indianapolis should review outstanding system change requests for correcting system deficiencies that result in JV adjustments, determine when they will be implemented, and develop new cost-effective corrective actions if they will not be implemented.

Had OASA(FM&C) and DFAS Indianapolis personnel properly prioritized correcting system deficiencies, the number of JV adjustments should have decreased. This would have lessened the time and resources needed to prepare and support JV adjustments. As a result, personnel would have been available to perform further research to decrease the remaining JV adjustments and sufficiently support the JV adjustments that could not be eliminated. OASA(FM&C) and DFAS Indianapolis should provide adequate resources to identify root causes of errors that result in unsupported JV adjustments (including system-generated adjustments), develop corrective actions with milestones to correct the root causes,

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[20] Budgetary accounts track the use of each appropriation for specific purposes in separate budget accounts. Proprietary accounts track assets, liabilities, net position, revenues, and expenses.

[21] Deobligating funds reduces the funds available for obligation on a contract, and can result from canceling a project, reducing cost, or correcting amounts recorded.

and prioritize system change requests for correcting system deficiencies that result in JV adjustments. Further, OASA(FM&C) and DFAS Indianapolis should determine if any JV adjustments can be eliminated, develop corrective actions with milestones for when they will be eliminated, and support the JV adjustments that cannot be eliminated.

System-Generated JV Guidance Not Sufficient

DFAS Indianapolis management did not provide sufficient guidance in the JV Preparation Manual to ensure DFAS Indianapolis personnel adequately supported DDRS-B system-generated adjustments. The JV Preparation Manual identified five categories of system-generated JV adjustments.[22] However, none of the system-generated JV adjustments we reviewed related to one of these five categories. For example, DDRS-B processed a system-generated JV adjustment, totaling $9.5 billion, which indicated it was a data call to record Operating Materials and Supplies Held for Use amounts for missiles and conventional ammunition, which does not relate to one of the five categories. However, DFAS Indianapolis personnel stated that this JV adjustment was created to correct the beginning balance of Operating Materials and Supplies in DDRS-B, so that the balance would match the balance in DDRS-AFS. The JV adjustment documentation should provide enough information to clearly understand why DDRS-B generated the adjustment. DFAS Indianapolis should revise the JV Preparation Manual to sufficiently describe the types of system-generated JV adjustments that occur, and to require that each adjustment clearly indicate which category applies to the adjustment. If an adjustment does not relate to one of the categories, it should not be automatically generated by DDRS-B.

Further, DFAS Indianapolis management did not approve the system-generated JV adjustments, as required by the DoD FMR, volume 6A, chapter 2. The JV Preparation Manual included a memorandum, signed by the Director, DFAS Indianapolis, on February 26, 2014, as evidence of approval for all system-generated JV adjustments. The memorandum stated that DFAS Indianapolis management would update the memorandum annually. However, DFAS Indianapolis management did not update the memorandum for FY 2015. Because this memorandum is evidence of acceptance

> DFAS Indianapolis management did not provide sufficient guidance in the JV Preparation Manual to ensure DFAS Indianapolis personnel adequately supported DDRS-B system-generated adjustments.

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22   The five categories are Cash Undistributed, Undistributed Funding, Canceling Appropriations, Permanent JVs with Reversal, and Legacy Funds Brought Forward.

of the system-generated JV adjustment support, it needs to be updated annually to ensure the supporting documentation is still adequate. DFAS Indianapolis should revise the JV Preparation Manual to require that the approval memorandum be updated annually.

In addition, the JV Preparation Manual did not document why each system-generated JV adjustment was necessary, how to calculate the adjustment amount, and where the transaction data supporting the adjustment are located, as required by the DoD FMR, volume 6A, chapter 2. The DoD FMR also requires that operational internal controls are in place to ensure JV adjustments are recorded properly. These controls are required for both manually prepared and system-generated JV adjustments. DFAS Indianapolis should revise the JV Preparation Manual to require documentation to show why the system-generated adjustment was required, how the adjustment amount was calculated, and the location of the supporting data. Since the Army shares the responsibility for the proper preparation and adequate support of any adjustments made to its data, OASA(FM&C) should periodically review a sample of system-generated JV adjustments to ensure it understands the reasons the adjustments are occurring and verify the support DFAS Indianapolis personnel provided.

Removed Records Not Documented or Supported

DFAS Indianapolis personnel did not document or support why DDRS-B removed at least 16,513 of 1.3 million feeder file records during third quarter FY 2015 DDRS-B import process.[23] The DDRS-B import process is a method to combine data from multiple field-level sources for DFAS Indianapolis personnel to prepare AGF budgetary reports and transfer to DDRS-AFS for the compilation of the AGF financial statements. During this process, DDRS-B removed records and prevented their inclusion in the AGF financial statements. Without support for why these records were removed, we could not determine whether the records contained valid transactions that the Army should have reported in its financial statements. In addition, the available DFAS Indianapolis process documentation was not sufficient to determine whether the removed records materially impacted the FY 2015 AGF third quarter financial statements.

> DFAS Indianapolis personnel did not document or support why DDRS-B removed at least 16,513 of 1.3 million feeder file records during third quarter FY 2015 DDRS-B import process.

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23 See Appendix B for a detailed description of the DDRS-B import process.

To reduce errors during the import process, OASA(FM&C) and DFAS Indianapolis personnel need to understand which records DDRS-B removed and why they were removed. DFAS Indianapolis personnel did not document or support the removal of feeder file records because the personnel did not:
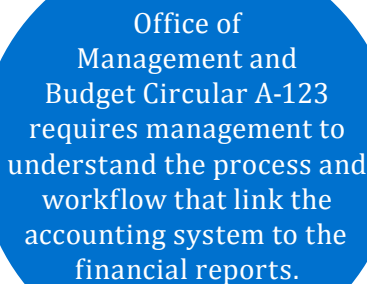
- have detailed documentation describing the import process, or
- have accurate or complete system reports.

Lack of Detailed DDRS-B Import Process Documentation

DFAS Indianapolis personnel could not explain why DDRS-B removed feeder file records because they did not have detailed documentation describing the complete import process. DFAS Indianapolis personnel provided Standard Operating Procedure 1000, "Feeder File Upload Validation and Preprocessing," February 6, 2015, to describe the DDRS-B import process. However, the procedure did not include sufficient detail to determine how or why DDRS-B removed records. OASA(FM&C) and DFAS Indianapolis personnel need to know which records DDRS-B automatically removed to verify that the Army should not have reported the data in its financial statements. Office of Management and Budget Circular A-123 requires management to understand the process and workflow that link the accounting system to the financial reports. Thus, DFAS Indianapolis personnel should understand how the system processes financial data to ensure that all financial transactions reported by the feeder systems have been included in the financial statements.

Office of Management and Budget Circular A-123 requires management to understand the process and workflow that link the accounting system to the financial reports.

DFAS Indianapolis personnel provided additional documentation, dated 2008, on the budgetary portion of the DDRS-B import process for only 3 of the 10 feeder file sources.[24] While this documentation described how to remove some of the records, it did not explain the reason for removing the records. For example, the Standard Finance System documentation described the removal of specific budgetary data types. Accordingly, DDRS-B removed 2,566 records that contained these data types from third quarter FY 2015 feeder files. However, DFAS Indianapolis personnel could not explain what the data types represented or why the system removed the records based on them. DFAS Indianapolis personnel stated they did not keep a list of the hard-coded adjustments[25] that occurred during the DDRS-B import

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24 Standard Finance System, Standard Operation Maintenance Army Research and Development System, and Corps of Engineers Financial Management System.

25 Hard-coded adjustments are programmed directly into the system.

process. In February 2016, DFAS Indianapolis personnel began to document records removed by the DDRS-B Auto Exclude Table, a later step in the import process, and stated they could provide an explanation for their removal. While this is a good step forward, DFAS Indianapolis personnel must document and support all changes to the feeder file data to maintain a supported audit trail. Therefore, DFAS Indianapolis should create, and revise annually, documentation describing the complete DDRS-B import process. This documentation should include detailed narratives describing, at a minimum, the programs written to exclude data during the import process, processes for all tables that edit feeder file data, processes for all feeder files, and descriptions of why each change to the feeder file data is necessary.

System Reports Not Accurate or Complete

DFAS Indianapolis personnel could not determine how many records were removed during the DDRS-B import process because two DDRS-B–generated reports they used to review and analyze the import process were not accurate or complete. DFAS Indianapolis personnel used the Army RDT[26] Management Report and the Feeder File Inventory Control Report to determine if DDRS-B imported all valid records. However, these reports contained inaccurate or incomplete data. The Army RDT Management Report did not include the manually submitted or GFEBS feeder files submitted to DDRS-B. In addition, the feeder files contained 603,036 records,[27] but the Army RDT Management Report indicated that only 563,678 records were received. For example, one feeder file from the Standard Operation and Maintenance Army Research and Development System contained 19,307 records. However, the Army RDT Management Report noted that DDRS-B received only 10,685 records, a difference of 8,622 records. We brought this to the attention of DFAS Indianapolis personnel on February 11, 2016; however, they did not provide an explanation for the difference. DFAS Indianapolis personnel also stated that the Feeder File Inventory Control Report did not contain the accurate number of records that were processed through DDRS-B. Without accurate information, DFAS Indianapolis personnel will not be able to ensure that all valid financial transactions contained in the feeder files have been included in the financial statements. DFAS Indianapolis should update the Army RDT Management Report and the Feeder File Inventory Control Report to ensure the information contained in them is accurate and complete.

> The feeder files contained 603,036 records, but the Army RDT Management Report indicated that only 563,678 records were received.

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[26] RDT, which stands for Report Data Type, are codes that identify the type of transaction in reports.

[27] This number does not include the manually submitted records or those submitted by GFEBS.

Data Unreliable and Audit Readiness at Risk

The data DFAS Indianapolis personnel used to prepare the FY 2015 AGF third quarter and yearend financial statements were unreliable and lacked an adequate audit trail. In addition, DoD and Army managers could not rely on their accounting system data when making management and resource decisions. Unsupported JV adjustments had a material impact on the FY 2015 AGF yearend financial statements. For example, there was a net unsupported adjustment of $99.8 billion made to the $0.2 billion balance reported for Intragovernmental Accounts Receivable. See Appendix C for the effect of unsupported adjustments for each line of the FY 2015 AGF yearend financial statements. Until the Army and DFAS Indianapolis correct these control deficiencies, there is considerable risk that the AGF financial statements will be materially misstated and the Army will not achieve audit readiness by the congressionally mandated September 30, 2017, deadline.

> Until the Army and DFAS Indianapolis correct these control deficiencies, there is considerable risk that the AGF financial statements will be materially misstated.

The lack of an audit trail for the DDRS-B import process resulted in the inability to trace transactions and balances on the AGF financial statements to the balances submitted to DFAS Indianapolis. Audit trails are necessary to demonstrate the accuracy, completeness, and timeliness of a transaction and to provide documentary support for all data submitted to DFAS Indianapolis for inclusion in AGF financial statements. Without an audit trail, the accuracy and completeness of the AGF financial data could not be confirmed, and adjustments occurring during financial statement compilation may go undetected.

Management Comments on the Finding and Our Response

Director, DFAS Indianapolis Comments

The Director, DFAS Indianapolis, stated that the dollar values contained in the report were a misrepresentation of the unsupported adjustments. The Director stated that adjustments input in FY 2015 third quarter were also reflected in the FY 2015 yearend amounts, thus duplicating the dollar value of JV adjustments. He stated that 22 JV adjustments, totaling $1.4 trillion, were counted in both the FY 2015 third quarter and FY 2015 yearend amounts. The Director stated that the Financial Management Service implemented the Government-wide Treasury Account Symbol Adjusted Trial Balance to reduce deficiencies. He stated that

the result of this requirement and the synchronization of DDRS-AFS and DDRS-B submissions was the use of a single trial balance for each Treasury Account Symbol.[28] According to the Director, DFAS Indianapolis input JV adjustments to remove balances at the Army component level and record them at the basic symbol level to comply with guidance and to ensure balances in DDRS-B and DDRS-AFS match. He stated that this resulted in the JV adjustments being counted separately and repeatedly, rather than in aggregate.

Our Response

We disagree that the numbers in the report are misrepresented. The JV adjustments the Director mentioned were permanent adjustments. Once DFAS Indianapolis personnel approve a permanent JV adjustment, the adjustment is posted to the current quarter and each subsequent quarter until the end of the fiscal year. The financial statements for each quarter are stand-alone and the JV adjustments for each quarter must be addressed separately. Therefore, we correctly reported the dollar value of unsupported JV adjustments impacting the FY 2015 AGF third quarter financial statements and the FY 2015 AGF yearend financial statements. We added a footnote to the Results in Brief and Finding paragraph to address the Director's concerns and clarify that the FY 2015 AGF third quarter and the FY 2015 AGF yearend dollar amounts should not be added together.

Recommendations, Management Comments, and Our Response

Recommendation 1

We recommend that the Assistant Secretary of the Army (Financial Management & Comptroller) periodically review a sample of system-generated journal voucher adjustments, at a minimum annually, to understand the reasons the adjustments are occurring and verify the support provided.

ASA(FM&C) Comments

The Deputy Assistant Secretary of the Army (Financial Operations) (DASA[FO]), responding for the ASA(FM&C), agreed, stating that DASA(FO), with DFAS Indianapolis personnel, implemented this recommendation in April 2015 and established a JV Working Group for the Statement (Schedule) of Budgetary Activity to identify, research, and resolve the need for JVs in DDRS and to review and improve JV supporting documentation. The DASA(FO) stated that

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[28] The Treasury Account Symbol is the grouping of funding-related codes that are used in Federal budgeting and financial processes.

the Working Group performs a comprehensive review of JV-related activity. Each quarter, the Working Group reviews the JVs from the DDRS JV Metrics report which categorizes the JV adjustments, identifies the reason for the JV adjustments, identifies the JV adjustments as permanent or temporary, and identifies the JV adjustments as supported or unsupported. The Working Group also periodically briefs Army and DFAS leadership.

Our Response

Comments from the DASA(FO) partially addressed the recommendation. We commend the Army and DFAS Indianapolis for working together to identify, research, and resolve the need for JV adjustments in DDRS and to review and improve JV supporting documentation. However, the DDRS JV Metrics report provided by DFAS Indianapolis does not contain the system-generated JV adjustments. If the Working Group is using this report to review JV adjustments, it will not understand the causes of system-generated adjustments or be able to verify the support provided for those adjustments. We request that ASA(FM&C) provide additional comments specifically addressing how the organization plans to review system-generated JV adjustments to understand the reasons the adjustments are occurring and to verify the support provided.

Recommendation 2

We recommend that the Assistant Secretary of the Army (Financial Management & Comptroller) and the Director, Defense Finance and Accounting Service Indianapolis, provide the resources necessary to:

a. **review system change requests for correcting system deficiencies that result in journal voucher adjustments, determine when the system change requests will be implemented, and develop new cost-effective corrective actions if the system changes will not be implemented.**

ASA(FM&C) Comments

The DASA(FO), responding for the ASA(FM&C), agreed, stating that the implementation of system change requests varies depending on the level of effort required and the impact of non-execution. The Deputy stated that the Army expects to complete all system change requests, procedural updates, and training currently in progress by September 30, 2019.

Director, DFAS Indianapolis Comments

The Director, DFAS Indianapolis, agreed, stating that to facilitate the success of implementing priority system change requests, DFAS Indianapolis will develop tools to effectively monitor the progress and status of remedy tickets by August 31, 2016.

Our Response

Comments from DASA(FO) and the Director, DFAS Indianapolis, addressed all specifics of the recommendation, and no further comments are required.

> **b. identify root causes of errors that result in unsupported journal voucher adjustments, including adjustments that are system-generated.**

Management Comments

The DASA(FO), responding for the ASA(FM&C), and the Director, DFAS Indianapolis, agreed, stating that they created a JV Working Group to analyze JV adjustments and identify root causes. They stated that the Working Group completed this effort and identified 46 root causes. The DASA(FO) stated that ASA(FM&C) and DFAS Indianapolis are committed to correcting the longstanding weakness for JV adjustments. He also stated that the Army is exploring resource options to correct the weakness and implement processes that eliminate as many JV adjustments as possible. The DASA(FO) stated that the resource options include employing additional government personnel or contractor support staff. According to the DASA(FO), when the Working Group identifies a root cause, a white paper is drafted to describe the root cause, proposed corrective actions, and any financial impacts.

Our Response

Comments from DASA(FO) and the Director, DFAS Indianapolis, addressed all specifics of the recommendation, and no further comments are required.

> **c. develop corrective actions with milestones to correct the identified root causes, prioritizing system change requests for correcting system deficiencies that result in journal voucher adjustments.**

Management Comments

The DASA(FO), responding for the ASA(FM&C), and the Director, DFAS Indianapolis, agreed with the recommendation. The DASA(FO) provided documentation listing the corrective actions for the 46 identified root causes and the status of each corrective action. The Director, DFAS Indianapolis, stated that corrective actions for the 46 root causes have been identified. The Director, DFAS Indianapolis, stated that prioritization of system change requests is not done by DFAS alone, but that DFAS would continue to play an active role in the prioritization process.

Our Response

Comments from DASA(FO) and the Director, DFAS Indianapolis, partially addressed the recommendation. The DASA(FO) comments did not address prioritization of system change requests for correcting system deficiencies that result in JV adjustments. In addition, the Director, DFAS Indianapolis, stated that the recommendation is complete but that they will continue to play an active role in the prioritization process, implying that the prioritization is not complete. However, OASA(FM&C) and DFAS Indianapolis personnel had not prioritized correcting system deficiencies that caused errors, which was evidenced by unsupported JV adjustments to correct configuration deficiencies in GFEBS and legacy systems and in DFAS Indianapolis reporting systems, such as DDRS-B. We request that ASA(FM&C) and the Director, DFAS Indianapolis, provide additional comments to the recommendation specifically addressing the prioritization of system change requests for correcting system deficiencies resulting in JV adjustments.

> **d. implement identified corrective actions.**

Management Comments

The DASA(FO), responding for the ASA(FM&C), and the Director, DFAS Indianapolis, agreed, stating that 13 root causes have been corrected by implementing system change requests and process changes. The DASA(FO) stated that the corrective actions for the remaining 33 root causes are currently in progress and are being addressed with remedy tickets, training enhancements, and process changes. The DASA(FO) also stated that corrective actions could include system change requests, procedural updates, training, or a combination of the three. The Director, DFAS Indianapolis, stated that remaining process-and training-related corrective actions with DFAS Indianapolis control will be implemented by December 2016. He also stated that DFAS Indianapolis would not independently perform the additional process-, training-, and systems-related corrective actions but would continue to play an active role.

Our Response

Comments from DASA(FO) and the Director, DFAS Indianapolis, addressed all specifics of the recommendation, and no further comments are required.

e. **determine if any journal voucher adjustments can be eliminated and develop corrective actions with milestones for when they will be eliminated.**

Management Comments

The DASA(FO), responding for the ASA(FM&C), and the Director, DFAS Indianapolis, agreed. The DASA(FO) stated that continued work with the JV Working Group will address actions to determine if any JV adjustments can be eliminated and to develop corrective actions with milestones for when they will be eliminated. The Director, DFAS Indianapolis, stated that DFAS, together with its customers, piloted the Unsupported JV Initiative, which discontinued performing certain unsupported JV adjustments during the first and second quarters of FY 2016. The Director added that the initiative reduced the number of unsupported JV adjustments prepared and increased visibility of JV adjustment root causes previously masked by unsupported JV adjustments. The Director also stated that evaluation of the pilot results and impacts is currently underway to determine if a permanent solution will be put in place, with an expected completion date of December 2016.

Our Response

Comments from DASA(FO) and the Director, DFAS Indianapolis, partially addressed the recommendation. However, the Unsupported JV Initiative scope does not address the full scope of JV adjustments made to AGF financial statements. Discontinuing the performance of certain unsupported JV adjustments for only the first and second quarters does not increase visibility of unsupported JV adjustments that may occur only at yearend in preparation for the annual financial statements. In addition, the Initiative did not address supported adjustments. We request that ASA(FM&C) and the Director, DFAS Indianapolis, provide additional comments that address the possible elimination of any JV adjustments, whether supported or unsupported, that occur at yearend but were not in the scope of the Initiative, including milestones for when those identified for elimination will be eliminated.

     f. identify the necessary documentation to support the journal voucher adjustments that cannot be eliminated.

Management Comments

The DASA(FO), responding for the ASA(FM&C), and the Director, DFAS Indianapolis, agreed. The DASA(FO) stated that continued work with the JV Working Group will address actions for these areas and aid in determining if JVs can be eliminated and what documentation is needed to support JV adjustments that cannot be eliminated. The Director, DFAS Indianapolis, stated that DFAS Indianapolis established a working group in June 2016 focused on supporting documentation for JV adjustments and he expected this recommendation to be completed by December 2016.

Our Response

Comments from DASA(FO) and the Director, DFAS Indianapolis, addressed all specifics of the recommendation, and no further comments are required.

Recommendation 3

We recommend that the Director, Defense Finance and Accounting Service Indianapolis:

    a. Revise the "Departmental Reporting Desktop Journal Voucher 'How To' Preparation Manual," to support system-generated adjustments, and, at a minimum:

        (1) review the system-generated journal voucher categories to determine whether they sufficiently describe the types of adjustments occurring;

        (2) update the "How To" manual based on the review of categories;

        (3) designate any adjustments that do not correlate with the categories in the "How To" manual as part of the manual journal voucher adjustment process;

        (4) require that the reason stated in the journal voucher indicate which category the journal voucher relates to;

        (5) update annually the approval memorandum for system-generated journal vouchers; and

        (6) require documentation to show why the system-generated adjustment was required, how the adjustment amount was calculated, and the location of the supporting data.

Director, DFAS Indianapolis Comments

The Director, DFAS Indianapolis, agreed, stating that DFAS Indianapolis will revise the "Departmental Reporting Desktop Journal Voucher 'How To' Preparation Manual," to meet the minimum requirements identified in the recommendation by August 31, 2016.

Our Response

Comments from the Director, DFAS Indianapolis, addressed all specifics of the recommendation, and no further comments are required.

b. Create, and revise annually, documentation describing the complete Defense Departmental Reporting System-Budgetary import process, to include:

    (1) programs written to exclude data during the import process,

    (2) processes for all tables that edit feeder file data,

    (3) processes for all feeder files, and

    (4) descriptions of why each change is necessary.

Director, DFAS Indianapolis Comments

The Director, DFAS Indianapolis, agreed, stating that DFAS Indianapolis Enterprise Financial Information Services will create, by June 1, 2017, and revise annually, documentation describing the complete DDRS-B import process by updating the DDRS user manual to include functional documentation that will:

- support the AGF Report Data Type associated process of excluding data during the import process;
- support the AGF Report Data Type associated process for all tables that edit feeder file data;
- support the AGF Report Data Type feeder file import process for feeder files; and
- describe why each change is necessary.

Our Response

Comments from the Director, DFAS Indianapolis, partially addressed the recommendation. The comments did not address creating, and revising annually, documentation describing the complete DDRS-B import process for general ledger files such as those submitted by GFEBS. We request that the Director, DFAS Indianapolis, provide additional comments addressing the DDRS-B import process for general ledger files.

   c. **Update the Army Report Data Type Management Report and Feeder File Inventory Control Report to ensure the information in them is accurate and complete.**

Director, DFAS Indianapolis Comments

The Director, DFAS Indianapolis, agreed, stating that DFAS Indianapolis Enterprise Financial Information Services will update the DDRS user manual by June 1, 2017, to include system logic for each column on the Army Report Data Type Management Report and Feeder File Inventory Control Report and, if discrepancies in either report are identified, system change requests will be drafted to resolve them.

Our Response

Comments from the Director, DFAS Indianapolis, addressed all specifics of the recommendation, and no further comments are required.

Appendix A

Scope and Methodology

We conducted this performance audit from September 2015 through May 2016 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We reviewed DoD and DFAS Indianapolis guidance related to the submission, compilation, processing, and reporting of financial statement data to understand the process for compiling and reporting AGF data. We interviewed Army and DFAS Indianapolis personnel to understand adjustments made to AGF data during financial statement compilation. We also obtained standard operating procedures from DFAS Indianapolis personnel documenting the AGF compilation.

We determined whether adjustments made to AGF data during the FY 2015 financial statement compilation were adequately documented and supported by obtaining and reviewing the following:

- AGF JV adjustment logs for FY 2015 third quarter and yearend from DDRS-B and DDRS-AFS. We reviewed a nonstatistical sample of 262 JV adjustments, totaling $2.1 trillion, from the universe of 64,320 JV adjustments totaling $3.1 trillion, for third quarter. We reviewed 193 JV adjustments, totaling $2.1 trillion, from the universe of 142,354 JV adjustments, totaling $6.7 trillion, for yearend.[29] We selected an initial nonstatistical sample of 162 third quarter and 34 yearend JV adjustments, each valued over $150 million. After the initial sample selection, DFAS Indianapolis personnel provided new DDRS-B JV adjustment logs, which contained additional adjustments. We then selected 100 additional third quarter and 159 additional yearend JV adjustments, each valued over $1 billion, for our nonstatistical sample. We also obtained and reviewed supporting documentation for each JV adjustment.

- Electronic Error Correction and Transaction Analysis (ELECTRA) JV adjustments for FY 2015 third quarter and yearend. ELECTRA adjustments are summarized in one JV adjustment each month. We reviewed the June 2015 JV adjustment, totaling $92.2 billion, and the September 2015 JV adjustment, totaling $177.4 billion.

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[29] The 263 JV adjustments reviewed for third quarter include these 262 JV adjustments and the June 2015 Electronic Error Correction and Transaction Analysis (ELECTRA) JV adjustment. The 194 JV adjustments reviewed for yearend include these 193 JV adjustments and the September 2015 ELECTRA JV adjustment.

- Files used during the AGF financial statement compilation, including feeder file data for the FY 2015 third quarter. However, because DFAS Indianapolis personnel did not have detailed documentation or accurate and complete reports for the DDRS-B import process, we could not trace the data from the feeder files into DDRS-B to the financial statements.

Use of Computer-Processed Data

To perform this audit, we used data from DDRS-B, DDRS-AFS, ELECTRA, and multiple feeder systems (see Appendix B for a list of these feeder systems). We obtained JV adjustment logs from DDRS-B and DDRS-AFS to identify the universe of JV adjustments. DFAS Indianapolis personnel also provided summary JV adjustments from ELECTRA. In addition, we obtained the feeder files that were imported into DDRS-B for the FY 2015 third quarter compilation to determine whether all required AGF financial data were reported. We could not attest to the reliability of computer-processed data reported in the AGF financial statements because we could not trace the data from the feeder files to the financial statements. However, we determined that the computer-processed data we did obtain were sufficiently reliable to support the findings and conclusions made in this report and for determining whether adjustments made to AGF data during the FY 2015 financial statement compilation were adequately supported and documented. Specifically, we were able to review the documentation DFAS Indianapolis personnel used to support the JV adjustments.

Prior Coverage

During the last 5 years, the Department of Defense Inspector General (DoD IG), Army Audit Agency, DFAS, and KPMG LLP issued six reports discussing adjustments made during the AGF financial statement compilation. Unrestricted DoD IG reports can be accessed at http://www.dodig.mil/pubs/index.cfm. Unrestricted Army Audit Agency reports can be accessed from .mil and gao.gov domains at https://www.aaa.army.mil/. DFAS and KPMG LLP reports are not available over the Internet.

DoD IG

Report No. DODIG-2014-087, "Army's Audit Readiness at Risk Because of Unreliable Data in the Appropriation Status Report," June 26, 2014

Report No. DODIG-2012-096, "Defense Departmental Reporting System-Budgetary Was Not Effectively Implemented for the Army General Fund," May 31, 2012

Army

Report No. A-2014-0079-FMR, "Journal Vouchers for Financial Statement Adjustments," June 23, 2014

DFAS

Report No. CL12PRA009DFAS, "Audit of Journal Vouchers (JV) 2012," January 21, 2014

KPMG LLP

"Independent Accountants' Report," April 30, 2014

"Independent Accountants' Report," April 9, 2013

Appendix B

DDRS-B Import Process Description

The DDRS-B feeder file import process involved several steps to remove data from processing before the compilation of financial statements. During the third quarter FY 2015 import process,[30] DDRS-B received 314 feeder files containing 1.3 million records from 10 different sources. DDRS-B received these feeder files using either a File Transfer Protocol (FTP)[31] or manual upload. See Table 3 for a list of source files and the type of file upload. DDRS-B processed each feeder file based on the system that sent the data and the type of upload process. The Figure provides an overview of the DDRS-B import process.

Figure. DDRS-B Import Process
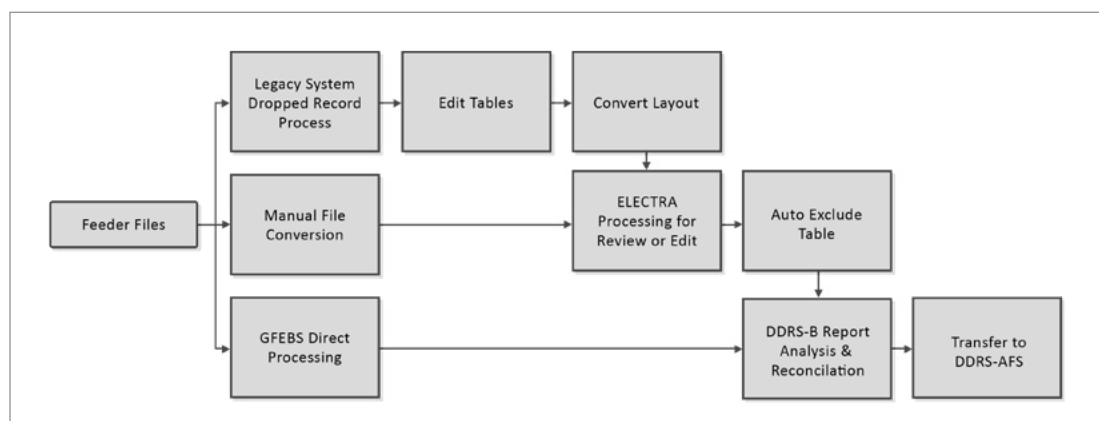
Source: Interviews with DFAS Indianapolis personnel.

The legacy system records contained in the feeder files went through a dropped record process to remove records such as header, trailer, and controller records that did not contain financial information. In addition, the dropped record process included removing records, based on the report data type, that were hard-coded into DDRS-B. After these records were removed, the remaining records were submitted to a series of DDRS-B edit tables that check for invalid data. DDRS-B would then convert the records to a standard record layout for further processing. DDRS-B converted the non-Army system records into a standard layout to allow manual uploading of the records.

The records contained in the feeder files, excluding those in the GFEBS feeder files, entered the ELECTRA process. DFAS Indianapolis personnel use ELECTRA to review feeder file data and prepare adjustments to feed into DDRS-B. After

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[30] We did not review the yearend import process.

[31] FTP is a method of transferring data files from one computer to another over a network.

ELECTRA, DDRS-B used the Auto Exclude Table to remove records based on preset business rules maintained by DFAS Indianapolis. DDRS-B received feeder source files from the systems or Federal sources in Table 3.

Table 3. Feeder File Sources in the DDRS-B Import Process

Source	Type of Source File	File Upload Submission Type
Corps of Engineers Financial Management System	Legacy	FTP
Department of Agriculture	Non-Army	Manual
Department of Transportation	Non-Army	Manual
Department of the Navy	Non-Army	Manual
General Fund Enterprise Business System	Enterprise Resource Planning	FTP
Headquarters Accounting and Reporting System	Non-Army	FTP
Program Budget Accounting System	Non-Army	FTP
Standard Finance System	Legacy	FTP
Standard Operation Maintenance Army Research and Development System	Legacy	FTP
Washington Headquarters Service Allotment and Accounting System	Non-Army	Manual

Source: DDRS system documentation.

Appendix C

Impact of Adjustments on Financial Statements

The following tables show the considerable number of unsupported and supported JV adjustments that DFAS Indianapolis personnel used, instead of data directly from the accounting systems, to compile the FY 2015 AGF yearend financial statements. The tables also show the impact these adjustments had on each statement.

Table 4. FY 2015 AGF Balance Sheet (in millions)

Financial Statement Line	Financial Statement Amount	Net Increase/ (Decrease) Due to Unsupported Adjustments	Net Increase/ (Decrease) Due to Supported Adjustments	Total Net Increase/ (Decrease)
ASSETS				
Intragovernmental				
Fund Balance With Treasury	$113,051.2	$803,305.3	$(8,516.8)	$794,788.4[1]
Investments	2.2	2.1	0.0	2.1
Accounts Receivable	228.6	99,805.9	4.5	99,810.4[1]
Other Assets	228.9	(109.0)	(0.1)	(109.1)
Cash and Other Monetary Assets	863.0	1,650.9	(66.2)	1,584.7
Accounts Receivable, Net	467.9	1,094.1	(130.8)	963.3
Inventory and Related Property, Net	31,333.6	35,141.5	(6,335.0)	28,806.5
General Property, Plant and Equipment, Net	133,748.1	128,570.3	(6,144.3)	122,426.1
Other Assets	2,704.2	1,332.4	117.8	1,450.2
LIABILITIES				
Intragovernmental				
Accounts Payable	1,744.8	(300.1)	(126.5)	(426.6)
Other Liabilities	2,255.2	2,421.7	410.3	2,832.0
Accounts Payable	516.9	929,670.5	(385.5)	929,285.0[1]
Military Retirement and Other Federal	1,239.2	1,302.0	(17.3)	1,284.7[2]
Environmental and Disposal Liabilities	27,508.7	58,333.3	1,168.6	59,502.0[2]
Other Liabilities	9,445.4	7,884.5	(605.5)	7,278.9

Table 4. FY 2015 AGF Balance Sheet (in millions) (cont'd)

Financial Statement Line	Financial Statement Amount	Net Increase/ (Decrease) Due to Unsupported Adjustments	Net Increase/ (Decrease) Due to Supported Adjustments	Total Net Increase/ (Decrease)
NET POSITION				
Unexpended Appropriations - Dedicated	-	2.2	-	2.2
Unexpended Appropriations - Other Funds	105,905.5	(27,192.2)	(9,343.9)	(36,536.0)
Cumulative Results of Operations - Dedicated	55.8	(32.9)	1.1	(31.7)
Cumulative Results of Operations - Other Funds	133,956.3	(101,638.7)	(13,536.6)	(115,175.2)

[1] DFAS Indianapolis personnel stated that the majority of the increase is related to budget execution adjustments from prior years that must be applied to establish the correct beginning balances for the general ledger accounts reported on this line.

[2] The majority of this amount related to a data call.

Source: FY 2015 AGF Financial Statements and DFAS Indianapolis JV adjustment listings.

Table 5. FY 2015 AGF Statement of Net Cost (in millions)

Financial Statement Line	Financial Statement Amount	Net Increase/ (Decrease) Due to Unsupported Adjustments	Net Increase/ (Decrease) Due to Supported Adjustments	Total Net Increase/ (Decrease)
Gross Costs	$158,314.0	$17,856.8	$(3,646.9)	$14,209.9
(Less: Earned Revenue)	(6,845.7)	431.3	6.9	438.2

Source: FY 2015 AGF Financial Statements and DFAS Indianapolis JV adjustment listings.

Table 6. FY 2015 AGF Statement of Changes in Net Position (in millions)

Financial Statement Line	Financial Statement Amount	Net Increase/ (Decrease) Due to Unsupported Adjustments	Net Increase/ (Decrease) Due to Supported Adjustments	Total Net Increase/ (Decrease)
CUMULATIVE RESULTS OF OPERATIONS				
Beginning Balances	$136,409.7	$0.0	-	$0.0
Budgetary Financing Sources:				
Appropriations Used	155,031.1	25,309.8	128.3	25,438.1
Nonexchange Revenue	5.1	(227.3)	229.0	1.7
Donations and Forfeitures of Cash and Cash Equivalents	177.9	(3.0)	0.0	(3.0)

Table 6. FY 2015 AGF Statement of Changes in Net Position (in millions) (cont'd)

Financial Statement Line	Financial Statement Amount	Net Increase/ (Decrease) Due to Unsupported Adjustments	Net Increase/ (Decrease) Due to Supported Adjustments	Total Net Increase/ (Decrease)
Transfers-in/out Without Reimbursement	828.3	824.9	(1.2)	823.7
Other Budgetary Financing Sources	(1,755.6)	-	(0.7)	(0.7)
Other Financing Sources:				
Donations and Forfeitures of Property	0.1	-	-	-
Transfers-in/out Without Reimbursement (+/-)	2,226.4	(2,741.9)	0.0	(2,741.9)
Imputed Financing from Costs Absorbed by Others	991.4	991.4	(0.1)	991.4
Other (+/-)	(8,433.9)	(110,250.0)	(17,530.7)	(127,780.8)
Net Cost of Operations (+/-)	151,468.3	(15,575.4)	3,639.9	(11,935.4)
UNEXPENDED APPROPRIATIONS				
Beginning Balances	122,656.6	0.0	0.0	0.0
Budgetary Financing Sources:				
Appropriations Received	148,334.7	7,754.6	(9,216.2)	(1,461.6)
Appropriations Transferred-in/out	478.4	(778.4)	(2.6)	(781.0)
Other Adjustments (Rescissions, etc.)	(10,533.1)	(8,668.1)	5.0	(8,663.1)
Appropriations Used	(155,031.1)	(25,498.0)	(131.2)	(25,629.3)

Source: FY 2015 AGF Financial Statements and DFAS Indianapolis JV adjustment listings.

Table 7. FY 2015 AGF Statement of Budgetary Resources (in millions)

Financial Statement Line	Financial Statement Amount	Net Increase/ (Decrease) Due to Unsupported Adjustments	Net Increase/ (Decrease) Due to Supported Adjustments	Total Net Increase/ (Decrease)
BUDGETARY RESOURCES:				
Unobligated Balance Brought Forward, October 1	$42,912.6	$0.0	$0.0	$0.0
Recoveries of Prior Year Unpaid Obligations	19,843.0	301.1	1.0	302.1
Other Changes in Unobligated Balance (+ or -)	(8,130.0)	(8,663.1)	(2.1)	(8,665.2)

Table 7. FY 2015 AGF Statement of Budgetary Resources (in millions) (cont'd)

Financial Statement Line	Financial Statement Amount	Net Increase/ (Decrease) Due to Unsupported Adjustments	Net Increase/ (Decrease) Due to Supported Adjustments	Total Net Increase/ (Decrease)
Unobligated Balance from Prior Year Budget Authority, Net	54,625.6	-	-	0.0
Appropriations (Discretionary and Mandatory)	147,266.4	(46,853.6)	2,432.1	(44,421.6)
Spending Authority from Offsetting Collections (Discretionary and Mandatory)	17,563.5	82,044.5	2.6	82,047.2
STATUS OF BUDGETARY RESOURCES:				
Obligations Incurred	184,224.7	(8,345.1)	98.4	(8,255.6)
Unobligated Balance, End of Year:				
Apportioned	17,476.9	(62,115.5)	2,467.5	(59,648.0)
Exempt from Apportionment	34.3	(16.6)	18.7	2.1
Unapportioned	17,719.6	(34,022.5)	7,482.4	(26,540.1)
CHANGE IN OBLIGATED BALANCE:				
Unpaid Obligations:				
Unpaid Obligations, Brought Forward, October 1	111,937.1	0.0	0.0	0.0
Obligations Incurred	184,224.7	8,345.1	(98.4)	8,255.6
Outlays (Gross) (-)	(176,500.5)	(1,183.3)	4.0	(1,179.4)
Recoveries of Prior Year Unpaid Obligations (-)	(19,843.0)	301.1	1.0	302.1
Unpaid Obligations, End of Year	99,818.3	9,838.5	(101.4)	9,737.1
Uncollected Payments:				
Uncollected Payments, Federal Sources, Brought Forward, October 1 (-)	(26,393.9)	0.0	0.0	0.0
Change in Uncollected Payments, Federal Sources (+ or -)	3,467.4	92,044.6	(15.3)	92,029.3
Uncollected Payments, Federal Sources, End of Year (-)	(22,926.4)	92,044.6	(15.3)	92,029.3

Table 7. FY 2015 AGF Statement of Budgetary Resources (in millions) (cont'd)

Financial Statement Line	Financial Statement Amount	Net Increase/ (Decrease) Due to Unsupported Adjustments	Net Increase/ (Decrease) Due to Supported Adjustments	Total Net Increase/ (Decrease)
Budget Authority and Outlays, Net:				
Budget Authority, Gross (Discretionary and Mandatory)	164,829.9	-	-	-
Actual Offsetting Collections (Discretionary and Mandatory) (-)	(21,029.3)	(10,000.1)	18.0	(9,982.1)
Change in Uncollected Customer Payments from Federal Sources (Discretionary and Mandatory) (+ or -)	3,467.4	92,044.6	(15.3)	92,029.3
Outlays, Gross (Discretionary and Mandatory)	176,500.5	(1,183.3)	4.0	(1,179.4)
Actual Offsetting Collections (Discretionary and Mandatory) (-)	(21,029.3)	(10,000.1)	18.0	(9,982.1)
Distributed Offsetting Receipts (-)	(930.1)	667.2	(364.3)	302.9

Source: FY 2015 AGF Financial Statements and DFAS Indianapolis JV adjustment listings.

Management Comments

Assistant Secretary of the Army (Financial Management & Comptroller)

We did not include Tab A, "Project No. D2015-D000FL-243.000 Army General Fund Adjustments Not Adequately Documented or Supported" because it is a duplicate of this audit report. In addition, we did not include Tab B because the Army did not provide a Tab B nor did we include Tab F, "Management Comments to Draft Report – Army General Fund Adjustments Not Adequately Documented or Supported" because it is a draft copy of the comments and duplicates the comments submitted by DFAS.

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

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

SAFM-FO   24 June 2016

MEMORANDUM FOR Department of Defense, Office of Inspector General, 4800 Mark Center Drive, Alexandria, VA 22350

SUBJECT: Response to DoDIG Draft Report, "Army General Fund Adjustments Not Adequately Documented or Supported," May 17, 2016 (Project No. D2015-D000FL-0243.000)

1. The Army response to the subject audit report is attached. The enclosure addresses and provides concurrence to Recommendations 1 and 2. These recommendations focus on the review of journal voucher adjustments, identifying root causes for system deficiencies that cause these adjustments, assessing the adequacy of supporting documentation, processing system change requests, and developing corrective actions, all to eliminate the need for the automatic adjustment process within the Defense Departmental Reporting System-Budgetary.

2. This response reports on the progress being made towards identifying and addressing root causes associated with the journal vouchers and the ongoing efforts related to the DoDIG audit recommendations. The Army is applying the appropriate resources to ensure this remains a highly visible priority across the organization and expects to execute the corrective actions documented by the end of fiscal year 2019.

3. The point of contact for this action is ███████████████, who can be reached at ████████████, or e-mail: ██████████████████████.

MILLER.WESLEY.C. ████████████████

Encl
as

Wesley C. Miller
Deputy Assistant Secretary of the Army
(Financial Operations)

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

Enclosure 1

Response to DoDIG Report, "Army General Fund Adjustments Not Adequately Documented or Supported," May 17, 2016 (Project No. D2015-D000FL-0243.000)

Responses for Recommendations 1 and 2

Recommendation 1: We recommend that the Assistant Secretary of the Army (Financial Management & Comptroller) periodically review a sample of system-generated journal voucher adjustments, at a minimum annually, to understand the reasons the adjustments are occurring and verify the support provided.

Management response: Concur. The Deputy Assistant Secretary of the Army (Financial Operations) (DASA[FO]), with Defense Finance and Accounting Service (DFAS) - Indianapolis, implemented this recommendation in April 2015 by establishing a journal voucher working group (JVWG) to identify, research and resolve the need for journal vouchers within the Defense Department Reporting System (DDRS) and to review and enhance the underlying support for DDRS journal vouchers. The working group was initially scoped to address the Statement of Budgetary Activity audit findings; but has evolved into a standing group that performs comprehensive reviews of journal voucher related activity. Refer to the Army/DFAS JVWG Charter for project objectives addressing key components of this recommendation (TAB C- Charter for Army/DFAS JVWG).

On a quarterly basis, the JVWG reviews the journal voucher adjustments from the DDRS JV Metrics report. This report categorizes the adjustments (i.e. reclassification, reversal, reconciliation), identifies the reason (i.e. GTAS, funding, invalid GLAC), the type of adjustment (i.e. permanent or temporary), and sufficiency of documentation (i.e. supported or unsupported). The JVWG briefs Army and DFAS leadership during Financial Operations Status Meeting (TAB D – Financial Operations Sync Teleconference, 28 April 2016).

Recommendation 2: We recommend that the Assistant Secretary of the Army (Financial Management & Comptroller) and the Director, Defense Finance and Accounting Service Indianapolis, provide the resources necessary to:

a. review system change requests for correcting system deficiencies that result in journal voucher adjustments, determine when the system change requests will be implemented, and develop new cost-effective corrective actions if the system changes will not be implemented;

b. identify root causes of errors that result in unsupported journal voucher adjustments, including adjustments that are system-generated;

c. develop corrective actions with milestones to correct the identified root causes, prioritizing system change requests for correcting system deficiencies that result in journal voucher adjustments;

d. implement identified corrective actions;

2

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

Enclosure 1

Army Response to DoDIG Report, "Army General Fund Adjustments Not Adequately Documented or Supported," May 17, 2016 (Project No. D2015-D000FL-0243.000)

e. determine if any journal voucher adjustments can be eliminated and develop corrective actions with milestones for when they will be eliminated; and

f. identify the necessary documentation to support the journal voucher adjustments that cannot be eliminated.

Management response: Concur. Since April 2015, the Army has been engaged with DFAS through the formal Journal Voucher Working Group (JVWG) to spearhead efforts of JV analysis, root cause identification and the execution of corrective actions. ASA(FMC) and DFAS Indianapolis are committed to correcting the longstanding weakness for journal vouchers and accounting adjustments. We continue to explore resource options to ensure we correct the weakness and implement processes that eliminate the need for as many JVs as possible. The resource options include employing additional government personnel and/or contractor support staff.

Using the monthly DDRS JV Metrics report, the JVWG conducts an intensive analysis of these entries to identify and categorize the root causes. To support a root cause analysis, a white paper is drafted to describe the root cause, proposed correction actions, and any financial impacts. The solution could include a combination of a system change request (SCR), procedural updates, and training. Those root causes requiring an SCR are evaluated by the Federal Governance Board (FGB) for consideration and prioritization, if approved.

2.a. The implementation of the SCR's vary depending on the level of effort required to execute and the relevant of impact of non-execution. The Army projects that all system changes, procedural updates, and training currently in progress, will be implemented by 30 September 2019.

2.b., 2.c. As of April 2016, the Army has identified 46 root causes, summarized into six JV categories; Funding, Feeder, Invalid General Ledger (GL) Account Codes (GLAC), Tie Points, PBAS Funding, and OMB Max. Of these 46, 13 have been corrected via system change request implementation and process changes. The remaining 33 root causes are currently in progress and are being addressed with remedy tickets, training enhancements, and process changes (Table 1 below).

3

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

Enclosure 1

Army Response to DoDIG Report, "Army General Fund Adjustments Not Adequately Documented or Supported," May 17, 2016 (Project No. D2015-D000FL-0243.000)

Table 1: Root Cause Summary and Projected Completion Dates

JV Category	# Root Cause Identified	Root Causes Corrected	Root Causes In Progress	Projected Completion Date
Funding	8	2	6	Q4, FY2016
Feeder *(Note 1)*	4	4	-	Completed
Invalid GL Account	12	1	11	Q3, FY2016
Tie Points	13	3	10	Q4, FY2016
PBAS Funding	1	-	1	Q4, FY2019
OMB Max	8	3	5	Q4, FY2016
Totals	**46**	**13**	**33**	

Note 1: The GFEBS PMO implemented the solution to address the root causes related to the Feeder System JVs on 9 April 2016. The Army continues to monitor the feeder file JVs and will determine the effectiveness of the solution in the coming months.

See the JVWG Root Causes Analysis document (TAB E – JV Working Group Root Causes Analysis) for a summary of JVWG's efforts and progress. These documents have been reviewed by both DFAS and the Army, with summarized updates being provided to co-chairs and senior leadership on a bi-weekly and monthly basis.

2.d., 2.e., 2.f. Continued work with the JVWG will address actions for these areas and aid in determining if journal vouchers can be eliminated and what documentation is necessary to support those that cannot be eliminated.

4

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

**ASSISTANT SECRETARY OF THE ARMY FOR
FINANCIAL MANAGEMENT & COMPTROLLER
&
DEFENSE FINANCE AND ACCOUNTING SERVICE**

**Charter
For**
Army & DFAS GFEBS
JV Working Group

Version [1.3**]**
[June 13, 2016**]**

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

**ASSISTANT SECRETARY OF THE ARMY FOR FINANCIAL MANAGEMENT & COMPTROLLER
&
DEFENSE FINANCE AND ACCOUNTING SERVICE**

DOCUMENT CHANGE CONTROL

This chart contains a history of this document's revisions.

Version	Primary Author(s)	Description of Change	Date Completed
1.0	TBD	Initial draft created for distribution and review comments	02/14/2015
1.1	████████ ████	Consildated comments from initial draft and circulating for review and signature	4/14/2015
1.2	████████ ███	Incorporated comments from DASA-FOR	4/20/2015
1.3	██████	Incorporated comments from DASA-FOR to be more comprehensive	6/13/2016

2

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

ASSISTANT SECRETARY OF THE ARMY FOR FINANCIAL MANAGEMENT & COMPTROLLER
&
DEFENSE FINANCE AND ACCOUNTING SERVICE

PROJECT CHARTER APPROVAL SIGNATURES

Project Name: Journal Voucher Working Group

Executive Co-Sponsors

X
_____
Director of Audit Readiness, ASA(FM&C)

X
_____
Director of Financial Reporting, ASA(FM&C)

X
_____
Accounting Director, DFAS Indianapolis

Project Managers

X
_____
Systems Accountant, DASA-FOR

3

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

ASSISTANT SECRETARY OF THE ARMY FOR FINANCIAL MANAGEMENT & COMPTROLLER
&
DEFENSE FINANCE AND ACCOUNTING SERVICE

X
_____

█████████

Supervisory Accountant, DFAS Indy - AM&C

Contents

4

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

ASSISTANT SECRETARY OF THE ARMY FOR FINANCIAL MANAGEMENT & COMPTROLLER
&
DEFENSE FINANCE AND ACCOUNTING SERVICE

1. SCOPE

1.1 Business Need

For Army and DFAS to work jointly resolve the FY2014 Army Wave 3 Examination and FY2015 DoD IG audit findings, and, to the extent possible, DFAS SSAE-16 Examination findings concerning the inadequate support/approval of Journal Vouchers (JVs)and other similar adjustments (e.g., Electra, system generated, Line of Accounting, trading partner, one-sided trial balances, etc.) which result in an inadequate audit trail and potential data integrity issues. This increases the risk of material misstatement of financial statements and related footnotes.

1.2 Project Goals

OBJECTIVE 1: Reduce / eliminate Unsupported JVs via root cause analysis and correction.

OBJECTIVE 2: Reduce / eliminate Unsupported JVs via **process changes and training**.

OBJECTIVE 3: Review DDRS journal voucher monthly metrics and correct and/or provide supplementary documentation to those JVs that do not meet audit standards.

OBJECTIVE 4: Incorporate increased Army oversight into the JV review and approval process

OBJECTIVE 5: Reduce number and dollar amount of Supported JVs processed through prioritized changes to ERPs and financial reporting systems including but not only GFEBS

1.3 Project Description

Develop solutions reduce the number of required JVs and reduce/eliminate the number of unsupported JVs which impact the Army General Fund financial statements.

1.4 Project Sponsor & Project Manager

	Name	Organization
Project Sponsors	████████████ ████████████ ████████████	- Accountability & Audit Readiness – ASA(FM&C) - Financial Reporting – ASA(FM&C) - DFAS-IN Accounting – DFAS
Project Managers	████████	DFAS-IN Accounting Operations, AM&C Directorate

5

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

ASSISTANT SECRETARY OF THE ARMY FOR FINANCIAL MANAGEMENT & COMPTROLLER
&
DEFENSE FINANCE AND ACCOUNTING SERVICE

1.5 Project Deliverables

Deliverable	Description
Root Cause Analysis	Identifies the root causes of the creation of Unsupported JVs.
Process Change Proposals	Proposes what changes should be made to eliminate/reduce the creation of Unsupported JVs.
System Change Requirement Documents	Prioritized requirements for system changes that will reduce the need for JVs. The requirements will be submitted to systems program managers for creation of system change requirements documents.
Supported JV Packages	Identify sufficent support for JVs that are found to be not sufficiently supported.
Increased Army Oversight	Incorporate a more thorough and timely review, with Army approval

6

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

ASSISTANT SECRETARY OF THE ARMY FOR FINANCIAL MANAGEMENT & COMPTROLLER
&
DEFENSE FINANCE AND ACCOUNTING SERVICE

2. RESOURCES

2.1 Resources and Organizational Structure

Co-Chairs:

Army		DFAS
███████	███████	███████
(Army Audit Readiness)	(Army Financial Reporting)	(DFAS Accounting Operations)

Project Manager(s):

	███████ (DFAS-IN AM&C

Teams:

DDRS and Business Process Reengineering	GFEBS Root Cause Analysis/Resolution	JV Support Preparation and Review Process
███ (DFAS-IN Dept'l)	██████ (DFAS-IN ERO)	███ (DFAS-IN AuRD)
Team	Team	Team
(DFAS-IN Dept'l)	(DFAS-IN AM&C)	
(DFAS-IN Dept'l)	(DFAS-IN AM&C)	(DFAS-IN ERO)
(DDRS PMO)	(DFAS-IN AM&C)	(DFAS-IN AM&C)
	(DFAS-IN ERO)	(DFAS-IN AM&C)
	(DFAS-IN AM&C)	(DFAS-IN AM&C)
	(DFAS-IN AM&C)	(DFAS-IN AM&C)
	(DFAS-RO AM&C)	(DFAS-IN AM&C)
	(DFAS-RO AM&C)	(DFAS-IN AM&C)
	(DFAS-RO AM&C)	(DFAS-CO AM&C)
	(DFAS-CO AM&C)	(DFAS-IN AM&C)
	(DFAS-CO AM&C)	
	* (GFEBS PMO)	
	* (GFEBS PMO)	
	* (Army FIM)	
	* (Army ABO)	
	* Note: These resources will be those technical resources most appropriate to address the specific issue.	

Project Support
███████ (DFAS-IN AM&C)

Subject Matter Experts
███████ (DFAS-IN Dept'l) – JV Review/Approval, Financial Reporting, DDRS Process Improvements
███████ - Financial Reporting
███████ (DFAS-IN AM&C) – GFEBS adjustments and Process Improvements
███████ (DFAS-IN AM&C) DDRS Business
███████ (DFAS-IN Dept'l) DDRS Business

7

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

ASSISTANT SECRETARY OF THE ARMY FOR FINANCIAL MANAGEMENT & COMPTROLLER
&
DEFENSE FINANCE AND ACCOUNTING SERVICE

3. PROJECT STORAGE

The project will store all files in a Army Knowledge Online (AKO) project folder to ensure ease of access to all required documentation and progress for DFAS and Army to share.

Project Folder Location: ███████████████████████

DRAFT

8

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

FINANCIAL OPERATIONS
SYNC TELECON
28 April 2016

1

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

JV Working Group – Status Update

▶ Research and analysis on FY16 Q1 JVs

  ✓ Reviewed 28 JVs / $34.4B

  ✓ 143 JVs YTD / $374B; 58% # JVs / 99.3% dollars

  ✓ Completed Funding, Zero BLI, Data Call and PBAS Funding categories

▶ Root Causes Identified

  ✓ Identified 3 new root causes

  ✓ Submitted Remedy ticket requests for 12 root causes

  ✓ Tracking 46 total root causes

  ✓ Monitoring results corrective actions for 13 root causes

FY16 Q1 JVs and Status of Samples

Amounts in Billions

- JVs Not Sampled
- Samples Not Yet Reviewed
- Samples Reviewed

$0.70
$2.5
$373.5

$350.0
$300.0
$250.0
$200.0
$150.0
$100.0
$50.0
$-

Integrity - Service - Innovation   2
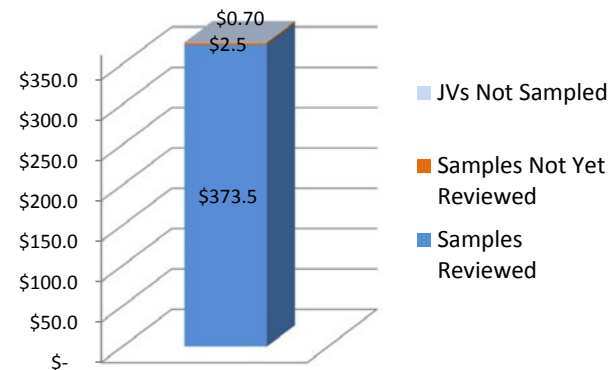
Assistant Secretary of the Army (Financial Management & Comptroller) (cont'd)

Current Status

Q1 FY15 GFEBS JVs

JV Category	# Root Causes Identified	Causes Corrected	In Progress
Total	**46**	**13**	**33**
Funding	8	2	6
Feeder	4	4	0
Invalid GLAC	12	1	11
Tie Points	13	3	10
PBAS Funding	1	0	1
OMB Max	8	3	5

▶ **13 Root Causes Corrected**

- ✓ 9 SCRs implemented
- ✓ 4 process changes

▶ **33 Additional Root Causes Identified**

- ✓ 17 remedy tickets opened
- ✓ 5 training enhancements identified
- ✓ 4 process changes needed
- ✓ 8 system deficiencies identified

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

U.S. Department of the Army
JV Working Group Root Cause Analysis
28 April 2016

	Root Cause	Summary Category	Root Cause Details	Change Required/ Made	System/Process Change Proposed	Current Status*
1)	AB doc type used in FB01 posts balancing amount to 9999	Feeder	CORRECTED (APR 16)AB doc type used in FB01 calling on 9999s GFEBS allowed user to create WE Doc (GR) using FB01 rather than MIGO. The functional area was different than the PO, so when the AB doc cleared the GR, the posting used 9999.9999 to balance the transaction	System	Investigate the use of FB01 and identify the other standard SAP t-codes that allow for selection of GLACs and FM dimensions. Net yet ready to specify solution	Corrected
2)	Balancing to Treasury	OMB Max	DDRS-B USSGL 1010 total does not match FBwT balance from U.S. Treasury (CARS). For financial statements to be accepted into CARS, the amounts must match. In theory, the amount submitted by the various accounting systems and adjusted by undistributed process should eliminate the need for this adjustment. However, multiple JVs and other adjustments were made to 1010 making it difficult to determine the root cause of the adjustment.	System	System: Army FBWT Recon Tool to come on line and Treasury Direct Disbursing	In Progress
3)	Budget Type 4620 posts balancing amount to 9999	Feeder	CORRECTED (APR 16) Budget Type 4620 lacking "additional line" which would keep the transaction in balance and instead results in a 9999 entry	System	Mirror budget type 4620 to all other budget types by adding the "additional line"	Corrected
4)	Budgetary Postings for Miscellaneous Collections	Funding	When establishing miscellaneous collections (doc type C4) in which the fed/non-fed indicator is set to "N" when recording the transaction, the system is deriving the budgetary posting in the background before the money is received. Since all DoD 4251 postings must report with a Federal attribute of F, the transactions are crosswalked to a fed/non-fed indicator of "F". This creates Tie Points 9 and 10 imbalances.	System - Remedy Ticket 271212 Opened	For non-Fed collections, only derive the budgetary postings upon receipt of the cash	In Progress
5)	Cost transfers post balancing amounts to 9999	Feeder	CORRECTED (APR 16) Cost transfers of all types calling on the 9999s (excluding Doc type SB) to balance transactions rather than offsetting to 1010.9000	System	Mirror all cost transfer docs to SB doc type (using 1010.9000 operating acct)	Corrected

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

U.S. Department of the Army
JV Working Group Root Cause Analysis
28 April 2016

	Root Cause	Summary Category	Root Cause Details	Change Required/ Made	System/Process Change Proposed	Current Status*
6)	Doc Type KU Processing	Tie Point	KU not processed timely. Government Purchase Card Program Vendor (U.S.Bank) issues rebates on a quarterly basis that enter GFEBS through the Access-On-Line or AXOL Interface. These documents must be batched with offsetting payments, by DFAS-IN Accounts Payable, and processed through GFEBS T-Code F110 in a timely manner so as to not cross periods and create a Tie Point 4 imbalance.	Training	These documents must be batched with offsetting payments, by DFAS-IN Accounts Payable, and processed through GFEBS T-Code F110 in a timely manner so as to not cross periods and create a Tie Point 4 imbalance.	In Progress
7)	Doc Type KW Processing	Tie Point	KW not processed timely. This document type, from the sample, accounts for purchase returns and "proffers" in a Medical setting. These documents are not initiated and cleared in the same accounting period, therefore, leading to a Tie Point 4 imbalance.	Training	TBD	In Progress
8)	DTS Advances LOA changes post balancing amounts to 9999	Feeder	CORRECTED (APR 16) DTS Advances with changes in LOA after the advance and before the settlement processes - calling on 9999s - the transaction that is initiated updates the 1410 adv/prepmt acct but does not adjust any other accounts that were part of the adv pmt transaction	System	Default the offset account to 1010.9000 rather than 9999s	Corrected
9)	Erroneous Commitment Item	Tie Point	Non-Federal collection established with doc type D5 along with a commitment item of 252G. GFEBS then derived budgetary postings of 4901/4610 with the assumption this was a credit disbursement rather than a collection with the commitment item of 252G instead of REV. This creates a Tie Point 4 imbalance.	Training	End users need to be trained to populate the correct commitment item which establishing miscellaneous collections.	In Progress
10)	Erroneous GR Indicator	Tie Point	CORRECTED (AUG 15) When POs were initially established in GFEBS with a non-GFEBS paying office, the goods receipt indicator was checked which then required a GR. When a TBO and subsequent shadow invoice post to the PO, GFEBS systemically posts to GLAC 4802 with the logic that since no goods have been received with the absence of a GR it must be an advance. This creates a Tie Point 5 imbalance.	System	Systemic fix implemented in August 2015 to fix POs going forward. However, clean-up of prior year postings still needs to occur. - Previously the GR indicator defaulted to being checked. The change is that the GR indicator now defaults to not being checked - we'll see if this creates it's own issues - this may also becoming a training issue	Corrected

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

U.S. Department of the Army
JV Working Group Root Cause Analysis
28 April 2016

	Root Cause	Summary Category	Root Cause Details	Change Required/ Made	System/Process Change Proposed	Current Status*
11)	Failure to reverse 4610 closing entry in new year for unexpired funds	Invalid GLAC	As part of U.S. Treasury closing edits, 4610 closes into 4450. At the beginning of the following fiscal year, these closing edits should be reversed for unexpired funds. At the beginning of FY 2015, this reversing entry was not posted. FYE 2014 GFEBS closed 4610 into 4450 not knowing we would need to reverse these closing entries in the new year for Unexpired funds. After some departmental JV research, this was brought to the attention of GFEBS and GFEBS implemented a correction in Nov2016 to reverse these entries.	Process	Already corrected	Corrected
12)	Fed/Non-Fed Indicator for GLAC 4252	Tie Point	CORRECTED (AUG 15) If GFEBS fails to successfully assign Fed/Non-Fed Attributes to all 4252 postings on the GFEBS TB extract, the balances are systemically crosswalked to Federal in DDRS. Based upon the reporting of revenue balances, 4252 balances must be reclassed to record the proper balances in Federal vs. Non-Federal. UMCs cause 4252 to have a credit balance which results in an abnormal balance on both SF133 line 4030 Federal Offsetting Collections and AR 725 Report on Receivables. This creates a Tie Point 10 imbalance.	System	Correctly populate the GFEBS TB with the Fed/Non-Fed indicator for 4252	Corrected
13)	Foreign Currency Conversion Errors	Tie Point	GFEBS self entitled foreign currency payments are posting to GLAC 4802 for the difference between the amount posted to cash, GLAC 1010, and the amount posting to expense, GLAC 6100, from the GR. A variance is being created when the accounts payable is converting at a different exchange rate than the expense. Cash/Payable appears to be reported in foreign currency with expense reported in USDs. This creates a Tie Point 5 imbalance.	System - Remedy Ticket 283146 Opened	TBD	In Progress
14)	GCSS-A Closing Rule for GLACs 3102 & 3103	Funding	GFEBS transfers funding to GCSS-A through use of accounts 3103 Unexpended Appropriations - Transfers Out and 3102 Unexpended Appropriations - Transfers In at the time of transfer. At the end of the fiscal year, if all funding has not been transferred back to GFEBS, GCSS-A closes 3102 into 3101 Unexpended Appropriations - Appropriations Received as part of the year end closing process. This creates a Tie Point 11 imbalance.	Process	Update GCSS-A closing rules to close GLAC 3102 into 3100 Unexpended Appropriations - Cumulative	Corrected
15)	GFEBS posting logic for return of PY receipts	OMB Max	Customer refunds process through GLAC 4252 regardless of when the payment was originally received. However, Circular A-11, Section 20.11 stipulates that returns from receipts received in a prior fiscal year have to be recorded as obligations and outlays in the current fiscal year.	System - Remedy Ticket Request 222707 submitted	System: Correct systemic posting logic to use USSGL transaction A172. DASA-FO to determine correction. GFEBS PMO to implement correction.	In Progress

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

U.S. Department of the Army
JV Working Group Root Cause Analysis
28 April 2016

	Root Cause	Summary Category	Root Cause Details	Change Required/ Made	System/Process Change Proposed	Current Status*
16)	GLAC 1110 Undeposited Collections	Tie Point	CORRECTED (JAN 16) Prior down payment requests (doc type C3) posted to GLACS 2310 and 1310 which created a TP 6 out of balance as budgetary postings were not derived until cash was posted. Revised logic in February 2013 utilized GLACS 2310 and 1110 for C3 doc types which derive the budgetary postings of 4221/4222; however, this in turn creates a TP 2 out of balance.	System	Possible use of GLAC 1010.0140 instead of GLAC 1110	Corrected
17)	GLAC 4393 missing from ERP closing rules	OMB Max	CORRECTED (FY 15) GLAC 4393 Permanent Reduction – Prior Year Balances is a nominal account that should close into 4201, 4139 or 4149. GFEBS does not close this account. When DR verifies authority, a JV is created to reverse this amount.	Process	Process: Include GLAC 4393 in 2015 closing rules.	Corrected
18)	Incomplete Cancellation of Credit Memos	Tie Point	In order to cancel an invoice on a PO, users routinely utilize a credit memo. However, invoices not completely cancelled are allowed to be placed on a payment run. Cash postings back into GFEBS create an imbalance between cash and expenses. This creates a Tie Point 5 imbalance.	Training/ System	The process to cancel an invoice on a PO is a multiple-step process. In the short-term, user training should be enhanced to highlight the importance of completing all the steps in the process. In the long-term, the system should be evaluated for the potential to add functionality that would automatically finalize the process or prompt the user to take the necessary action to completely cancel an invoice.	In Progress
19)	Invalid Use of GLAC 4119	Invalid GLAC	GLAC 4119 Other Appropriations Realized is to be used with current year funds only. GFEBS is allowing it to be used for expired funds	System - Remedy Ticket request 222403 submitted	GFEBS should not allow expired funds to process to 4119. System configuration should be reviewed for transactions processing to this account.	In Progress
20)	Invalid Use of GLAC 4120 with 5095 Funds	Invalid GLAC	Fish & Wildlife Funds (5095) use 4120 Appropriations Anticipated - Indefinite, but they do not have anticipated appropriations	System - Remedy Ticket request 222409 submitted	Use Treasury Transaction A186 to collect funds from individuals purchasing hunting and fishing licenses on Army installations	In Progress

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

U.S. Department of the Army
JV Working Group Root Cause Analysis
28 April 2016

	Root Cause	Summary Category	Root Cause Details	Change Required/ Made	System/Process Change Proposed	Current Status*
21)	Invalid Use of GLAC 4210	Invalid GLAC	1) Reimbursable orders billing document (BTC_User) credits GLAC 4210 Anticipated Reimbursements and Other Income instead of 4221 Unfilled Customer Orders w/o Advance 2) GLAC 4210 is posting to expired funds - this seems to be where document date is prior to expiration fo funds but GFEBS posting date is after funds have expired 3) Misc collections posting to 4210 even though they are not part of the sales process	System - Remedy Ticket 164034 opened	1) There should not be a GL account posting during this process because it has already occurred 2) GFEBS should not allow expired funds to post to 4210. System configuration should be reviewed for transactions processing into GFEBS with a document date prior to expiration of funds and a posting date after expiration of funds to ensure the correct GLACs are used. 3)	In Progress
22)	Invalid Use of GLAC 4590	Invalid GLAC	GLAC 4590 Apportionments – Anticipated Resources – Programs Subject to Apportionment is being used with expired funds; it can only be used on unexpired funds. This seems to be occurring when the document date is prior to the expiration of funds but the GFEBS posting date is after the funds have expired.	System - Remedy Ticket request 222413 submitted	GFEBS should not allow expired funds to post to 4590. System configuration should be reviewed for transactions processing into GFEBs with a document date prior to expiration of funds and a posting date after expiration of funds to ensure the correct GLACs are used.	In Progress
23)	Invalid Use of GLAC 4620	Invalid GLAC	Only certain funds are exempt from apportionment, and those funds use GLAC 4620 Unobligated Funds Exempt from Apportionment. GLAC 4620 is being used on General and other funds not classified as exempt from apportionment.	System - Remedy Ticket request 222416 submitted	Use amended U.S. Treasury transaction C158 (Use 5900 Other Revenue instead of 5600 Donated Revenue – Financial Resources) and consider recognizing revenue when the CIT clears	In Progress
24)	Invalid Use of GLAC 5200 with 8927 Funds	Invalid GLAC	5200 Revenue from Services Provided should not be used on non-exchange transactions (gift fund transactions)	System	Use Treasury transaction A186 which posts to 5600 Donated Revenue and 1010 FBwT with budgetary entries to 4114 Appropriated Trust or Special Funds Receipts and 4620 Unobligated Funds Exempt from Apportionment	In Progress
25)	Invalid Use of GLAC 6400 with 8927 Funds	Invalid GLAC	Payroll expenses should not be charged to gift funds - field used cost transfer instead of cost allocation to use gift funds for professor's labor costs	Training/ System - Remedy Ticket request 222418 submitted 4/20/16	Use Cost Allocation which posts to 6100 instead of Cost Transfer	In Progress

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

U.S. Department of the Army
JV Working Group Root Cause Analysis
28 April 2016

	Root Cause	Summary Category	Root Cause Details	Change Required/ Made	System/Process Change Proposed	Current Status*
26)	Invalid Use of GLACs 4251/4252 with 8927 Funds	Invalid GLAC	Gift Fund UMCs are posting to 4251 and 4252 Reimbursements and Other Income Earned. Gift funds do not have reimbursable authority.	System - Remedy Ticket request 222301 submitted	UMC derivation logic updated for special and trust funds	In Progress
27)	Invalid Use of GLACs 4394 and 4540 - 4580 with 8927 Funds	Invalid GLAC	GLAC 4394 Receipts Unavailable for Obligation Upon Collection and GLACs 4540 - 4580 are used as part of the funds distribution process for 8927 funds. GLACs 4540 - 4580 are reported to DDRS-B in 4510 Apportionments - ongoing problem from fiscal year 2013. Gift funds are exempt from apportionment and should not use any of these accounts. GLAC 4394 is also inappropriate because 8927 funds are available for obligation upon collection.	System - Remedy Ticket request 222303 submitted	Use 4114 and 4620 for distribution	In Progress
28)	Invalid Use of GLACs 4610, 4450 and 4700 with 8927 Funds	Invalid GLAC	4610 should not be used on gift funds. 4610 is being used for cost allocations when 4620 Unobligated Funds Exempt from Apportionment should be used. It is also closing into 4450 Unapportioned Authority which should not be used on gift funds. Also, 4700 Commitments closes into 4610 at year-end. Gift funds are exempt from apportionment and should use 4720 instead of 4700	System - Remedy Ticket request 222299 submitted	Use 4620 for cost allocations Use 4720 for commitments and close it into 4620 rather than 4700 which closes into 4610	In Progress
29)	Miscellaneous Non-Federal Receivables posted to 6790	Tie Point	Various miscellaneous non-federal debts (CivPay, DTS, CDS, etc.) post to GLACs 1310 Accounts Receivable and 6790 Other Expense not Requiring Budgetary Resources and appropriately do not derive any budgetary postings. However, when the cash collection is received from DCAS to liquidate the GLAC 1310 balance, the GLAC 6790 posting is not reversed, and reversal and de-obligation of the original outlay is not completed. This creates a Tie Point 2 imbalance.	System - Remedy Ticket request 222702 submitted	Requesting GFEBS mirror specific logic which is currently programmed into GCSS-A to properly account for D2/D3 documents for travel debt.	In Progress
30)	MOCAS Interface with Federal Vendor	Funding	Credit memos interfacing from MOCAS are posting with credits to 4802 instead of 4901 Delivered Orders, Obligations Unpaid. These are federal vendors, so an advance would not have been necessary. Even if it were an advance, 4802 should be paired with 1410 rather than 2110.	System	Evaluate documents interfacing from MOCAS for correct posting logic	In Progress

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

U.S. Department of the Army
JV Working Group Root Cause Analysis
28 April 2016

	Root Cause	Summary Category	Root Cause Details	Change Required/ Made	System/Process Change Proposed	Current Status*
31)	No GFEBS process for Continuing Resolution Funding	Funding	CORRECTED (FY 16 Q1) GFEBS does not post Continuing Resolution funding to 4395 Authority Unavailable for Obligation Pursuant to Public Law - Temporary	Process	The root cause was previously known and a corrective action had already been determined when this was root cause was added to the tracking sheet	Corrected
32)	No GFEBS process for Enactment phase	Funding	GFEBS does not have a process to address enacted funding before warrants have been issued.	System	TBD	In Progress
33)	No GFEBS process for Recissions	Funding	TBD	System	TBD	In Progress
34)	Open Credit Memos	Tie Point	Credit memos posted in advance of the cash clearance create a TP out of balance as cash is then overstated in respect to expenses and in turn GFEBS systemically derives a 4802 posting with the credit memo. This creates a Tie Point 5 imbalance.	Process - Remedy Ticket request 222685 submitted	Possibly only post credit memos as cash processes to GFEBS - what are the implications to UMTs?	In Progress
35)	PBAS/GFEBS Duplicate reporting of funding	PBAS Funding	PBAS is source of funding for TI 97 which is reported to DDRS-B. ABO loads army-allocated funding into GFEBS which also gets reported to DDRS-B.	System	TBD	In Progress

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

U.S. Department of the Army
JV Working Group Root Cause Analysis
28 April 2016

	Root Cause	Summary Category	Root Cause Details	Change Required/ Made	System/Process Change Proposed	Current Status*
36)	Perm DDRS-B JVs not reversed when transactional data corrected	OMB Max	JVs are required due to system deficiencies; however, as the system is corrected, permanent JVs are not always reversed. Subsequent adjustments made to these LOAs take the permanent JV into account. Further, the same GLAC is not always used for the original and subsequent JVs	Process	Process: Improve coordination between DASA-FO, DFAS AM&C, and DFAS Departmental Reporting on what Perm JVs exist and when the transactional data has been corrected.	In Progress
37)	Prior UMD Proformas	Tie Point	GFEBS utilizing prior UMD proprietary posting proformas of 1010.0510/6100.6MAT along with the new budgetary UMT posting proformas of 4901.0110/4902.0110. This creates Tie Points 3 and 4 imbalance.	System - Remedy Ticket 283073 Opened	For all new UMDs, GFEBS needs to utilize the revised UMD posting proformas of 2110/1010 and 4901/4902.	In Progress
38)	Sales Orders with Advances	Tie Point	For a Sales Order With Advance, the BTC_USER billing program debits (increases) GLAC 1310.0100 without always later crediting it for the full amount in the same billing run, and correspondingly does not always debit (reduce) GLAC 2310.0100 which was credited when the Down Payment Request was issued. Both GLACs will be overstated by the same amount due to this issue. GLAC 1310.0100 (Accounts Receivable) is a Proprietary GLAC in the Tie Point 9 equation. GLAC 2310.0100 (Liability for Advances & Prepayments) is a Proprietary GLAC in the Tie Point 6 equation. The billing program issue is causing identical and offsetting imbalances between Tie Point 6 and Tie Point 9. The imbalance shows as a negative amount for Tie Point 6 and as a positive amount for Tie Point 9.	System - Remedy Ticket 283144 Opened	TBD	In Progress
39)	SFIS Attribute A5 (Apportionment Category) Incorrect	Invalid GLAC	Several BSNs report A5 SFIS Attributre Apportionment Category incorrectly. BSN 5188 7 5189 report an"E" (Accounts Exempted from SF 132 Apportionment Requirements), but they should report as "B" (Apportionments for Specific Purposes). BSN 8927 reports 4901.9000 as "B", but it should report as "E".	System - Remedy Ticket 300215 Opened	Verify and update derivation rules	In Progress
40)	TB Crosswalk for New/Bal Budget Type Indicator	OMB Max	GFEBS TB GLAC 4802 Undel Orders Obligations Pd – Adv with a New/Bal indicator of Bal crosswalks to DDRS-B with a New attribute. The account closes at year-end and DDRS-B moves the balance to a GLAC with a BAL attribute. However, when the file from GFEBS is uploaded into DDRS-B for October reporting, the account again crosswalks to a GLAC with a New attribute.	Process	Process: DDRS-B crosswalks reviewed and adjusted to recognize GFEBS submitted information.	In Progress

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

U.S. Department of the Army
JV Working Group Root Cause Analysis
28 April 2016

	Root Cause	Summary Category	Root Cause Details	Change Required/ Made	System/Process Change Proposed	Current Status*
41)	Timing/Cut-off	Funding	Funding was loaded into GFEBS in the following period	Process	TBD	In Progress
42)	Transfers between ERPs	OMB Max	CORRECTED (JUN 15) GLAC 4170 Transfers - Current Year Authority is used to transfer authority between GFEBS and GCSS-Army. Two different point accounts are used. When the TB is submitted to DDRS-B, and even if the point accounts net to zero, they populate separate lines on the SF 133. These are not true transfers. In addition, for reimbursable transactions, GFEBS and GCSS-A transfer authority using 3102 Unexpended Appns Transfer In and 3103 Unexpended Appns Transfers Out. When DR validates transfers, these amounts are removed.	System	Process: Funds Distro system change completed in June 2015. Historical balances must be JV'd in ERPs to proper GLAC IAW revised posting logic.	Corrected
43)	Transfers In/Transfers Out reported together	OMB Max	CORRECTED (JAN 16) GLAC 4170 and 4190 Transfers should report transfers in and transfers out separately in 3102 Unexpended Appns Transfers In and 3103 Unexpended Appns Transfers Out; GFEBS uses 4170.9000	System	GFEBS should be configured to report transfers in to 4170.3102/4190.3102 and transfers out to 4170.3103/4190.3103	Corrected
44)	UMTs corrected in subsequent year	OMB Max	When GFEBS Trial Balance extract for September includes UMCs, the GLAC 4251 Reimbursements and Other Earned Income - Receivable undistributed GLAC will have an abnormal balance. This causes SF 133 Line 3060 Uncollected Payment, Federal sources, brought forward to have an abnormal balance. Departmental Reporting creates a JV to remove the abnormal balance	System - Remedy Ticket request 222687 submitted	System: Correct systemic posting logic. DASA-FO to determine correction. GFEBS PMO to implement correction.	In Progress
45)	Zero BLI	Funding	Fund master data is not updated with all required elements	System	TBD	In Progress

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

U.S. Department of the Army
JV Working Group Root Cause Analysis
28 April 2016

	Root Cause	Summary Category	Root Cause Details	Change Required/ Made	System/Process Change Proposed	Current Status*
46)	ZSFM Analysis Reimb Adjustments	Tie Point	SU documents with Document Header Text "ZSFM_ANALYSIS_REIMB_BL_BA" are causing Tie Point 2 out of balance. These documents are created by the FXX_BILL_A01 and BTC_USER programs. They hit budgetary accounts only and post to either 4221/4222 or 4251/4252. These do not seem to have offsetting transactions elsewhere that corrected the TP2 out of balance.	System	Evaluate the programs running this adjustment and correct for Tie Point 2 out of balance.	In Progress

*With exception to the PBAS Funding JV category, Army's best estimate of resolving all root causes currently "in progress" is 9/30/2017. This date will be periodically reviewed and revised based on assessed level of effort and availability of resources.

Director, Defense Finance and Accounting Service Indianapolis

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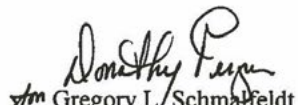
JUN 2 1 2016

DFAS-JBK/IN

MEMORANDUM FOR Inspector General U.S. Department of Defense

SUBJECT: DODIG final report for the audit of "AGF Adjustments Not
           Adequately Documented or Supported" (Project No. D2015-
           D000FL-0243.000)

The Defense Finance and Accounting Service Indianapolis is providing management comments to recommendations 2.a, 2.b, 2.c, 2.d, 2.e, 2.f, 3.a, 3.b and 3.c of the subject draft report.

My point of contact for this action is ▮▮▮▮▮▮▮ who can be reached at ▮▮▮▮▮▮▮.

Gregory L. Schmalfeldt
Director, DFAS-IN

Attachment:
As stated

www.dfas.mil

Director, Defense Finance and Accounting Service Indianapolis (cont'd)

Management Comments to Draft Report – Army General Fund Adjustments Not Adequately Documented or Supported
(Project No. D2015-D000FL-0243.000)

General Management Comments: While we agree with the recommendations within the DoDIG Draft Report, the $2.8 trillion and $6.5 trillion represented within the DoDIG report is an over-inflation and misrepresentation of the unsupported adjustments.

The Government-wide Treasury Accounting Symbol (GTAS) Adjusted Trial Balance was implemented by Federal Management Service as an effort to reduce deficiencies. As a result of the GTAS requirement and/or synchronization of DDRS-AFS and DDRS-B submission, a single trial balance is utilized resulting in the system-generated JVs and basic symbol level adjustment clean up. As a result of this business process to ensure synchronization of balances, adjustments were input to remove balances at the Army Component level and record them at the basic symbol level to align with guidance.

The impact of this process, showing the clean-up efforts coupled with synchronization of balances between DDRS-AFS and DDRS-B, is that JVs were counted separately and repeatedly, rather than as an aggregate. For example, when viewing Table 2 in the DoDIG Draft Report, it depicts the calculation method and displays adjustments input in third quarter 2015 are also counted and reflected in fourth quarter 2015, duplicating the dollar value of JVs already reflected. Specifically, $1.4 trillion (or 22 JVs out of the 236 population (reflected on page 6 of the Draft report)) were double-counted, both from 3Q2015 and 4Q2015.

Recommendation 2: We recommend that the Assistant Secretary of the Army (Financial Management & Comptroller) and the Director, Defense Finance and Accounting Service Indianapolis, provide the resources necessary to:

a.   Review system change requests for correcting system deficiencies that result in journal voucher adjustments, determine when the system change requests will be implemented, and develop new cost-effective corrective actions if the system changes will not be implemented.

Management Comments: Concur. To facilitate successful system change request (SCR) implementation of priority SCRs, DFAS Indianapolis will develop tools to effectively monitor the progress and status of Remedy tickets.

Estimated Completion Date: ECD of implementation of monitoring tools is August 31, 2016.

b.   Identify root causes of errors that result in unsupported journal voucher adjustments, including adjustments that are system-generated.

Management Comments: Concur. DFAS Indianapolis, with the Deputy Assistant Secretary of the Army (Financial Operations) (DASA[FO]), established a joint journal voucher working

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Director, Defense Finance and Accounting Service Indianapolis (cont'd)

Management Comments to Draft Report – Army General Fund Adjustments Not Adequately Documented or Supported (Project No. D2015-D000FL-0243.000)

group in April 2015. The work group has identified 46 root causes (35 systems related, 8 process related, and 3 training related).

Completion Date: Complete. As of June 2016, 46 root causes of unsupported JVs have been identified.

c. Develop corrective actions with milestones to correct the identified root causes, prioritizing system change requests for correcting system deficiencies that result in journal voucher adjustments.

Management Comments: Concur. As stated in recommendation 2b, DFAS Indianapolis, with the Deputy Assistant Secretary of the Army (Financial Operations) (DASA[FO]), established a joint journal voucher working group in April 2015. The work group has identified 46 root causes (35 systems related, 8 process related, and 3 training related).

Completion Date: Complete. As of June 2016, corrective actions for the 46 identified root causes have been identified. Prioritization of SCR's is not performed independently by DFAS; however, DFAS will continue to play an active role in the prioritization process.

d. Implement identified corrective actions.

Management Comments: Concur. As stated in recommendation 2b, DFAS Indianapolis, with the Deputy Assistant Secretary of the Army (Financial Operations) (DASA[FO]), established a joint journal voucher working group in April 2015. The work group has identified 46 root causes (35 systems related, 8 process related, and 3 training related). 13 of the 46 root causes have been corrected by SCR implementation and process changes.

Completion Date: December 2016. As of June 2016, corrective actions have been implemented for 13 of the 46 identified root causes. Remaining process- and training- related corrective actions within DFAS control will be implemented by December 2016. Additional process-, training- and systems-related corrective actions is not performed independently by DFAS; however, DFAS will continue to play an active role.

e. Determine if any journal voucher adjustments can be eliminated and develop corrective actions with milestones for when they will be eliminated.

Management Comments: Concur. DFAS, together with our customers, piloted the Unsupported Journal Voucher Initiative, which resulted in testing the discontinuance of performing certain unsupported adjustments during the 1st and 2nd quarter, FY 2016. This initiative reduced the number of unsupported journal vouchers prepared and increased visibility of journal voucher root causes previously masked by unsupported journal voucher.

Director, Defense Finance and Accounting Service Indianapolis (cont'd)

Management Comments to Draft Report – Army General Fund Adjustments Not Adequately Documented or Supported (Project No. D2015-D000FL-0243.000)

Completion Date: December 2016. Evaluation of the pilot results and impacts are currently underway to determine if a permanent solution will be put in place.

   f. Identify the necessary documentation to support the journal voucher adjustments that cannot be eliminated.

Management Comments: Concur.

Completion Date: December 2016. A DFAS Indianapolis workgroup, focused specifically on supporting documentation, was established June 2016 .

Recommendation 3: We recommend that the Director, Defense Finance and Accounting Service Indianapolis:

a. Revise the "Departmental Reporting Desktop Journal Voucher 'How To' Preparation Manual," to support system-generated adjustments, and, at a minimum:

    (1) Review the system-generated journal voucher categories to determine whether they sufficiently describe the types of adjustments occurring.

    (2) Update the "How To" manual based on the review of categories.

    (3) Designate any adjustments that do not correlate with the categories in the "How To" manual as part of the manual journal voucher adjustment process.

    (4) Require that the reason stated in the journal voucher indicate which category the journal voucher relates to.

    (5) Update annually the approval memorandum for system-generated journal vouchers.

    (6) Require documentation to show why the system-generated adjustment was required, how the adjustment amount was calculated, and the location of the supporting data.

Management Comments: Concur. DFAS Indianapolis will revise the Departmental Reporting Desktop Journal Voucher 'How To' Preparation Manual" to meet the minimum requirements identified in the recommendation.

Estimated Completion Date: August 31, 2016

Director, Defense Finance and Accounting Service Indianapolis (cont'd)

Management Comments to Draft Report – Army General Fund Adjustments Not Adequately Documented or Supported
(Project No. D2015-D000FL-0243.000)

b. Create, and revise annually, documentation describing the complete Defense Departmental Reporting System-Budgetary import process, to include:

(1) programs written to exclude data during the import process;

(2) processes for all tables that edit feeder file data;

(3) processes for all feeder files;

(4) descriptions of why each change is necessary.

Management Comments: Concur. DFAS Enterprise Financial Information Services will create, and revise annually, documentation describing the complete Defense Departmental Reporting System (DDRS)-Budgetary import process by updating the DDRS user manual (Section 23 – Army Specific) to include functional documentation that will:

(1) support the Army General Fund RDT associated process of excluding data during the import process;

(2) support the Army General Fund RDT associated process for all tables that edit feeder file data;

(3) support the Army General Fund RDT feeder file import process for feeder files; and

(4) describe why each change is necessary

Estimated Completion Date: June 1, 2017

c. Update the Army Report Data Type Management Report and Feeder File Inventory Control Report to ensure the information in them is accurate and complete.

Management Comments: Concur. DFAS Enterprise Financial Information Services will update the DDRS user manual to include system logic for each column on the Army Report Data Type Management Report (section 23 – Army Specific) and Feeder File Inventory Control Report (section 22) and, if discrepancies in either report are identified, System Change Requests will be drafted to resolve.

Estimated Completion Date: June 1, 2017

Acronyms and Abbreviations

AGF	Army General Fund
ASA(FM&C)	Assistant Secretary of the Army (Financial Management & Comptroller)
DDRS-AFS	Defense Departmental Reporting System-Audited Financial Statements
DASA(FO)	Deputy Assistant Secretary of the Army (Financial Operations)
DDRS-B	Defense Departmental Reporting System-Budgetary
DFAS	Defense Finance and Accounting Service
DoD FMR	DoD Financial Management Regulation
ELECTRA	Electronic Error Correction and Transaction Analysis
FTP	File Transfer Protocol
GFEBS	General Fund Enterprise Business System
JV	Journal Voucher
OASA(FM&C)	Office of the Assistant Secretary of the Army (Financial Management & Comptroller)
OUSD(C)	Office of the Under Secretary of Defense (Comptroller)

Whistleblower Protection
U.S. Department of Defense

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