Audit Report

OFFICE OF THE INSPECTOR GENERAL

ARMY IMPLEMENTATION OF THE DOD FINANCIAL MANAGEMENT REGULATION, VOLUME 14, "ADMINISTRATIVE CONTROL OF FUNDS AND ANTIDEFICIENCY ACT VIOLATIONS"

Report No. 96-157 June 11, 1996

Department of Defense

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Acronyms

ADA	Antideficiency Act
DFAS	Defense Finance and Accounting Service
DBMU	Defense Business Management University
OPR	Office of Primary Responsibility
USD(C)	Under Secretary of Defense (Comptroller)

INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
400 ARMY NAVY DRIVE
ARLINGTON, VIRGINIA 22202-2884

Report No. 96-157 June 11, 1996

MEMORANDUM FOR UNDER SECRETARY OF DEFENSE (COMPTROLLER)
ASSISTANT SECRETARY OF THE ARMY (FINANCIAL MANAGEMENT AND COMPTROLLER)

SUBJECT: Army Implementation of DoD Financial Management Regulation 7000.14-R, Volume 14, "Administrative Control of Funds and Antideficiency Act Violations," (Project No. 5FG-5051.01)

Introduction

We are providing this evaluation report for your information and use. This report is the result of our evaluation of the Army implementation of the DoD Financial Management Regulation 7000.14-R, volume 14, "Administrative Control of Funds and Antideficiency Act Violations," (volume 14). The evaluation was performed at the request of the Under Secretary of Defense (Comptroller) to assess the Military Departments' plans for the implementation of volume 14.

The Army gave a high priority to improving investigating and reporting Antideficiency Act (ADA) violations. We commend the efforts of the Army. As of March 29, 1996, the Army had implemented all requirements in volume 14 except the requirement on training. On August 17, 1995, the Army implemented the DoD Financial Management Regulation 7000.14-R, volume 14, "Administrative Control of Funds and Antideficiency Act Violations," August 1, 1995, by supplementing Army Regulation 37-1 "Army Accounting and Fund Control," April 30, 1991.[1]

Evaluation Objectives

The objective of the evaluation was to review the Army implementation of volume 14. This report is the second in a series that will discuss the implementation or planned implementation of volume 14 by each Military Department.

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1 Defense Finance and Accounting Service (DFAS) 37-1 replaced the Army regulation September 1, 1995.

Scope and Methodology

Scope and Methodology. We evaluated the Army Supplemental Guidance to Army Regulation (AR) 37-1 "Army Accounting and Fund Control," April 30, 1991, for compliance with the requirements of DoD Financial Management Regulation 7000.14-R, "Administrative Control of Funds and Antideficiency Act Violations," August 1, 1995, volume 14. To evaluate, we interviewed and obtained documentation from Army personnel at the Office of the Assistant Secretary of the Army (Financial Management and Comptroller). We reviewed applicable Army regulations and guidance and compared them with the requirements of volume 14.

Evaluation Period, Standards, and Locations. We issued our announcement letter on August 31, 1995, and began field work on October 17, 1995. We obtained a copy of the Army Regulation on November 21, 1995. Field work was performed at the Pentagon and was completed March 29, 1996. We conducted the evaluation in accordance with the auditing standards issued by the Comptroller General of the United States, as implemented by the Inspector General, DoD, and included such tests of management controls as deemed necessary.

Prior Audits and Other Reviews

The Inspector General, DoD, Report No. 91-015, "Survey Report on the Review of Processing of Violations of the Antideficiency Act," July 31, 1991, disclosed that the Military Department audit organizations identified 84 potential or apparent violations involving funds of approximately $500 million for the period from October 1, 1987, through June 30, 1990, that were not reported to the Under Secretary of Defense (Comptroller). Recommendations included one organization being given the responsibility for controlling, monitoring, and reporting all reported potential or apparent Antideficiency Act violations; a single organization being assigned the responsibility for ensuring that appropriate penalties are levied against individuals; and revision of DoD Directive 7200.1, "Administrative Control of Appropriation," May 7, 1984, being implemented, which clarifies reporting requirements and establishes uniform penalties. Management agreed to the recommendations. DoD Directive 7200.1 was revised May 4, 1995. Under that revision, the head of each DoD Component assumes responsibility for controlling, monitoring, and reporting violations. Volume 14 incorporates the remaining recommendations.

Evaluation Background

On August 1, 1995, the Under Secretary of Defense (Comptroller) (USD(C)) issued Financial Management Regulation, volume 14, "Administrative Control of Funds and Antideficiency Act Violations," August 1, 1995, (volume 14). On August 14, 1995, the USD(C) requested the Inspector General, DoD, to review the plans of the Military Departments for implementing volume 14.

Volume 14 is issued under the authority of DoD Instruction 7000.14, "DoD Financial Management Policy and Procedures," November 15, 1992. That instruction provides financial management guidance by establishing and enforcing requirements, principles, standards, systems, procedures, and practices necessary to comply with financial management statutory and regulatory requirements applicable to the DoD. Volume 14 establishes procedures for DoD Components to use in identifying, investigating, and reporting violations of the Antideficiency Act.

Discussion

The Army gave a high priority to improving investigating and reporting Antideficiency Act (ADA) violations. We commend the efforts of the Army. As of March 29, 1996, the Army implemented all requirements in volume 14 except the requirement on training investigative officers. On August 17, 1995, the Army implemented the DoD Financial Management Regulation 7000.14-R, volume 14, "Administrative Control of Funds and Antideficiency Act Violations," August 1, 1995, by supplementing Army Regulation 37-1 "Army Accounting and Fund Control," April 30, 1991.

The Army designated the Deputy Assistant Secretary of the Army (Financial Operations) as the Office of Primary Responsibility (OPR) for managing ADA violations. The OPR monitors all potential violations and investigations and maintains the roster of ADA investigators identified by the Army major commands.

To ensure investigator independence, the Army requires that the team investigating ADA violations be external to the area of the alleged violation. The investigating team will consist of a functional expert, a financial expert, and a lawyer. Each major command is required to provide to the OPR a roster of all individuals qualified to perform ADA investigations.

Training. The Army supplement did not address training requirements for investigating officers. The Army considers a military or civilian to be qualified if he or she previously conducted an ADA investigation, attended a training course on fiscal law, and possesses a background in resource management. The investigating officer is the team leader as well as the team member responsible for the required ADA report. Volume 14, chapter 8, requires the Defense Business Management University (DBMU) to ensure that training courses are available to those personnel selected to investigate violations. After September 30, 1996, investigating officers must meet the requirements of chapter 4 which includes formal training being developed by DBMU. The Army has no plans to develop their own ADA training because they believe this effort would be duplicative. We agree. However, the Army plans to issue supplemental guidance requiring investigators to complete the exportable ADA investigator training course (Compact Disk-Read Only Memory format) being developed by DBMU.

Chapter 8, volume 14, also states that the DoD Components shall nominate a number of civilian and military personnel to be trained as investigating officers based on the DoD Components' projected needs for investigating officers, and chapter 8 discusses developing and maintaining a roster of personnel who have completed formal training for use by appointing officials. The Army stated that it is currently averaging about 12 ADA cases a year, and the cases are widely disbursed geographically. After the DBMU training package is developed and fielded, the components will have available an exportable package to train individuals on site and when needed. The Army will issue supplemental guidance to satisfy the requirements in chapter 8 when the DBMU package is available.

Summary

On April 15, 1996, we discussed the results of our evaluation with personnel at the Office of the Under Secretary of Defense (Comptroller) and with personnel at the Office of the Deputy Assistant Secretary of the Army, Financial Management. The Army agreed to issue supplemental guidance to satisfy chapter 8 requirements which includes formal training using the DBMU exportable training course, developing nomination procedures for selecting future investigating officers, and developing and maintaining a tracking system to identify investigating officers who have completed formal training.

Management Comments

We provided a draft of this report to the Army on May 8, 1996. The Assistant Secretary of the Army (Financial Management and Comptroller) provided comments on May 21, 1996. The Assistant Secretary agreed with our evaluation. See Enclosure 1 for a complete text of the comments. Since the comments were responsive, no additional comments are necessary.

We appreciate the courtesies extended to the audit staff. If you have any questions or wish to discuss this report, please contact Mr. Christian Hendricks, Audit Program Director, at (703) 604-9149 or Mr. Carl Zielke, Audit Project Manager, at (703) 604-9147. See Enclosure 3 for the report distribution. The audit team members are listed inside the back cover.

Robert J. Lieberman
Assistant Inspector General
for Auditing

Enclosures

Department of the Army Comments

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

REPLY TO
ATTENTION OF

May 21, 1996

MEMORANDUM FOR DIRECTOR, FINANCE AND ACCOUNTING AUDIT, OFFICE OF THE INSPECTOR GENERAL, DEPARTMENT OF DEFENSE, 400 ARMY NAVY DRIVE, ARLINGTON, VIRGINIA 22202-2884

SUBJECT: Evaluation of the Army Implementation of DoD Financial Management Regulation, Volume 14, Administrative Control of Funds and Antideficiency Act Violations.

We have reviewed the evaluation report dated May 8, 1996, and agree that additional guidance will be required upon fielding of the Antideficiency Act investigator training under development by Defense Business Management University (DBMU). We will issue supplemental guidance addressing the ADA investigator training within 60 days of receipt of the DBMU investigator training package.

We will develop supplemental guidance to distribute and implement the exportable training package. This distribution method will be designed to meet the Army's needs for trained ADA investigators and also take advantage of the fiscal law training portion of the package to generate awareness about fiscal issues. Until the DBMU package is fielded, Army will continue to emphasize fiscal law training, require the team approach for conducting ADA investigations, and continue to require that investigations be conducted in accordance with AR 15-6. A master roster of qualified investigating officers will be maintained by the Office of the Deputy Assistant Secretary of the Army (Financial Operations).

We appreciate the opportunity to comment on the draft evaluation report. If you should need additional information, please contact Ms. June Adelsberger or Mr. Dennis Joe. They can be reached at (703) 697-0757. Our fax number is (703) 697-2028.

Ernest J. Gregory
Deputy Assistant Secretary of the Army
(Financial Operations)

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Assistant Secretary of the Army (Financial Management and Comptroller), Washington, D.C.

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Evaluation Team Members

This report was prepared by the Finance and Accounting Directorate, Office of the Assistant Inspector General for Auditing, DoD.

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