Audit Report

OFFICE OF THE INSPECTOR GENERAL

ALLEGATIONS OF IMPROPER ACCOUNTING FOR THE NATIONAL GUARD AND RESERVE EQUIPMENT APPROPRIATION AT THE ARMY NATIONAL GUARD

Report No. 97-116

March 31, 1997

Department of Defense

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Acronym

ARNG	Army National Guard

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

March 31, 1997

MEMORANDUM FOR CHIEF, NATIONAL GUARD BUREAU
AUDITOR GENERAL, DEPARTMENT OF THE ARMY

SUBJECT: Audit Report on Allegations of Improper Accounting for the National Guard and Reserve Equipment Appropriation at the Army National Guard (Report No. 97-116)

We are providing this audit report for review and comment. We considered management comments on a draft of this report in preparing the final report.

DoD Directive 7650.3 requires that all recommendations be resolved promptly. Therefore we request that the Army provide additional comments on Recommendation 2.b. in response to the final report by May 30, 1997.

We appreciate the courtesies extended to the audit staff. Questions on the audit should be directed to Ms. Mary L. Ugone, Audit Program Director, at (703) 604-9529 (DSN 664-9529) or Ms. Adrienne B. Brown, at (703) 604-9531 (DSN 664-9531). See Appendix D for the report distribution. The audit team members are listed inside the back cover.

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Assistant Inspector General
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Office of the Inspector General, DoD

Report No. 97-116
(Project No. 6RE-2016.04)

March 31, 1997

Allegations of Improper Accounting for the National Guard and Reserve Equipment Appropriation at the Army National Guard

Executive Summary

Introduction. The audit was performed in response to a complaint made to the Defense Hotline. The complainant alleged that the Army National Guard submitted to the Defense Finance and Accounting Service, Indianapolis Center, an FY 1995 consolidated budget execution report that did not accurately reflect the FY 1991 National Guard and Reserve Equipment Appropriation.

The complainant also alleged that the Army National Guard deobligated funds before the end of FY 1995 and then reobligated funds at the start of FY 1996. As a result, financial statements for FY 1995 did not reflect an overobligation of more than $91 million. The complainant further alleged that the Army National Guard did not report the potential Antideficiency Act violation resulting from the overobligations as required by Federal statutes.

Audit Objectives. The overall audit objectives were to determine whether the Army National Guard FY 1995 budget execution reports submitted to the Defense Finance and Accounting Service, Indianapolis Center, accurately reflected obligations made against the FY 1991 National Guard and Reserve Equipment Appropriation, and whether the Army National Guard complied with DoD regulations concerning procedures for reporting potential violations of the Antideficiency Act. We also evaluated applicable management controls.

Audit Results. The Army National Guard made material accounting adjustments, reducing recorded obligations against the FY 1991 appropriation, before submitting FYs 1994 and 1995 budget execution reports to ensure that the reports did not show overobligations of FY 1991 funds. The Army National Guard subsequently made accounting adjustments reobligating the FY 1991 funds after submitting FYs 1994 and 1995 budget execution reports. In addition, the Army National Guard obligated $13.6 million of FY 1996 appropriated funds to offset apparent FY 1991 overobligations, but did not report a potential Antideficiency Act violation.

Timely and effective reviews would have precluded unneeded encumbrance of FY 1996 funds for a 5-month period. Also, unless the Army National Guard establishes adequate management controls, the Army National Guard has no assurance that future accounting reports will be reliable.

Summary of Recommendations. We recommend that the Army National Guard review and immediately revise the practices that Army National Guard officials used to make inappropriate accounting adjustments. We recommend that the Army National Guard develop and implement procedures to ensure adequate and timely reviews of overobligations and overdisbursements, and ensure that material accounting adjustments to recorded budget transactions are properly authorized, properly approved, and

adequately documented. We also recommend that the Army National Guard establish management control procedures to ensure proper reporting of potential Antideficiency Act violations.

Management Comments. The Army National Guard agreed with all the recommendations except Recommendation 2.b., on establishing management control procedures to ensure proper reporting of potential Antideficiency Act violations. The Army National Guard stated that it complied with the appropriate regulatory requirements because a reconciliation of FY 1991 funds did not disclose any financial transaction that created a potential overobligation.

Audit Response. The Army National Guard comments were not responsive to Recommendation 2.b. In September 1994, the Army National Guard determined that recorded obligations exceeded authorized funding under the FY 1991 Appropriation 0350. Additionally, the Army National Guard obligated $13.6 million in FY 1996 funds to offset apparent overobligations of the FY 1991 Appropriation 0350. However, the Army National Guard did not take the appropriate required action in either instance to report potential violations. Management controls are needed to ensure that any future potential Antidefiency Act violations are reported as required by DoD regulations. Accordingly, we request that Army National Guard reconsider its position and provide additional comments on this final report by May 30, 1997.

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Part I - Audit Results

Introduction

The audit was conducted in response to a complaint made to the Defense Hotline. The complainant alleged that the Army National Guard (ARNG) submitted to the Defense Finance and Accounting Service, Indianapolis Center (the Indianapolis Center), an FY 1995 consolidated budget execution report that did not accurately reflect financial data submitted by Army National Guard installations. The complainant also alleged that the ARNG deobligated funds in September 1995, before the end of the fiscal year, and reobligated the funds during the new fiscal year, November 1995. As a result, financial statements for FY 1995 did not reflect an overobligation of more than $91 million. The complainant further alleged that although required by Federal statutes, the ARNG did not report the potential Antideficiency Act violation resulting from the overobligations. The specific allegations are discussed in Appendix C.

The allegations were related to the National Guard and Reserve Equipment Appropriation (Appropriation 0350) and Military Pay Appropriation 2060. The review of Military Pay Appropriation 2060 will be discussed in a separate report on the Audit of Accounting for Army National Guard Appropriations, Project No. 6FI-8017. This report discusses the allegations related to Appropriation 0350.

The Appropriation 0350 is used for the procurement of aircraft, missiles, tracked combat vehicles, ammunition, other weapons, and other procurements for the National Guard and Reserve components. That appropriation is a multiple-year appropriation available for obligation for 3 fiscal years.

Criteria for Controlling the Use of Appropriations

Public Law. United States Code, title 31, section 1341(a)(1)(A) (31 U.S.C. 1341[a][1][A]), "Limitations on Expending and Obligating Amounts," states that an employee of the Federal Government may not make or authorize an expenditure or obligation exceeding an amount available in an appropriation. 31 U.S.C. 1517(a), "Prohibited Obligations and Expenditures," states that an officer or employee of the Federal Government may not make or authorize an expenditure or obligation exceeding an apportionment. Those sections are part of what is commonly known as the Antideficiency Act, which was established to provide effective controls over the use of appropriations. In addition to Federal statutes, DoD has developed and implemented the following guidance for the administrative control of funds and appropriations.

DoD Regulation 7000.14-R. DoD Regulation 7000.14-R, "Financial Management Regulation" (DoD Regulation 7000.14-R), volume 14, "Administrative Control of Funds and Antideficiency Act Violations," August 1995, establishes policy and procedures for the administrative control of funds and procedures for DoD Components to use in identifying, investigating, reporting, and processing violations of the Antideficiency Act.

DoD Directive 7200.1. DoD Directive 7200.1, "Administrative Control of Appropriations" (the Directive), May 4, 1995, regulates fund control for all DoD Components. The Directive requires DoD Components to establish and maintain adequate systems of accounting and positive control of appropriations and other funds. The Directive also implements the Antideficiency Act.

DFAS-Indianapolis Regulation 37-1. Defense Finance and Accounting Service, Indianapolis Center, Regulation 37-1, "Finance and Accounting Policy Implementation" (Indianapolis Regulation 37-1), September 18, 1995, implemented DoD Regulation 7000.14-R for Army organizations and established accounting, fund control, disbursing, and travel policy and procedures for all levels of Army resource management. Indianapolis Regulation 37-1 requires recipients of appropriated funds to perform joint reviews of obligated balances to ensure the accuracy of obligated balances and to support fund certifications. Indianapolis Regulation 37-1 also requires the review to be done jointly by the ARNG program manager and the applicable accounting office. In March 1994, the ARNG established the joint review process and conducted 11 joint reviews of Appropriation 0350 during FYs 1994 through 1996. The ARNG joint review process is discussed in the "ARNG Review of Overobligations" section of this report.

Audit Background

Transfer of Account Management for the National Guard and Reserve Equipment Appropriation From Military District, Washington. In April 1994, the Military District, Washington, transferred all accounting responsibility for the Appropriation 0350 to ARNG. The transfer was complicated by the movement of Appropriation 0350 financial data between two financial management systems, the State Accounting, Budgeting, Expenditure, and Reservation System that ARNG used and the Standard Finance System that the Military District, Washington, used. Inadequate documentation that ARNG received from the Military District, Washington, and inadequate coordination of financial documentation between the Military District, Washington, and ARNG resulted in posting errors that created the appearance of overobligations of prior year appropriations.

Program Management and Fund Control Coordination of Appropriation 0350 Between ARNG Logistics and Accounting Directorates. Congress approved Appropriation 0350 to annually provide funds for the ARNG to purchase military equipment in support of its 5-Year Plan. At the beginning of each fiscal year, the amount of the available funds for Appropriation 0350 is provided to the ARNG program manager. In April 1994, the ARNG established management controls to ensure availability and commitment of funds before project managers issued military interdepartmental purchase requests. The program manager initiates obligation documents only after approval by the ARNG Comptroller Directorate.

Definition of Financial Terms

Funds Control. Funds control is the authority exercised over the receipt, distribution, use, and management of budget authority appropriated to ensure that:

o funds are used only for authorized purposes,

o funds are economically and efficiently used,

o obligations and expenditures do not exceed the amounts authorized and available, and

o the obligation or disbursement of funds is not reserved or otherwise withheld without congressional knowledge and approval.

Each accounting system should incorporate appropriate techniques to assist in achieving fund control objectives.

Overobligation. An overobligation is an obligation or expenditure that exceeds the amounts available in an apportionment, a reapportionment, a revolving fund, or an administrative subdivision of funds. Overobligations may be caused by inaccurate funding authorization information or insufficient contract information documenting changes to obligation amounts.

Antideficiency Act. Sections 1341 and 1517 of United States Code, title 31, prohibit making obligations or expenditures in excess, or in advance of, amounts available in appropriations, or in excess of amounts available in apportionments or other formal subdivisions of funds. Those prohibitions promote effective and economical use of appropriations.

Audit Objectives

The overall audit objectives were to determine whether:

o the ARNG FY 1995 budget execution reports submitted to the Indianapolis Center accurately reflected obligations made against the FY 1991 Appropriation 0350, and

o ARNG complied with DoD regulations concerning procedures for reporting potential violations of the Antideficiency Act.

We also evaluated applicable management controls. See Appendix A for the discussion of the audit scope, methodology, and the review of the management control program.

Accounting Adjustments to Budget Execution Data

The ARNG made material accounting adjustments to FY 1991 appropriation data before submitting FYs 1994 and 1995 budget execution reports to ensure that the reports did not show obligations in excess of FY 1991 appropriated funds. The ARNG subsequently made accounting adjustments reobligating the FY 1991 funds after submitting FYs 1994 and 1995 budget execution reports. Additionally, ARNG committed $18.2 million and later obligated $13.6 million of FY 1996 funds to offset apparent FY 1991 overobligations, but did not report a potential Antideficiency Act violation. The accounting adjustments occurred because ARNG did not develop procedures to properly authorize, approve, or document accounting adjustments and did not perform timely or effective reviews to determine whether Antideficiency Act violations occurred. Additionally, ARNG did not effectively coordinate the reviews within its organizational elements. Timely and effective reviews would have precluded unneeded encumbrance of FY 1996 funds for a 5-month period. Also, unless the ARNG establishes effective management controls, ARNG has no assurance that future accounting reports will be reliable.

Accounting Adjustments to Budget Reports

The ARNG made material accounting adjustments before submitting FYs 1994 and 1995 yearend budget execution reports. The ARNG must submit annual budget execution reports for 8 years for each Appropriation 0350. The adjustments permitted ARNG to prepare and submit budget execution reports that did not show apparent overobligations of the FY 1991 Appropriation 0350 and to avoid reporting potential Antideficiency Act violations. The following describes the FYs 1994 and 1995 accounting adjustments. Appendix B illustrates how ARNG reported FY 1991 Appropriation 0350 unobligated balances to the Indianapolis Center in FYs 1994 and 1995 and shows the unobligated balances that would have been reported if the accounting adjustments had not been made.

FY 1994 Accounting Adjustments. In September 1994, ARNG made accounting adjustments to reduce FY 1991 recorded obligations by $74.2 million and, as a result, prepared and submitted budget execution reports that did not show apparent overobligations of $72.7 million. The adjustments resulted in a positive unobligated balance of $1.5 million on the ARNG FY 1994 budget execution report. The ARNG made accounting adjustments in April 1995 to reobligate the $74.2 million against the FY 1991 Appropriation 0350.

FY 1995 Accounting Adjustments. In September 1995, the ARNG made accounting adjustments to reduce FY 1991 recorded obligations by $91.1 million. The adjustments resulted in a positive unobligated balance of $9.6 million on the ARNG FY 1995 budget execution report. The ARNG did not report the potential Antideficiency Act violation and submitted an erroneous, certified FY 1995 yearend budget execution report that did not show apparent overobligations of $81.5 million. The ARNG reobligated the $91.1 million in November 1995.

The Antideficiency Act, cited in DoD Regulation 7000.14-R, volume 14, "Administrative Control of Funds and Antideficiency Act Violations," August 1995, prohibits any DoD official from making or authorizing commitments, obligations, or disbursements from any appropriation or fund in excess of the amount available, except as authorized by law. An Antideficiency Act violation may occur when a formal subdivision of funds is overobligated or overdisbursed (31 U.S.C., 1517 and 1514[a][1]).

ARNG Review of Overobligations

In September 1994, the ARNG determined that recorded obligations exceeded appropriations for the FY 1991 Appropriation 0350. However, ARNG did not initiate a review of FY 1991 negative unliquidated obligations until March 1995 and did not initiate a formal review of apparent FY 1991 overobligations until May 1996.

Requirements for Review of Potential Antideficiency Act Violations. Paragraph 7-6 of Indianapolis Regulation 37-1, September 18, 1995,[1] states that upon learning of or detecting a possible violation of the Antideficiency Act, the Director of Resource Management or person holding the equivalent position will immediately notify the commander responsible for the allotment involved in the alleged violation. Indianapolis Regulation 37-1 requires the commander to send a "flash report" to the Assistant Secretary of the Army (Financial Management and Comptroller) within 30 days and appoint an investigating office.

DoD Regulation 7000.14-R, volume 14, "Administrative Control of Funds and Antideficiency Act Violations," August 1995, chapter 3, states that when a DoD Component has some evidence that a violation may have occurred, preliminary checks of the applicable business transaction and accounting records shall be made to determine whether a potential violation exists. If the DoD Component involved determines that a potential violation exists, a formal investigation should be initiated within 15 business days of the approval of the report or preliminary review.

[1]Defense Finance and Accounting Service, Indianapolis Center, Regulation 37-1 superseded Army Regulation 37-1, "Army Accounting and Fund Control," April 30, 1991. Requirements for reporting and investigating Antideficiency Act violations did not change.

ARNG Review of FY 1991 Transactions. In May 1996, the ARNG initiated a review of transactions charged against the FY 1991 appropriation and determined that the Military District, Washington, inappropriately charged $76.1 million to the FY 1991 appropriation because of accounting and payment recording errors. As a result, ARNG made accounting adjustments in July 1996 to reduce obligations against the FY 1991 appropriation by $76.1 million.

Accounting Errors. The accounting errors included the recording of obligations without sufficient funds available to liquidate the obligations and the recording of obligations against inappropriate fiscal year appropriations.

Payment Recording Errors. The payment recording errors included disbursements charged to the incorrect budget line item or to an inappropriate year appropriation.

Upon completion of the ARNG review and resulting accounting adjustments in July 1996, the FY 1991 appropriation still included the recorded overobligations of $15 million.

ARNG Use of FY 1996 Apportionment. In May 1996, ARNG made an accounting adjustment that committed $18.2 million of the FY 1996 Appropriation 0350. The purpose of the adjustment was to reserve FY 1996 funds in the event of overobligation of FY 1991 funds. Based on its May and June 1996 review, the ARNG obligated $13.6 million of FY 1996 Appropriation 0350 in June 1996 to cover the apparent overobligation of FY 1991 Appropriation 0350. Despite the obligation of FY 1996 funds, the ARNG did not report a potential violation of the Antideficiency Act, as required by DoD Regulation 7000.14-R.

DoD Regulation 7000.14-R, volume 14, paragraph B-5,[2] states that section 1004 of Public Law 102-484, the "National Defense Authorization Act for Fiscal Year 1993," October 23, 1992, requires that DoD Components report and investigate a potential violation of the Antideficiency Act when charges to a currently available appropriation would have resulted in a violation of the Antideficiency Act had they been charged to the applicable expired account.

In October 1996, ARNG detected an accounting error, which indicated that an additional $15.6 million of FY 1991 apportioned funds were available for obligation and, therefore, deobligated $13.6 million of FY 1996 apportioned funds. However, had ARNG adequately reviewed the apparent overobligation in FY 1994, it would not have had to obligate the $13.6 million initially.

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[2]Paragraph B-5 also states that the amount charged to a currently available appropriation may not exceed 1 percent of the currently available appropriation or 1 percent of the appropriation of the expired account, whichever is less. The ARNG obligation of $13.6 million of FY 1996 Appropriation 0350 represented 1.7 percent of FY 1991 Appropriation 0350 of about $805.7 million and 13.6 percent of FY 1996 Appropriation 0350 of $100 million.

Joint Reviews. ARNG joint reviews have not been effective. ARNG established the joint review process in April 1994 and performed 11 joint reviews of Appropriation 0350 during FYs 1994, 1995, and 1996. However, the joint reviews have not disclosed the root causes of apparent overobligations, because the review process has not been adequately coordinated between the ARNG Program Manager and the ARNG Comptroller Directorate. As a result, the reviews did not provide information needed to resolve the apparent overobligation of FY 1991 Appropriation 0350.

Contractual Assistance. On September 6, 1996, the ARNG awarded a contract for $199,858 for technical and business support services. The scope of work involves an analysis of existing accounting data bases, contract data bases, and supporting documentation to identify mismatches between ARNG data systems records and Defense Finance and Accounting Service data systems records. The mismatches exist in data records of the Appropriation 0350 within FYs 1991 through 1996. The contractor will assist in the preparation of correction packages to align the data bases, to identify system improvements, and to prevent mismatches in future transactions between the various data bases. However, the ARNG still needs to develop and implement procedures to ensure that material accounting adjustments to budget transactions are properly authorized, properly approved, and adequately documented and to ensure that potential Antideficiency Act violations are properly reported.

ARNG Accounting and Reporting Controls and Procedures

Accounting Controls and Procedures. The ARNG did not develop procedures to ensure that automated accounting adjustments to record budget transactions were authorized, approved, and adequately documented. Paragraphs 5.i. and 5.l., volume 14, chapter 1, of DoD Regulation 7000.14-R state that DoD officials to whom apportionments are issued shall ensure that general and specific management controls are in place and operating as required by DoD Directive 5010.38, "Management Control (MC) Program," August 26, 1996. DoD Regulation 7000.14-R, volume 1, chapter 3, Key Accounting Requirement No. 7, "System Controls (Fund and Internal)," paragraph B, further states that to prevent errors and irregularities, accounting systems must maintain a separation of duties for initiating, authorizing, recording, and reviewing transactions. In addition, DoD Regulation 7000.14-R, volume 1, Key Accounting Requirement No. 8, "Audit Trails," states that accounting system financial transactions must be adequately supported with pertinent documents and source records that show the preparer and approver of transactions. We identified the following management control procedural weaknesses.

FY 1994 Accounting Adjustment. The ARNG did not prepare documentation to support the September 1994 adjustment, which reduced FY 1991 obligations by $74.2 million. The ARNG accounting officials stated that the September 1994 adjustment was made based solely on receipt of a list of

adjustments initiated by the previous Director of the Accounting Division. The document was not reviewed or approved by another official and did not specify the reason for the adjustment.

FY 1995 Accounting Adjustment. The ARNG did not prepare documentation to support the FY 1995 adjustment, which reduced FY 1991 obligations by $91.1 million. ARNG accounting personnel stated that the FY 1995 adjustment was made based on the FY 1994 list of adjustments totaling $74.2 million, as well as additional budget line items of $16.9 million executed during FY 1995. Accounting personnel, however, could not locate documentation to support the $91.1 million adjustment.

Reversal of FYs 1994 and 1995 Accounting Adjustments. ARNG accounting personnel stated that nobody prepared documentation to support accounting adjustments that reobligated $74.2 million in April 1995 and $91.1 million in November 1995. ARNG accounting personnel stated that they made the adjustments because they were told to do so by ARNG officials.

Antideficiency Act Violations. The ARNG also did not have adequate management controls to ensure proper reporting of potential Antideficiency Act violations. On June 5, 1996, the Director of the Accounting Division submitted an internal memorandum to the Director, ARNG, stating that ARNG records indicated a potential Antideficiency Act violation of the FY 1991 Appropriation 0350 in the amount of $18.2 million. The memorandum indicated that, although FY 1996 funds had been obligated to cover the overobligation of FY 1991 funds, ARNG would not submit a report of a possible Antideficiency Act violation until September 30, 1996. The memorandum indicated that the Director of Accounting believed that reconciliation efforts would show that FY 1991 funds were not actually overobligated.

The ARNG should have reported a potential Antideficiency Act violation of the FY 1991 apportionment in June 1996, when the ARNG made an accounting adjustment to obligate $13.6 million of the FY 1996 apportionment for FY 1991 overobligations. The determination of ARNG in October 1996 that additional FY 1991 apportioned funds were available for obligation resolved the matter and precluded the need for reporting an actual Antideficiency Act violation. However, the ARNG should establish management control procedures to ensure the proper future reporting of potential Antideficiency Act violations.

Summary

The ARNG management control program did not prevent or detect the recording of irregular or inappropriate material FYs 1994 and 1995 accounting adjustments. In addition, the ARNG did not establish sufficient controls to ensure appropriate reporting of a potential Antideficiency Act violation.

Recommendations, Management Comments, and Audit Response

1. We recommend that the Director, Army National Guard:

a. Review practices that Army National Guard officials used to record FYs 1994 and 1995 accounting adjustments to deobligate and reobligate FY 1991 National Guard and Reserve Equipment Appropriation obligations, and immediately revise the practices that permitted the transactions to occur.

Management Comments. The Army National Guard concurred with the recommendation. In November 1996, the ARNG consolidated all vendor and travel payment certification and Army National Guard installation-level accounting operations under the Army National Guard Finance and Accounting Officer. Further, the ARNG consolidation reduced the number of Army National Guard payment precertifying officers from more than 60 to 1, and placed accounting operations under the management and supervisory control of the Army National Guard installation Finance and Accounting Officer. All accounting adjustments initiated by Army National Guard installation accounting personnel are reviewed by the Finance and Accounting Officer and are approved by the Chief, Fiscal Accounting Division.

Also, in January 1997, the Fiscal Accounting Division implemented procedures for the bi-monthly review of Army National Guard headquarters-level accounting reports. The lead accountant and Finance and Accounting Officer process accounting reports at mid-month and prior to month-end close-out. The reports are reconciled, and a review is conducted with the lead accountant; Finance and Accounting Officer; and Chief, Fiscal Accounting Division. The purpose of the review is to detect unusual or material changes in appropriation level account balances. The lead accountant and Finance and Accounting Officer are required to explain the changes and to produce substantiating documentation.

b. Develop and implement procedures to ensure that joint reviews required by Defense Finance and Accounting Service, Indianapolis Center, Regulation 37-1, "Finance and Accounting Policy Implementation," September 18, 1995, are coordinated between the program managers and the Comptroller Directorate in reconciling obligations and disbursements.

Management Comments. The Army National Guard concurred with the recommendation and indicated that the Comptroller Directorate has taken measures in FY 1997 to enhance the effectiveness of program manager joint reconciliations. In addition to performing the reconciliations, all program managers are required to certify their unobligated and unliquidated balances. The written certifications are kept on file to substantiate the reconciliations and to serve as program manager acceptance of account balances maintained in the accounting system.

2. We recommend that the Comptroller, Army National Guard:

a. Develop and implement procedures to ensure that the Army National Guard properly authorizes, properly approves, and adequately documents material accounting adjustments to budget transactions in compliance with DoD Regulation 7000.14-R, "Financial Management Regulation," volume 1, "General Financial Management Information, Systems, and Requirements," May 1993, and DoD Directive 5010.38, "Management Control (MC) Program," August 26, 1996.

Management Comments. The Army National Guard concurred with the recommendation and has initiated corrective action, as stated in response to Recommendation 1.a., using bi-monthly reviews of accounting reports and establishing Finance and Accounting Officer financial adjustment procedures. On December 17, 1996, the Army National Guard issued a memorandum describing the procedures for conducting bi-monthly accounting report reviews effective January 1997. On January 27, 1997, the Army National Guard issued a memorandum describing procedures for accounting adjustments.

b. Establish management control procedures to ensure that the Army National Guard properly reports potential Antideficiency Act violations in compliance with DoD Regulation 7000.14-R, "Financial Management Regulation," volume 14, "Administrative Control of Funds and Antideficiency Act Violations," August 1995, and Defense Finance and Accounting Service, Indianapolis Center, Regulation 37-1, "Finance and Accounting Policy Implementation," September 18, 1995.

Management Comments. The Army National Guard nonconcurred with the recommendation, stating that it complied with the appropriate regulatory requirements.

Audit Response. The Army National Guard comments were not responsive. As previously stated in the report, in September 1994, the ARNG determined that recorded obligations exceeded appropriations for the FY 1991 Appropriation 0350. However, the ARNG did not initiate a formal review of apparent FY 1991 overobligations until May 1996. Additionally, despite a May 1996 commitment of $18.2 million and a subsequent June 1996 obligation of $13.6 million in FY 1996 funds to offset apparent FY 1991 overobligations, the ARNG did not report a potential Antideficiency Act violation as required by the regulations. Further, although the ARNG is now no longer required to report a potential Antideficiency Act for the FY 1991 Appropriation 0350, the ARNG should establish management control procedures to ensure proper reporting of any future potential Antideficiency Act violations. Accordingly, we request that the ARNG reconsider its position and provide additional comments on the final report.

Part II - Additional Information

Appendix A. Audit Process

Scope

We reviewed the ARNG process for recording and reporting FY 1995 financial transactions executed with funds from the Appropriation 0350 for FY 1991. Specifically, we examined ARNG transactions deobligating FY 1991 Appropriation 0350 funds before preparation of the FY 1995 budget execution report and reobligating Appropriation 0350 funds after preparation and submission of the FY 1995 budget execution report. We later expanded the scope by examining ARNG transactions deobligating FY 1991 Appropriation 0350 funds before preparation of the ARNG FY 1994 budget execution report and reobligating Appropriation 0350 funds after preparation and submission of the ARNG FY 1994 budget execution report. We also reviewed the extent to which the ARNG used FY 1996 Appropriation 0350 funds to supplement FY 1991 Appropriation 0350 funds.

Use of Computer-Processed Data. We relied on computer-processed transaction data from the ARNG State Accounting, Budgeting, Expenditure, and Reservations System to evaluate ARNG FYs 1994 and 1995 accounting adjustments. The computer-processed data were not reliable because of lack of ARNG documentation as to authorization, approval, and reasons for the accounting adjustments. However, we relied on the data because we determined that the ARNG used the data to prepare its FYs 1994 and 1995 budget execution reports.

Audit Period, Standards, and Locations. We performed this financial-related audit from July through December 1996 in accordance with auditing standards issued by the Comptroller General of the United States as implemented by the Inspector General, DoD, and accordingly included such tests of management controls as were considered necessary.

Contacts During the Audit. We visited or contacted individuals within the DoD. Further details are available on request.

Methodology

To evaluate the ARNG process for recording FYs 1994 and 1995 accounting adjustments to the FY 1991 Appropriation 0350 funds, we:

o reviewed pertinent public laws, DoD regulations, DFAS-Indianapolis instructions, and ARNG policies and procedures;

o verified documentation provided by the complainant for validity and accuracy;

o reviewed and discussed ARNG internal procedures and practices concerning coordination between the ARNG Comptroller and ARNG program manager for Appropriation 0350;

o interviewed responsible ARNG officials to determine procedures used to initiate, authorize, approve, and record accounting adjustments to budget execution transactions;

o obtained an ARNG official listing of ARNG accounting adjustments made to FYs 1994 and 1995 budget execution transactions;

o compared the ARNG list of transactions and ARNG budget execution reports with documentation provided by the complainant;

o traced the ARNG list of accounting adjustments to accounting adjustments on appropriate monthly transaction registers;

o analyzed accounting adjustments documented on monthly transaction registers for September 1994, April 1995, September 1995, and November 1995;

o recalculated the FY 1991 Appropriation 0350 unobligated balance appearing on certified ARNG FYs 1994 and 1995 budget execution reports to determine effects of yearend accounting adjustments; and

o analyzed appropriate documents and interviewed appropriate officials responsible for the ARNG review of FY 1991 Appropriation 0350 overdisbursements and overobligations.

Prior Audits and Other Reviews

No prior audits of ARNG accounting adjustments to the FY 1991 Appropriation 0350 were performed in the last 5 years.

Management Control Program

DoD Directive 5010.38, "Management Control (MC) Program," August 26, 1996, requires DoD organizations to implement a comprehensive strategy for management controls that provides reasonable assurance that revenues and expenditures applicable to DoD operations are properly recorded and accounted for to permit preparation of accounts and reliable financial reports. DoD Instruction 5010.40, "Management Control (MC) Program Procedures,"

August 28, 1996, requires each DoD Component to develop a management control program that establishes the management control process; segments the organization into assessable units; and evaluates, identifies, and reports on management control weaknesses. DoD Directive 5010.38 also states that specific DoD policies for evaluating accounting system controls are in DoD Regulation 7000.14-R, volume 1, chapter 3, May 1993. The Regulation requires accounting system managers to perform annual reviews of accounting system controls to determine compliance with key accounting requirements specified in DoD Regulation 7000.14-R.

Scope of Review of Management Control Program. We reviewed the ARNG Comptroller Directorate's FYs 1994 and 1995 annual review of accounting system procedures and controls to determine whether ARNG:

o evaluated budget execution and financial reporting procedures for compliance with DoD financial management guidance and Federal statutes;

o identified material departures from DoD financial management guidance and Federal statutes; and

o recorded a plan of corrective action for identified material departures.

Adequacy of Management Controls. We identified material management control weaknesses, as defined by DoD Directive 5010.38, for ARNG. The ARNG did not develop procedures to ensure that automated accounting adjustments to record budget transactions were authorized, approved, and documented. In addition, ARNG did not establish controls to ensure proper reporting of potential Antideficiency Act violations. Recommendations 1.a. and 2.a. in the report, if implemented, will correct the material weaknesses. A copy of this report will be provided to the senior official responsible for management controls in ARNG.

Adequacy of Management's Self-Evaluation. Although the ARNG performed an FY 1995 annual review of accounting system controls, the ARNG did not review compliance with Key Accounting Requirement No. 7, "System Controls (Fund and Internal)," and Key Accounting Requirement No. 8, "Audit Trails." As a result, the ARNG did not identify the material management control weaknesses identified by the audit. The specific management control weaknesses are discussed in the finding.

Appendix B. FY 1991 Funding Reported to the Defense Finance and Accounting Service, Indianapolis Center

FY 1991 Funding for Appropriation 0350

FY	Funds Received (1)	Adjustments (2)	Cumulative Obligations (3)	Unobligated Balance (4)	Calculated Unobligated Balance (5)
1991	$812,200,000	--	$604,353,191	$207,846,809	$207,846,809
1992	805,691,000	--	651,681,813	154,009,187	154,009,187
1993	--	--	803,038,825	2,652,175	2,652,175
September 1994	--	($74,201,533)	--	--	--
1994	--	--	804,153,913	1,537,087	(72,664,446)
April 1995	--	74,201,533	--	--	--
September 1995	--	(91,119,125)	--	--	--
1995	--	--	796,062,665	9,628,335	(81,490,790)
November 1995	--	91,119,125	--	--	--

Description of Calculations

The ARNG was initially allocated $812.2 million, which the Office of the Secretary of Defense reduced by $6.5 million to $805.7 million in FY 1992 (column 1).

Columns 1, 3, and 4 are taken from ARNG certified budget execution reports.

The unobligated balance in column 5 for FYs 1994 and 1995 is the sum of column 2, September 1994 adjustments, and column 4.

Appendix C. Allegations and Audit Results

During the audit of the Consolidated Financial Report on Department 97 Appropriations for Army National Guard and Reserve Equipment (Project No. 6RE-2016), a complaint was made to the Defense Hotline. The complaint contained three allegations.

Allegation 1. The Army National Guard submitted to the Defense Finance and Accounting Service, Indianapolis Center, consolidated budget execution reports that did not accurately reflect financial data submitted by Army National Guard Installations for the FY 1991 Appropriation 0350.

Audit Result. The allegation was substantiated. Before submitting FYs 1994 and 1995 budget execution reports for the FY 1991 Appropriation 0350, the ARNG made accounting adjustments deobligating funds obligated in FYs 1994 and 1995. The adjustments were not adequately authorized, approved, or documented as to the reasons for the adjustments.

In September 1994, the ARNG made accounting adjustments to reduce obligations by $74.2 million to avoid reporting apparent overobligations of $72.7 million. The ARNG made accounting adjustments in April 1995 to reobligate the $74.2 million against the FY 1991 Appropriation 0350.

In September 1995, the ARNG made accounting adjustments to reduce obligations by $91.1 million to avoid reporting apparent overobligations of $81.5 million. The ARNG reobligated the $91.1 million in November 1995.

The ARNG did not initiate a review of the FY 1991 Appropriation 0350 until May 1996.

Allegation 2. National Guard and Reserve Equipment Appropriation funds were deobligated before September 1995 and reobligated during the new fiscal year, November 1995.

Audit Result. The allegation was substantiated. As stated above in response to Allegation 1, the ARNG made accounting adjustments in September 1995, reducing obligations by $91.1 million to avoid reporting apparent overobligations of $81.5 million. The ARNG reobligated the $91.1 million in November 1995.

Allegation 3. The Army National Guard did not report the potential Antideficiency Act violation resulting from overobligations, as required by Federal statutes.

Audit Result. The allegation was substantiated. The ARNG did not comply with section 1004 of Public Law 102-484, the "National Defense Authorization Act for Fiscal Year 1993," October 23, 1992. Section 1004 requires that DoD Components report and investigate a potential violation of the Antideficiency Act when charges to a currently available appropriation would have resulted in a violation of the Antideficiency Act had they been charged to the applicable

expired account. The ARNG should have reported a potential Antideficiency Act violation in June 1996, when the ARNG made an accounting adjustment that obligated $13.6 million of the FY 1996 Appropriation 0350 for apparent FY 1991 overobligations.

Appendix D. Report Distribution

Office of the Secretary of Defense

Under Secretary of Defense (Comptroller)
  Deputy Chief Financial Officer
  Deputy Comptroller (Program/Budget)
Assistant Secretary of Defense (Public Affairs)
Director, Defense Logistics Studies Information Exchange

Department of the Army

Assistant Secretary of the Army (Financial Management and Comptroller)
Auditor General, Department of the Army

Department of the Navy

Assistant Secretary of the Navy (Financial Management and Comptroller)
Auditor General, Department of the Navy

Department of the Air Force

Assistant Secretary of the Air Force (Financial Management and Comptroller)
Auditor General, Department of the Air Force

Other Defense Organizations

Chief, National Guard Bureau
  Director, Army National Guard
Director, Defense Contract Audit Agency
Director, Defense Logistics Agency
Director, National Security Agency
  Inspector General, National Security Agency
Inspector General, Defense Intelligence Agency

Non-Defense Federal Organizations and Individuals

Office of Management and Budget
Technical Information Center, National Security and International Affairs Division, General Accounting Office

Chairman and ranking minority member of each of the following congressional committees and subcommittees:

Senate Committee on Appropriations
Senate Subcommittee on Defense, Committee on Appropriations
Senate Committee on Armed Services
Senate Committee on Governmental Affairs
House Committee on Appropriations
House Subcommittee on National Security, Committee on Appropriations
House Committee on Government Reform and Oversight
House Subcommittee on National Security, International Affairs, and Criminal Justice, Committee on Government Reform and Oversight
House Committee on National Security

Part III - Management Comments

Army National Guard Comments

DEPARTMENTS OF THE ARMY AND THE AIR FORCE
NATIONAL GUARD BUREAU
2500 ARMY PENTAGON
WASHINGTON, D.C. 20310-2500

NGB-ARC

19 FEB 1997

MEMORANDUM FOR INSPECTOR GENERAL, DEPARTMENT OF DEFENSE, 400 ARMY NAVY DRIVE, ARLINGTON, VA 22202-2884

SUBJECT: Management Comments to Draft Audit Report on Allegations of Improper Accounting for the National Guard and Reserve Equipment Appropriation at the Army National Guard (Project No. 6RE-2016.04)

1. We agree that material accounting adjustments were processed without proper approvals or authorization, and that weak management controls enabled them to be processed and to go undetected. We do not agree that a potential violation of the Antideficiency Act either occurred or should have been reported. We do not agree that adjustments were made to prevent the disclosure of overobligations. Enclosure 1 provides responses to draft audit recommendations, and the procedures put in place to implement the recommendations.

2. The FY91 NGREA was made available for obligation on 1 October 1990 and expired for obligation on 30 September 1993. During that time, the ARNG had financial management responsibility for the FY91 NGREA, and the Military District of Washington - Finance and Accounting Office (MDW-FAO) had accounting responsibility. Accounting responsibility was transferred to the ARNG on 1 April 1994, six months after the account had expired for obligation, and with 99.6 percent of available funds obligated. More than 20 predominately expired appropriations were included in the transfer. Enclosure 2 provides year end balances of the FY91 NGREA. At no time has the account been in an overdisbursed status.

3. The draft audit relies primarily on State Accounting, Budget Execution, and Reservations System (SABERS) machine generated data and did not include a reconciliation of contracts, payment vouchers, MOCAS data base records, and other important documentation. The ARNG conducted several reconciliations of all transferred appropriations starting in March 1995 that included the reconciliation of these items with SABERS data. In April 1996, the focus of the reconciliations turned to the FY91 NGREA. This effort resulted in nearly $95 million in net adjustments prior to preparation of FY96 certified accounting reports. Despite this progress, the recociliation is not complete.

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NGB-ARC
SUBJECT: Management Comments to Draft Audit Report on Allegations of Improper Accounting for the National Guard and Reserve Equipment Appropriation at the Army National Guard (Project No. 6RE-2016.04)

4. The remainder of the reconciliation effort was contracted out in Sep 1996. The contractor began work in October 1996, and has identified $50.3 million in additional gross adjustments to the FY91 NGREA (enclosure 3). The adjustments are documented and submitted in the form of correction packages for review and processing by ARNG personnel. Enclosure 4 is a 25 January 1997 in process review of the reconciliation effort prepared by the contractor. The contractor identifies significant variances discovered in the SABERS data base, the complex nature of conducting the reconciliation, and the lack of supporting documentation. As the result of these conditions, the contractor concludes that an estimate of the true financial position of the FY91 NGREA is not possible.

5. In June 1996, the FY91 NGREA reconciliation revealed a $13.6M potential overobligation. Although the reconciliation was not completed, this was the first reasonable indication of a potential overobligation. An internal memorandum was submitted by the Comptroller to the Director, Army National Guard (DARNG) in compliance with AR 37-1, to inform the Director of a potential overobligation. The memorandum recommended that the reconciliation continue through 30 Sep 96, and if not resolved by that time, a flash report identifying a potential violation of the Antideficiency Act be submitted to the Assistant Secretary of the Army - Financial Management and Comptroller (ASA-FM&C). Additional posting errors in the amount of $15.6 million were discovered during this time, and adjusted prior to finalization of FY96 certified reports. These adjustments enabled the FY91 NGREA to close FY96 with an undisbursed balance of $21.4 million.

6. FY96 NGREA funds were obligated to ensure the availability of funds in the event an Antideficiency Act violation investigation concluded that the FY91NGREA was in fact overobligated. There was no transfer of disbursements or obligations between the two fiscal years. The accounting reports continued to disclose the overdisbursed condition in the FY91 NGREA. This was a reasonable course of action given the condition of the account and the discovery and correction of material posting errors during the April - September 1996 reconciliation.

7. The audit efforts of the Inspector General (June - December 1996), the reconciliation conducted by the ARNG (April - September 1996), and the contracted reconciliation work (October 1996 -

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NGB-ARC
SUBJECT: Management Comments to Draft Audit Report on Allegations of Improper Accounting for the National Guard and Reserve Equipment Appropriation at the Army National Guard (Project No. 6RE-2016.04)

February 1997) have not disclosed a single contract, order, payment, or other accounting transactions that resulted in an overobligation or overdisbursement of the FY91 NGREA. The accounting records show the FY91 NGREA had an undisbursed balance of $21.4 million on 30 September 1996 (enclosure 2). The undisbursed balance is in agreement with DFAS-IN expenditure reports submitted to the Treasury Department. It is our conclusion that there is not a violation of the Antideficiency Act, or the need to report a violation with regard to the FY91 NGREA.

8. Point of contact for this action is Mr. John Argodale, DSN 327-7510 or commercial (703) 607-7510.

FOR THE CHIEF, NATIONAL GUARD BUREAU:

HOWARD Y. MANWILLER, JR.
Acting Deputy Director, Army
Comptroller

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Recommendation 1A: Review practices that Army National Guard officials used to record FYs 1994 and 1995 accounting adjustments to deobligate and reobligate FY 1991 National Guard and Reserve Equipment Appropriation obligations, and immediately revise the practices that permitted the transactions to occur.

Management comments: Concur. Actions taken:

a. Establishment of ARNG Finance and Accounting Office (ARNG-FAO):

In November 1996, the ARNG consolidated all vendor and travel payment certification, and ARNG installation level accounting operations under the ARNG-FAO. The consolidation reduced the number of ARNG payment precertifying officers from more than 60 to one, and placed accounting operations under the management and supervisory control of the ARNG installation Finance and Accounting Officer (FAO). The FAO reports directly to the Chief, Fiscal Accounting Division. Establishment of the FAO provides separation of duties between ARNG installation accounting operations and the Chief, Fiscal Accounting Division. All accounting adjustments initiated by ARNG installation accounting personnel are reviewed by the Finance and Accounting Officer and are approved by the Chief, Fiscal Accounting Division (enclosure 1a).

b. Implementation of direct financial reporting with DFAS-IN:

In April 1996, the ARNG implemented direct financial reporting with DFAS-IN. All ARNG subordinate allotment holders, including ARNG headquarters, submit monthly financial reports and statements directly to DFAS-IN. The reports and statements are reconciled, edited, and consolidated by DFAS-IN for preparation of command and departmental level reports. Planning for direct reporting began in June 1995 with implementation in April 1996. Direct reporting is a significant change in accounting procedures and financial report preparation that strengthens internal management controls and increases the reliability of command level financial reports.

Direct reporting eliminates the reconciliation, editing, and consolidation of installation level financial reports and statements by ARNG Fiscal Accounting Division personnel using the Army National Guard Accounting System (ANGAS). ANGAS was designed to change accounting data submitted by installations prior to the consolidation and preparation of command level reports. The preponderance of these changes involved adjustments to obligation amounts reported by submitting installations. (The ANGAS changes were made to ensure proper account balances and to compensate for deficiencies in the installation level accounting system, the State Accounting, Budget Execution and Reservation System (SABERS)).

Direct reporting eliminates the practice of changing installation level accounting data when preparing command level reports, provides preparation of command level reports by an independent accounting service whose processes are routinely audited, and eliminates the use of ANGAS and associated procedures in the command report consolidation process.

c. Bi-monthly review of ARNG headquarters accounting reports.

In January 1997 the Fiscal Accounting Division implemented procedures for the bi-monthly review of ARNG headquarters level accounting reports (enclosure 1b). The majority of the NGREA is executed by headquarters program managers, is accounted for by the headquarters Finance and Accounting Office, and is included in the reviews. The lead accountant and Finance and Accounting Officer process accounting reports at mid-month and prior to month end close-out. The reports are reconciled, then a review is conducted with the lead accountant, Finance and Accounting Officer, and Chief, Fiscal Accounting Division. The purpose of the reviews is to detect unusual or material changes in appropriation level account balances. The lead accountant and Finance and Accounting Officer are required to explain these changes, and produce substantiating documentation.

Recommendation 1B: Develop and implement procedures to ensure that joint reviews required by Defense Finance and Accounting Service, Indianapolis Center, Regulation 37-1, "Finance and Accounting Policy Implementation," September 18, 1995, are coordinated between the Program Managers and the Comptroller Directorate in reconciling obligations and adjustments.

Management comments: Concur. Actions taken:

Program manager joint reconciliations.

The Inspector General correctly identified that 11 joint reconciliations were conducted with program managers between 1994 and 1996. The effectiveness of the reconciliations for FY93 and prior appropriations is questionable due to the lack of documentation and method of account transfer from MDW-FAO. Reconciliations of accounts appropriated after FY93 have been effective, and conducted in compliance with DFAS-IN Manual 37-1. The Comptroller Directorate has long recognized the importance of joint reconciliations, and has taken measures in FY97 to enhance their effectiveness. In addition to performing the reconciliations, all program managers are required to certify their unobligated and unliquidated balances. The written certifications will be kept on file to substantiate the reconciliations, and to serve as program manager acceptance of account balances maintained

in the accounting system (enclosure 1c). The certification requirement will create a higher level of awareness by program managers relative to the financial status of their accounts, including the processing of adjustments.

Recommendation 2A: Develop and implement procedures to ensure that the Army National Guard properly authorizes, properly approves, and adequately documents material accounting adjustments to budget transactions in compliance with DOD Regulation 7000.14-R, "Financial Management Regulation," volume 1, "General Financial Management Information, Systems, and Requirements," May 1993, and DOD Directive 5010.38, "Management Control (MC) Program," August 26, 1996.

Management comments: Concur. Actions taken:

Bi-monthly review of accounting reports, and FAO financial adjustment procedures.

As mentioned in the response to Recommendation 1A, procedures have been put in place for the bi-monthly review of accounting reports and the processing of accounting adjustments. Enclosure 1a is an internal ARNG policy memorandum describing procedures for accounting adjustments. These procedures require appropriate documentation, approvals and program manager/financial manager notification prior to the processing of accounting adjustments. Enclosure 1b is an internal ARNG policy memorandum describing procedures for the bi-monthly review of accounting reports. The enhanced requirements for program manager joint reconciliations and account certifications will enhance program manager visibility of accounting adjustments.

Recommendation 2B. Establish management control procedures to ensure that the Army National Guard properly report potential Antideficiency Act violations in compliance with DOD Regulation 7000.14-R, "Financial Management Regulation." volume 14, "Administrative Control of Funds and Antideficiency Act Violations," August 1995, and Defense Finance and Accounting Service, Indianapolis Center Regulation 37-1, "Finance and Accounting Policy Implementation," September 18, 1995.

Management comments: Non-concur.

The ARNG complied with the appropriate regulatory requirements. The commander (Director, Army National Guard (DARNG)) was informed in June 1996 of the potential overobligation in the FY91 NGREA as required by DFAS-IN regulation 37-1. The reconciliation of this account and the other accounts transferred

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from the MDW-FAO disclosed significant posting errors, not overobligations. The reconciliation efforts conducted in support of the FY91 NGREA have not revealed a single contract, order, or other financial transaction creating a potential overobligation. Procedures to detect and report potential violations of the Antideficiency Act are in place, as evidenced by the June 1996 memorandum submitted to the Director, Army National Guard.

SABERS has been identified as a material weakness on the National Guard Bureau annual assurance statement of internal management controls since 1988. In our FY96 review of accounting systems controls, SABERS was identified as a non-compliant system that did not meet any of the key accounting requirements, including systems controls. The FY96 review was made available to the Inspector General, but is not included as part of the draft audit. Corrective action for this material weakness is the planned conversion from SABERS to the Corps of Engineers Financial Management System (CEFMS). The conversion process was started in October 1995 with ARNG participation in CEFMS validation. We plan to begin CEFMS validation and prototyping within four to six months of completion of systems change requests and receipt of Milestone II approval by DFAS-IN.

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NGB-ARC-A 27 JAN 1997

MEMORANDUM FOR CHIEF MANAGERIAL ACCOUNTING BRANCH, AND FINANCE AND ACCOUNTING OFFICER

SUBJECT: Accounting Adjustments

1. Any accounting adjustment that results in a change to a previously recorded obligation that is not the result of a valid disbursement must be approved in writing by the affected program manager or other fund control officer. Accounting adjustments will not be made to financial reports without the approval of the State financial manager or designee. Adjustments will not be made to open allotment accounts without the approval of the Chief, Program and Budget Division or designee.

2. In cases where an obligation adjustment is required based on a disbursement, the adjustment may be made with concurrent notification of the affected program manager. The SABERS transaction list will serve as notification. If the amount of the adjustment exceeds funds available for obligation in the program manager's account, the program manager will be given five days to research the transaction. If the adjustment is not resolved within five days a flash report of an apparent Antideficiency Act Violation will be submitted to the Director, Army Comptroller.

3. Adjustments that correct posting errors within the accounting systems must be documented and approved in writing. Documentation requires the preparation of a SF 1081 or journal voucher with appropriate supporting documentation. Approval authority for adjustments resides with the Chief, Managerial Accounting Branch for MACOM level adjustments, and the FAO for NG2 level adjustments. The FAO accounting chief may approve NG2 level accounting adjustments with follow-up review by the FAO. Any obligation adjustment in excess of $100,000.00 must be approved by the Chief, Fiscal Accounting Division.

4. The requirements of this memorandum remain in effect unless rescinded by the undersigned. Adjustment documentation will remain on file for future review and audit.

JOHN J. ARGODALE
Chief, Fiscal Accounting Division

CF:
Director, Army Comptroller
Financial Manager, ARNG
Chief, Program and Budget Division
All NG2 Resource Managers

Enclosure - 1A

17 DEC 1996

NGB-ARC-A

MEMORANDUM FOR FINANCE AND ACCOUNTING OFFICER

SUBJECT: Bi-monthly Accounting Report Review

1. Effective with the January 1997 accounting month, I will conduct a bi-monthly review of accounting reports for FSN 44205. The CSCFA-218 report will be used as the basis for the review. The reviews will be conducted in my office at mid-month (15th-17th calendar day) and end of month (28th-31st calendar day). Purpose of the review will be to analyze the financial status of all FSN 44205 appropriations based on 218 report data.

2. You will be responsible for scheduling the review and providing explanations for financial data contained in the 218 reports. You should prepare for the review by analyzing report data, discussing execution matters with program managers, and reviewing data processed by your accounting staff.

3. All abnormal conditions must be explained, and recommendations for corrective actions must be provided. Program managers are responsible for the financial management of assigned programs and should be required to provide explanation for account balances. As accountants, we are responsible for the validity and accuracy of data reported. The bi-monthly reviews will enhance the reliability of the accounting data.

JOHN J. ARGODALE
Chief, Fiscal Accounting
Division

Bryan,
We need to improve our analysis of accounting data. I believe we can get that done through this bi-monthly review process. The objective is to enhance the reliability and dependability of our accounting reports. I look forward to working with you on this.

Enclosure-16

DEPARTMENTS OF THE ARMY AND THE AIR FORCE
NATIONAL GUARD BUREAU
2500 ARMY PENTAGON
WASHINGTON, D.C. 20310-2500

NGB-ARC (37) 14 NOV 1996

MEMORANDUM FOR SEE DISTRIBUTION

SUBJECT: FY 97 Joint Review Schedule

1. Enclosure 1 is the FY 97 Joint Review Schedule. During FY 97, Joint Reviews will focus on Directorate level execution, and execution at the Program Manager level for all appropriations and fiscal years. As with last fiscal year's reviews, I will require each Directorate to certify reports for their perspective programs at the end of each quarter (enclosure 3). Certification at the Program Manager level is not required. Directors have the authority to make intra-directorate adjustments (not to exceed unliquidated balances for their assigned appropriations) to off-set negative financial conditions needing immediate resolution.

2. Continued monitoring of prior year execution is as equally important to verifying obligations for the current FY. As such, the first joint reconciliation will focus on prior year obligations only (FY's 94 and older). We will reconcile current year during the conduct of the subsequent reviews. I will forward each Directorate a Financial Plan Status Report for all years and appropriations to assist them in analyzing overall execution. Additionally, I will forward each Program Manager an Unliquidated Master Listing (UML), Funds Available Report and Monthly Transaction Register to assist them in reconciling their informal commitment ledgers with the official accounting records. The Finance and Accounting Office will disseminate both reports not later than two (2) weeks prior to the conduct of each scheduled review.

3. Program Managers must reconcile each entry on the UML and annotate each transaction in accordance with the appropriate codes found in Enclosure 2. When reconciling the UML, Program Managers must ensure that the amount recorded is correct and reflects a continued bona fide need that will require payment(s) at a future date. Although formal Joint Reviews are held only four (4) times during the FY, successful Program Managers conduct periodic reviews during the course of the FY to insure the financial integrity of their reports. Program Managers should

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Enclosure-1e

ARC-A (37)
SUBJECT: FY 97 Joint Review Schedule

submit in-course adjustments throughout the fiscal year for any discrepancies noted.

4. Effective Joint Reviews will enhance the accuracy of Directorate certifications. This process is vital to effective stewardship responsibility. As such, I am soliciting your support to insure the appropriate time and attention is placed on each Joint Review.

5. Point of contact is MAJ Baxter, Finance and Accounting Officer, DSN 327-7510 or commercial (703) 607-7521.

2 Encls

MORGAN F. DENNY
Colonel, GS
Director, Army Comptroller

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NGB-ILE

FY 97 JOINT REVIEW SCHEDULE
First Quarter

DATE	TIME	PM CODE	PROGRAM MANAGERS (POC)	OFFICE SYMBOL
MONDAY				
DEC . 9	9:00	ABO	BLANCE HUTCHINS/ HARRY TATE	IR
DEC. 9	9:30	AD0	SFC ED CHRISTMAN	AD
DEC. 9	10:00	AD*	SFC SOUTHWELL	AD
DEC. 9	10:45	AD7	CARL STOWE/ELSIE DAVIS	AD
DEC. 9	11:00	AD8	DOTTIE TIPA	AD
DEC. 9	11:15	AD9	BILL TUPPER	AD
DEC. 9	1:00	AQ0	KAREN VASILOS/CHAVIS EASON	AQ
DEC. 9	1:30	PA*	LTC PUCA/SGT MCFARLAND	PA
DEC. 9	2:30	CS0	SSG STEWART	ARZ-CSM
DEC. 9	3:00	ZC0	ANITA MINNFIELD	ZC
TUESDAY				
DEC. 10	9:00	AA0, MA0	JOHN ARGODALE	ARC-A
DEC. 10	10:00	CS1	SFC STEARN	ARZ-G
DEC. 10	10:30	EE*	O.J. GRAYS/SFC COLLINS	EO
DEC. 10	11:00	EC*	JANIS JOHNSON/SSG GORDON	ILE-E
DEC. 10	1:00	CD0	CPT DELLOYD/CPT SMITH	CD
DEC. 10	2:30	HR1, FP0	MAJ SHERIDAN	HRF
DEC. 10	3:00	JA0	SSG WILLIAMS	JA
DEC. 10	3:30	EN0	LTC SHIGLEY	AEN
WEDNESDAY				
DEC. 11	9:00	IS*	CPT BALZEREIT	AIS
DEC. 11	10:30	PP3,4	MSG SHIPMAN	ARP-H
DEC. 11	11:00	ZI0	MSGTPORTER/FELICHIA WEBB	ZI
DEC. 11	1:00	PP0	CWO MURRAY	ARP
DEC. 11	2:00	PP1	GAIL ROGERS	ARP-F
DEC. 11	2:30	RS*	SFC COOL	ARZ-RS
DEC. 11	3:30	ZD0/ZP0	MAJ WYCKOFF/SGT SMITH	ZPF
THURSDAY				
DEC. 12	9:00	RP1,8	SGT ROSS	ILE-R
DEC. 12	10:00	PS0	SSG HARGROVE	ARF
DEC. 12	1:00	RP2,4,5,6	ALICE THOMPSON	ILE-R
DEC. 12	2:00	RP3	MAJ BROOKS	ILE-R
DEC. 12	3:00	AV*	KATHLEEN MILENKOWIC	AVN
FRIDAY				
DEC. 13	9:00	PP2	GOLDIE O'BANNON/SGT STANLEY	ARP-C
DEC. 13	10:00	HR0	SHERRY BERGER	HR
DEC. 13	1:00	TI0	EDITH PEED	ARO-TI
DEC. 13	2:30	TI0	PASTOR LUGO	ARO-TI
DEC. 13	3:00	IG0	LTC DWYER	IG

Encl 1

MONDAY				
DEC. 16	9:00	QM*	LT HYJEK	ARO-QM
DEC. 16	10:30	QM0	MAJ FIELDS	ARO-QM
DEC. 16	11:00	ZA0	SFC PAPION	ZA
DEC. 16	1:00	RR0	CPT ARNOLD/SFC LEE	ARP-RR
DEC. 16	2:30	PO0/LL0	ALICE FLEMING	LL
DEC. 16	3:00	PO1/LL1	LTC MCVICKER	LL
DEC. 16	3:30	EN1	MAJ HARRIS	AEN (2085)

FY 97 JOINT REVIEW SCHEDULE
Second Quarter

DATE	TIME	PM CODE	PROGRAM MANAGERS (POC)	OFFICE SYMBOL
MONDAY				
MAR 17	9:00	ABO	BLANCE HUTCHINS/ HARRY TATE	IR
MAR 17	9:30	AD0	SFC ED CHRISTMAN	AD
MAR 17	10:00	AD*	SFC SOUTHWELL	AD
MAR. 17	10:45	AD7	CARL STOWE/ELSIE DAVIS	AD
MAR. 17	11:00	AD8	DOTTIE TIPA	AD
MAR. 17	11:15	AD9	BILL TUPPER	AD
MAR. 17	1:00	AQ0	KAREN VASILOS/CHAVIS EASON	AQ
MAR. 17	1:30	PA*	LTC PUCA/SGT MCFARLAND	PA
MAR. 17	2:30	CS0	SSG STEWART	ARZ-CSM
MAR. 17	3:00	ZC0	ANITA MINNFIELD	ZC
TUESDAY				
MAR. 18	9:00	AA0, MA0	JOHN ARGODALE	ARC-A
MAR. 18	10:00	CS1	SFC STEARN	ARZ-G
MAR. 18	10:30	EE*	O.J. GRAYS/SFC COLLINS	EO
MAR. 18	11:00	EC*	JANIS JOHNSON/SSG GORDON	ILE-E
MAR. 18	1:00	CD0	CPT DELLOYD/CPT SMITH	CD
MAR. 18	2:30	HR1, FP0	MAJ SHERIDAN	HRF
MAR. 18	3:00	JA0	SSG WILLIAMS	JA
MAR. 18	3:30	EN0	LTC SHIGLEY	AEN
WEDNESDAY				
MAR. 19	9:00	IS*	CPT BALZEREIT	AIS
MAR. 19	10:30	PP3,4	MSG SHIPMAN	ARP-H
MAR. 19	11:00	ZI0	MSGT PORTER/FELICHIA WEBB	ZI
MAR. 19	1:00	PP0	CWO MURRAY	ARP
MAR. 19	2:00	PP1	GAIL ROGERS	ARP-F
MAR. 19	2:30	RS*	SFC COOL	ARZ-RS
MAR. 19	3:30	ZD0/ZP0	MAJ WYCKOFF/SGT SMITH	ZPF
THURSDAY				
MAR. 20	9:00	RP1,8	SGT ROSS	ILE-R
MAR. 20	10:00	PS0	SSG HARGROVE	ARF
MAR. 20	1:00	RP2;4,5,6	ALICE THOMPSON	ILE-R
MAR. 20	2:00	RP3	MAJ BROOKS	ILE-R
MAR. 20	3:00	AV*	KATHLEEN MILENKOWIC	AVN
FRIDAY				
MAR. 21	9:00	PP2	GOLDIE O'BANNON/SGT STANLEY	ARP-C
MAR. 21	10:00	HR0	SHERRY BERGER	HR
MAR. 21	1:00	TI0	EDITH PEED	ARO-TI
MAR. 21	2:30	TI0	PASTOR LUGO	ARO-TI
MAR. 21	3:00	IG0	LTC DWYER	IG

MONDAY				
MAR. 24	9:00	QM*	LT HYJEK	ARO-QM
MAR. 24	10:30	QM0	MAJ FIELDS	ARO-QM
MAR. 24	11:00	ZA0	SFC PAPION	ZA
MAR. 24	1:00	RR0	CPT ARNOLD/SFC LEE	ARP-RR
MAR. 24	2:30	PO0/LL0	ALICE FLEMING	LL
MAR. 24	3:00	PO1/LL1	LTC MCVICKER	LL
MAR. 24	3:30	EN1	MAJ HARRIS	AEN (2085)

FY 97 JOINT REVIEW SCHEDULE
Third Quarter

DATE	TIME	PM CODE	PROGRAM MANAGERS (POC)	OFFICE SYMBOL
MONDAY				
JUN. 16	9:00	ABO	BLANCE HUTCHINS/ HARRY TATE	IR
JUN. 16	9:30	AD0	SFC ED CHRISTMAN	AD
JUN. 16	10:00	AD*	SFC SOUTHWELL	AD
JUN. 16	10:45	AD7	CARL STOWE/ELSIE DAVIS	AD
JUN. 16	11:00	AD8	DOTTIE TIPA	AD
JUN. 16	11:15	AD9	BILL TUPPER	AD
JUN. 16	1:00	AQ0	KAREN VASILOS/CHAVIS EASON	AQ
JUN. 16	1:30	PA*	LTC PUCA/SGT MCFARLAND	PA
JUN. 16	2:30	CS0	SSG STEWART	ARZ-CSM
JUN. 16	3:00	ZC0	ANITA MINNFIELD	ZC
TUESDAY				
JUN. 17	9:00	AA0, MA0	JOHN ARGODALE	ARC-A
JUN. 17	10:00	CS1	SFC STEARN	ARZ-G
JUN. 17	10:30	EE*	O.J. GRAYS/SFC COLLINS	EO
JUN. 17	11:00	EC*	JANIS JOHNSON/SSG GORDON	ILE-E
JUN. 17	1:00	CD0	CPT DELLOYD/CPT SMITH	CD
JUN. 17	2:30	HR1, FP0	MAJ SHERIDAN	HRF
JUN. 17	3:00	JA0	SSG WILLIAMS	JA
JUN. 17	3:30	EN0	LTC SHIGLEY	AEN
WEDNESDAY				
JUN. 18	9:00	IS*	CPT BALZEREIT	AIS
JUN. 18	10:30	PP3,4	MSG SHIPMAN	ARP-H
JUN. 18	11:00	ZI0	MSGT PORTER/FELICHIA WEBB	ZI
JUN. 18	1:00	PP0	CWO MURRAY	ARP
JUN. 18	2:00	PP1	GAIL ROGERS	ARP-F
JUN. 18	2:30	RS*	SFC COOL	ARZ-RS
JUN. 18	3:30	ZD0/ZP0	MAJ WYCKOFF/SGT SMITH	ZPF
THURSDAY				
JUN. 19	9:00	RP1,8	SGT ROSS	ILE-R
JUN. 19	10:00	PS0	SSG HARGROVE	ARF
JUN. 19	1:00	RP2,4,5,6	ALICE THOMPSON	ILE-R
JUN. 19	2:00	RP3	MAJ BROOKS	ILE-R
JUN. 19	3:00	AV*	KATHLEEN MILENKOWIC	AVN
FRIDAY				
JUN. 20	9:00	PP2	GOLDIE O'BANNON/SGT STANLEY	ARP-C
JUN. 20	10:00	HR0	SHERRY BERGER	HR
JUN. 20	1:00	TI0	EDITH PEED	ARO-TI
JUN. 20	2:30	TI0	PASTOR LUGO	ARO-TI
JUN. 20	3:00	IG0	LTC DWYER	IG

MONDAY				
JUN. 23	9:00	QM*	LT HYJEK	ARO-QM
JUN. 23	10:30	QM0	MAJ FIELDS	ARO-QM
JUN. 23	11:00	ZA0	SFC PAPION	ZA
JUN. 23	1:00	RR0	CPT ARNOLD/SFC LEE	ARP-RR
JUN. 23	2:30	PO0/LL0	ALICE FLEMING	LL
JUN. 23	3:00	PO1/LL1	LTC MCVICKER	LL
JUN. 23	3:30	EN1	MAJ HARRIS	AEN (2085)

FY 97 JOINT REVIEW SCHEDULE
Fourth Quarter

DATE	TIME	PM CODE	PROGRAM MANAGERS (POC)	OFFICE SYMBOL
MONDAY				
AUG. 18	9:00	ABO	BLANCE HUTCHINS/ HARRY TATE	IR
AUG. 18	9:30	AD0	SFC ED CHRISTMAN	AD
AUG. 18	10:00	AD*	SFC SOUTHWELL	AD
AUG. 18	10:45	AD7	CARL STOWE/ELSIE DAVIS	AD
AUG. 18	11:00	AD8	DOTTIE TIPA	AD
AUG. 18	11:15	AD9	BILL TUPPER	AD
AUG. 18	1:00	AQ0	KAREN VASILOS/CHAVIS EASON	AQ
AUG. 18	1:30	PA*	LTC PUCA/SGT MCFARLAND	PA
AUG. 18	2:30	CS0	SSG STEWART	ARZ-CSM
AUG. 18	3:00	ZC0	ANITA MINNFIELD	ZC
TUESDAY				
AUG. 19	9:00	AA0, MA0	JOHN ARGODALE	ARC-A
AUG. 19	10:00	CS1	SFC STEARN	ARZ-G
AUG. 19	10:30	EE*	O.J. GRAYS/SFC COLLINS	EO
AUG. 19	11:00	EC*	JANIS JOHNSON/SSG GORDON	ILE-E
AUG. 19	1:00	CD0	CPT DELLOYD/CPT SMITH	CD
AUG. 19	2:30	HR1, FP0	MAJ SHERIDAN	HRF
AUG. 19	3:00	JA0	SSG WILLIAMS	JA
AUG. 19	3:30	EN0	LTC SHIGLEY	AEN
WEDNESDAY				
AUG. 20	9:00	IS*	CPT BALZEREIT	AIS
AUG. 20	10:30	PP3,4	MSG SHIPMAN	ARP-H
AUG. 20	11:00	ZI0	MSGT PORTER/FELICHIA WEBB	ZI
AUG. 20	1:00	PP0	CWO MURRAY	ARP
AUG. 20	2:00	PP1	GAIL ROGERS	ARP-F
AUG. 20	2:30	RS*	SFC COOL	ARZ-RS
AUG. 20	3:30	ZD0/ZP0	MAJ WYCKOFF/SGT SMITH	ZPF
THURSDAY				
AUG. 21	9:00	RP1,8	SGT ROSS	ILE-R
AUG. 21	10:00	PS0	SSG HARGROVE	ARF
AUG. 21	1:00	RP2,4,5,6	ALICE THOMPSON	ILE-R
AUG. 21	2:00	RP3	MAJ BROOKS	ILE-R
FRIDAY				
AUG. 22	9:00	PP2	GOLDIE O'BANNON/SGT STANLEY	ARP-C
AUG. 22	10:00	HR0	SHERRY BERGER	HR
AUG. 22	1:00	TI0	EDITH PEED	ARO-TI
AUG. 22	2:30	TI0	PASTOR LUGO	ARO-TI
AUG. 22	3:00	IG0	LTC DWYER	IG

MONDAY				
AUG. 25	9:00	QM*	LT HYJEK	ARO-QM
AUG. 25	10:30	QM0	MAJ FIELDS	ARO-QM
AUG. 25	11:00	ZA0	SFC PAPION	ZA
AUG. 25	1:00	RR0	CPT ARNOLD/SFC LEE	ARP-RR
AUG. 25	2:30	PO0/LL0	ALICE FLEMING	LL
AUG. 25	3:00	PO1/LL1	LTC MCVICKER	LL
AUG. 25	3:30	EN1	MAJ HARRIS	AEN (2085)

CODES FOR ANNOTATING THE UNLIQUIDATED MASTER LISTING

CODE	EXPLANATION
A	Valid transaction, no adjustment necessary. A deliverable is expected that will require a future payment. Bona fide need continues to exist for goods and services ordered. Must be able to explain when delivery will occur, and when payment will be required. Cannot be used when amount disbursed exceeds amount obligated.
B	Transaction no longer valid, deobligate unliquidated obligation balance. Used when an obligation has been recorded that is not identifiable, or when final payments have been made and unliquidated obligation balance is excess. Applies to situations where final travel settlements have been paid, final payments made on contracts and all goods and services have been received, final billing on MIPRs received and processed, etc., and excess unliquidated obligation amount is no longer needed.
C	Transaction canceled, deobligate unliquidated balance. For use in situations where a contract modification has been issued reducing the obligation, travel orders have been revoked, contract or requisition has been canceled, etc.
D	Disbursement incorrectly posted. Indicate correct transaction to which disbursement should be applied.
E	Increase amount of obligation. Provide dollar amount of increase and supporting documentation.

NOTE: All negative unliquidated obligation (NULO) transactions must be fully explained and appropriate corrective action taken.

CERTIFICATION OF FINANCIAL REPORTS

I hereby certify that the balances contained in the Unliquidated Master Listing, and the Funds Available Report, dated _____, for the _____Directorate for all fiscal years and appropriations, include all known transactions affecting available funds. Those transactions meeting the criteria of 31 U.S. C. 1501 (A) and 41 U.S.C. 11 (revised statute 3732) have been obligated and are so reported.

DATE: _____

SIGNED:_____
TITLE:_____

FY 91 0350
APPROPRIATION LEVEL INCEPTION TRANSACTIONS
30 SEPTEMBER 1996

FY	*FUNDS*	*OBLIGATIONS*	*DISBURSEMENTS*	*ULO*	*UNOBLIGATED*
91	812,200,000.00*	604,353,191.28	173,726,517.32	430,626,673.96	207,846,808.72
92	201,337,808.72	47,328,621.30	337,268,626.12	140,686,669.14	154,009,187.42
93	154,009,187.42	151,357,012.17	92,876,721.10	199,166,960.21	2,652,175.25
94	2,652,175.25	1,115,088.39	123,080,196.32	77,201,852.28	1,537,086.86
95	1,537,086.86	-8,091,247.86	50,681,148.19	18,429,456.23	9,628,334.72
96	9,628,334.72	-8,601,821.79	6,662,057.53	3,165,576,91	18,230,156.51
	TOTAL	787,460,843.49	784,295,266.58		

*Funds reduced by $6,509,000.00 in FY 92.

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ARIST CORPORATION

Reconciliation of FY 91 DPP (0350) Accounts

Date Submitted to NGB	Contract No.	Obligation (MDW Turn-over) Per SABERS ULO list	Absolute Value of Changes Per ARIST Reconciliation	Status / Actions Taken
Oct. 96	NAS5370042Y010	$ 253,599.34	$ (253,599.34)	Obligation was deobligated and moved to the correct Requisition/
	(Blin 2010)		Total ------- $ 253,599.34	Purchase Order No. Cleared in November ULO list.
Oct. 96	DAAJ09 96 C0656	$ 33,391,096.00	$ 29,100,000.00	Deobligation of $ 29,100,000.00 was reversed as well as
	(Blin 2040)		$ (8,690,542.00)	obligation of $8,690,542.00. Adjustments reflected in November
			Total ----- $ 37,790,542.00	ULO list.
Jan-97	DAAB07 93 CU755	$ 124,063.55	$ 2,644,600.00	For review by NGB - ARC.
	(Blin 2200)		$ 805,045.00	
			$ (28,833.80)	
			$ 660,370.25	
			Total ------- $ 4,138,849.05	
Jan-97	DAAB07 92 CG004	$ 6,742,669.79	$ (2,908.26)	For review by NGB - ARC.
	(Blin 2220)		$ (3,696.06)	
			$ (150,742.79)	
			$ (777,083.71)	
			$ (1,369,284.52)	
			$ 3,075,136.35	
			Total ------ $ 5,728,851.69	
Jan-97	DAAB07 91 CN250	$ 9,578,606.40	$ 646,529.80	For review by NGB - ARC.
	(Blin 2250)		$ 349,494.44	
			$ (334,097.40)	
			Total --------$ 1,330,121.64	

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Enclosure - 3

ARIST CORPORATION

Date Submitted to NGB	Contract No.	Obligation (MDW Turn-over) Per SABERS ULO list	Absolute Value of Changes Per ARIST Reconciliation	Status / Actions Taken
				For review by NGB - ARC.
Feb-97	DAAH01 94 DS130	0.00	$ 345,000.00	
	(Blin 2010)		Total ---------- 345,000.00	
Feb-97	DAAE07 90 C0204	$ 9,630,829.50	$ 66,390.00	For review by NGB - ARC.
	(Blin 2090)		$ (41,423.00)	
			$ (6,316.50)	
			$ 5,297.50	
			$ 39,182.00	
			$ (14,604.00)	
			$ 27,500.00	
			$ (368,812.08)	
			$ 49,771.28	
			$ 40,975.14	
			$ 12,080.76	
			Total-------- $ 672,352.26	
Feb-97	DAAB07 88 CT026	$ 7,447,476.92	$ (74,135.80)	For review by NGB - ARC.
	(Blin 2220)			
			Total ---------- $ 74,135.80	

* working 2 packages w 684,000 in corrections for macas DISBursements

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* 6 + contracts with work in progress [illegible] [illegible] [illegible] [illegible] [illegible] [illegible] [illegible] [illegible] customers

ARIST CORPORATION
2121 Eisenhower Avenue
Suite 300
P.O. Box 25517
Alexandria, VA 22313

PHONE: 703/549-1040
FAX: 703/549-9685

MEMORANDUM FOR JOHN ARGODALE, NGB-ARC-A 25 JAN 1997

SUBJECT: IPR on the reconciliation of FY 91 NGRE

ARIST Corporation was awarded a delivery order to reconcile the ARNG SABERs database with the data contained in the MOCAS system maintained by DFAS. The reconciliation effort began in Oct 1996, after a kick-off meeting with members of the comptroller staff. The reconciliation effort was centered on the FY 91 NGRE appropriation. We used a standardized methodology for the project. The steps include; data collection, sample selection, identification of the amount of variance, detailed research of records, and preparation of a correction package to clear the variance. This method is used throughout ARIST and has proven to be extremely effective in focusing the reconciliation efforts. ARIST has extensive experience in reconciling NULOs, ULOs and UMDs.

During our detailed review of the contracts, two major anomalies were discovered. The first, was the level of completeness of the files.. While it is not unusual to have missing data in files for an appropriation dated from FY 91, the situation at the ARNG is particularly severe. There are a numbers of files that can not be located and numerous files where the supporting documents is also missing. The primary cause for the missing files was the transfer of the accounting records from MDW to NGB. This transfer was not a clean hand off. A joint reconciliation of the files was not performed. when the ARNG assumed the responsibility for the management of the records. While the lack of records increases the complexity of performing the reconciliation, ARIST is working the problem by gathering the data from alternate sources. We are confident adequate data can be obtained from these alternative sources.

The second problem, and by far the more significant one, is the massive variability in the obligation data in the SABERs system. In a normal reconciliation project, we would expect to identify discrepancies in the posting of payments. The typical errors discovered would be double billings, wrong fiscal year, wrong appropriation or wrong CLIN. However, in this reconciliation effort we have found unusually large variances in the obligation data located within SABERs. There are numerous posting to the accounting records which are not supported with documentation packages. These obligations and deobligations variances have significant dollar impact on the appropriation. During our review we have found contracts with multi-million dollars errors. Within a given contract we might find three or four obligation/deobligations variances that each exceeded a million dollars and cumulatively exceeding 5 million dollars. In one contract we discovered a single error of over 29 million dollars. The problems are not concentrated in a few contract but appear to be system wide in nature.

Given the size of the errors we have discovered and the the strong possibility that the problem is system wide a problem we can not even guess at the final obligation level for FY 91.. The net financial impact of all of the potential errors can not be estimated at this

Enclosure-4

time and any efforts at doing so would only detract from the primary reconciliation effort.. The existing obligation data for FY91 located within SABERs should not be relied upon for any financial forecasts. The logical way to proceed is to hold the current course. The reconciliation should proceed on a contract by contract basis. The data must be reviewed on a line by line basis. This method will produce effective results and will restore confidence in the accounting system. We are fully confident that we can complete the reconciliation of the appropriation. We strongly believe that any efforts to estimate the end state at this time are both premature and problematic.

Submitted by:

Robert Vaughan
Program Manager

Audit Team Members

This report was prepared by the Readiness and Operational Support Directorate, Office of the Assistant Inspector General for Auditing, DoD.

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