Audit Report

DEFENSE HOTLINE ALLEGATION ON THE DEFENSE COMMISSARY AGENCY STATEMENT OF ACCOUNTABILITY

Report Number 99-109 March 22, 1999

Office of the Inspector General
Department of Defense

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Acronyms

DeCA	Defense Commissary Agency
DELMAR	Data Element Management/Accounting Report
DFAS	Defense Finance and Accounting Service
SOA	Statement of Accountability
SRD-1	Standard Finance System Redesigned Subsystem 1
STANFINS	Standard Finance System

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March 22, 1999

MEMORANDUM FOR UNDER SECRETARY OF DEFENSE (COMPTROLLER)
DIRECTOR, DEFENSE FINANCE AND ACCOUNTING SERVICE
DIRECTOR, DEFENSE COMMISSARY AGENCY

SUBJECT: Audit Report on Defense Hotline Allegation on the Defense Commissary Agency Statement of Accountability (Report No. 99-109)

We are providing this audit report for your information and use. This audit was performed in response to a Defense Hotline allegation. The allegation stated that the Defense Finance and Accounting Service made unsupported adjustments to balance deposit activity for the Defense Commissary Agency Resale Stock Fund. This report discusses the allegation and compliance with laws and regulations. We considered management comments on a draft of this report when preparing the final report.

Comments from the Defense Finance and Accounting Service met the requirements of DoD Directive 7650.3; therefore, additional comments are not required.

We appreciate the courtesies extended to the audit staff. Questions on the audit should be directed to Mr. David F. Vincent at (703) 604-9110 (DSN 664-9110) (DVincent@dodig.osd.mil) or Ms. Barbara A. Sauls at (703) 604-9129 (DSN 664-9129) (BSauls@dodig.osd.mil). See Appendix D for the report distribution. A list of audit team members is on the inside back cover.

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Office of the Inspector General, DoD

Report No. 99-109 **March 22, 1999**
(Project No. 7FH-2042.02)

Defense Hotline Allegation on the Defense Commissary Agency Statement of Accountability

Executive Summary

Introduction. This audit of the Defense Commissary Agency Statement of Accountability was performed to evaluate a Defense Hotline allegation that the Defense Finance and Accounting Service (DFAS) Columbus Center, Columbus, Ohio, made unsupported adjustments before and during 1996 to reconcile deposits for the Defense Commissary Agency Resale Stock Fund. This report discusses the allegation and compliance with laws and regulations.

Title 31, United States Code 3513(a), requires the Secretary of the Treasury to prepare reports on the financial operations of the U.S. Government. The SF 1219, "Statement of Accountability," provides information to the Department of the Treasury about the financial condition and operation of Federal agencies. This monthly report, submitted by Federal agencies, is used by the U.S. Treasury to provide financial information to the public and the Congress. For the Defense Commissary Agency, the DFAS Columbus Center is the disbursing station responsible for submitting the financial information to the DFAS Indianapolis Center, Indianapolis, Indiana, on the "302 Data Element Management/Accounting Report." The DFAS Indianapolis Center is the parent station for the DFAS Columbus Center and uses the "302 Data Element Management/ Accounting Report" to report financial information monthly to the U.S. Treasury. The Defense Commissary Agency includes financial data for Operations and the Resale Stock Fund. We reviewed the financial data for the Resale Stock Fund. As of September 30, 1998, the Defense Commissary Agency Resale Stock Fund reported assets of $418.6 million, liabilities of $365.9 million, and revenues of $4.9 billion.

Objectives. The overall audit objective was to evaluate a Defense Hotline allegation about the reconciliation of deposits for the Defense Commissary Agency Resale Stock Fund. Subobjectives were to determine whether the DFAS Columbus Center actions to balance and correct deposit activity for the Defense Commissary Agency Resale Stock Fund conformed to regulations, and to assess the adequacy of DFAS Columbus Center internal controls for correcting deposit differences between the SF 1219 and the "302 Data Element Management/Accounting Report" generated by the Standard Finance System. We also reviewed the adequacy of the DFAS Columbus Center management control program as it applied to the audit objectives.

Results. The allegation that the DFAS Columbus Center was not balancing deposits for the Defense Commissary Agency Resale Stock Fund in accordance with regulations was substantiated. From October 1994 through December 1996, the DFAS Columbus Center made balancing entries on the "302 Data Element Management/Accounting Report" totaling $8.0 million, including the $0.3 million in the allegation, that did not conform to DFAS regulations. As a result, deposit activity reported on the SF 1219 to the U.S. Treasury was inaccurate. Also, the DFAS Indianapolis Center was not aware of the recurrent monthly reconciliation problems between the two reports. The allegation that the DFAS Columbus Center entered whatever amounts were necessary to balance deposit transactions without documentation was not substantiated. The DFAS Columbus Center identified the deposit difference between the SF 1219 and the "302 Data Element Management/Accounting Report" each month at the detailed transaction level, except for $0.2 million. In addition, the allegation that the DFAS Columbus Center used balancing entries on the "302 Data Element Management/Accounting Report" to clear unreconciled deposits in transit was not substantiated. Management controls were adequate as they applied to the objectives. See the Finding in Part I for a discussion of the audit results and Appendix A for details of the review of the management control program.

Management Actions. On July 1, 1998, the DFAS Columbus Center began using the Standard Finance System Redesigned 1, instead of the Statement of Accountability database, to report Defense Commissary Agency Resale Stock Fund deposit activity on the "302 Data Element Management/Accounting Report." Out-of-balance conditions between deposits reported on the SF 1219 and on the "302 Data Element Management/ Accounting Report" should be detected at the DFAS Indianapolis Center by the Data Element Management/Accounting Reporting Expenditure System.

Summary of Recommendations. We recommend that the Director, DFAS Columbus Center, develop responsibilities and desk procedures for balancing, correcting, and producing the "302 Data Element Management/Accounting Report." The Director, DFAS Columbus Center, should issue procedures for coordination of the error listings forwarded by the DFAS Indianapolis Center, and should evaluate the use of the unmatched deposit database being developed by the Disbursing Office, DFAS Columbus Center, to detect and correct duplicates. The Director, DFAS Columbus Center, should also maintain and monitor trend data on the number of duplicate deposit tickets and debit vouchers processed and develop procedures to prevent unbalanced collection vouchers from being processed.

Management Comments. The Director, DFAS, concurred with and is implementing the recommendations. According to the Director, the recent reorganization at the DFAS Columbus Center changed the required procedures and responsible offices. The Director agreed to review functional requirements and develop process flows and procedures necessary to satisfy the intent of the recommendations.

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Introduction

This audit of the Defense Commissary Agency (DeCA) Statement of Accountability was performed to evaluate a Defense Hotline allegation concerning the Defense Finance and Accounting Service (DFAS) Columbus Center, Columbus, Ohio. The allegation stated that DFAS Columbus Center personnel:

- were not balancing deposits for the DeCA Resale Stock Fund in accordance with regulations;
- entered whatever amounts were necessary to balance deposit transactions and did not have supporting documentation for the reconciliations; and
- made adjustments on the "302 Data Element Management/ Accounting Report" (the 302 DELMAR Report), generated by the Standard Finance System (STANFINS), for the DeCA Resale Stock Fund to clear deposits in transit.

For example, an adjustment of $0.3 million was made in December 1996 to balance deposit activity on the STANFINS-generated 302 DELMAR Report for the DeCA Resale Stock Fund. This deposit variance was not reversed from the 302 DELMAR Report in January 1997 and was processed as a chargeback to the DeCA Resale Stock Fund budget clearing account in January 1997. This report discusses the allegation and compliance with laws and regulations.

Background

In 1989, the Jones Commission was formed at the request of the House Armed Services Committee to review the military commissary system. The Jones Commission proposed the consolidation of the Army, Navy, Air Force, and Marine Corps commissary systems into a single commissary system. On October 1, 1991, DeCA was established. Headquartered at Fort Lee, Virginia, DeCA employs nearly 20,000 people and operates 244 commissaries in four regions worldwide. With sales totaling nearly $5 billion annually, DeCA is ranked as one of the top ten grocery chains in the United States. The DeCA financial statements include financial data for Operations and the Resale Stock Fund. The Hotline allegation concerned financial data for the Resale Stock Fund. The primary source of revenue for the Resale Stock Fund is the sale of grocery items to commissary patrons. As of September 30, 1998, the DeCA Resale Stock Fund reported assets of $418.6 million, liabilities of $365.9 million, and revenues of $4.9 billion.

The Disbursing Office, DFAS Columbus Center, prepares the information needed to report collection and disbursement data for DeCA. The DeCA Reporting Branch, DFAS Columbus Center, inputs the collection and disbursement data in the STANFINS reporting system (Data Element Management Accounting/Reporting System M3 cycle) for preparation of the

302 DELMAR Report. The 302 DELMAR Report is required monthly from each disbursing station. The DFAS Indianapolis Center, Indianapolis, Indiana, is the parent station for the DFAS Columbus Center and uses the 302 DELMAR Report to reconcile and report financial information to the U.S. Treasury. In accordance with DoD Regulation 7000.14-R, the "DoD Financial Management Regulation," volume 6, February 1996, deposit activity is first reported by the Disbursing Officer as part of the monthly SF 1219, "Statement of Accountability." The deposit activity is then reported on the 302 DELMAR Report at the document level, which is the automated SF 1219.

The SF 1219 for DeCA consists of increases (checks issued) and decreases (deposits) in the Disbursing Officer's accountability of funds. The deposit activity is reported on line 4.2, "Deposits Presented or Mailed to Bank," of the SF 1219. The 302 DELMAR Report details the deposits and checks issued for the disbursing station and must agree with the Disbursing Officer's SF 1219.

In accordance with Treasury Financial Manual 2-3100, "Instructions for Disbursing Officers' Reports," section 3180, "Deposits in-Transit System," February 1997, the deposits in-transit system compares the agency's total net deposits, reported on the 302 DELMAR Report, to the total deposits reported on deposit tickets and debit vouchers prepared by banks and other financial institutions in the CA$HLINK banking system. When deposits reported on the 302 DELMAR Report do not match CA$HLINK, the U.S. Treasury sends the DFAS Indianapolis Center a monthly SF 6652, "Statement of Differences - Deposits." The DFAS Indianapolis Center prepares a monthly Analysis of Unmatched Transactions List for DeCA and electronically transmits the unmatched deposit transactions to the DFAS Columbus Center the following month for corrective action. If the DFAS Columbus Center cannot reconcile the unmatched transactions within 6 months, the U.S. Treasury charges or credits, as applicable, the disbursing station's budget clearing account. This action transfers liability for unreconciled differences to the Disbursing Officer.

Objectives

The overall audit objective was to evaluate a Defense Hotline allegation about the reconciliation of deposits for the DeCA Resale Stock Fund. Subobjectives were to determine whether the DFAS Columbus Center actions to balance and correct deposit activity for the DeCA Resale Stock Fund conformed to regulations, and to assess the adequacy of the DFAS Columbus Center internal controls for correcting deposit differences between the SF 1219 and the 302 DELMAR Report. We also reviewed the adequacy of the DFAS Columbus Center management control program as it applied to the audit objectives.

Balancing and Correcting Deposit Activity

The allegation that the DFAS Columbus Center was not balancing deposits for the DeCA Resale Stock Fund in accordance with regulations was substantiated. From October 1994 through December 1996, the DFAS Columbus Center made balancing entries on the 302 DELMAR Report totaling $8.0 million, including the $0.3 million in the allegation, that did not conform to DFAS regulations. The out-of-balance condition was caused by system deficiencies and data input errors. In addition, the out-of-balance condition was made worse because the DFAS Columbus Center did not have adequate procedures for correcting out-of-balance conditions on the 302 DELMAR Report. As a result of system deficiencies, deposit activity reported on the SF 1219 to the U.S. Treasury was inaccurate. Also, the DFAS Indianapolis Center was not aware of the recurrent monthly reconciliation problems between the two reports. The allegation that the DFAS Columbus Center entered whatever amounts were necessary to balance deposit transactions without supporting documentation was not substantiated. The DFAS Columbus Center identified the deposit difference between the SF 1219 and the 302 DELMAR Report each month at the detailed transaction level, except for $0.2 million. In addition, the allegation that the DFAS Columbus Center used the balancing entries made on the 302 DELMAR Report to clear unreconciled deposits in transit was not substantiated.

Procedures for Reporting Deposit Information to the U.S. Treasury

Title 31, United States Code 3513(a), requires the Secretary of the Treasury to prepare reports on the financial operations of the U.S. Government. To complete this task, the U.S. Treasury must receive financial information from Federal agencies. The SF 1219, a monthly report, provides the financial condition of Federal agencies to the U.S. Treasury. The SF 1219 establishes the Disbursing Officer's accountability for funds by reporting deposits and checks issued. The DFAS Indianapolis Center submits the SF 1219 to the U.S. Treasury.

Reporting Responsibilities of the DFAS Columbus Center. The DFAS Columbus Center receives collection and disbursement information daily from the commissaries for the DeCA Resale Stock Fund. Two systems, the Standard Finance System Redesigned Subsystem 1 (SRD-1) disbursing system and STANFINS, process the collection and disbursement information for the DeCA Resale Stock Fund. The DFAS Columbus Center Disbursing Office inputs collection, deposit, and disbursement information, received by the commissaries, in the SRD-1. For reporting deposit information, the SRD-1 produces a collection voucher when the supporting deposit tickets and debit

vouchers match the total collection reported by the commissary. The deposit tickets and debit vouchers that are input daily in SRD-1 are entered on the "Deposits Presented or Mailed to Bank" accountability line of the SF 1219 and are interfaced with the STANFINS reporting system. At the end of the month, the collection, deposit, and disbursement information entered in the SRD-1 generates the SF 1219. The Disbursing Office provides a copy of the SF 1219 to the DeCA Reporting Branch, Directorate of Stock Fund Accounting (Stock Fund Directorate), DFAS Columbus Center, for preparation of the automated SF 1219, which is the 302 DELMAR Report. The Disbursing Office also mails a hard copy of the SF 1219 to the U.S. Treasury through the DFAS Indianapolis Center for certification. The 302 DELMAR Report must agree with the SF 1219.

Preparation of the 302 DELMAR Report. To prepare the 302 DELMAR Report, the Stock Fund Directorate verifies the SRD-1 collection totals and inputs, in a statement of accountability (SOA) database system, with the deposit tickets and debit vouchers that the Disbursing Office entered in SRD-1. The deposit information input in the SOA database interfaces with the STANFINS reporting system for preparation of the 302 DELMAR Report. The normal interface procedure is for the deposit tickets and debit vouchers that are input in SRD-1 to interface with the STANFINS reporting system for preparation of the 302 DELMAR Report. The deposit information that is entered in the SOA database system is transferred to a master file to detect duplicate deposit records and other input errors in SRD-1 before transferring the deposit information to the STANFINS reporting system. At the end of the month, the master file is converted to the 80-column format required by the STANFINS reporting system for preparation of the 302 DELMAR Report.

Reconciliation of the Reporting Data. The STANFINS reporting system is programmed to automatically generate all required reporting data for the 302 DELMAR Report except the SF 1219, which requires manual input. The Stock Fund Directorate manually enters the total amount of the accountability lines on the SF 1219, such as "Checks Issued on U.S. Treasury" and "Net Disbursements," in the STANFINS reporting system. The deposit information input in the SOA database system is separately interfaced with the STANFINS reporting system. The STANFINS reporting system produces Report No. AVK-656, "302 Report Expenditures – Reconciliation Statement of Accountability." The AVK-656 Report compares the transaction lines (collections and disbursements) that are input in SRD-1 and directly in the STANFINS reporting system[1] to the manual input of the SF 1219 and the deposit tickets and debit vouchers from the SOA database system. The Stock Fund Directorate personnel use the AVK-656 report to verify that the reporting

[1] The Defense Logistics Agency Stock Fund reports collection and deposit data to the U.S. Treasury jointly with the DeCA Resale Stock Fund. Collection and deposit data for the Defense Logistics Agency Stock Fund are manually input in the STANFINS reporting system.

data produced in the STANFINS reporting system agree with the SF 1219. Out-of-balance conditions between the SF 1219 and the reporting data are researched using SRD-1 data query files and daily preliminary balance reports generated by STANFINS. The reporting data are transmitted to the DFAS Indianapolis Center. A diagram of the process flow for producing the 302 DELMAR Report is at Appendix B.

DFAS Indianapolis Center Reporting Responsibilities. The reporting data are sent electronically to the DFAS Indianapolis Center on a 302 DELMAR interface tape. The interface tape is transmitted to the DFAS Indianapolis Center through the DFAS Columbus Megacenter by the third working day after the end of the accounting month. The DFAS Indianapolis Center receives the reporting data through the Input Control System and the DELMAR Expenditure System. These systems contain edit checks to detect alphabetical and numerical errors and out-of-balance conditions between the reporting data and the detailed transactions supporting the SF 1219. The DFAS Indianapolis Center is responsible for correcting the errors in conjunction with the DFAS Columbus Center. If the errors cannot be resolved before transmitting the data to the U.S. Treasury, the DFAS Indianapolis Center has the authority to make force-balancing entries to increase or decrease the accountability to match the amount reported by the Disbursing Officer on the SF 1219. The DFAS Indianapolis Center reports the deposit information in the 302 DELMAR Report to the U.S. Treasury by the seventh working day after the end of the accounting month. The balancing entries must be corrected in the next 302 DELMAR Report.

DFAS Columbus Center Systems for Reporting Deposit Information

When DeCA was established in October 1991, the DFAS Columbus Center had system problems with recording and processing deposit tickets and debit vouchers in the STANFINS reporting system, which produces the 302 DELMAR Report, and the SRD-1, which produces the SF 1219. The transaction limit in STANFINS did not permit more than 3,000 transactions per day. As a result, from October 1991 through January 1992, an estimated 52,000 deposit transaction lines (an average of 16,000 deposit tickets and debit vouchers entered in STANFINS per month, minus 3,000, multiplied by 4 months) for the DeCA Resale Stock Fund may have been deleted from the STANFINS reporting system. The SRD-1 did not have the edit checks necessary for the unique business operations of DeCA and did not detect duplicate deposit transactions. Also, the DFAS Columbus Center had problems reconciling deposit differences between the SRD-1 and the SOA database system, and the STANFINS and the SRD-1. Consequently, from November 1991 through January 1992, the DFAS Indianapolis Center made authorized force-balancing entries on the 302 DELMAR Reports totaling a negative $234.2 million to correct out-of-balance conditions between the 302 DELMAR Report and the SF 1219.

In February 1992, a change to the space allocation table was made in STANFINS to accommodate the volume of transactions generated by DeCA. However, the deposit discrepancies that occurred from October 1991 through January 1992 took several years to resolve. Also, the deficiency in SRD-1 continued. These system deficiencies caused erroneous deposit information to be reported on the SF 1219 and created monthly reconciliation problems on the 302 DELMAR Report through December 1996.

From October 1994 through December 1996, the DeCA Reporting Branch made balancing entries on the 302 DELMAR Report totaling $8.0 million. However, use of the SOA database system and analysis conducted by the DeCA Reporting Branch identified the deposit transactions at the detailed level that caused the out-of-balance condition between the SF 1219 and the 302 DELMAR Report, except for $0.2 million. See Appendix C for the balancing entries made on the 302 DELMAR Reports, the total errors and adjustments, and the unidentified deposit variance between the SF 1219 and the 302 DELMAR Report.

SRD-1 Edits. The SRD-1 disbursing system currently edits five criteria: store code, location code, deposit ticket or debit voucher number, dollar amount, and deposit date. Because of the nature of DeCA business, a deposit for the same amount could appear twice in 1 day. These deposits may be different transactions or duplicates. If the deposits are duplicates and SRD-1 edits store code and location code, the system would consider these deposits to be two different transactions. If the SRD-1 did not edit store code and location code, the system would correctly identify the two transactions as duplicates. Deposits would be more accurate if the edits for store and location code were deleted and an edit for deposit code were added to the SRD-1. The deposit code would distinguish the type of deposit, such as debit voucher adjustment, regular deposit, or uncollectable check. The edits required to ensure accurate deposit activity and an accurate SF 1219 for the DeCA Resale Stock Fund are deposit or debit number, dollar amount, month and year of deposit, and deposit code.

In March 1995, a system change request was submitted to the Systems Administrator, DFAS Columbus Center, for the required edits. Headquarters, DFAS, stopped all system changes to SRD-1 because it is being replaced by the Defense Standard Disbursing System. Although the SRD-1 disbursing system will be replaced, the DFAS Columbus Center should maintain and monitor monthly trend data on the number of duplicates processed in SRD-1. Such data could be useful in defining user requirements for the new system.

Detecting Deposit Differences Between the SOA Database and SRD-1. In January 1992, the Stock Fund Directorate, DFAS Columbus Center, developed the SOA database system to detect duplicate transactions and other input errors. The SOA database system had four edits to verify the data: deposit ticket number, debit voucher number, transaction date, and amount of transaction. The Stock Fund Directorate entered into the SOA database system the deposit tickets and debit vouchers that the Disbursing Office input into SRD-1. Of the four edits, three were required to match so that the transactions would be accepted in the database and transferred to the STANFINS reporting system. The SOA database analyzed daily the deposit differences between the SRD-1 and the SOA database.

From October 1994 through December 1996, the SOA database detected deposit errors in SRD-1 totaling a negative $0.3 million. This amount represented differences between deposits input in SRD-1 and deposits input in the SOA database. Although the monthly differences between the SOA database and the SRD-1, as shown in Appendix C, totaled a negative $0.3 million, the absolute value of the adjustments necessary to balance the two systems totaled $4.5 million. The deposit difference consisted of duplicate deposit tickets and debit vouchers; unbalanced collection vouchers; and input errors such as incorrect dollar amounts, store codes, and disbursing station numbers.

Information on Duplicate Deposits and Debit Vouchers. From October 1994 through December 1996, the SOA database detected 627 duplicate deposit tickets and debit vouchers totaling $8.4 million. Although 627 duplicates is a small number compared to the average 190,000 deposit tickets and debit vouchers entered into SRD-1 each year, the erroneous deposit information affected the accuracy of the SF 1219 if the information was not reversed in SRD-1 during the same accounting period. The SOA database identified the duplicate deposit information at the detailed transaction level for corrective action. The Stock Fund Directorate used the dollar value of the monthly duplicates to balance the reporting data on the 302 DELMAR Report with the SF 1219.

As of July 1, 1998, the DFAS Columbus Center determined that it was no longer cost-effective to continue using the SOA database. During May and June 1998, the DFAS Columbus Center performed a side-by-side test of the SOA database and the SRD-1 and identified only 16 duplicate deposits for the 2-month period. The DFAS Columbus Center began reporting deposit activity for the DeCA Resale Stock Fund on the 302 DELMAR Report from the SRD-1 deposit file instead of from the SOA database. Out-of-balance conditions between the 302 DELMAR Report and the SF 1219 will be detected by edit checks in the DELMAR Expenditure System.

Additionally, the Disbursing Office was developing a database for the unmatched deposit function; this database can be used to promptly detect and correct duplicate deposit tickets and debit vouchers processed in SRD-1. The DFAS Columbus Center should evaluate the use of the database for detecting duplicate deposit information.

Unbalanced Collection Vouchers. From October 1994 through December 1996, the SOA database detected 119 unbalanced collection vouchers totaling $1.7 million. The SRD-1 allowed deposit transactions to be omitted from the daily interface of deposit tickets and debit vouchers with the STANFINS reporting system. Transactions were omitted when deposit tickets and debit vouchers that supported a collection were erroneously input into SRD-1 and then deleted. Although the amount of the collection voucher was correct, each transaction entered after the deleted transaction for the same collection did not interface with the STANFINS reporting system. The SOA database identified the unbalanced collection vouchers at the detailed transaction level for corrective action. The Stock Fund Directorate used the dollar value of the unbalanced collection vouchers each month to balance the reporting data with the SF 1219.

The Stock Fund Directorate can detect unbalanced collection vouchers by using STANFINS Report No. AVK-018, "Daily Preliminary Balance," STANFINS Report No. AVU-136, "Facsimile of SRD-1 Bridge." These reports validate the daily input in SRD-1, which interfaces with STANFINS. The Disbursing Office should issue procedures for avoiding the production of unbalanced collection vouchers.

SRD-1 Errors and Adjustments. From October 1994 through December 1996, the SOA database detected a negative $10.4 million in data input errors and adjustments in SRD-1. The errors were caused by entering incorrect information, such as dollar amount, store code, or disbursing station number, on the deposit ticket or debit voucher. The adjustments were the result of correcting or reversing duplicates and unbalanced collection vouchers and the lack of communication between the Disbursing Office and the Stock Fund Directorate when correcting deposit transactions. The Stock Fund Directorate did not always receive clear instructions from the Disbursing Office for making deposit corrections in the SOA database. Personnel in the Stock Fund Directorate were not sure whether they should input or reverse a deposit transaction, or whether they should enter the transaction as a debit or a credit. Each month, numerous SRD-1 reversals and adjustments were made to correct previous errors. The Stock Fund Directorate used the dollar value of the errors and adjustments to balance the reporting data with the SF 1219.

In September 1995, the DFAS Columbus Center developed a form for coordinating deposit corrections in SRD-1 and STANFINS. The form showed the corrective action needed; supervisory approval was required before entering data into SRD-1 and the SOA database. To avoid further corrections before entering the transactions in the SOA database, Stock Fund personnel queried the SRD-1 deposit file to verify whether deposit transactions received by the Disbursing Office were original entries or reversals of previous errors. Stock Fund personnel also used CA$HLINK to identify and correct deposit differences. Further, the Disbursing Office improved controls over data input in SRD-1 by maintaining daily transaction logs and reviewing data input by using the SRD-1 data query file. Continued use of these controls will decrease the number of errors and adjustments.

Accounting Adjustments. In addition to the deposit differences between the SOA database and SRD-1 for the current accounting period, the DeCA Reporting Branch identified differences between the SOA database and STANFINS. The differences between the two systems, the SOA database and STANFINS, caused the monthly deposit variance between the 302 DELMAR Report and the SF 1219. Each month, the Stock Fund Directorate analyzed differences between the two systems. From October 1994 through October 1996, the Stock Fund Directorate made end-of-month accounting adjustments in the SOA database totaling $8.5 million. The accounting adjustments were one-sided reconciling entries made to balance the monthly deposit activity with SRD-1. Most accounting adjustments resulted from prior period corrections for deposits-in-transit that were on the unmatched and chargeback lists. For example, in December 1995, an accounting adjustment of $1.0 million was made to close 701 deposit transactions from October through December 1991 that were on the open chargeback list. These transactions were deposits that had

been processed through SRD-1, but did not appear on the 302 DELMAR Report because of the space allocation problem in STANFINS; deposits that lacked complete documentation from the commissaries; or deposits that had been erroneously input in SRD-1. The Stock Fund Directorate was forced to adjust the SOA database at the end of the month to agree with the SRD-1 deposit totals. The Stock Fund Directorate used the dollar value of the monthly accounting adjustments to balance the SOA data with the SF 1219.

From October 1994 through December 1996, the SOA database detected duplicate deposit tickets and debit vouchers of $8.4 million, unbalanced collection vouchers of $1.7 million, and SRD-1 input errors of negative $10.4 million. Also, the DeCA Reporting Branch detected $8.5 million of accounting adjustments between the SOA database and STANFINS. Together, these figures total the $8.2 million shown as "System Errors and Accounting Adjustments" in Appendix C.

Correcting Out-of-Balance Conditions

DoD Regulation 7000.14-R, the "DoD Financial Management Regulation," volume 5, "Disbursing Policy and Procedures," May 1996, provides overall guidance on disbursing policy and procedures for reconciling deposits and preparing the SF 1219. The DFAS Indianapolis Center had procedures for balancing and correcting deposit activity; however, the DFAS Columbus Center lacked specific procedures for correcting the data on the 302 DELMAR Report. Because procedures were not adequately documented, the DFAS Columbus Center made force-balancing adjustments on the 302 DELMAR Reports from October 1994 through December 1996, although the DFAS Indianapolis Center was authorized to make the adjustments.

Responsibilities for Correcting the 302 DELMAR Report. When out-of-balance conditions exist between the SF 1219 and the 302 DELMAR Report, the DFAS Indianapolis Center is responsible for reviewing reporting data on the 302 DELMAR Report and comparing those data to the detailed transaction data that support the SF 1219. This comparison shows the corrections needed to bring the reporting data into balance with the SF 1219. Because the Disbursing Officer's SF 1219 cannot be changed after it is generated, corrections must be made before the first working day following the accounting period or in the next accounting period. In accordance with the Office of the Assistant Secretary of the Army (Financial Management and Comptroller) "Standard Finance System User Manual," chapter 21, change 35, October 1, 1984, and DFAS Indianapolis Center Regulation 37-1, "Finance and Accounting Policy Implementation," September 18, 1995, the DFAS Indianapolis Center is responsible for correcting erroneous reporting data in coordination with the disbursing station (the DFAS Columbus Center). The DFAS Indianapolis Center provides the DFAS Columbus Center with a monthly list of the errors and out-of-balance conditions detected by the DELMAR Expenditure System.

The disbursing stations are responsible for preventing errors from recurring in subsequent reporting periods. In accordance with DFAS Indianapolis Center Regulation 37-1, if the disbursing station is unable to make the necessary corrections in the same reporting month, the DFAS Indianapolis Center is authorized to make force-balancing entries on the 302 DELMAR Report to increase or decrease the reporting data to agree with the SF 1219. The adjustments bring the 302 DELMAR Report into agreement with the SF 1219 and require appropriate debiting and crediting of transaction codes in subsequent monthly reports.

DFAS Columbus Center Action. Out-of-balance conditions between the SF 1219 and the 302 DELMAR Report from October 1994 through December 1996 were identified on the monthly AVK-656 Report; the actions taken by the DFAS Columbus Center each month to balance the 302 DELMAR Report to the SF 1219 did not conform to regulations. DFAS Columbus Center personnel said that they made the adjustments in order to submit balanced and timely reports to the DFAS Indianapolis Center. However, the DFAS Columbus Center should have used the deposit information input in SRD-1 instead of the deposit information input in the SOA database to report deposit tickets and debit vouchers on the 302 DELMAR Report. The DELMAR Expenditure System would have detected errors in SRD-1 at the DFAS Indianapolis Center, and the error listings would have been forwarded to the DFAS Columbus Center for corrective action. Although the SOA database was useful for detecting input errors in SRD-1, the use of a separate system for reporting deposit information caused monthly manipulation of the reporting data to make the 302 DELMAR Report agree with the SF 1219. If the DFAS Columbus Center had used SRD-1, the reporting data would have agreed with the SF 1219 because SRD-1 generated the SF 1219. Each month, the DeCA Reporting Branch had to enter an adjustment on the 302 DELMAR Report for the difference between SRD-1 and the SOA database and reverse the adjustment on the 302 DELMAR Report in the following month.

Adjusting the 302 DELMAR Report. The DFAS Columbus Center adjusted the 302 DELMAR Report for the out-of-balance condition by forcing an entry through the STANFINS reporting system in the amount of the increase or decrease in accountability, as identified by the AVK-656 report. The force-balancing adjustments required an eight-digit debit voucher number such as 22222222, a deposit date, amount, transaction code, and disbursing station symbol number. The U.S. Treasury would not be aware of the false debit voucher number because the U.S. Treasury does not require the DFAS Indianapolis Center to provide the deposit tickets or debit voucher numbers.

Reversing Prior Month Adjustments. Because the Disbursing Officer's ending and beginning accountability on the SF 1219 for the DeCA Resale Stock Fund was required to be zero each month, the DFAS Columbus Center made a reversing entry on the following month's 302 DELMAR Report for the exact amount of the previous month's force-balancing adjustment. Also, if the entry was not reversed in the following month, the amount of the adjustment appeared on the SF 6652, "Statement of Differences - Deposits." For purposes of comparing deposits reported by the disbursing station and deposits reported by

the U.S. Treasury, the DFAS Indianapolis Center held the deposit information on the 302 DELMAR Report for 30 days before sending it to the U.S. Treasury.

In December 1996, the DeCA Reporting Branch discontinued the practice of force-balancing the 302 DELMAR Report. As a result of that action, the balancing adjustment of $0.3 million on the December 1996 302 DELMAR Report could not be reversed in January 1997. The Stock Fund Directorate processed the $0.3 million as a chargeback to the DeCA Resale Stock Fund budget clearing account. The chargeback was not used to clear unreconciled deposits in the budget clearing account, as alleged. As of November 1998, the $0.3 million chargeback was an open item on the chargeback list. In accordance with U.S. Treasury Financial Manual Bulletin No. 98-07, "Discontinuance of Chargeback Process," April 30, 1998, the chargeback process will no longer be implemented. Effective April 1998, all budget clearing accounts should have been cleared by Federal agencies no later than September 30, 1998. As of November 20, 1998, the DFAS Columbus Center was waiting for direction from the DFAS Indianapolis Center on the action needed to clear the unreconciled deposits in the DeCA Resale Stock Fund budget clearing account.

Discontinuing Adjustments and Reversals to the 302 DELMAR Report. In January 1997, the DFAS Columbus Center discontinued force-balancing the 302 DELMAR Report. However, use of the SOA database continued. Differences between deposits input in the SOA database and reported on the 302 DELMAR Report and deposits input in SRD-1 and reported on the SF 1219 were adjusted in the SOA database. The Stock Fund Directorate forced duplicate deposit information and unbalanced collection vouchers through the SOA database to make the 302 DELMAR Report agree with the SF 1219. So that duplicates would pass the SOA database edits, Stock Fund Directorate personnel changed the deposit ticket number to an identical 6-digit number, such as 555555. So that unbalanced transactions would pass the edits, the Stock Fund Directorate personnel changed the last digit of the original deposit ticket number with the incorrect dollar amount to 0. The following month, the Disbursing Office reversed the erroneous transactions in SRD-1, which corrected the accountability of funds on the SF 1219. Because the SRD-1 was not used to report deposit information on the 302 DELMAR Report, the Stock Fund Directorate made a one-sided reconciling entry in the SOA database to reverse the transactions that were forced through the SOA database in the previous month. The one-sided accounting entry in the SOA database corrected the accountability of funds in STANFINS and reported the correction on the 302 DELMAR Report.

Forcing transactions through the SOA database created additional problems with the monthly reconciliation because the adjustments and reversals were not always entered correctly into the SOA database or the SRD-1. The DFAS Columbus Center's discontinuation of the SOA database and use of the SRD-1 to report deposit information on the 302 DELMAR Report eliminated the practice of force-balancing the SOA database.

Further Improvements Needed. In September 1998, the DFAS Indianapolis Center sent the Stock Fund Directorate a copy of the error listings from the 302 DELMAR Report for May through August 1998. The Stock Fund Directorate researched the error listings; however, more coordination is needed with the Disbursing Office. The Disbursing Office maintains the deposit tickets, debit vouchers, and collection vouchers needed for research. The DFAS Columbus Center needs to better coordinate the error listings with the appropriate functional offices to ensure that timely corrections are made on the 302 DELMAR Report for the following month.

Summary

The allegation that the DFAS Columbus Center made unsupported adjustments to balance deposit activity for the DeCA Resale Stock Fund was substantiated. The DFAS Columbus Center force-balanced the 302 DELMAR Reports from October 1994 through December 1996 to bring the reporting data into agreement with the SF 1219. The force-balancing adjustments and reversals, totaling $8.0 million, were made to balance variances between deposits input in the SOA database, processed in the STANFINS reporting system and reported on the 302 DELMAR Report, with deposits input in SRD-1 and reported on the SF 1219. DFAS Indianapolis Center procedures for correcting differences between the 302 DELMAR Report and the SF 1219 required coordination between the DFAS Indianapolis Center and the DFAS Columbus Center. The DFAS Columbus Center did not use the balancing adjustments on the 302 DELMAR Report to clear unreconciled deposits in transit, as alleged. Although the SOA database and analysis of the deposit information entered in SRD-1 and STANFINS were effective in detecting the variance each month, except for $0.2 million, the DFAS Columbus Center should have used SRD-1, not the SOA database, to report deposit information on the 302 DELMAR Report. Errors in SRD-1 would have been detected at the DFAS Indianapolis Center, and corrective action could have been taken.

Management Comments on Finding

The Director, DFAS, commented that the audit was conducted before the reorganization of the DFAS Columbus Center in November 1998. As a result of the reorganization, certain required procedures and responsible offices were changed. For example, the Stock Fund Directorate was dissolved and its functions were distributed between two reorganized directorates, including the Accounting Directorate. The Director stated that the requirements of the reorganized Accounting Directorate will be reviewed as they relate to the audit report. In addition, DFAS will document process flows and develop procedures necessary to implement the recommendations in the report.

Recommendations and Management Comments

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

1. Develop responsibilities and desk procedures for balancing and correcting the "302 Data Element Management/Accounting Report" and the error listings generated by the Data Element Management/Accounting Reporting Expenditure System at the Defense Finance and Accounting Service Indianapolis Center. Desk procedures should be consistent with standard operating procedures of the Defense Finance and Accounting Service Indianapolis Center and the Data Element Management/Accounting Reporting System interface requirements, as defined in the "Standard Finance System User Manual," chapter 21, change 35, October 1, 1984.

Management Comments. The Director, DFAS, concurred and agreed to develop and incorporate the necessary procedures.

2. Document the process flow for producing the "302 Data Element Management/Accounting Report" and include the process flow in the desk procedures in Recommendation 1.

Management Comments. The Director, DFAS, concurred and stated that documenting the flow for producing the 302 DELMAR Report will be part of the review of functional requirements.

3. Evaluate the unmatched deposit database being developed by the Defense Finance and Accounting Service Columbus Center to determine whether it can be used to detect and correct duplicate deposit tickets and debit vouchers in the Standard Finance System Redesigned Subsystem 1.

Management Comments. The Director, DFAS, concurred and stated that the evaluation of the database indicated that it could not be used to detect and correct duplicate transactions within the SRD-1. However, the reconciliation of deposit or debit voucher differences will identify duplicate transactions and corrections can be made at that time.

4. Maintain and monitor monthly trend data on the number of duplicate transactions processed in the Standard Finance System Redesigned Subsystem 1, for use in developing user requirements for the Defense Standard Disbursing System.

Management Comments. The Director, DFAS, concurred and stated that although the system change request that would have corrected the problem of duplicate transactions was not processed, the request will be reviewed for Defense Standard Disbursing System requirements.

5. Develop and issue procedures to prevent unbalanced collection vouchers from being processed in the Standard Finance System Redesigned Subsystem 1.

Management Comments. The Director, DFAS, concurred and stated that in August 1997, technicians were advised of the correct method for inputting collections and provided with written guidance.

Appendix A. Audit Process

Scope and Methodology

Work Performed. We assessed the financial management practices at the DFAS Columbus Center, to include financial reporting and standard operating procedures for preparing the DeCA Resale Stock Fund SF 1219, "Statement of Accountability," and the 302 DELMAR Report. We also evaluated documentation to support the force-balancing adjustments made on the 302 DELMAR Reports for October 1994 through December 1996.

We performed our audit work at the DFAS Indianapolis Center and the DFAS Columbus Center. At the DFAS Indianapolis Center, we evaluated standard operating procedures for receiving SF 1219 data from the DFAS Columbus Center and for submitting deposit information to the U.S. Treasury. We evaluated the DELMAR Expenditure System correction procedures that pertained to deposit errors. We interviewed personnel on the DELMAR Expenditure System support team and the field support team to understand the process for reporting financial data to the U.S. Treasury, detecting errors, and contacting the disbursing stations for corrective action.

At the DFAS Columbus Center, we evaluated files for balancing the SOA database with the SRD-1 deposit information for October 1994 through December 1996 and STANFINS Report No. AVK-656, "302 Report, Expenditures - Reconciliation Statement of Accountability," for October 1994 through December 1996. We made this evaluation to identify supporting documentation for end-of-month accounting adjustments and SRD-1 input errors. We evaluated the process for reconciling and correcting reporting data for the DeCA Resale Stock Fund. We interviewed personnel knowledgeable about the transaction flow for inputting collection and deposit data in the SRD-1 and for producing the 302 DELMAR Report.

DoD-wide Corporate-Level Government Performance and Results Act Goals. In response to the Government Performance and Results Act, the Department of Defense has established 6 DoD-wide corporate-level performance objectives and 14 goals for meeting these objectives. This report pertains to the achievement of the following objectives and goals.

DoD Functional Area Reform Goals. Most DoD functional areas have also established performance improvement reform objectives and goals. This report pertains to achievement of the following functional area objectives and goals.

- **Objective:** Consolidate finance and accounting operations.
  Goal: Reduce and improve accounting systems. **(FM-2.2)**

- **Objective:** Reengineer DoD business practices. **Goal:** Standardize, reduce, clarify, and reissue financial management policies. **(FM-4.1)**

General Accounting Office High-Risk Area. The General Accounting Office has identified several high-risk areas in the DoD. This report provides coverage of the Defense Financial Management and Information Management and Technology high-risk areas.

Use of Computer-Processed Data. To achieve our audit objective, we relied on computer-processed data from several systems. At the DFAS Columbus Center, we relied on reconciliation and financial reports produced by STANFINS, SRD-1, and the SOA database. At the DFAS Indianapolis Center, we relied on error listings produced by the DELMAR Expenditure System. We relied on previous audit work that the Inspector General, DoD, performed concerning the reliability of STANFINS and SRD-1. Inspector General, DoD, Report No. 98-158, "Internal Controls and Compliance With Laws and Regulations for the Defense Commissary Agency Financial Statements for FY 1997," June 17, 1998, focused on tracing sales, inventory, and accounts payable transactions from input through entry into the STANFINS general ledger. We assessed the reliability of the data by evaluating the internal controls designed to record, process, and summarize transactions in STANFINS. As a result of the tests and assessments, we concluded that the computer-processed data were sufficiently reliable to meet the audit objectives.

Audit Type, Dates, and Standards. We performed this financial-related audit from October 1997 through January 1998 and from July through November 1998 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 and organizations within DoD. Further details are available on request.

Management Control Program

DoD Directive 5010.38, "Management Control Program," August 26, 1996, and DoD Instruction 5010.40, "Management Control Program Procedures," August 28, 1996, require DoD organizations to implement a comprehensive strategy for management controls that provides reasonable assurance that programs are operating as intended and to evaluate the adequacy of the controls.

Scope of Review of the Management Control Program. We reviewed the adequacy of the DFAS Columbus Center management controls over financial reporting practices. Specifically, we reviewed management controls for reconciling, balancing, and reporting deposit and collection data on the SF 1219

and the 302 DELMAR Report and inputting collection and deposit data into SRD-1 and the SOA database. We also reviewed management's self-evaluation of the applicable management controls.

Adequacy of Management Controls. We identified material management control weaknesses, as defined by DoD Directive 5010.38, in the reporting of deposit and collection data on the 302 DELMAR Report. We consider system deficiencies associated with processing duplicate deposit tickets and debit vouchers to be a control weakness. We consider action taken by the DFAS Columbus Center to force-balance the 302 DELMAR Report to be a material control weakness at the installation and department levels. However, recent improvements have been made. The use of SRD-1 instead of the SOA database to report deposit information on the 302 DELMAR Report shows that management has taken corrective action and provides reasonable assurance that the objectives of the management control program will be met.

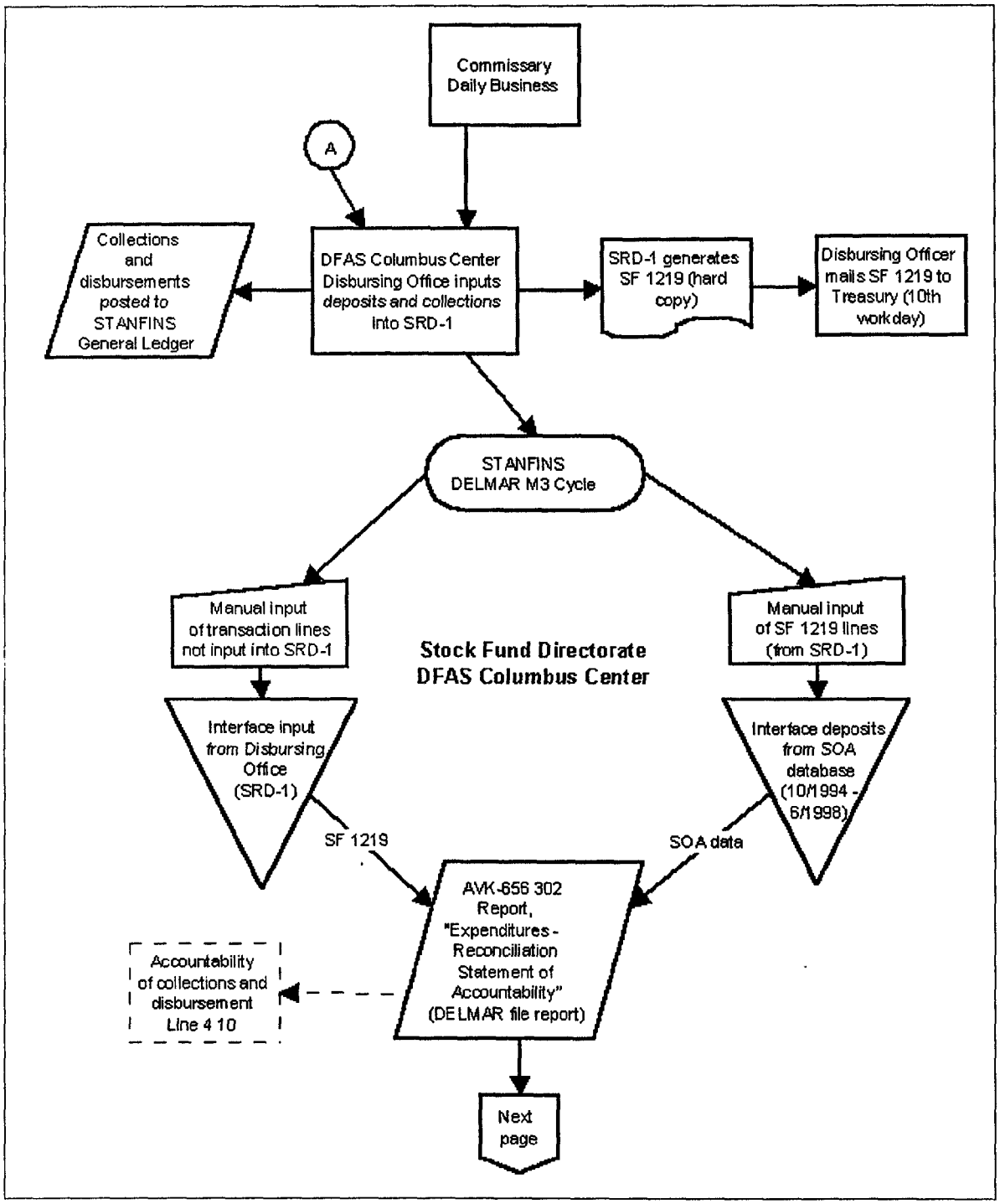
The DFAS Columbus Center procedures and responsibilities for balancing and correcting out-of-balance conditions on the 302 DELMAR Report were not adequately documented. These procedures allowed monthly reporting problems to continue from October 1994 through December 1996. Also, controls were not adequate to keep the DFAS Indianapolis Center informed of the monthly reporting problems on the 302 DELMAR Report. Recommendations 1. and 2., if implemented, will improve management controls over the processes for balancing and correcting the 302 DELMAR Report. Also, the SRD-1 disbursing system did not provide reasonable assurance that deposit activity for DeCA Resale Stock Fund was being accurately reported on the SF 1219 and subsequently on the 302 DELMAR Report. Recommendations 3., 4., and 5., if implemented, will improve management controls over the inputting of deposit and collection information in SRD-1 and the processing and reporting of that information on the 302 DELMAR Report.

Adequacy of Management's Self-Evaluation. On March 17, 1997, the Stock Fund Directorate performed an internal control review on the event cycle for deposit tickets and debit vouchers. The overall risk assessment for deposit tickets and debit vouchers was adequate. The Stock Fund Directorate indicated that the "Standard Finance System User Manual" and existing regulations did not include procedures for detecting duplicate transactions. On October 23, 1993, when the last internal control review on this event cycle was conducted, the Stock Fund Directorate concluded that formal written procedures for detecting duplicate transactions should be prepared and that management should review the input process for deposit tickets and debit vouchers to determine what additional procedures need to be developed.

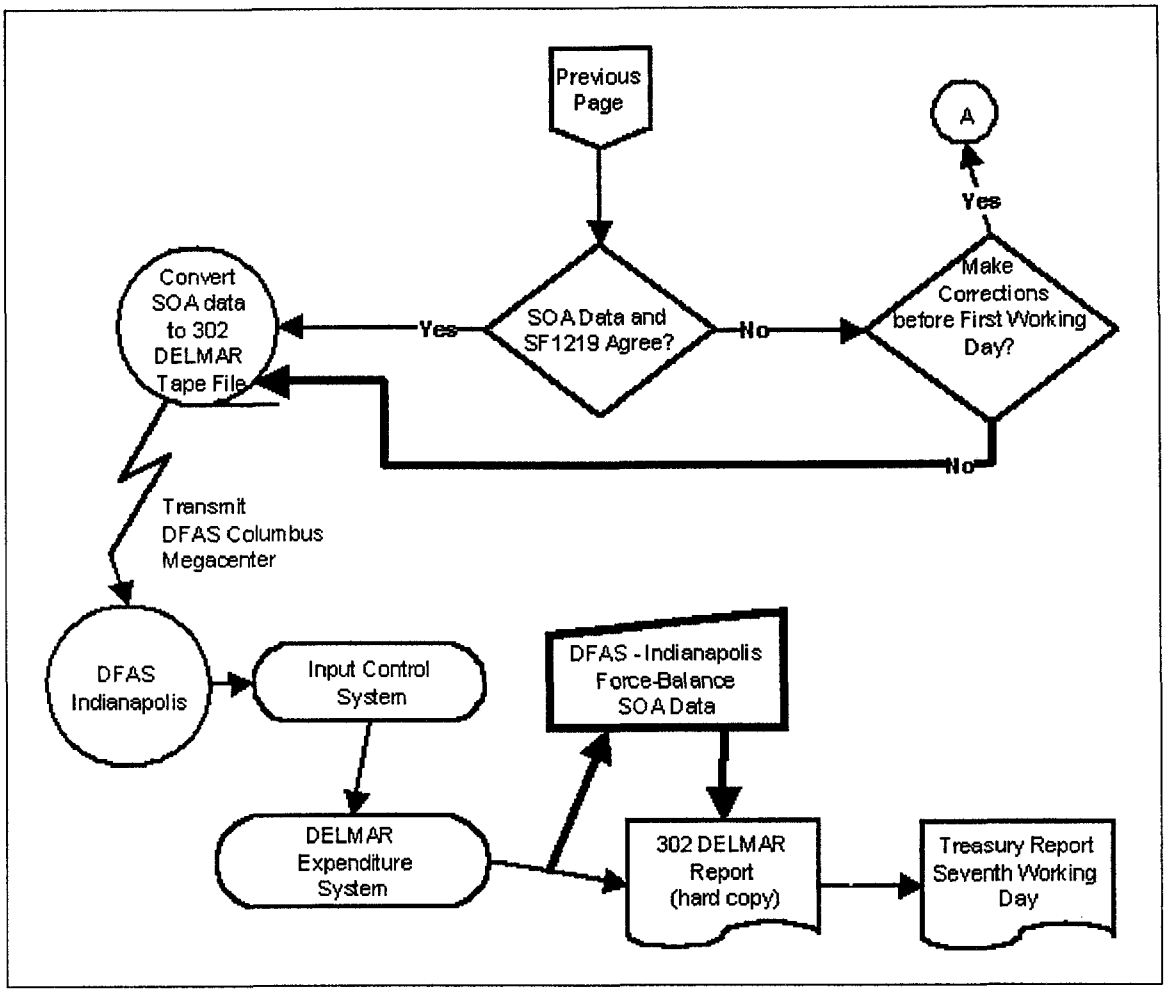
Summary of Prior Coverage

Report No. 98-158, "Internal Controls and Compliance With Laws and Regulations for the Defense Commissary Agency Financial Statements for FY 1997," June 17, 1998.

Appendix B. Process Flow for 302 DELMAR Report



Process Flow for 302 DELMAR Report (cont'd)



Appendix C. Variance Between SF 1219 and 302 DELMAR Report, October 1994 Through December 1996

($ in Thousands)

Month	Duplicate Deposits and Debit Vouchers	Unbalanced Collection Vouchers	SRD-1 Input Errors and Adjustments	SOA and SRD-1 Difference/ System Errors	End-of-Month Accounting Adjustments
1994					
October	$ 237	$ 373	$ (699)	$ (89)	$ 114
November	603	-	(1,061)	(458)	6,132
December	275	70	(43)	302	82
1995					
January	162	149	(85)	226	216
February	146	*	(3)	143	4
March	578	38	(925)	(309)	102
April	11	*	114	125	*
May	16	(132)	132	16	111
June	649	20	(861)	(192)	184
July	329	145	(737)	(263)	3
August	189	*	(327)	(138)	144
September	2	42	(69)	(25)	(96)
October	3	*	47	51	(7)
November	59	163	(528)	(306)	50
December	133	83	(175)	41	994
1996					
January	61	4	(49)	16	143
February	1,156	*	(1,074)	82	69
March	625	(2)	(691)	(68)	(2)
April	195	*	(111)	84	15
May	1,065	135	(1,588)	(388)	5
June	192	7	429	628	123
July	248	183	(407)	25	133
August	206	*	(274)	(67)	-
September	50	144	(90)	104	*
October	140	123	(152)	111	
November	455	136	(712)	(121)	-
December	613	19	(495)	137	-
Total	**$8,398**	**$1,700**	**$(10,434)**	**$(333)**	**$8,519**

*Dollar value of unidentified variance is greater than $1.00 and less than $1,000.

Variance Between SF 1219 and 302 DELMAR Report, October 1994 Through December 1996 (cont'd)

($ in Thousands)

Month	System Errors and Accounting Adjustments	302 DELMAR Balancing Adjustments	302 DELMAR Balancing Reversals	302 DELMAR Balancing Changes	Unsupported Differences
1994					
October	$ 25	$ (7,669)	$ 7,694	$ 25	$ 0
November	5,674	(1,995)	7,669	5,674	0
December	384	(1,638)	1,941	303	82
1995					
January	442	(1,413)	1,638	225	216
February	147	(1,283)	1,430	147	*
March	(207)	(1,473)	1,265	(207)	0
April	125	(1,348)	1,473	125	0
May	127	(1,221)	1,348	127	0
June	(7)	(1,175)	1,221	45	(53)
July	(260)	(1,436)	1,175	(260)	0
August	5	(1,430)	1,436	5	0
September	(121)	(1,551)	1,430	(121)	0
October	44	(1,508)	1,551	44	0
November	(255)	1,762)	1,508	(255)	0
December	1,034	(728)	1,762	1,034	0
1996					
January	159	(569)	728	159	*
February	151	(418)	569	151	*
March	(70)	(4,248)	4,178	(70)	0
April	100	(338)	488	100	0
May	(382)	(770)	388	(382)	0
June	751	(19)	770	751	0
July	158	135	19	154	4
August	(67)	68	(135)	(67)	*
September	104	172	(68)	104	0
October	111	299	(172)	127	(16)
November	(121)	179	(299)	(121)	0
December	137	316	(179)	137	0
Total	**$8,189**	**$(32,873)**	**$40,828**	**$7,956**	**$233**

* Dollar value of unidentified variance is greater than $1.00 and less than $1,000.

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

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

Defense Organizations

Director, Defense Commissary Agency
Director, Defense Finance and Accounting Service
  Director, Defense Finance and Accounting Service Columbus Center
  Director, Defense Finance and Accounting Service Indianapolis Center
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
General Accounting Office
National Security and International Affairs Division
Technical Information Center

Congressional Committees and Subcommittees, Chairman and Ranking Minority Member

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 Defense, Committee on Appropriations
House Committee on Armed Services
House Committee on Government Reform
House Subcommittee on Government Management, Information, and Technology, Committee on Government Reform
House Subcommittee on National Security, Veterans Affairs, and International Relations, Committee on Government Reform

Defense Finance and Accounting Service Comments

DEFENSE FINANCE AND ACCOUNTING SERVICE

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ARLINGTON, VA 22240-5291

DFAS-HQ/ASF

FEB 18 1999

MEMORANDUM FOR DEPUTY ASSISTANT INSPECTOR GENERAL FOR AUDITING OFFICE OF INSPECTOR GENERAL, DEPARTMENT OF DEFENSE

SUBJECT: Preparation of Response to DoDIG Draft Report "Defense Hotline Allegation on the Defense Commissary Agency Statement of Accountability," dated December 10 1998 (Project No 7FH-2042.02)

Our response to the subject audit is attached The primary point of contact (POC) is Mr Ron Warner, (703) 607-2857 or DSN 327-2857, and the secondary POC is Mr Mike Bryant, (703) 607-1562 or DSN 327-1562

Edward A Harris
Director for Accounting

Attachment:
As stated

cc:
DFAS-HQ/PO
DFAS-CO/E
DFAS-IN/P

DFAS Comments on DoDIG Draft Audit Report, "Defense Hotline Allegation on the Defense Commissary Agency Statement of Accountability" (Project No. 7FH-2042.02)

General Comments

This draft audit report was the result of a Defense Hotline allegation. The Hotline allegation concerned financial data for the Resale Stock Fund. Three allegations were made but only one was substantiated. The allegation that "DFAS Columbus Center personnel were not balancing deposits for the Defense Commissary Agency (DeCA) Resale Stock Fund in accordance with regulations" was indicated as substantiated.

Specific Comments

The recommendations in this draft report resulted from the audit conducted prior to the recent DFAS Columbus Center reorganization in November 1998. As a result of the reorganization, required procedures and offices of primary responsibility (OPRs) have been disjointed. The prior Stock Fund Directorate was dissolved and related functions were distributed between the reorganized Entitlement and Accounting Directorates. We will review the functional requirements of the reorganized Accounting Directorate activities related to this report and delineate responsibilities as necessary. We will document process flows and develop and incorporate procedures deemed necessary to effect the intent of related recommendations.

Responses to Recommendations

Recommendation 1. Develop responsibilities and desk procedures for balancing and correcting the "302 Data Element Management/Accounting Report" and the error listings generated by the Defense Finance and Accounting Service Indianapolis Center's Data Element Management/Accounting Reporting Expenditure System. Desk procedures should be consistent with the Defense Finance and Accounting Service Indianapolis Center's standard operating procedures and the Data Element Management/Accounting Reporting System interface requirements, as defined in the "Standard Finance System User Manual," chapter 21, change 35, October 1, 1984.

Management Comments: Concur. We will develop and incorporate the necessary procedures.

Estimated Completion Date: May 31, 1999.

Recommendation 2. Document the process flow for producing the "302 Data Element Management/Accounting Report" and include that process in the desk procedures in Recommendation 1.

Management Comments: Concur. We have evaluated the AUT database and determined that it cannot be used to detect and correct duplicate transactions within the SRD-1 system. The source data uploaded into the database are statements of differences which occur after the SRD-1 transmission. However, we are able to identify duplicate transactions through our reconciliation of deposit/debit voucher differences, and corrections are made at that time.

Completion Date: Action completed January 6, 1999.

Recommendation 4. Maintain and monitor monthly trend data on the number of duplicate transactions processed in the Standard Finance System Redesigned One, for use in developing user requirements for the Defense Standard Disbursing System.

Management Comments: Concur. The problem with identification of duplicate transactions was previously identified and an SRD-1 system change request was submitted to correct the problem. Although the SCR has not been processed (because of the current moratorium), it will be reviewed for Defense Standard Disbursing System (DSDS) requirements. We will continue to monitor the causes of duplicate transactions for additional DSDS requirements.

Completion Date: Action completed January 6, 1999.

Recommendation 5. Develop and issue procedures to prevent unbalanced collection vouchers from being processed in the Standard Finance System Redesigned One.

Management Comments: Concur. From October 1994 to July 1997, unbalanced collection vouchers resulted from technicians skipping input lines when entering multiple lines of collections into SRD-1. Technicians have been advised of the correct method for inputting collections, and written guidance has been developed.

Completion Date: Action completed August 1997.

Audit 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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