



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



September 9, 1994

MEMORANDUM FOR COMPTROLLER OF THE DEPARTMENT OF DEFENSE

**SUBJECT: Antideficiency Act Investigation of Real Property Maintenance, Defense,
FY 1993 Supplemental Appropriation (Report No. 94-185)**

On March 14, 1994, you requested that this office conduct investigations of potential Antideficiency Act violations in Defense-wide appropriations. We have completed our investigation of the subject appropriation and are providing this report for your use. The investigation was conducted in accordance with Office of Management and Budget Circular No. A-34, "Instructions on Budget Execution," dated August 26, 1985, and DoD Directive 7200.1, "Administrative Control of Appropriations," dated July 27, 1987. This investigative report constitutes the official report called for by DoD Directive 7200.1. The report contains recommendations to correct the problems that were identified.

The investigation concluded that no Antideficiency Act violation occurred. Expenditures reported for the Real Property Maintenance, Defense, Supplemental Appropriation Account 97 93 0131 exceeded the authorized and appropriated funds by \$11,197,518.48 as of March 31, 1994. The excessive expenditures occurred due to computer processing errors by the Navy and the Army that erroneously posted Real Property Maintenance, Defense, Appropriation Account 97 93/94 0131 transactions, totaling \$40,284,750.55 and \$9,982.00, respectively, to the Real Property Maintenance, Defense, Supplemental Appropriation Account 97 93 0131. In addition, the Air Force erroneously charged a \$785.93 travel voucher to the Real Property Maintenance, Defense, Supplemental Appropriation Account 97 93 0131 instead of the Operation and Maintenance, Air Force Appropriation Account 57 93 3400.

We also found that the accounting systems used by the Marine Corps and the Army to track expenditures against appropriations were not designed to properly account for multiple-year appropriations. Those system deficiencies contributed to the resulting errors.

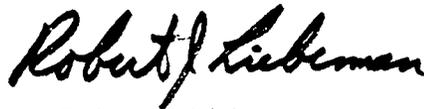
The Defense Finance and Accounting Service Cleveland and Indianapolis Centers took corrective action in April 1994 through adjusting entries to the Real Property Maintenance, Defense, Supplemental Appropriation Account 97 93 0131 and the Real Property Maintenance, Defense, Appropriation Account 97 93/94 0131. The Air Force was not aware of the erroneous travel voucher; therefore, it had not taken corrective action. If not corrected, the incorrect posting of the travel voucher violates provisions of 31 U.S.C.

In addition, Headquarters, Marine Corps, requested the Defense Finance and Accounting Service Kansas City Center to transfer obligations and disbursements totaling \$4,391,222.00 from the Real Property Maintenance, Defense Appropriation Account to the Supplemental Appropriation. The specific transactions to be moved were not identified; therefore, the appropriate accounting entries to support the transfer of obligations and disbursements to the Supplemental Appropriation were never prepared, posted to the accounting records, or reported on the Treasury Form Standard 224, "Statement of Transactions," to the Department of the Treasury. Even though the accounting transactions were never made, Defense Finance and Accounting Service Kansas City Center reported the

\$4,391,222.00 as obligations and disbursements against the Supplemental Appropriation on the DD Form 1176, "Report on Budget Execution," for October 1993 and subsequent months. The DD Forms 1176 were submitted electronically, without signature; therefore, we could not readily establish responsibility for those misstatements. The matter had no effect on the negative balances; however, failure to correct the DD Forms 1176 could result in other reporting violations.

Our report makes recommendations that should improve internal controls pertaining to budget execution. Please provide your comments to this report indicating concurrence or nonconcurrence with each recommendation. If you concur, describe the corrective actions taken or planned, the completion dates for actions already taken, and the estimated dates for completion of planned actions. If you nonconcur, state your specific reasons for each nonconcurrence. If appropriate, you may propose alternative methods for accomplishing desired improvements. Comments should be provided by November 9, 1994.

If you have any questions concerning this report, please contact Mr. F. Jay Lane at (703) 604-9140 (DSN 664-9140) or Mr. Kent E. Shaw at (703) 604-9152 (DSN 664-9152).



Robert J. Lieberman
Assistant Inspector General
for Auditing

Enclosure

cc:

Commandant, U. S. Marine Corps
Assistant Secretary of the Navy (Financial Management)
Assistant Secretary of the Air Force (Financial Management and Comptroller)
Director, Defense Finance and Accounting Service
Director, Washington Headquarters Services
Commanding Officer, Naval Computer and Telecommunications Station

REPORT ON ANTIDEFICIENCY ACT INVESTIGATION

**Appropriation Investigated: Real Property Maintenance, Defense,
Supplemental Appropriation
Account 97 93 0131**

Investigating Entity: Office of the Inspector General, Department of Defense

Date: September 9, 1994

Report of No Violation

The investigation found no violation of the Antideficiency Act. The negative balance in the Real Property Maintenance, Defense, Supplemental Appropriation Account 97 93 0131 (Supplemental Appropriation) was the result of inaccurate reporting to the Department of the Treasury (Treasury) by the Defense Finance and Accounting Service (DFAS) Cleveland Center for the Navy and the DFAS Indianapolis Center for the Army. Additionally, the Air Force had erroneously charged a travel voucher to the Supplemental Appropriation.

The Army and the Navy transactions were corrected and reported to Treasury on the Treasury Form Standard (TFS) 224, "Statement of Transactions," for April 1994. Transactions totaling \$9,982.00 by the Army and \$40,284,750.55 by the Navy were reversed; the Supplemental Appropriation was credited; and the Real Property Maintenance, Defense Appropriation Account 97 93/94 0131 (RPM,D multiple-year appropriation) was correctly debited. Correction of the errors returned the Supplemental Appropriation to a positive balance and did not cause the RPM,D multiple-year appropriation to become deficient. All related obligations and disbursements were posted to the correct appropriations in the Navy's, Marine Corps' and Army's own internal records. The Air Force travel voucher for \$785.93 erroneously charged against the Supplemental Appropriation had not been removed.

The DFAS Cleveland Center used reports prepared by the Naval Computer and Telecommunications Station (NCTS) that erroneously reflected all Navy and Marine Corps disbursements for August and September 1993 for the RPM,D multiple-year appropriation as charges against the Supplemental Appropriation. The related obligations and expenditures were properly recorded in the RPM,D multiple-year appropriation on Navy and Marine Corps records. Human error and programming deficiencies at the NCTS caused the disbursements to be erroneously reported to Treasury against the Supplemental Appropriation.

The DFAS Indianapolis Center posted an adjusting journal entry to the Supplemental Appropriation that should have been posted to the RPM,D multiple-year appropriation. An accountant made the adjusting entry using an abbreviated appropriation fund citation. The entry did not pass through the system edits, which would have added the correct complete fund citation.

Air Force personnel in Doha, Qatar, charged a \$785.93 plane ticket against the Supplemental Appropriation that should have been charged to the Air Force, Operation and Maintenance Appropriation Account 57 93 3400. The plane ticket was purchased for the Commander, Red Horse Civil Engineering Squadron Program Office, Hurlburt Field, to travel from Doha, Qatar, to Hurlburt Field, Florida. The Commander's travel orders authorized travel to Lajes Field, Azores, under fund cite 97 3 0131.0200 and travel to Doha, Qatar, under fund cite 57 3 3400. The first fund cite on the travel orders was incomplete and was interpreted as the Supplemental Appropriation instead of the RPM,D multiple-year appropriation. The Air Force was not a fund holder for the Supplemental Appropriation, but did have funds under the RPM,D multiple-year appropriation.

The Commander did not have a return plane ticket to Hurlburt Field, Florida; therefore, Air Force personnel at the U.S. Embassy in Doha, Qatar, issued the return ticket and prepared a voucher erroneously citing 97 3 0131.200 instead of 57 3 3400. That administrative error increased the negative balance in the Supplemental Appropriation. If not corrected, the transaction violates 31 U.S.C. 1501, "Documentary evidence requirement for government obligations," and 31 U.S.C. 1301, "Application." The charge for the return ticket was reported to Treasury by the State Department's disbursing office in Paris, France.

Funds Involved

The Supplemental Appropriation was established on July 2, 1993, when Congress passed Public Law 103-50, "Supplemental Appropriations Act of 1993." Congress appropriated "an additional amount of \$29,098,000 for the Real Property Maintenance, Defense, account" in response to a request from the Assistant Secretary of the Navy (Financial Management) to the Comptroller of the Department of Defense for supplemental funding to repair flood damage at Marine Corps bases El Toro and Camp Pendleton, California.

Fund Holder

The Department of the Navy was the executive agency for the Supplemental Appropriation, and the Marine Corps was the fund holder.

Where the Potential Violation Occurred

Navy disbursements totaling \$19,832,116.07 for August 1993 and \$20,452,634.48 for September 1993 were erroneously reported to the Treasury by the DFAS Cleveland Center through the NCTS as disbursements against the Supplemental Appropriation instead of the RPM,D multiple-year appropriation.

Similarly, the Army transaction for \$9,982.00 was also erroneously reported to Treasury by the DFAS Indianapolis Center during March 1994 as an adjustment against the Supplemental Appropriation instead of the RPM,D multiple-year appropriation.

Report on Antideficiency Act Investigation

Air Force personnel in Doha, Qatar, used the wrong fund cite on a travel voucher. The State Department disbursing office in Paris, France, reported the transaction for \$785.93 against the Supplemental Appropriation in September 1993 for the Air Force, even though the Air Force was not a fund holder for the Supplemental Appropriation.

Amount of Fund Authorizations Exceeded

The Supplemental Appropriation balance in September 1993 was a negative \$11,187,536.48, reflecting cumulative disbursements of \$40,285,536.48 against budget authority of \$29,098,000. The Army charged an additional \$9,982.00 against the Supplemental Appropriation in March 1994, resulting in a negative balance of \$11,197,518.48 as of March 31, 1994.

Amounts Involved in the Potential Violation

As shown by the table, expenditures reported for the Supplemental Appropriation exceeded the authorized and appropriated funds by \$11,197,518.48 as of March 31, 1994.

Department of the Treasury Summary of Expenditures Charged to the Real Property Maintenance, Defense, Supplemental Appropriation Account 97 93 0131

<u>Reporting Month</u>	<u>Reported by</u>	<u>Disbursements Reported to Treasury</u>	<u>Resulting Fund Balance</u>
Balance			
July 1993			\$29,098,000.00
Aug. 1993	Navy	\$19,797,753.68	9,300,246.32
Aug. 1993	Navy	34,362.39	9,265,883.93
Sept. 1993	Navy	20,410,334.80	(11,144,450.87)
Sept. 1993	Navy	42,299.68	(11,186,750.55)
Sept. 1993	State		
	Department	785.93	(11,187,536.48)
Mar. 1994	Army	<u>9,982.00</u>	(11,197,518.48)
Total		<u>\$40,295,518.48</u>	

Date Transactions Processed

As the table shows, erroneous expenditure transactions were posted to the Supplemental Appropriation during August 1993, September 1993, and March 1994.

Date of Discovery

In October 1993, the negative balance was discovered by the Defense Accounting Office, Arlington, Virginia, an office of the DFAS Cleveland Center, based on the Treasury reports TFS 6654, "Undisbursed Appropriation Account - Trial Balance," and TFS 6653, "Undisbursed Appropriation Account Ledger," for the period ending September 30, 1993. Headquarters, DFAS, notified the Comptroller of the Department of Defense and the DFAS Cleveland Center of the negative balance; however, no other action was taken by the DFAS to resolve the negative balance.

The Navy and Marine Corps internal reporting systems correctly reflected the disbursements against the RPM,D multiple-year appropriation and not the Supplemental Appropriation. The Navy and the Marine Corps also did not receive copies of the TFS 6654 or TFS 6653. The Navy Comptroller and the Headquarters, U.S. Marine Corps, were not aware of the negative balance until interviewed during the course of our investigation. As a result, the Supplemental Appropriation remained negative for 6 months without triggering any substantive action to investigate the cause of the negative balance. The Treasury reports at the appropriation level are the only place where the negative balances were reflected, since Navy and Marine Corps internal systems correctly posted the transactions as intended against the RPM,D multiple-year appropriation.

Type of Violation

No Antideficiency Act violation was found. The errors made by the Army and the Navy were the result of posting the disbursements to the wrong appropriation account at the Treasury. Accounting adjustments were made in April 1994 to correct the errors and did not result in negative balances in either the RPM,D multiple-year appropriation or the Supplemental Appropriation. The incorrect posting of the Air Force travel voucher was an administrative error. If not corrected, the transaction violates 31 U.S.C. 1501, "Documentary evidence requirement for government obligations," and 31 U.S.C. 1301, "Application."

Name and Position of the Responsible Person

Since no violation occurred as a result of incorrect posting of the Navy and the Army transactions, we did not attempt to identify the specific persons responsible for those errors. However, the accounting errors occurred at the NCTS, Washington, D.C., and the DFAS Indianapolis Center and were directly or indirectly the result of system errors. The Air Force fiscal officer in the United States Liaison Office at the U.S. Embassy in Doha, Qatar, cited the wrong fund on the travel voucher. No substantive action was taken by Headquarters, DFAS; the Defense Accounting Office, Arlington, Virginia; the DFAS Cleveland Center; or the Navy to identify the cause for the negative balance in the Supplemental Appropriation.

Disciplinary Action Taken

No disciplinary action had been taken, and we do not recommend that any be taken.

System Adequacy

The system the Marine Corps uses to track its appropriation allocations, the Headquarters Accounting System (HAS), and the Army system, Expenditure, are both inadequate because they allow space for only one digit to identify the appropriation year. Treasury assigns the appropriation account codes using both the beginning and ending fiscal years for multiple-year appropriations. HAS and Expenditure were originally designed to track Operation and Maintenance funds (traditionally an annual appropriation) and were never upgraded to handle multiple-year appropriations.

Marine Corps transactions are reported in detail to the DFAS Kansas City Center, which reports the transactions in summary to DFAS Cleveland Center for incorporation in the Navy Centralized Expenditure and Reimbursement Processing System (CERPS) for reporting to the Office of the Secretary of Defense and the Treasury. The mainframe computers that process the Navy and Marine Corps data for both the DFAS Kansas City and Cleveland Centers are located at the NCTS in the Washington Navy Yard, Washington, D.C. NCTS receives the data electronically transmitted by the various disbursing offices, processes the data using the Navy's CERPS, and transmits all output and reports to the DFAS Centers. Similarly, when notified to do so by the DFAS, NCTS converts the monthly summary data into the Treasury format and electronically transmits it to Treasury. Because several of the CERPS "feeder" systems, such as HAS, report only the beginning year of an appropriation, CERPS extracts only the appropriation beginning year from the transactions summarized for reporting to Treasury. CERPS then refers to a system table of multiple-year appropriations to determine the ending year for the appropriation. All multiple-year appropriations should be loaded into that table. If an appropriation is not found in the table, the system default assigns the same ending year as the beginning year, reporting it as an annual appropriation.

Personnel at the NCTS stated that the RPM,D multiple-year appropriation was not properly loaded into the table at the start of FY 1993 because the NCTS did not receive notice of the appropriation from the DFAS Cleveland Center. Consequently, all the reports to Treasury from NCTS for the DFAS Cleveland Center submitted during FY 1993 mistakenly reported transactions for the RPM,D multiple-year appropriation available for FYs 1993 and 1994, as if it were an annual appropriation under the account code later used for the Supplemental Appropriation.

Since the Supplemental Appropriation account number did not exist on Treasury's records until August 1993, Treasury posted the transactions so reported for October 1992 through July 1993 to the RPM,D multiple-year appropriation account. That meant the transactions ended up being posted at Treasury against the proper appropriation account. Since the transactions were posted correctly, the DFAS and NCTS were not aware of the reporting errors. Once the Treasury had established the Supplemental Appropriation as a valid annual appropriation, however, the August and September RPM,D multiple-year appropriation transactions were posted to the

Supplemental Appropriation in excess of budget authority, resulting in a negative account balance.

The Army Expenditure system also uses system edit tables to differentiate between multiple-year and annual appropriations when disbursement data is reported to the Treasury. The Expenditure system obtains disbursing data from Army field activities using electronic file transfers. Similar to the Marine Corps system, the field data only has one character for the fiscal year in the appropriation coding. The disbursement data is processed through edit tables that convert the single number for the fiscal year into a multiple-year appropriation or an annual appropriation expenditure. Once the edits are complete, the expenditure data is summarized and reported to the Treasury on various reports, including the TFS 224.

The Army error for \$9,982.00 occurred when an accountant made an adjusting journal entry for the RPM,D multiple-year appropriation with an incomplete appropriation fund citation that only included the beginning fiscal year instead of both the beginning and ending fiscal years. The journal entry was not processed through the edit tables, which would have converted the transaction to the proper multiple-year appropriation fund citation. Consequently, when reported to the Treasury, the transaction was posted against the Supplemental Appropriation.

Other Matters - Transfer of Expenditures between Appropriations

The Marine Corps requested that the DFAS Kansas City Center transfer to the Supplemental Appropriation obligations and disbursements totaling \$4,391,222.00 that had been previously recorded in the RPM,D multiple-year appropriation. The appropriate accounting entries to support the shift of obligations and disbursements to the Supplemental Appropriation were never prepared, posted to the accounting records, or reported on the TFS 224 to Treasury because the Marine Corps had not identified the specific transactions to be moved. Even though the accounting transactions were never made, the DFAS Kansas City Center reported the \$4,391,222.00 as obligations and disbursements against the Supplemental Appropriation on the DD Forms 1176, "Report on Budget Execution," for October 1993 and subsequent months. The DD Forms 1176 were submitted electronically, without signature; therefore, we could not readily establish responsibility for the misstatements. Because the specific obligations and disbursements making up the \$4,391,222.00 were not identified, we could not determine whether or not they were properly chargeable to the Supplemental Appropriation. Since nothing related to the requested shift of obligations and disbursements between appropriations was recorded in the accounting records or reported to Treasury, the matter had no effect on the negative balances. However, failure to correct the DD Forms 1176 could result in other reporting violations.

Recommendations for Corrective Action

The Comptroller of the Department of Defense should:

1. Establish policy and procedures to require monthly reconciliation of Treasury Form Standard 224, "Statement of Transactions," to the Department of Treasury reports

Treasury Form Standard 6654, "Undisbursed Appropriation Account - Trial Balance;" Treasury Form Standard 6653, "Undisbursed Appropriation Account Ledger;" and Defense Finance and Accounting Service Cash Book for Defense-wide appropriations.

2. Direct systems changes to the Expenditure System and the Headquarters Accounting System used by the Army and the Marine Corps, respectively, to provide the capability to record the complete appropriation account number assigned by the Department of the Treasury.
3. Determine which accounting systems throughout the Department of Defense do not have the capability to record the complete appropriation account number assigned by the Department of the Treasury and direct system changes that would allow the inadequate accounting systems to report complete appropriation numbers without using a conversion table.
4. Require that a copy of all DD Forms 1176, "Report on Budget Execution," be signed by the responsible official at each level and retained on file for review, so that responsibility for accuracy of the report can be established. The DD Forms 1176 should be retained until the appropriation has been closed.
5. Require that the Assistant Secretary of the Air Force (Financial Management and Comptroller) correct the \$785.93 erroneous disbursement from the Real Property Maintenance, Defense, Supplemental Appropriation Account 97 93 0131 and charge the appropriate account.
6. Require the Commandant of the Marine Corps and the Director, Defense Finance and Accounting Service Kansas City Center, to:
 - a. Remove the \$4,391,222.00 of obligations and disbursements reported on lines 7 and 14 of the October 1993 DD Form 1176, "Report on Budget Execution," for FY 1993 Real Property Maintenance, Defense Supplemental Appropriation Account 97 93 0131 and subsequent months as applicable.
 - b. Verify that the unsupported \$4,391,222.00 of obligations and disbursements included on lines 7 and 14 of the DD Form 1176 since October 1993 are not reported on the Financial Management Service Form 2108, "Year-End Closing Statement," for FY 1994.
7. Require that the Director, Defense Finance and Accounting Service Kansas City Center, review the internal controls for preparation of the DD Form 1176, "Report on Budget Execution," that ensure accurate reporting consistent with the accounting records of transactions processed; investigate the circumstances surrounding preparation of the inaccurate DD Forms 1176 submitted for the FY 1993 Real Property Maintenance, Defense Supplemental Appropriation Account 97 93 0131 since October 1993; and take appropriate administrative action to ensure internal controls are in place and followed for accurate preparation of DD Forms 1176.