

November 24, 2006



# Financial Management

## Controls Over Army Cash and Other Monetary Assets (D-2007-028)

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### **Acronyms**

CDS	Central Disbursing Services
CONUS	Continental United States
DFAS	Defense Finance and Accounting Service
DMPO	Defense Military Pay Office
FMR	Financial Management Regulation
OMB	Office of Management and Budget
SF	Standard Form
SRD1	Standard Finance System Redesign Subsystem 1
STANFINS	Standard Finance System
USACE	U.S. Army Corps of Engineers
USSGL	U.S. Government Standard General Ledger



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November 24, 2006

MEMORANDUM FOR DIRECTOR, DEFENSE FINANCE AND ACCOUNTING  
SERVICE  
AUDITOR GENERAL, DEPARTMENT OF THE ARMY

SUBJECT: Report on Controls Over Army Cash and Other Monetary Assets  
(Report No. D-2007-028)

We are providing this 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. Comments provided by the Director of the Defense Finance and Accounting Service Indianapolis Operations were not responsive. We request additional comments from the Director of the Defense Finance and Accounting Service Indianapolis Operations on Recommendations 2.a, 2.b, 2.c.i, and 2.d.i by January 26, 2007. We deleted recommendation 2.f.

If possible, please send management comments in electronic format (Adobe Acrobat file only) to AudDFS@dodig.mil. Copies of the management comments must contain the actual signature of the authorizing official. We cannot accept the / Signed / symbol in place of the actual signature. If you arrange to send classified comments electronically, they must be sent over the SECRET Internet Protocol Router Network (SIPRNET).

We appreciate the courtesies extended to the staff. Questions should be directed to Mr. Jack L. Armstrong at (317) 510-4801, ext. 274 (DSN 699-4801) or Mr. Craig W. Michaels at (317) 510-4801, ext. 230 (DSN 699-4801). See Appendix F for the report distribution. The team members are listed inside the back cover.

By direction of the Deputy Inspector General for Auditing:

A handwritten signature in black ink, appearing to read "Paul J. Granetto".

Paul J. Granetto, CPA  
Assistant Inspector General and Director  
Defense Financial Auditing Service

## Department of Defense Office of Inspector General

Report No. D-2007-028

November 24, 2006

(Project No. D2005-D000FI-0271.000)

### Audit of Controls Over Army Cash and Other Monetary Assets

#### Executive Summary

**Who Should Read This Report and Why?** DoD personnel responsible for recording, reporting, and safeguarding Army Cash and Other Monetary Assets should read this report. It discusses Army cash controls and auditability.

**Background.** The FY 2005 DoD Agency-wide Consolidated Balance Sheet reported \$2.1 billion in Cash and Other Monetary Assets. Of this amount, \$1.5 billion, or 72 percent, was reported on the Army General Fund balance sheet. The \$1.5 billion reported on the Army General Fund balance sheet included \$0.4 billion (25 percent) of operational cash accounted for in the Continental United States and \$1.1 billion (75 percent) of cash accounted for outside of the Continental United States. In August 2005, the Army's Chief Financial Officers Strategic Plan reported that the Army would be ready to assert by October 31, 2005, that the Cash and Other Monetary Assets line on the Army General Fund balance sheet was auditable. To assist the Army in determining its readiness for an audit, we reviewed the internal controls over the accounting data related to the operational cash and other monetary assets accounted for in the Continental United States to determine whether the data were recorded, accumulated, and reported properly and that the assets were adequately safeguarded.

**Results.** Internal and physical controls over Army cash were inadequate. The Assistant Secretary of the Army (Financial Management and Comptroller) needs to develop a plan to resolve internal control weaknesses identified in this report and include it in the Army Chief Financial Officers Strategic Plan and the Financial Improvement and Audit Readiness Plan.

The Director, Central Disbursing Services at Defense Finance and Accounting Service Indianapolis needs to develop a complete roster of agent officers so that they can be easily contacted when information is needed. Central Disbursing Services should enforce the existing requirement that agent officers sign and return the Statements of Agent Accountability upon receipt. Also, bringing the Central Disbursing Services Procedures Manual and limited depository accounts operating procedures into compliance with DoD 7000.14-R, "DoD Financial Management Regulation," requirements will improve accountability over cash assets and bring the Army Cash and Other Monetary Assets line of accounting closer to being auditable.

U.S. Army Corps of Engineers Finance Center can better safeguard cash assets and disbursing staff by implementing procedures to verify blank check stock and limited depository accounts and by improving physical security measures to meet the requirements of DoD 7000.14-R, "DoD Financial Management Regulation." (See detailed recommendations at the end of the Finding section.)

**Management Comments and Audit Response.** The Assistant Secretary of the Army (Financial Management and Comptroller) concurred with the recommendation to include tasks that address the internal control deficiencies in the Army Chief Financial Officers Strategic Plan and the Financial Improvement and Audit Readiness Plan by March 31, 2007. As a result, we deleted the recommendation to the Director, Central Disbursing Services for disclosing cash accounting and reporting internal control weaknesses in the Central Disbursing Services' internal control program.

Comments provided by the Director, Defense Finance and Accounting Service Indianapolis Operations were responsive for nine of the recommendations. The Director stated that the procedures in the Centralized Disbursing Services Procedures Manual were updated July 26, 2006. The updated manual provides improved procedures for cash verifications and reporting, Treasury check stock and blank check internal controls, and physical security over cash. It requires that agent officer appointment letters meet the requirements in the DoD 7000.14-R, "DoD Financial Management Regulation." In addition, the Director agreed to update the limited depository accounts operating procedures to require the disbursing officer to review and sign Statements of Designated Depository Accounts and to ensure emphasis is placed on limited depository account training.

The Director's comments were not responsive to four of the recommendations. The Director stated that there is no regulatory requirement to centrally maintain an agent officer roster. We agree. However, there is a requirement that sufficient detail be retained to permit the tracing of transactions to the original source. Maintaining an agent officer roster would temporarily meet this audit trail requirement. The Director stated that queries of a Treasury system to obtain copies of signed checks would be proof of receipt of funds when a Statement of Agent Officer's Account is not returned. The Director's reply emphasizes reactive measures and requires DFAS to seek proof of receipt instead of enforcing regulatory requirements and retaining proof of agent officer fiduciary responsibility. The Director did not agree to require all agent officers to prepare and submit Daily Agent Accountability Summaries. Without a daily record of transactions from Army paying agents, the Army will be unable to provide an adequate audit trail. Finally, the Director stated it is not practical for activities in remote areas to receive and reconcile banking statements within 30 days. The Director plans to request that the DoD 7000.14-R, "DoD Financial Management Regulation," requirement be changed to 60 days. We agree that the 30-day reconciliation regulatory requirement is not practical for remote activities; however, the DoD 7000.14-R, "DoD Financial Management Regulation," should be updated to define when a waiver to the 30-day rule can be granted and the process for granting it. We request that the Director reconsider his position on these four recommendations and provide additional comments to the final report by January 26, 2007.

The Director, U.S. Army Corps of Engineers Finance Center concurred with the recommendations and stated they have implemented programs and updated procedures to address issues related to independent verifications and security procedures. See the Finding section for a discussion of management comments and the Management Comments section for the complete text of the comments.

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## Background

In August 2005, the Army's Chief Financial Officers Strategic Plan reported that the Army would be ready to assert on the Cash and Other Monetary Assets line of the Army General Fund balance sheet by October 31, 2005.<sup>1</sup> By asserting on Cash and Other Monetary Assets, Army management would be representing that the line item is auditable. The Defense Finance and Accounting Service (DFAS) Indianapolis Audit Liaison Office requested that we perform this audit.

**Cash and Other Monetary Assets.** DoD 7000.14-R, "DoD Financial Management Regulation," (FMR) provides guidance for controlling, recording, and reporting Cash and Other Monetary Assets. FMR, volume 6B, chapter 4, defines "cash" as coins, paper currency, and readily negotiable instruments such as money orders, checks, and bank drafts on hand or in transit for deposit. The term also includes U.S. and foreign currencies on demand deposit with banks or other financial institutions. "Other Monetary Assets" includes gold, special drawing rights, and U.S. Reserves in the International Monetary Fund.

FMR, volume 4, chapter 2, further defines the "Disbursing Officer's Cash" general ledger account as the account used to record the amount of U.S. Treasury cash held by disbursing officers and for which they are personally liable. The balance in this account is not considered an asset of a DoD Component for external statement purposes; rather it represents U.S. Treasury cash advanced to disbursing officers. Sources of entries to the account include requests for cash, invoices for transferred funds, reimbursement vouchers, and disbursement records. Office of Management and Budget (OMB) Circular A-127, "Financial Management Systems," requires that agency financial management system requirements comply with application of the U.S. Government Standard General Ledger (USSGL) at the transaction level. Appendix C contains additional OMB and FMR cash accounting and reporting requirements.

**Disbursing Officer Responsibility.** Managers who supervise personnel holding cash are accountable for maintaining appropriate accounting and internal controls over the assets. This responsibility includes insuring the legality, propriety, and correctness of disbursements and collections of public funds. The function of regularly receiving and maintaining custody of public funds is generally performed by disbursing officers and their duly appointed "agent officers" such as deputy disbursing officers, agents, and cashiers.

The disbursing officers are accountable to the U.S. Treasury for the cash items, including receivables, in their possession. The Statement of Accountability, Standard Form (SF) 1219 (Monthly Accountability Form) is the disbursing officer's official monthly record and report of cash accountability. The disbursing officer's daily accountability is maintained on the Daily Statement of Accountability, SF 2657 (Daily Accountability Form). Disbursement and collection transactions are reported on both the Monthly and Daily Accountability

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<sup>1</sup> The April 2006 Edition of the Army Chief Financial Officers Strategic Plan reported that the Army would assert on the Cash and Other Monetary Assets line of the Army General Fund balance sheet by September 29, 2006.

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Forms. Cash in the possession of disbursing officers should be reconciled daily using the Daily Accountability Form as the permanent written record. Documents representing cash for which the disbursing officer remains accountable, such as receipts for advances to agent officers, should be kept in the disbursing officer's vault or safe and accounted for daily on the forms described above.

The FMR states that the Daily Agent Accountability Summary, Department of Defense (DD) Form 2665 (Agent Accountability Form) is the daily accountability document for agent officers. Preparation of the Agent Accountability Form includes an actual count of all cash and negotiable instruments in the possession of the agent officers. Agent officers should use the Statement of Agent Officer's Account, DD Form 1081 (Agent Account Statement) as a summary of cash transactions and receipt for cash or to close agent officer accounts. Collection and disbursement vouchers, Agent Accountability Forms, and any remaining cash must be turned in to the disbursing officer with the Agent Account Statement. The disbursing officer or deputy disbursing officer should normally balance all agent officers' cash daily, using the Agent Accountability Form. However, agent officers who are remotely located from the disbursing officer (for example, disbursing officer in Indianapolis with an agent officer in Afghanistan) are not required to submit the Agent Accountability Form to the disbursing officer daily. To maintain a daily record of transactions, agent officers in remote locations still must prepare a daily Agent Accountability Form. The Agent Accountability Forms along, with all supporting documentation (collection and disbursement vouchers and bank deposit tickets) and the Agent Account Statement, should be submitted to the disbursing officer whenever a turn-in is completed. The flow chart in Appendix D shows the accountability for cash.

**DFAS Central Disbursing Services.** The Central Disbursing Services (CDS) at DFAS Indianapolis Operations prepares and distributes payments and collections for the Army. CDS performs disbursing operations in partnership with organizations that certify payments, accept collections, and maintain accounting records. These organizations include field sites,<sup>2</sup> U.S. Property and Fiscal Offices, and DFAS Indianapolis Operations. CDS maintains a procedures manual that provides implementing guidance and letters of instruction for CDS operations and functions.

**U.S. Army Corps of Engineers Finance Center.** The U.S. Army Corps of Engineers (USACE) Finance Center, Millington, Tennessee, performs the financial accounting and reporting for USACE including the disbursement of funds. The USACE Finance Center does not physically maintain cash; however, the disbursing officer is accountable for, and makes disbursements from, cash on deposit in limited depository accounts, including foreign currency. USACE reported \$344 million of foreign currency on deposit in limited depository accounts at the end of FY 2005.

**Army General Fund Cash.** The Army General Fund accounted for \$1.5 billion (72 percent) of the \$2.1 billion of Cash reported on the FY 2005 DoD Agency-wide Consolidated Balance Sheet. Of the \$1.5 billion in Army cash,

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<sup>2</sup> Field sites are DFAS activities that provide installation level finance and accounting services.



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\$0.4 billion (25 percent) was accounted for at sites in the Continental United States (CONUS). The remaining \$1.1 billion (75 percent) in Army cash was accounted for at sites outside CONUS.

**Assertion Process.** The Army's Chief Financial Officers Strategic Plan, Army's road map to achieving a favorable audit opinion on the Army's annual financial statements, supports the Army's input into the DoD Financial Improvement and Audit Readiness Plan. The DoD Financial Improvement and Audit Readiness Plan was developed to improve financial accounting and reporting processes and controls. According to the DoD Financial Improvement and Audit Readiness Plan, there are five phases that make up the assertion process. Appendix E describes those five major phases. In August 2005, the Army's Chief Financial Officers Strategic Plan reported that the Army would reach the "Assertion" phase for the cash line of accounting by October 31, 2005. However, at that time the Army was only in the "Discovery/Correction" phase. As part of the "Discovery/Correction" phase, the DFAS Indianapolis Operations Audit Liaison Office requested that the DoD Office of Inspector General review the internal controls over cash. The DFAS Indianapolis Operations Audit Liaison Office is compiling an assertion package for Army cash, so that when internal control deficiencies are corrected, the Army will be able to assert audit readiness.

## Objectives

Our audit objective was to determine whether internal controls over Army Cash and Other Monetary Assets provide reasonable assurance that accounting data are recorded, accumulated, and reported properly and that assets are safeguarded. We also reviewed the management control program as it related to the objective. See Appendix A for a discussion of the scope and methodology and for prior coverage related to the objectives.

## Managers' Internal Control Program

We identified material internal control weaknesses at CDS, as defined by DoD Directive 5010.38, "Management Control (MC) Program," August 26, 1996, and DoD Instruction 5010.40, "Management Control (MC) Program Procedures," August 28, 1996.<sup>3</sup> Internal and physical controls were not adequate to ensure that cash was properly recorded, reported, and safeguarded. Recommendations 1., 2., and 3., if implemented, will improve cash controls. The finding section discusses the details of the internal control weakness and the adequacy of management's self evaluation process. A copy of the final report will be provided to the senior official responsible for the Internal Control Program at DFAS Indianapolis Operations.

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<sup>3</sup> We reviewed internal controls under the auspices of DoD Directive 5010.38, "Management Control (MC) Program," August 26, 1996, and DoD Instruction 5010.40, "Management Control (MC) Program Procedures," August 28, 1996. DoD Directive 5010.38 was canceled on April 3, 2006. DoD Instruction 5010.40, "Managers' Internal Control (MIC) Program Procedures," was reissued on January 4, 2006.

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## Controls Over Cash

Internal and physical controls over Army cash were inadequate. Controls were deficient in the following areas.

- Audit trails were inadequate and DFAS did not use USSGL accounting to prepare the Army General Fund balance sheet.
- Cash receipts, returns, and daily transactions were not timely recorded and reported.
- Verifications and reconciliations were inadequate, were not properly reported, or were not consistently performed.
- Physical security over cash was inadequate.
- Agent officer appointment letters were not properly prepared.

The Army and DFAS were not in compliance with the OMB and FMR requirements. Disbursing officer standard operating procedures were not updated to reflect the requirements in the FMR. As a result, there was no assurance that cash transactions were recorded, accumulated, and reported properly and that cash was adequately safeguarded. DFAS Indianapolis Operations did not rely on general ledger data and made a \$1.5 billion adjustment to an unreliable and unauditible source to record cash on the Army General Fund balance sheet. Inadequate internal controls increased the vulnerability to fraud and potential misstatement of cash on the Army General Fund balance sheet. The Army will not be able to assert that cash reported on the Army General Fund balance sheet is ready for audit until they overcome audit trail impediments.

## Audit Trails and General Ledger Accounting

Audit trails were inadequate to verify operational, unclassified, CONUS disbursing officer cash reported on the Army General Fund balance sheet. Financial transactions could neither be traced from origin to the financial statements nor from the financial statements back to the point of origin. The Army did not use a transaction-driven, USSGL compliant accounting system to record, accumulate, and report cash transactions. Cash accountability was not always updated or closed out in a timely manner. In addition, the Army did not maintain a central repository of detailed agent officer information such as agent cash accountability and contact information.

**General Ledger at the Transaction Level.** The \$1.5 billion cash amount reported on the FY 2005 Army General Fund Balance Sheet was not based on USSGL transactions. OMB Circular A-127, "Financial Management Systems" and the FMR, volume 1, chapter 3 require transactions to be recorded in general ledger accounts. Cash reported on the Army General Fund balance sheet was derived from the Monthly Accountability Form (SF 1219), which was not

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prepared from accounting transactions under double-entry general ledger controls.<sup>4</sup> DFAS Indianapolis Operations did not rely on the amount reported in the field accounting systems and made an adjustment to the accounting records to record the \$1.5 billion reported on the Monthly Accountability Form. The Monthly Accountability Form provides monthly summary totals of all receipts and expenditures of public funds occurring during the accounting period and the status of the disbursing officer's account at the close of that period. However, the Monthly Accountability Form needs to be reliable and auditable.

**Accounting for Army Cash.** Accounting personnel did not enter cash transactions into the Standard Finance System Redesign Subsystem 1 (SRD1) and Standard Finance System (STANFINS) in a timely manner. CDS cash payments and collections are recorded by the accounting personnel into SRD1, a module of STANFINS. Both SRD1 and STANFINS are legacy systems. STANFINS is a fully-automated, Army-wide standard accounting system designed to provide support at Army installations and general ledger control over financial resources. SRD1 summarizes Army cash payment and collection transactions and passes them electronically to STANFINS to automatically update the cash balance in the general ledger.

None of the 107 paying agents of the deputy disbursing officer at the Defense Military Pay Office (DMPO) Pentagon with cash on hand as of December 13, 2005, entered disbursements into SRD1 as they occurred. The deputy disbursing officer only entered the cash advances to the agents and cash returns from the agents into SRD1 to close out cash accountability. In addition, CDS reported \$10,000 cash on hand at the DMPO, Fort Knox, Kentucky, on September 30, 2005. Our observation of cash verification on February 9, 2006, was \$9,500 cash on hand. The \$500 difference was a travel advance disbursed by the DMPO 5 months earlier on September 9, 2005. Because the Service member was in the Air Force, the deputy disbursing officer did not have all the necessary information to enter the transaction into SRD1. CDS had directed the deputy disbursing officer to submit a copy of the voucher and supporting documents so they could process the transaction in SRD1; however, at the time of our observation CDS had not processed the transaction.

**Central Repository of Detailed Agent Officer Information.** CDS did not maintain an updated central file containing detailed agent information such as agent cash accountability and contact information. In addition, CDS was not able to provide the number of agent officers accountable to the disbursing officer. A central repository containing detailed information is needed to comply with the audit trail requirements of FMR, volume 6A, chapter 2. CDS was able to provide the names and locations for deputy disbursing officers and cashiers; however, CDS could not provide up-to-date information on how many agents existed, agent identity, location, and cash on hand for those agent officers who did not report directly to the disbursing officer. For example, CDS could not provide the location of the 107 paying agents that received advances from the deputy disbursing officer at the DMPO Pentagon. CDS would have to execute a data call

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<sup>4</sup> General ledger controls include double-entry accounting (debits and credits) for assets, liabilities, equity, expenses, losses, gains, transfers in and out, and financing sources. These controls also include summary and detail general ledger accounts with the detail accounts reconcilable to the summary accounts.

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or perform extensive manual work to obtain the names, locations, or cash on hand for all individuals accountable to the disbursing officer. The lack of a central file of detailed agent information creates a significant obstacle for developing a universe of agent officers and transactions to review.

## Cash Receipts, Returns, and Transaction Reporting

The cash in custody of agents reported on the Monthly Accountability Form (SF 1219) was unreliable and unauditible. The cash balance reported on the Monthly Accountability Form includes cash in the hands of agent officers reported on their Agent Account Statement (DD Form 1081). The Agent Accountability Form (DD Form 2665) shows the daily transactions that have occurred that increased or decreased the cash the agent received with the original Agent Account Statement. The total cash accountability on the Agent Account Statement and the Agent Accountability Form should be equal. Timely completion and submission of the Agent Account Statement and the Agent Accountability Form is essential for accurate reporting of cash balances because the Agent Account Statement and the Agent Accountability Form provide support for the amounts on the Monthly Accountability Form.

**Statement of Agent Officer's Account (DD Form 1081).** Agent officers were not always properly acknowledging the receipt of cash advances from CDS or properly closing out their accounts. FMR, volume 5, chapter 19 requires that agent officers sign and date the Agent Account Statement to verify and acknowledge that the items received agree with the amounts stated on the Agent Account Statement, and that the original Agent Account Statement is returned to the disbursing officer as a receipt. In addition, the FMR requires that an Agent Account Statement be prepared by agent officers as a summary of cash transactions and vouchers on hand each time turn-in or settlement of the account occurs.

**Acknowledgement of Cash Receipt.** Only 8 of 20 CDS paying agents we reviewed had signed the Agent Account Statement when they initially received funds and had returned it to the disbursing office. CDS personnel were not emphasizing to agent officers that they had to return the Agent Account Statement after receiving the initial cash advance. CDS personnel were instead depending on a Treasury Department check system<sup>5</sup> to verify that agent officers had received funds. This lack of controls over returning signed original Agent Account Statements (DD Forms 1081) upon receipt of the initial cash advance could result in individuals not acknowledging receipt of funds disbursed to them. CDS should instruct agent officers on the importance of returning the signed and dated Agent Account Statement after receipt of a cash advance.

**Closing Out Agent Accounts.** Agent officers neither returned unused cash from their advances nor prepared and submitted Agent Account Statements

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<sup>5</sup> The Payments Accounting Claims Enhancements Reconciliation (PACER) system is a U.S. Department of Treasury check system that provides on-line access to payment status, the capability to initiate claims, and the ability to view the initial on-line disposition for Electronic Funds Transfer and check payments.

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immediately upon completion of their missions.<sup>6</sup> Agent officers were retaining cash and vouchers for cash disbursements after expiration of their appointments. For example, at the DMPO Pentagon 22 of the 248 agent advances outstanding had expired and had not been cleared with the deputy disbursing officer as of December 12, 2005. The auditors contacted 28 paying agents to determine how much cash they had on hand as of December 12, 2005. One paying agent did not report and the other 27 reported actual cash on hand of \$427.8 thousand, or \$680.8 thousand less than their Agent Account Statement balances of \$1.1 million. The Monthly Accountability Form (SF 1219) for CDS and the Army General Fund balance sheet overstated the amount of disbursing officer cash for the Army because agent officers did not close out their accounts timely.

**Daily Agent Accountability Summary (DD Form 2665).** Agent officers for the DMPO Pentagon did not prepare their Agent Accountability Forms for the days in which business was transacted. That form summarizes transactions for each business day and is a stand-alone document that provides a complete picture of the agent officer's accountability from day to day. FMR, volume 5, chapter 19 states that all disbursing officer deputies, agents, and cashiers must prepare an Agent Accountability Form (DD Form 2665) for each day business is transacted. The deputy disbursing officer at the DMPO Pentagon did not require agent officers to prepare the form daily. On December 13, 2005, the deputy disbursing officer at the DMPO Pentagon had 107 agent officers with \$1.4 million cash advances outstanding. The deputy disbursing officer was not aware that the FMR requires that the 107 agents submit an Agent Accountability Form. He also stated that during his tenure as the deputy disbursing officer for CDS, such a form had never been submitted by agent officers. In addition, the CDS Procedures Manual does not provide guidance requiring that all agent officers submit the form.

## Verification and Reconciliation Procedures

Only three of the seven disbursing sites visited performed all required cash verification elements. These results are depicted in Table 1.

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<sup>6</sup>For example, a mission in an appointment letter might be to make expenditures while escorting a Congressional staff delegation or for officially approved representation at fund events in support of a humanitarian award program.

**Table 1. Independent Verifications Conducted in FY 2005**

<u>Sites</u>	<u>Cash</u>	<u>Check Stock</u>	<u>LDA Balances</u>
CDS Indianapolis	N/A	No	No
Walter Reed Army Medical Center*	Yes	N/A	N/A
Pentagon*	Yes	No	N/A
Fort Bragg*	Yes	Yes	N/A
Fort Campbell*	Yes	Yes	N/A
Fort Knox*	No	No	N/A
USACE Finance Center	N/A	No	No

\* These are CDS disbursing sites.

**Cash Verifications.** One disbursing site had not completed a quarterly cash verification as required by FMR, volume 5, Appendix A, since September 2004. That guidance requires quarterly independent cash verifications and provides the cash verification procedures, a cash verification checklist, and reporting requirements for disbursing personnel. Disbursing site reports we reviewed did not consistently contain required information. For example, submitted reports did not always include the required form describing the results of a physical security review as defined in the FMR. Additionally, the date of the last quarterly cash verification was often not stated in the current cash verification report. Most disbursing sites that submitted reports did not report cash balances held by paying agents, and no site actually counted out the cash held by paying agents. The cash verification report format varied substantially among the CDS disbursing sites. Guidance in the CDS Procedures Manual incorrectly stated that the cash verification report need only include the total amount of cash; the beginning and ending numbers of blank Treasury check stock pertaining to CDS; and the date, payee, and amount of each paid deferred voucher.

**Blank Check Stock Verifications.** CDS and three other sites did not perform verifications of check stock required by FMR, volume 5, Appendix A. Two of the sites visited, CDS and Fort Knox, Kentucky, had not performed blank check stock verifications since calendar year 2004. The USACE Finance Center had blank check stock, but had never performed check stock verifications. The DMPO Pentagon had independent cash verifications performed, but the verification team did not verify blank check stock.

In addition, CDS did not maintain a control log or perform physical inventory of blank check stock as required by FMR, volume 5, chapter 7. The CDS Manual did not address disbursing officer responsibilities regarding control logs to include control log review or the periodic physical inventory of blank check stock. CDS had two types of Treasury check stock, pre-numbered stock and large rolls of unnumbered stock (80,000 blank checks per roll). The pre-numbered check stock was properly secured but was not inventoried every 90 days as required by the FMR. The pre-numbered check stock was rarely used by CDS.

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Infrequent use did not negate the need for a periodic inventory because this type of pre-numbered check stock was still used by various CDS disbursing sites. Additionally, CDS did not prepare a blank check control log (a perpetual inventory) for the large rolls of unnumbered check stock used on the high volume check printers. Each blank check on a large roll has a unique inventory control number allowing individual identification or tracking. Although the unused rolls were inventoried on a monthly basis, no control log tracking the individual inventory control number of each blank check was prepared. In addition, the control log was not reviewed on a daily basis as called for in the FMR.

**Limited Depository Account Verifications.** The two sites that used limited depository accounts did not have the account balances independently verified quarterly, as required by FMR, volume 5, Appendix A. The USACE Finance Center had limited depository accounts, but had never performed the limited depository account balance verification. CDS had not performed limited depository account balance verifications since calendar year 2004.

In addition, CDS reconciliations of limited depository accounts were not complete, accurate, timely, or signed by the disbursing officer. FMR, volume 5, chapter 14 states that Reconciliations should be performed by completing the Statement of Designated Depository Account (SF 1149). The account holder completes this statement reconciling the limited depository account check book balance with the limited depository account bank statement balance. When the reconciliation is complete, the account holder sends the statement along with supporting documentation to CDS for review. Our review of the 10 statements completed for June 2005 determined that 6 of them had 1 or more of the following discrepancies:

- the monetary unit, account number, or serial numbers for checks used were blank or not correct;
- the statements were not dated; or
- reconciliation amounts did not agree with supporting documentation.

The FMR requires that the statement be prepared and submitted within 30 days following the close of each calendar month. The CDS operating procedures for limited depository account reconciliations did not include processes to monitor the submission of statements. As a result, reconciliations were not completed and submitted within the 30 day period for 2 of the 10 accounts. In addition, the 10 statements were signed not by the disbursing officer, but by the deputy disbursing officer (the account holder). The FMR requires that the disbursing officer countersign the statement before it is forwarded to the servicing DFAS center. In this case the disbursing officer is located at DFAS Indianapolis Operations and should sign the statements once they arrive. The deputy disbursing officers were not knowledgeable of the procedures for completing and processing the statements.

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## Physical Security of Cash

Disbursing officers and deputy disbursing officers did not meet the FMR requirements for security of cash; therefore, the cash was not physically secure. FMR, volume 5, chapter 3, “Safeguarding Funds and Related Documents,” lists several methods required to ensure the safety of the accountable assets. The FMR states that disbursing officers and deputy disbursing officers must:

- develop a security program or policy that includes requirements for personnel protection, periodic reviews of security, testing security equipment, and for adequate protection for the maximum amount of public funds;
- maintain an Intrusion Detection System to deter entry into general disbursing areas;<sup>7</sup>
- conduct semiannual inspections of office security measures;
- conduct combination changes on vaults, safes, and fund containers every 6 months and after personnel separations;
- maintain a record of combination changes;
- maintain an accountable person’s name and phone number inside the vault, safe, or fund container; and
- maintain strict control over the keys to the disbursing area.

We reviewed the physical control measures at five selected sites and none satisfied all of the FMR requirements for the safeguarding of funds. Table 2 presents the results of our review.

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<sup>7</sup> The DoD supports a policy on the use of Intrusion Detection Systems for resource protection purposes; however, Intrusion Detection Systems are not a requirement of the FMR.



**Table 2. Safeguarding of Funds**

<u>Safeguarding Method</u>	<u>Sites Reviewed</u>				
	<u>CDS</u>	<u>USACE</u>	<u>Fort Bragg</u>	<u>Fort Campbell</u>	<u>Fort Knox</u>
Security Program Maintained	No	Yes	No	No	No
Alarm System	Yes	No	Yes	Yes	No
Semiannual Inspection	No	No	Yes	Yes	No
Vault Combinations adjusted (6 month)	Yes	N/A	Yes	Yes	N/A
Safe Combinations adjusted (6 month)	Yes	No	N/A	No	No
Combinations adjusted (per separation)	Yes	Yes	Yes	No	Yes
Vault record of combination changes	No	N/A	Yes	Yes	N/A
Safe record of combination changes	No	Yes	N/A	No	No
Accountable individuals list in vault	Yes	No	Yes	Yes	N/A
Accountable individuals list in safe	Yes	No	Yes	Yes	No
Controls over keys to disbursing area	Yes	Yes	Yes	No	Yes

We also observed a practice that did not ensure physical security of cash and the disbursing staff. The disbursing staff at the DMPO, Fort Knox, Kentucky, did not verify the auditors' identity before allowing us to enter the secured area. Although not a requirement of the FMR or CDS Procedures Manual, failure to identify the individuals entering the disbursing area could risk the safety of the cash and disbursing staff.

The CDS Procedures Manual did not implement FMR provisions for "Safeguarding of Funds." For example, the FMR requires the development of a security program; however, not all of the CDS agent officers maintained one. As a result, disbursing officers and agent officers who use only the CDS Procedures Manual are not complying with the FMR or providing adequate security over cash.

## **Preparation of the Agent Officer Appointment Letter**

Appointment letters for 264 of the 296 agent officers did not contain all the required information, such as Disbursing Station Symbol Number or appointment dates. In addition, the U.S. citizenship of deputy disbursing officers was not verified during the appointment process. Appointment letters need to be complete and accurate because they state the specific appointee's duties and provide the authority for the appointee to receive and disburse cash. Also, the appointee acknowledges liability to the United States for all public funds under their control. Appointment letters should also include a statement that confirms that the appointee has been counseled with regard to pecuniary liability and has been given written operating instructions.

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Dates in the appointment letters are important because individuals appointed as agent officers are generally not authorized to serve concurrently in any other accountable position and cannot be charged with the handling or custody of any other funds.

Disbursing officers and deputy disbursing officers did not follow the specific appointment requirements in the FMR, volume 5, chapter 2, and were inattentive to the details required for the appointment process. Disbursing officers assumed that the employees being appointed as deputy disbursing officers were U.S. citizens and did not check citizenship. Also, CDS appointment letters did not include statements confirming that the appointee had been counseled with regard to pecuniary liability and had been provided written instructions as required by the FMR. These statements were likely omitted from the appointment letters because the appointment letter template in the CDS Procedures Manual, dated May 2001, did not include these confirmations as required by FMR.

## **Cash Vulnerabilities and Management Assertion**

The cash balance reported on the Army General Fund balance sheet is not ready for audit. The Army disbursing officers had not implemented OMB and FMR requirements so there was no assurance that cash transactions were recorded, accumulated, and reported properly and that cash was adequately safeguarded. Inadequate internal controls increased the vulnerability to fraud and potential misstatement of cash on the Army General Fund balance sheet. DFAS Indianapolis Operations made a \$1.5 billion journal voucher adjustment to adjust the general ledger to a source that was unreliable and unauditible because of inadequate internal controls. Disbursing officer cash was overstated and accounts receivable were understated because disbursing officer cash disbursements were not timely and properly recorded. In addition, the current manual processes involved in recording, accumulating, and reporting cash transactions will increase the amount of time needed to perform an audit, audit risk, and the potential cost of an audit.

## **Adequacy of Management's Self-Evaluation**

The FY 2005 self-evaluation of internal controls prepared by CDS officials did not identify the lack of audit trails, cash and blank check stock verifications, Daily Agent Accountability Summary prepared by agent officers, physical security of cash, and use of a general ledger at the transaction level, as material internal control weaknesses in the Annual Statement of Assurance. CDS officials identified the Agent Account Statement (DD Form 1081), agent officer appointment letter process, limited depository account reconciliations, centralized repository of detailed agent information, and cash accountability as assessable units. However, the CDS evaluation did not identify the specific material internal control weaknesses identified by the audit because the CDS evaluation did not address the details of cash controls. Until the recommendations in this report have been implemented and the internal control weaknesses have been corrected

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and the corrective actions validated, CDS should report cash internal controls as a material weakness in the CDS internal control program.

## Management Actions

We briefed the Army and DFAS Indianapolis Operations on the results of our audit work. As a result, DFAS Indianapolis Operations and CDS took the following corrective actions.

- Developed wording to be used in the footnotes to disclose the unreliability and unauditability of the amount reported as cash in the custody of agents.
- Provided three account holders training on completing the SF 1149.
- Implemented monthly reviews of all limited depositary accounts to serve as a second validation.
- Initiated bi-weekly limited depositary account meetings to report any issues or problems to supervisory personnel.

USACE took the following corrective actions.

- Updated its Internal Policy Guide to reflect the FMR requirement to change the safe combinations every 6 months.
- Posted the accountable individual's name and phone number both inside and outside the vault, safe, or fund container.
- Verified and documented the verification of the U.S. citizenship of deputy disbursing officers.

In addition, the USACE Finance Center intends to document future security inspection activities, document why an intrusion detection system on the vault was not needed, and implement a process for administrative personnel outside the disbursing and accounting organization to independently verify check stock and limited depositary accounts on a quarterly basis.

## Recommendations, Management Comments, and Audit Response

**Deleted Recommendation.** We have deleted Recommendation 2.f. made to the Director of CDS to report cash controls as a material internal control weakness. We deleted this recommendation because Army has agreed to address the internal control deficiencies in the Army Chief Financial Officers Strategic Plan and the Financial Improvement and Audit Readiness Plan. We plan to address the internal control deficiencies in the Independent Auditor's Report on the Fiscal

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Year 2006 Army General Fund Financial Statements. However, we disagree with the following Director of DFAS, Indianapolis Operations comments:

- the audit findings “focus primarily on non-compliance regardless of compensating controls;”
- the findings represented “isolated incidents at a single subordinate site;” and
- “the auditors were unable to identify specific cases cited in general terms in the report.”

As was clearly stated in the report and in the auditor responses below, the auditors evaluated and considered compensating controls during the course of the audit and cited specific examples of internal control weaknesses from multiple subordinate sites.

**1. We recommend that the Assistant Secretary of the Army (Financial Management and Comptroller) include a plan to resolve the internal control deficiencies discussed in this report in the Army Chief Financial Officers Strategic Plan and Financial Improvement and Audit Readiness Plan.**

**Management Comments.** The Assistant Secretary of the Army (Financial Management and Comptroller) concurred and stated that they will include tasks to address the internal control deficiencies in the Army Chief Financial Officers Strategic Plan and the Financial Improvement and Audit Readiness Plan by March 31, 2007.

**2. We recommend that the Director, Central Disbursing Services, Defense Finance and Accounting Service Indianapolis Operations:**

**a. Develop a complete agent officer roster as required by DoD 7000.14-R, Financial Management Regulation, volume 6A, chapter 2.**

**Management Comments.** The Director of DFAS Indianapolis Operations partially concurred and stated that there is no regulatory requirement for a disbursing office to centrally maintain a listing of paying agents. The Director agreed to facilitate the audit process by performing a data call of each of the subordinate deputy and disbursing operations for each disbursing station to obtain a listing of paying agents.

**Audit Response.** The comments provided by the Director of DFAS Indianapolis Operations were not responsive. We agree that the FMR does not specifically require that a complete roster of paying agents be maintained. However, FMR, volume 6A, chapter 2, does require that sufficient detail be retained to permit the tracing of transactions to the original source. Maintaining a complete roster of paying agents is a temporary solution to the lack of audit trails for cash transactions until DFAS and the Army implement adequate accounting systems and processes. The Army has deferred its plans to assert on cash for two years, until September 2008. It is imperative that the lack of cash audit trails be corrected before the Army attempts to assert on the cash balance reported on its

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financial statements. As the report discusses, the Army accounts for \$1.5 billion (72 percent) of the \$2.1 billion of DoD cash. We request that the Director reconsider his position and provide additional comments to the report.

**b. Issue written instructions to agent officers requiring them to sign and return the Statement of Agent Officer's Account (DD Form 1081) required by DoD 7000.14-R "DoD Financial Management Regulation," volume 5, chapter 19.**

**Management Comments.** The Director of DFAS Indianapolis Operations partially concurred by stating that if the paying agent fails to return the DD Form 1081, CDS queries a Treasury system and prints a copy of a signed check as proof of receipt of funds, with verification through the banking system. DFAS will request an update to the FMR to address this issue as it relates to remote funding of agents through the use of check or bank transfer. This action will be completed by December 31, 2006.

**Audit Response.** The comments provided by the Director of DFAS, Indianapolis Operations were not responsive. The compensating controls discussed in the Director's comments emphasize reactive measures to query a Treasury system instead of following the FMR. Enforcing the FMR requires the fund recipient to acknowledge receipt and fiduciary responsibility by signing the DD Form 1081 and returning it in the stamped envelope. Instead, the Director's proposed measures require DFAS to prove receipt through manual queries, relying on the banking system to verify signatures, and relying on the Treasury to recover fraudulently cashed checks. We request that the Director reconsider his position and provide additional comments to the report.

**c. Update the Centralized Disbursing Services Procedures Manual to:**

**(i) Require all agent officers of the disbursing officer to prepare and submit the Daily Agent Accountability Summary (DD Form 2665) as required by the DoD 7000.14-R, "DoD Financial Management Regulation," volume 5, chapter 19.**

**Management Comments.** The Director of DFAS Indianapolis Operations nonconcurred, stating that the intent of the cited guidance is for the Daily Agent Accountability Summary (DD Form 2665) to be prepared and submitted by each deputy disbursing officer or disbursing agent activity, not by individual paying agents. DFAS will request an update to the FMR to clarify this intent. This action will be completed by December 31, 2006. DFAS also stated that the CDS Procedures Manual has been updated to clarify this intent.

**Audit Response.** The comments provided by the Director of DFAS Indianapolis Operations were not responsive. A process should be in place that provides an audit trail and permits tracing of cash transactions and validation of cash balances at the source. A source for Army cash disbursements is the paying agent. The DFAS response discussed an exception for paying agents because they are funded for a limited period of time. Our review concluded that paying agents are often funded for extended periods of time. As of December 12, 2005, the 107 paying agents of the of Defense Military Pay Office Pentagon

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deputy disbursing officer had 248 active appointments. The length of these appointments ranged from 10 to 731 days, with an average of 200 days. As stated in the report, based on a sample of these paying agents, actual cash on hand was substantially less than what was reported on their Agent Account Statements (DD Forms 1081). Without requiring a daily record of transactions from Army paying agents, the Army will be unable to readily provide an adequate audit trail. The audit trail would end at the balance on the DD Form 1081, and Army cash could be materially overstated. We request that the Director reconsider his position and provide additional comments to the report.

**(ii) Develop a standard cash verification review checklist based on DoD 7000.14-R, “DoD Financial Management Regulation,” volume 5, Appendix A.**

**Management Comments.** The Director of DFAS Indianapolis Operations concurred and stated the CDS Procedures Manual was updated on July 26, 2006.

**(iii) Require all cash verifications and reports be performed and submitted to Central Disbursing Services as specified by DoD 7000.14-R, “DoD Financial Management Regulation,” volume 5, Appendix A.**

**(iv) For each type of Treasury check stock used by Central Disbursing Services require that a blank check control log containing the elements outlined in DoD 7000.14-R, “DoD Financial Management Regulation,” volume 5, chapter 7 be maintained and reviewed on a daily basis.**

**Management Comments.** The Director of DFAS Indianapolis Operations partially concurred with Recommendations 2.c.iii and 2.c.iv. The Director stated that personnel are performing unannounced quarterly cash verifications and that the CDS Procedures Manual has been updated. In addition, the Director stated that check accountability is performed daily on all blank check stock using the inventory control number.

**Audit Response.** The comments provided by the Director of DFAS Indianapolis Operations met the intent of the audit recommendation. The two FMR requirements were added to the CDS Procedures Manual on July 26, 2006.

**(v) Complete an inventory of each type of Treasury check stock at least once every 90 days and retain the results for inclusion in the quarterly cash verification report.**

**(vi) Require that Disbursing Officers and agent officers implement the security requirements and recommendations addressed in DoD 7000.14-R, “DoD Financial Management Regulation,” volume 5, chapter 3, specifically the areas addressed in the “Physical Security of Cash” section of this report.**

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**(vii) Require that all persons, such as a cash verification team, provide valid proof of identification before gaining access to the secured area.**

**(viii) Update the appointment letter guidance to include all the requirements provided in DoD 7000.14-R, “DoD Financial Management Regulation,” volume 5, chapter 2.**

**Management Comments.** The Director of DFAS Indianapolis Operations concurred with Recommendations 2.c.v, 2.c.vi, 2.c.vii, and 2.c.viii. The Director stated the CDS Procedures Manual was updated on July 26, 2006.

**d. Update the limited depositary accounts operating procedures to include the following.**

**(i) Monitor the submission of Statements of Designated Depositary Accounts (SFs 1149) to ensure reconciliations are submitted within 30 days of the close of calendar month.**

**Management Comments.** The Director of DFAS Indianapolis Operations partially concurred, stating it is not practical for remote activities operating limited depositary accounts with rudimentary banking infrastructures to receive and reconcile banking statements within 30 days. DFAS will request the FMR be updated to change the requirement from 30 to 60 days. This action will be completed by January 29, 2007.

**Audit Response.** The comments provided by the Director of DFAS Indianapolis Operations were not responsive. The Director did not state whether the limited depositary accounts operating procedures would be updated to monitor submission of reconciliations within the 30-day regulatory time frame. We agree with the 30-day requirement in the FMR. If it is not practical for remote activities operating limited depositary accounts with rudimentary banking infrastructures to receive and reconcile banking statements within 30 days, an exception should be granted for these activities. Instead of changing the requirement from 30 to 60 days, the FMR can be updated to clearly define when a waiver to the 30-day rule can be granted and the process for granting it. We request that the Director reconsider his position and provide additional comments to the report.

**(ii) The Disbursing Officer must review and sign off Statements of Designated Depositary Accounts (SFs 1149) once they are received by Central Disbursing Services.**

**Management Comments.** The Director of DFAS, Indianapolis Operations concurred and stated the Director, CDS is now provided all completed SFs 1149 for signature on a monthly basis.

**e. Retrain each limited depositary account holder on completion of the Statement of Designated Depositary Account (SF 1149).**

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**Management Comments.** The Director of DFAS, Indianapolis Operations partially concurred, stating that training finance personnel is a joint DFAS and Army responsibility. The Director stated that they will review current training to ensure sufficient emphasis is placed on limited depository account maintenance and reconciliation. This action will be completed by January 29, 2007.

**Audit Response.** The comments provided by the Director of DFAS, Indianapolis Operations met the intent of the recommendation. We agree that current training, which includes refresher training, should be reviewed to ensure emphasis is placed on limited depository account maintenance and reconciliation.

**3. We recommend that the Director, U.S. Army Corps of Engineers Finance Center develop and implement procedures to:**

**a. Verify that the cash verification team performs all required independent quarterly check stock and limited depository account verifications and that the reports address all areas required by DoD 7000.14-R, “DoD Financial Management Regulation,” volume 5, Appendix A.**

**b. Improve physical security as required by the DoD 7000.14-R, “DoD Financial Management Regulation” volume 5, chapter 3, by implementing the following security procedures:**

**(i) Conduct inspections of security measures at least semiannually and maintain a record of the inspections.**

**(ii) Change combinations to all vaults, safes, and containers semiannually and maintain a record of combination changes.**

**Management Comments.** The Director, U.S. Army Corps of Engineers Finance Center concurred and stated they have implemented programs and updated procedures to address issues related to independent verifications and security procedures. The U.S. Army Corps of Engineers Finance Center provided evidence supporting the implementation of the audit recommendations on September 11, 2006.



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## Appendix A. Scope and Methodology

We reviewed the internal controls over operational, unclassified Army Cash and Other Monetary Assets that are accounted for in CONUS. We also included two areas related to outside CONUS activities. The current cash accountability and documentation of the outside CONUS areas was the responsibility of a CONUS site included in our review, which allowed their inclusion in the audit. The areas within our scope totaled \$370.3 million, or 25 percent, of the \$1.5 billion of the cash reported on the FY 2005 Army General Fund balance sheet. However, our review did not include \$100,000 of USACE funds; \$1,549,893 of DFAS Columbus funds; and \$698 of Defense Threat Reduction Agency funds. See Table A on page 18 for further detail of the \$370.3 million by site and cash type. We specifically reviewed the controls over the recording, accumulation, reporting, and safeguarding of Army Cash and Other Monetary Assets. The areas and controls we reviewed included disbursing officers and agent officers, cash verifications, cash security, payments and collections, Statements of Accountability, computer systems, foreign currency, and financial statement reporting procedures. The controls, procedures, and role definitions are documented in the FMR. In addition, we assessed management's implementation of the FMR and adequacy of management's operating procedures.

We judgmentally selected 7 of the 17 sites with operational, unclassified, CONUS cash based on the amount of cash on hand or on deposit as of September 30, 2005. The seven sites selected, plus the two outside CONUS areas, were responsible for \$368.6 million of the \$370.3 million, or 99 percent, of the Cash and Other Monetary Assets within the scope of our review.

Our review consisted of observations of cash counts at five of the seven locations. The other two sites, CDS and the USACE Finance Center, had no currency on hand to count. We also evaluated physical security measures through direct observation, review of documentation, and discussions with disbursing officers or deputy disbursing officers at each of the seven locations. We conducted interviews with management and operating personnel responsible for the accounting and reporting of cash. Additionally, we reviewed the following accountability forms for locations where they were applicable for accuracy, completeness and timeliness:

- Statement of Agent Officer's Account (DD Form 1081),
- Daily Statement of Accountability (DD Form 2657),
- Daily Agent Accountability Summary (DD Form 2665),
- Statement of Accountability (SF 1219).

We examined documentation and discussed procedures for quarterly cash verifications with the applicable disbursing officers and deputy disbursing officers. We also assessed the appointment letters for all of the disbursing officers and agent officers at all seven locations for content compliance with the FMR. We judgmentally selected a sample of agents from the location reviewed

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and determined the amount of funds they had on hand compared to the records maintained by the deputy disbursing officer. We reviewed the limited depository account reconciliation process and reconciliations using Statement of Designated Depository Account (SF 1149), along with supporting documentation for FY 2005, for completeness, accuracy, timeliness, and proper approval.

We performed this audit from August 2005 through July 2006 in accordance with generally accepted government auditing standards.

**Use of Computer-Processed Data.** We relied upon computer-processed data from SRD1, a module of STANFINS. STANFINS is a general fund accounting system developed to support the day-to-day operations of Army installations and the National Guard. Specifically, we relied upon SRD1 output that included Army's Daily Accountability Worksheet and Proof of Cash (DA Form 5260), the Agent Accountability Form (DD Form 2665), as well as the Agent Account Statement (DD Form 1081). We also relied on output from the Corps of Engineers Financial Management System including the individual district and Corps-wide Monthly Accountability Forms (SF 1219s) and payments and collections data. We did not perform an assessment of computer processed financial data; however, we did not find any errors or discrepancies that that would preclude the use of the SRD1 data to meet the objectives of this audit or that would change the conclusions of this report.

**Management Control Program.** We reviewed the adequacy of DFAS Indianapolis Operations and the USACE Finance Center internal controls over the recording, accumulating, reporting, and safeguarding of Army Cash and Other Monetary Assets. Specifically, we reviewed internal controls over disbursing officer and agent officers, cash verifications, cash security, payments and collections, Statements of Accountability, computer systems, and foreign currency. We reviewed management's self-evaluations applicable to those controls.

**Government Accountability Office High-Risk Area.** The Government Accountability Office has identified several high-risk areas in DoD. This report provides coverage of the Defense Financial Management high-risk area.

## Prior Coverage

During the last 8 years, the Army Audit Agency (AAA) and the Air Force Audit Agency (AFAA) have issued 3 reports discussing cash and other monetary assets. Unrestricted AAA reports can be accessed over the Internet at <https://www.aaa.army.mil/reports.htm>. Unrestricted AFAA reports can be accessed at <https://www.afaa.hq.af.mil/afck/plansreports/reports.shtml>.

### AAA

AAA Report No. AA99-115, "Army's Principal Financial Statements for Fiscal Year 1998," January 27, 1999

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**AFAA**

AFAA Report No. 00054005, "Controls Over Cash," August 18, 2000

AFAA Report No. F2002-0007-B05400, "Follow-up Audit, Controls Over Air Force Cash," June 20, 2002

**Table A. Detailed Scope Amounts By Site**

<u>Site Name</u>	<u>Cash</u>	<u>Undeposited Collections and Dishonored Checks</u>	<u>Cash in Custody of Agents</u>	<u>Losses of Funds</u>	<u>Limited Depository Account</u>
Walter Reed Army Medical Center	\$ 52,072	0	0	0	0
Ft. Leavenworth, KS	630	0	0	0	0
Ft. Sam Houston, TX	5,000	0	0	0	0
Ft. Benning, GA	3,500	0	0	0	0
Ft. Campbell, KY	7,100	0	0	0	0
Ft. Knox, KY	10,000	0	0	0	0
Ft. Bragg, NC	25,000	0	0	0	0
Pentagon	100,000 <sup>1</sup>	0	\$993,075 <sup>1</sup>	0	0
Ft. Carson, CO	10,000	0	0	0	0
Ft. Bliss, TX	7,500	0	0	0	0
Ft. Hood, TX	20,000	0	0	0	0
Change Funds (2 locations)	0	0	2,250	0	0
CDS Afghanistan LDAs	0	0	0	0	\$ 17,024,799
CDS (Indianapolis)	0	0	0	\$ 30,063	0
Defense Threat Reduction Agency	0	\$ 698	0	0	0
DFAS Columbus, OH	0	0	0	0	1,549,893
DFAS Rome, NY	0	0	0	6,402,725	0
USACE Finance Center	0	100,000	0	0	344,001,297
	0	0	0	0	0
<b>Sub-totals</b>	<b>\$240,802</b>	<b>\$100,698</b>	<b>\$995,325</b>	<b>\$6,432,788</b>	<b>\$362,575,990</b>

**Total**

**\$370,345,603**

<sup>1</sup> The total accountability for the Pentagon site is \$1,093,075 (100,000 + 993,075). The cash (currency) amount is an estimate because the Pentagon deputy does not break out cash on hand on the daily accountability form. This site was visited twice during our audit, with \$88,000 and \$148,000 being the cash on hand on each occasion. Therefore, \$100,000 was judgmentally chosen as an estimate so this table reflects that the Pentagon site does have cash (currency) on hand.

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## Appendix B. Glossary

**Accountability.** The responsibility for safeguarding, maintaining, disbursing, and otherwise disposing of public funds.

**Agent Officers.** Agents to the disbursing officers which include deputy disbursing officers, disbursing agents, cashiers, and paying agents.

**Appointment Letters.** A letter that states the specific duties authorized to be performed by the disbursing officer and all other agent officers, and includes the statement “I acknowledge that I am strictly liable to the United States for all public funds under my control.” This letter also includes a statement that confirms that the appointee has been counseled with regard to pecuniary liability and has been given written operating instructions.

**Cashier.** A military member or DoD civilian employee designated by the disbursing officer to perform duties involving the handling of public funds.

**Daily Agent Accountability Summary (DD Form 2665).** This form shall be prepared by each deputy, agent, and cashier for each day which they transact business. DD Form 2665 summarizes transactions for each business day and is a stand-alone document that provides a complete picture of the deputy, agent, or cashier’s accountability transactions from day to day.

**Daily Statement of Accountability (DD Form 2657).** This form summarizes the amounts the U.S. Treasury would look to recover from the disbursing officer if the disbursing office ceased operations on that day. The amounts listed on the DD Form 2657 are at summary level only. The daily DD Form 2657 must be signed by the disbursing officer as an official attestation of accountability to the U.S. Treasury.

**Deputy Disbursing Officer (DDO).** An individual appointed by the disbursing officer to act in the name of and for that disbursing officer to perform any and all acts relating to the receipt, disbursement, custody, and accounting for public funds.

**Disbursing Office.** An activity or the organizational unit of an activity whose principal function consists of the disbursement, collection and reporting of public funds. The term “disbursing office” includes both tactical and non-tactical disbursing activities.

**Disbursing Officer (DO).** A military member or a civilian employee of a DoD Component designated to disburse moneys and render accounts according to laws and regulations governing the disbursement of public monies.

**Disbursing Station Symbol Number (DSSN).** A four-digit number assigned to each disbursing office by the Department of Treasury. The Disbursing Station Symbol Number is an identification number that indicates authority to receive and disburse public funds and issue checks on the U.S. Treasury.

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**Limited Depository Account (LDA).** A checking account in a foreign currency maintained in a limited depository by a disbursing officer in his or her name.

**Paying Agent.** A military member or DoD civilian employee appointed by the commander to act as an agent of a disbursing officer. The purpose of a paying agent is to make specific payments, currency conversions, or check cashing transactions from funds temporarily advanced to the agent by the disbursing office.

**Statement of Accountability (SF 1219).** This form provides monthly summary totals of all receipts and expenditures of public funds occurring during the accounting period and the status of the disbursing officer's account at the close of that period. SF 1219 must be submitted for each Disbursing Station Symbol Number assigned to a disbursing office, whether or not any transactions occur or any accountable balance is involved.

**Statement of Agent Officer's Account (DD Form 1081).** This form must be prepared by deputies, agents, and cashiers as a summary of cash transactions and receipt for cash and vouchers on hand each time turn-in or settlement of the account occurs. DD Form 1081 summarizes cash transactions for the period of duty covered by the turn-in.

**Statement of Designated Depository Account (SF 1149).** This form must be prepared and submitted within 30 days following the close of each calendar month, by the disbursing officer holding an open limited depository account and by accountable individuals charged with the settlement of closed accounts.

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## Appendix C. Criteria

### Office of Management and Budget

OMB Circular A-127, “Financial Management Systems,” July 23, 2003, prescribes policies and standards for executive departments and agencies to follow in developing, operating, evaluating, and reporting on financial management systems. OMB Circular A-127 establishes Government-wide financial systems and compatible agency systems, with standardized information and electronic data exchange between central management agency and individual operating agency systems, to meet the requirements of good financial management. These systems must provide complete, reliable, consistent, timely, and useful financial management information on Federal Government operations.

OMB Circular A-127 requires that agency financial management system requirements comply with application of the USSGL at the transaction level. Therefore, financial events are to be recorded by agencies throughout the financial management system by processing transactions following the definitions and defined uses of the general ledger accounts as described in the USSGL. Compliance with this standard requires that data in financial reports and transactions recorded are consistent with USSGL rules, and that supporting transaction detail for USSGL accounts is readily available.

### DoD 7000.14-R, the “DoD Financial Management Regulation”

The following FMR guidance addresses audit trails, general ledger accounting, and other related areas.

- **Volume 1, chapter 3, paragraph 030201, “Financial Management and Accounting System Structure,”** states that DoD is responsible for developing and maintaining an integrated financial management system structure.
- **Volume 4, chapter 2, paragraph 020601, “Accounting Entries for Disbursing Officer's Cash (Account 1191),”** states that the amount of U.S. Treasury cash held by disbursing officers at personal risk is recorded in the “Disbursing Officer’s Cash” general ledger account. The guidance also requires the recording of accounts receivable because the Disbursing Officer's Cash is to be reimbursed by the appropriation or fund on whose behalf the disbursement was made. Sources of entries to the “Disbursing Officer’s Cash” and “Accounts Receivable” general ledger accounts include requests for cash, invoices for transferred funds, reimbursement vouchers, and disbursement records.

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- **Volume 5, chapter 19, paragraph 190104, “Overview of DD Form 2665 (Daily Agent Accountability Summary),”** states, “Each deputy, agent, and cashier shall prepare a DD Form 2665 for each day during which they transact business.” The regulation further explains, “The DD Form 2665 is a stand-alone document that provides a complete picture of the deputy, agent, or cashier’s accountability transactions from day to day.”
  - **Volume 6A, chapter 2, “Financial Reports Roles and Responsibilities,”** provides that it is the joint responsibility of DFAS and the applicable DoD Component to prepare and issue a DoD component financial report, for which DFAS provides accounting support. The guidance also provides that DFAS and the applicable DoD Component share joint responsibility to ensure that a complete and documented audit trail is maintained to permit tracing of transactions.

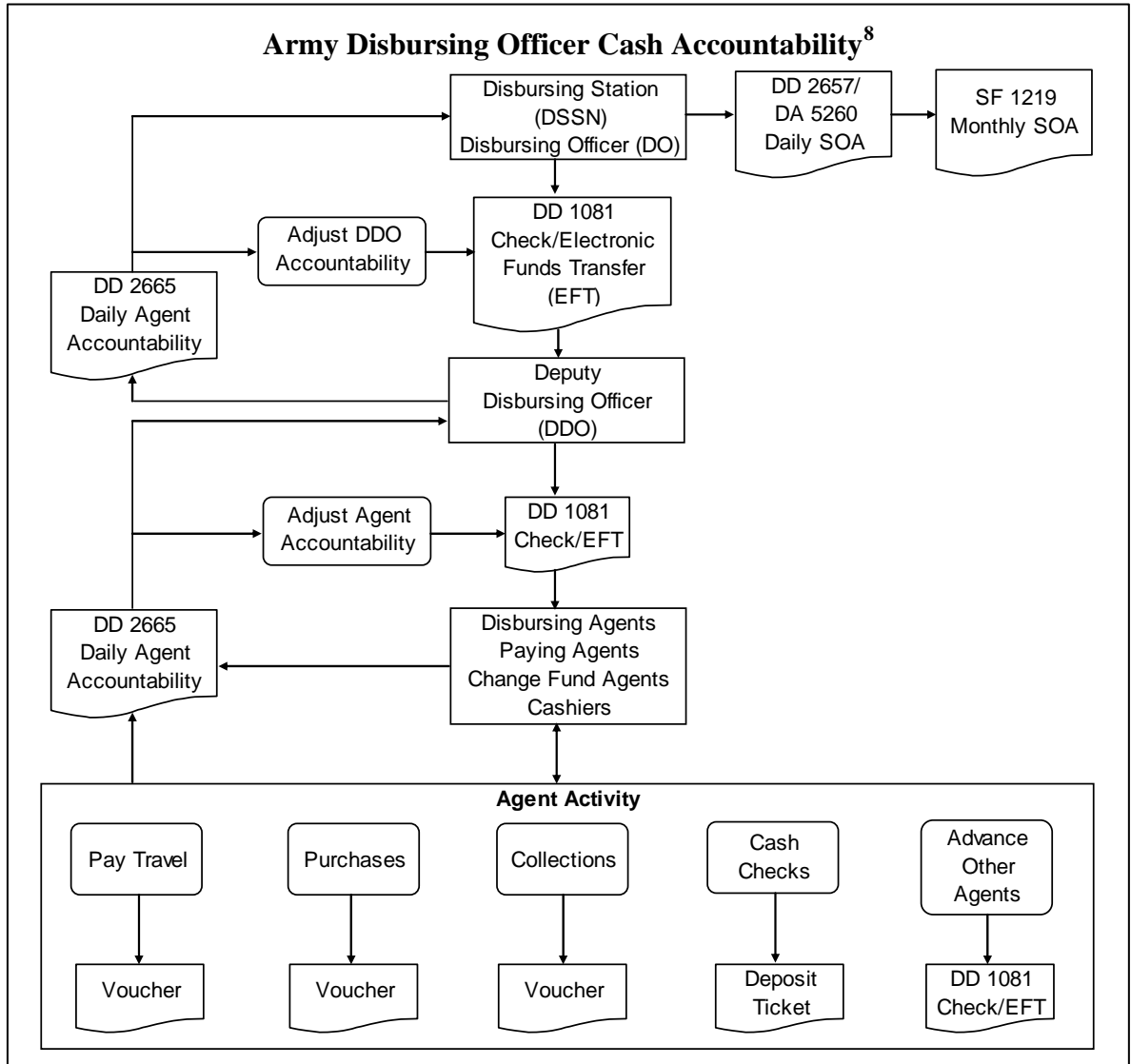
The following FMR guidance addresses quarterly cash verifications and reconciliations, physical security of cash, and other related areas.

**DoD Regulation 7000.14-R, the “DoD Financial Management Regulation,” volume 5, “Disbursing Policy and Procedures”:**

- Chapter 2, “Disbursing Offices, Officers, and Agents” states the appointment letter must contain the paying or postal paying agent’s name, rank or grade, social security number, and duty station; the name, rank or grade, and station of the disbursing officer for whom the paying agent will act; and the Disbursing Station Symbol Number. Chapter 2 further states that all disbursing officer and deputy disbursing officers must be U.S. citizens.
- Chapter 3, “Keeping and Safeguarding Public Funds” outlines the requirements of safeguarding funds and related documents, cash holding authority, and determining cash requirements.
- Chapter 7, “U.S. Treasury Checks” outlines the requirements for security and control of U.S. Treasury checks.
- Chapter 14, “Limited Depository Checking Accounts” provides the procedures to perform limited depository account reconciliations.
- Chapter 19, “Disbursing Officer Accountability Reports” states the agent officer must verify that the items received are in agreement with the amounts stated on the Statement of Agent Officer’s Account (DD Form 1081) with a signature and date. The original Agent Account Statement is returned to the disbursing officer as a receipt for the funds.
- Appendix A, “Cash Verification” provides the cash verification procedures, cash verification team checklist and finalization (reporting requirements) for disbursing personnel.



# Appendix D. Disbursing Officer Cash Accountability



<sup>8</sup> Statement of Accountability (SOA); Electronic Funds Transfer (EFT)

## Appendix E. Assertion Phases

<b>Five Phases of the Financial Improvement and Audit Readiness Plan</b>	
<b>Major Phases</b>	<b>Actions Taken</b>
Discovery/Correction	Identify and correct deficiencies and plan solutions to produce accurate data.
Validation	Ensure that corrective actions taken achieved resolution and save unnecessary/assessment audit costs.
Assertion	Inform the DoD Office of Inspector General that organization is ready for audit and prepare assertion package to provide to the DoD Office of Inspector General.
Assessment	Attest to management assertion; allows remediation; prepares for audit; reduce risk of unknowns (auditors); introduction to organization (auditors).
Audit	Required by CFO Act; provide decision-makers good information on: assets and liabilities, cost visibility, internal controls; and supports an unqualified Defense Agency-Wide opinion.

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## **Appendix F. Report Distribution**

### **Office of the Secretary of Defense**

Under Secretary of Defense (Comptroller)/Chief Financial Officer  
Deputy Chief Financial Officer  
Deputy Comptroller (Program/Budget)

### **Department of the Army**

Assistant Secretary of the Army (Financial Management and Comptroller)  
Auditor General, Department of the Army  
Director, U.S. Army Corps of Engineers Finance Center

### **Department of the Navy**

Naval Inspector General  
Auditor General, Department of the Navy

### **Department of the Air Force**

Auditor General, Department of the Air Force

### **Other Defense Organizations**

Director, Defense Finance and Accounting Service

### **Non-Defense Federal Organization**

Office of Management and Budget

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## **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, Finance, and Accountability,  
Committee on Government Reform  
House Subcommittee on National Security, Emerging Threats, and International  
Relations, Committee on Government Reform

# Department of the Army Comments



REPLY TO  
ATTENTION OF

DEPARTMENT OF THE ARMY  
OFFICE OF THE ASSISTANT SECRETARY OF THE ARMY  
FINANCIAL MANAGEMENT AND COMPTROLLER  
100 ARMY PENTAGON  
WASHINGTON DC 20310-0100  
SEP 12 2006

MEMORANDUM FOR DEPUTY INSPECTOR GENERAL FOR AUDITING,  
DEPARTMENT OF DEFENSE, 400 ARMY NAVY DRIVE, ARLINGTON, VIRGINIA  
22202-4704

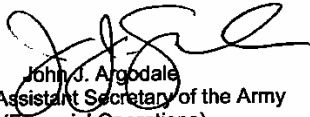
SUBJECT: Audit of Controls Over Army Cash and Other Monetary Assets (Project No.  
D2005-D000FI-0271.000)

1. Reference DFAS-ADL/IN, Defense Finance and Accounting Service (DFAS) memorandum dated August 31, 2006, subject: Audit of Controls Over Army Cash and Other Monetary Assets (Project No. D2005-D000FI-0271.000).
2. Recommendation 1 of subject report requests that the Assistant Secretary of the Army (Financial Management and Comptroller) include a plan to resolve the internal control deficiencies relating to cash in the Army Chief Financial Officers Strategic Plan and Financial Improvement and Audit Readiness Plan.

Concur. We will work with DFAS and other organizations to include tasks in the Army Chief Financial Officers Strategic Plan and Financial Improvement and Audit Readiness Plan to address the appropriate internal control deficiencies. Our objective is to develop the needed actions for inclusion in the plans by March 31, 2007.

The Army agrees with the management comments provided by DFAS. We recognize that there are inherent control issues which affect the accountability of cash. However, consideration of compensating controls is important in analyzing the susceptibility of cash to mismanagement, particularly in a war-time environment.

3. My point of contact for cash operations and agent disbursing processes is Mr. Eric Reid at (317) 510-2223, and financial reporting, Ms. Anitra Akanbi at (703) 693-2724.

  
John J. Argodale  
Deputy Assistant Secretary of the Army  
(Financial Operations)

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# Defense Finance and Accounting Service Comments



**DEFENSE FINANCE AND ACCOUNTING SERVICE**  
8899 EAST 56TH STREET  
INDIANAPOLIS, INDIANA 46249

AUG 31 2006

DFAS-ADL/IN

MEMORANDUM FOR INSPECTOR GENERAL, DEPARTMENT OF DEFENSE

SUBJECT: Audit of Controls Over Army Cash and Other Monetary Assets (Project No. D2005-D000FI-0271.000) Recommendations 2.a., 2.b., 2.c., 2.d., 2.e. and 2.f.

DFAS Indianapolis Operations is providing management comments as follows:

**Recommendation 2:** We recommend that the Director, Central Disbursing Services, Defense Finance and Accounting Service Indianapolis:

- a. Develop a complete agent officer roster as required by DoD 7000.14-R, Financial Management Regulation (FMR), volume 6A, chapter 2.

**Management Comment:** Stakeholder: Joseph Myrda, 317-510-4273. Partially Concur. There is no regulatory requirement for a disbursing office to centrally maintain a listing of paying agents subordinate to a disbursing agent or separate deputy operation under the disbursing office. None the less, a listing can be obtained by performing a data call of each of the subordinate deputy and disbursing operations for each disbursing station in order to facilitate the audit process. Central Disbursing Services (CDS) does maintain adequate cash accountability for all Deputy Disbursing Officer (DDO), Disbursing Agent (DA), and Paying Agents which are funded directly by CDS, and it is the DDOs and DAs responsibility to maintain and forward a roster of their paying agents monthly to support CDS' Statement of Accountability (SF 1219). All 107 paying agents funded by the Pentagon DDO are listed in SRD-1 under site code 111, and the DDO does maintain a separate roster on an antiquated dbase program.

**Estimated Completion Date:** N/A

- b. Issue written instructions to agent officers requiring them to sign and return the Statement of Agent Officer's Account (DD Form 1081) required by DoD 6999.14-R "DoD Financial Management Regulation," volume 5, chapter 19.

**Management Comment:** Stakeholder: Joseph Myrda, 317-510-4273. Partially Concur. Agents are provided instructions with a completed Statement of Agent Officer's Account (DD Form 1081) to sign and return if they are funded remotely via check. However, if the DD 1081 is not returned timely, Central Disbursing Services (CDS) queries "PACER", e.g. Treasury system, and prints a copy of the signed check to the paying agent DD1081. This provides the proof of receipt of the funds by the agent with verification through the banking system. Funds from fraudulently cashed checks, if applicable, can be recovered through normal Treasury processes from the bank cashing the check. DFAS will request DoD update the FMR to address this issue associated with remote funding of agents by check or through bank transfers.

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# Defense Finance and Accounting Service Comments

**Estimated Completion Date:** December 31, 2006

- c. Update the Centralized Disbursing Services Procedures Manual to:
- (i) Require all agent officers of the disbursing officer to prepare and submit the Daily Agent Accountability summary (DD Form 2665) as required by the DoD 7000.1-R, "DoD Financial Management Regulation," volume 5, chapter 19.

**Management Comment:** Stakeholder: Joseph Myrda, 317-510-4273. Non Concur. The intent of volume 5, chapter 19 is for a daily statement to be prepared and submitted by each deputy or disbursing agent activity, not individual paying agents funded for a limited period to perform a specific mission. DFAS will request DoD change the FMR to clarify this point, as previously discussed with the auditors and author of volume 5. CDS updated the Procedures Manual on July 26, 2006.

**Estimated Completion Date:** December 31, 2006

- (ii) Develop a standard cash verification review checklist based on DoD 7000.14-R, "DoD Financial Management Regulation," volume 5, Appendix A.

**Management Comment:** Stakeholder: Joseph Myrda, 317-510-4273. Concur. Procedures Manual was updated on July 26, 2006. Checklist was not in Procedures Manual in an attempt to limit size.

**Completion Date:** July 26, 2006

- (iii) Require all cash verifications and reports be performed and submitted to Central Disbursing Services as specified by DoD 7000.14-R, "DoD Financial Management Regulation," volume 5, Appendix A.

**Management Comment:** Stakeholder: Joseph Myrda, 317-510-4273. Partially Concur. Quarterly unannounced cash verifications are continuing to be performed at the external sites, and the Procedures Manual was updated on July 26, 2006.

**Estimated Completion Date:** N/A Unannounced verifications are an ongoing process.

- (iv) For each type of Treasury check stock used by Central disbursing Services require that a blank check control log containing the elements outlined in DoD 7000.14-R, "DoD Financial Management Regulation," volume 5, chapter 7, be maintained and reviewed on a daily basis.

**Management Comment:** Stakeholder: Joseph Myrda, 317-510-4273. Partially Concur. Procedures Manual was updated on July 26, 2006. Check accountability is performed daily on all blank check stock using the ICN on the Troy check stock within CDS. It should be noted that this has no bearing on the cash account for the Army.

**Completion Date:** July 26, 2006

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# Defense Finance and Accounting Service Comments

(v) Complete an inventory of each type of Treasury check stock at least once every 90 days and retain the results for inclusion in the quarterly cash verification report.

**Management Comment:** Stakeholder: Joseph Myrda, 317-510-4273. Concur. Procedures Manual was updated on July 26, 2006.

**Completion Date:** July 26, 2006

(vi) Require that Disbursing Officers and agent officers implement the security requirements and recommendations addressed in DoD 7000.14-R, "DoD Financial Management Regulation," volume 5, chapter 3, specifically the areas addressed in the "Physical Security of Cash" section of this report.

**Management Comment:** Stakeholder: Joseph Myrda, 317-510-4273. Concur. Procedures Manual was updated on July 26, 2006.

**Completion Date:** July 26, 2006

(vii) Require that all persons, such as a cash verification team, provide valid proof of identification before gaining access to the secured area.

**Management Comment:** Stakeholder: Joseph Myrda, 317-510-4273. Concur. Procedures Manual was updated on July 26, 2006.

**Completion Date:** July 26, 2006

(viii) Update the appointment letter guidance to include all the requirements provided in DoD 7000.14-R, "DoD Financial Management Regulation," volume 5, chapter 3.

**Management Comment:** Stakeholder: Joseph Myrda, 317-510-4273. Concur. Letter in the Procedures Manual was updated on July 26, 2006.

**Completion Date:** July 26, 2006

- d. Update the limited depository accounts operating procedures to include the following:
- (i) Update the limited depository accounts operating procedures manual to include the following. Monitor the submission of Statements of Designated Depository Accounts (SFs 7149) to ensure reconciliations are submitted within 30 days of the close of the calendar month.

**Management Comment:** Stakeholder: Joseph Myrda, 317-510-4273. Partially Concur. It is not practical for remote activities operating LDA's in locations with rudimentary banking infrastructures to receive and reconcile bank statement within 30 days. CDS' LDA's are in balance. DFAS will request DoD change to the DoDFMR requirement from 30 days to 60 days.

**Estimated Completion Date:** January 29, 2007



# Defense Finance and Accounting Service Comments

Final Report  
Reference

(ii) Update the limited depositary accounts operating procedures manual to include the following. The Disbursing Officer must review and sign off Statements of Designated Depositary Accounts (SF 1149) once they are received by Central Disbursing Services.

**Management Comment:** Stakeholder: Joseph Myrda, 317-510-4273. Concur. Action already completed on February 2006. The Director, CDS is provided all completed SF 1149s for signature on a monthly basis.

**Completion Date:** February 2006

e. Retrain each limited depositary account holder on completion of the Statement of Designated Depositary Account (SF 1149).

**Management Comment:** Stakeholder: Joseph Myrda, 317-510-4273. Partially Concur. Responsibility for training finance personnel is a joint DFAS/Army responsibility. The Army trains finance personnel on disbursing operations during regular finance courses taught at the US Army Finance School. Additionally mobilizing/deploying finance units receive refresher training to include up to one week on disbursing. CDS provides training to units deploying to locations it supports as part of this Army program. Current training will be reviewed to ensure sufficient emphasis is placed on LDA maintenance and reconciliation.

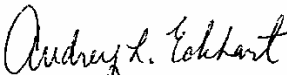
**Estimated Completion Date:** January 29, 2007

f. Report the specific material internal control weaknesses the audit identified in the Central Disbursing Services' internal control program.

**Management Comment:** Stakeholder: Joseph Myrda, 317-510-4273. Non Concur. Neither the scope of this audit nor the nature of the findings justifies reporting a material weakness. Of the \$1.5B "cash", which the DoDIG audited, only \$18M is accountable to DFAS – Central Disbursing. The findings identified focus primarily on ease of audit, regulatory non-compliance regardless of compensating controls, or isolated incidents at a single subordinate site. In some cases, the auditors were unable to identify specific cases cited in general terms in the report.

**Estimated Completion Date:** N/A

My point of contact is Joseph Myrda, 317-510-4273.

  
for Steve R. Bonta  
Director, Indianapolis Operations

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# U.S. Army Corps of Engineers Finance Center Comments



DEPARTMENT OF THE ARMY  
U.S. ARMY CORPS OF ENGINEERS  
FINANCE CENTER  
5722 INTEGRITY DRIVE  
MILLINGTON TENNESSEE 38054-5005

CEFC-Z

5 September 2006

MEMORANDUM FOR INSPECTOR GENERAL, DEPARTMENT OF DEFENSE

SUBJECT: Comments on Report on Controls over Army Cash and Other Monetary Assets (Project No. D2005-D000FI-0271.000)

The following is the US. Army Corps of Engineers (USACE) Finance Center's response to the recommendations made in the above report:

3a. *Verify that the cash verification team performs all required independent quarterly check stock and limited depository account verifications and that the reports address all areas required by DoD-R, "DoD Financial Management Regulation," volume 5, Appendix A.* We concur with this recommendation and implemented a program in March 2006.

3b(i) *Conduct inspections of security measures at least semiannually and maintain a record of inspections.* We concur with this recommendation and implemented a program in April 2006. Documentation is maintained by the Disbursing Officer, USACE Finance Center.

3b(ii) *Change combination to all vaults, safes, and containers semiannually and maintain a record of combination changes.* We concur with this recommendation and have updated our internal policy to reflect such. This was implemented in March 2006.

Questions on the above may be directed to Mr. Lee Autry, telephone 901-874-8547.

  
THOMAS L. BROCKMAN JR.  
Director, USACE Finance Center

## **Team Members**

The Department of Defense Office of the Deputy Inspector General for Auditing, Defense Financial Auditing Service prepared this report. Personnel of the Department of Defense Office of Inspector General who contributed to the report are listed below.

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