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Acronyms

BEIS	Business Enterprise Information Services
DDRS	Defense Departmental Reporting System
DFAS	Defense Finance and Accounting Service
HQARS	Headquarters Accounting and Reporting System
SFIS	Standard Financial Information Structure
USSGL	United States Standard General Ledger



INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
400 ARMY NAVY DRIVE
ARLINGTON, VIRGINIA 22202-4704

April 25, 2007

MEMORANDUM FOR DIRECTOR, BUSINESS TRANSFORMATION AGENCY
DIRECTOR, DEFENSE FINANCE AND ACCOUNTING
SERVICE

SUBJECT: Report on Internal Controls over Army General Fund Transactions Processed
by the Business Enterprise Information Services
(Report No. D-2007-087)

We are providing this report for your information and use. We considered management comments on a draft of this report in preparing the final report. The comments on the draft of this report conformed to the requirements of DoD Directive 7650.3 and left no unresolved issues. Therefore no additional comments are required.

We appreciate the courtesies extended to the staff. Questions should be directed to Jack L. Armstrong at (317) 510-4801, ext. 274 (DSN 699-4801) or Mr. Mark A. Ives at (317) 510-4801, ext. 260 (DSN 699-4801). The team members are listed inside the back cover.

By direction of the Deputy Inspector General for Auditing:

A handwritten signature in black ink, reading "Paul J. Granetto", is positioned above the printed name.

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

Department of Defense Office of Inspector General

Report No. D-2007-087

(Project No. D2006-D000FI-0085.000)

April 25, 2007

Internal Controls over Army General Fund Transactions Processed by the Business Enterprise Information Services

Executive Summary

Who Should Read This Report and Why? Department of the Army and Defense Finance and Accounting Service (DFAS) personnel with Army General Fund financial reporting responsibilities and personnel assigned to the Business Transformation Agency, Business Enterprise Information Services (BEIS) Program Management Office should read this report. It discusses the adequacy of internal controls over Army General Fund transactions processed in BEIS.

Background. This is the third in a series of reports related to the implementation of BEIS. It discusses internal controls over Army General Fund transactions processed by BEIS, an information system that includes the DFAS Corporate Database, the DFAS Corporate Warehouse, and the Defense Departmental Reporting System. BEIS processes nonstandard transactions from feeder systems through a series of complex filter and crosswalk tables, converts them to standard transactions, and posts them to the general ledger accounts. In May 2007, DFAS plans for BEIS to produce financial statements and budgetary reports for the Army General Fund. BEIS will replace the legacy system currently used to compile financial statements and budgetary reports.

Results. The audit trail within BEIS allows general ledger entries to be traced to the source transactions. In addition, source transactions that pass the filter tables can be traced to the general ledger accounts. However, internal controls need to be improved in order to determine whether transactions have been properly processed.

- Audit trails should exist between transactions that did not pass the Filter Criteria Table and their correcting transactions.
- The Filter Criteria Table should agree with Department of Treasury and DFAS guidance.
- Documentation explaining how and why BEIS processed and converted nonstandard transactions should exist.

These improvements would help accountants and auditors determine whether all transactions were correctly processed by BEIS and thereby confirm the Army General Fund general ledger balances. DFAS should maintain a centralized log that matches all corrections of filtered transactions to their original transactions. The BEIS Program Management Office and DFAS should reconcile the information in the Filter Criteria Table with Department of Treasury and DFAS guidance and then correct the table. In addition, DFAS and the Business Transformation Agency, of which the BEIS Program

Management Office is a part, should adequately document the process used by BEIS to process and record transactions to the general ledger accounts.

Management Comments and Audit Response. Comments provided by the Director of DFAS Indianapolis Operations and the Director of the Business Transformation Agency are responsive to all of the recommendations. The Directors stated that DFAS Indianapolis Operations will:

- implement policy to maintain documentation of any off-line filter transaction corrections,
- reconcile combinations listed in the Filter Criteria Table with applicable guidance and document the justification for any differences, and
- document the BEIS transaction processing to include explanations for exceptions to normal processing.

DFAS Indianapolis Operations personnel also provided documentation that showed the process of suspending transactions. (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

This report addresses internal controls over Army General Fund transactions processed by the DoD Business Enterprise Information Services (BEIS). For FY 2006, the Army General Fund reported Total Assets of \$226.6 billion, Total Liabilities of \$70.3 billion, Net Cost of Operations of \$164.6 billion, and Total Budgetary Resources of \$229.4 billion. This is the third in a series of reports related to the audit of the process used to compile the Army General Fund financial reports and statements. The first report addressed an internal control weakness for accessing information in BEIS. The second report addressed an internal control weakness over the FY 2005 Army General Fund beginning account balances recorded in BEIS.

Current Army General Fund Financial Reporting. Defense Finance and Accounting Service (DFAS) Indianapolis Operations, Accounting Services Army has compiled Army General Fund financial reports and statements from financial information processed by the Headquarters Accounting and Reporting System (HQARS) since 1991. HQARS is a legacy accounting system that does not meet Federal financial system requirements. At the end of each accounting period, Accounting Services Army transfers trial balance data into the general ledger. Accounting Services Army adjusts the general ledger accounts by making large unsupported adjustments to force the general ledger accounts to agree with the status of funds data reported for each appropriation. It then transfers the general ledger account information to the Defense Departmental Reporting System (DDRS) to prepare the actual financial statements.

DoD Business Enterprise Information Services. BEIS will replace HQARS for Army General Fund financial reporting. BEIS is an information system that includes the DFAS Corporate Database, DFAS Corporate Warehouse, and DDRS. The goal of BEIS is to build on the existing infrastructure to provide timely, accurate, and reliable business information from across DoD to support auditable financial statements. All transactions processed in BEIS are auditable to source systems and data, use the Standard Financial Information Structure (SFIS)¹ for consistency, and comply with the U.S. Standard General Ledger (USSGL).² The BEIS Program Management Office reports to the Business Transformation Agency and is responsible for the development of BEIS.

Business Enterprise Information Services Information Flow. Army General Fund source transactions enter BEIS through two processes: batch files and journal vouchers. Fiscal stations³ submit Army General Fund accounting data to

¹ SFIS provides a standard line of accounting for transactions.

² The USSGL identifies the accounting codes used in the accounting systems of the Federal agencies. It includes account number, account title, and the normal balance (debit or credit) of the accounts.

³ A fiscal station is an integrated finance and accounting office; a non-integrated finance office; a fully supported organization; a decentralized accounting office; or a State Department organization.

BEIS through batch files generated from feeder systems.⁴ BEIS assigns each batch file a unique batch file identification number (batch ID) and assigns each transaction within the batch a unique record sequence identification number (record sequence ID). Authorized users can also enter journal vouchers directly into BEIS, where they are certified and recorded into the general ledger. BEIS assigns each journal voucher a unique combination of batch ID and record sequence ID. The combination of batch ID and record sequence ID provides the ability to trace individual transactions through all phases of processing in BEIS.

When BEIS receives a batch file, its transactions are processed through the Filter Criteria Table and the Filter Exclusion Table. These tables exclude any transactions that Accounting Services Army decides should not be processed through BEIS. For example, these tables filter other Military Services' transactions that do not affect the Army General Fund general ledger. The Filter Criteria Table defines all valid combinations of data in the department code,⁵ basic symbol,⁶ and limit⁷ fields. For purposes of this report, valid combinations of data are those which Accounting Services Army personnel have deemed to be appropriate for processing through BEIS. Invalid combinations of data are those which Accounting Services Army personnel have deemed to be inappropriate for processing through BEIS. Transactions that do not contain a valid combination of data are sent to an archive file.⁸ The Filter Exclusion Table defines all invalid combinations of data in the department code, transaction type,⁹ and legacy code fields. Transactions that contain any of these invalid combinations of data are archived. Transactions that pass the filter tables progress to the crosswalk process.

The majority of transactions submitted to BEIS through batch files are in a nonstandard¹⁰ format. Each of these nonstandard transactions contains a line of accounting, plus other elements such as document reference number and transaction type. BEIS uses the crosswalk process to create SFIS accounting transactions from the nonstandard lines of accounting. If a nonstandard transaction does not match any of the valid combinations contained in the

⁴ Feeder systems include, but are not limited to, the Standard Finance System (STANFINS), the Standard Operation Maintenance Army Research and Development System (SOMARDS), and the Corps of Engineers Financial Management System (CEFMS).

⁵ The department code represents the government department or agency responsible for a fund or account and is the highest governmental organizational level at which appropriation, fund, deposit, clearing and receipt accounts are summarized (unless the funds were transferred to it by another government department or agency).

⁶ The basic symbol (US Treasury Account Number) identifies the specific appropriation or fund established by Treasury to account for appropriations, receipts, and other fund accounts.

⁷ The limit is a suffix to the basic symbol that is used to identify a subdivision of funds that restricts the amount or use of funds for a certain purpose, or to identify sub-elements within the account for management purposes.

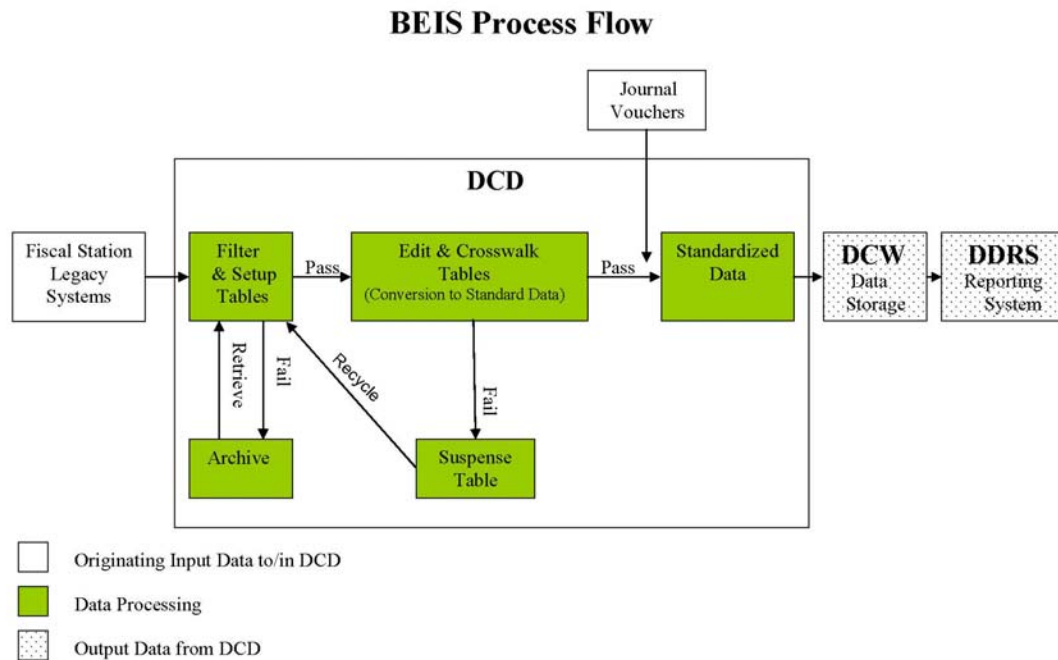
⁸ An archive file is a file that has been saved in a different location than the original.

⁹ Transaction types are codes that allow an automated transaction driven system to post financial transactions to the appropriate general ledger account code.

¹⁰ Transactions from legacy systems that use accounting and transaction codes other than those transaction codes specified by SFIS are considered "nonstandard."

crosswalk tables, it will be suspended. BEIS stores suspended transactions in the suspense tables, where fiscal stations can access them to make corrections and resubmit them through the recycle process. If a nonstandard line of accounting matches the valid combinations contained in the crosswalk tables, BEIS creates an SFIS transaction. BEIS stores the original nonstandard transactions and the related SFIS transactions in different tables.

Once a batch file is processed, BEIS sends an e-mail to the submitting fiscal station. The e-mail identifies the number of transactions received, filtered, suspended, and processed. The submitting fiscal station can use this information to verify the accuracy of the data transferred. The following figure shows the flow of data through BEIS.



Objectives

Our overall audit objective was to determine the adequacy of internal controls over the Army General Fund accounting transactions processed by BEIS systems. We determined whether audit trails existed, accounting transactions were supported, and transactions were recorded to proper general ledger accounts. We reviewed the managers' internal control program as it related to the audit objectives. See Appendix A for a discussion of the scope and methodology and for prior coverage related to the objective.

Review of Internal Controls

DoD Directive 5010.38, “Management Control (MC) Program,” August 26, 1996, and DoD Instruction 5010.40, “Management Control (MC) Program Procedures,” August 28, 1996, require DoD organizations to implement a comprehensive system of management controls that provides reasonable assurance that programs are operating as intended and to evaluate the adequacy of the controls.¹¹

Scope of the Review of Management Control Program. We reviewed the adequacy of the internal controls over Army General Fund transactions processed by BEIS. Specifically, we reviewed whether adequate audit trails existed and whether procedures and processes were adequately documented. We also reviewed the adequacy of management’s self-evaluation of those controls.

Adequacy of Management Controls. Using guidance defined by DoD Instruction 5010.40, BEIS had internal control weaknesses. The internal controls were not adequate to ensure that transactions were accurately processed into BEIS and that adequate audit trails were maintained. Recommendations A, B, and C, when implemented, will correct the identified weaknesses. We will provide a copy of the final report to the senior officials responsible for management controls.

Adequacy of Management’s Self-Evaluation. Management did not identify or report the management control weaknesses identified by the audit. The Business Transformation Agency and DFAS did not identify BEIS as an assessable unit. The Business Transformation Agency plans to identify BEIS as an assessable unit once BEIS is fully implemented. Both the Department of the Army and DFAS have identified financial management systems as a material weakness, specifically the:

- lack of audit trails,
- lack of USSGL transaction accounting, and
- use of large unsupported adjustments made to the Army General Fund accounting records.

In addition, the Department of the Army reported the abnormal balances in the Army General Fund general ledger data submitted to DFAS as a material management control weakness in its FY 2006 Annual Statement of Assurance.

¹¹ Our review of internal controls was done 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.

A. Audit Trails

The audit trail within BEIS enables accountants and auditors to trace general ledger entries back to source transactions. In addition, the 12.75 million source transactions that occurred in January 2006 and passed the filter tables can be traced to the Army General Fund general ledger. However, 1,061 transactions from the same period that did not pass the Filter Criteria Table cannot be traced to the general ledger. The audit trail for these transactions does not exist because transactions with data entry errors that do not pass the Filter Criteria Table are not linked to their correcting transactions. As a result, it is impossible to confirm that errors have been corrected and that the general ledger accounts are accurate.

Requirements for Audit Trails

Federal and DoD system requirements specify that audit trails must exist to provide a means to trace transactions from the general ledger to the source and from the source to the general ledger. Management is responsible for maintaining audit trails.

Federal System Requirements. The Office of Federal Financial Management publication, “Core Financial System Requirements,” January 2006, states that audit trails should exist for transactions that are recorded as they move from the source through every step in the documentation process. It states that “adequate audit trails are critical to providing support for transactions and balances maintained by the Core financial system.”

DoD System Requirements. DoD Regulation 7000.14-R, “Financial Management Regulation,” volume 1, chapter 3, prescribes the procedures for determining whether DoD accounting systems are designed, documented, and operated in accordance with applicable regulations. Specifically, “Key Accounting Requirement Number 8” states that financial transactions must be adequately supported and traceable to individual source transactions. Audit trails allow accountants and auditors to trace a transaction from its source to the resulting transaction or report, and from the resulting transaction or report back to the source. In addition, good audit trails allow for the detection and tracing of rejected or suspended transactions, such as unmatched disbursements, for timely, systematic correction.

Tracing Transactions from the General Ledger

BEIS provides an audit trail to trace all general ledger entries to the source transactions. We confirmed this part of the audit trail by identifying 12.83 million standard transactions in the Order Line Detail Table that occurred in January 2006. Of these, 12.75 million transactions for \$159 billion posted to the general ledger. This dollar amount matched the January 2006 activity in the

Army General Fund general ledger accounts. The Order Line Detail Table contains data for all transactions that post to the general ledger. Each transaction in the Order Line Detail Table includes a pro forma code that indicates how the transaction affects the general ledger by identifying the general ledger accounts that the transaction debits or credits. We identified the pro forma codes assigned to each transaction that occurred in January 2006. We then totaled the dollar amounts of all transactions assigned to each pro forma code. We compared the total dollar amounts of all transactions that should post to each account to the actual January 2006 activity in the general ledger accounts. Because the dollar amount totals equaled the actual January 2006 activity in the general ledger, we are confident that we identified all standard transactions that posted to the general ledger accounts.

The Order Line Detail Table includes a unique combination of batch ID and record sequence ID for each transaction. We can use the combination of batch ID and record sequence ID in the Order Line Detail Table to identify the corresponding source transactions in the nonstandard tables. As a result, we can identify all source transactions that post to the general ledger accounts.

Filter Table Operation

BEIS uses two filter tables in processing transactions. The Filter Criteria Table confirms that each transaction contains one of the valid combinations of department code, basic symbol, and limit that are listed on the table. Conversely, the Filter Exclusion Table confirms that each transaction does not contain one of the invalid combinations of department code, transaction type, or legacy code listed on it. Because these two tables operate differently, the processes for correcting errors in the transactions that do not pass these tables are also different.

The Filter Criteria Table allows processing of transactions that contain one of the valid combinations of department, basic symbol, and limit that are listed in the table. Transactions that contain data entry errors in these fields will not pass the Filter Criteria Table and will be archived instead. The erroneous transactions remain in an archive file, and corrected transactions are submitted to BEIS in their place. Because BEIS does not contain a mechanism for matching the corrected transaction to the archived transaction, there is no audit trail for transactions that fail the Filter Criteria Table.

The Filter Exclusion Table excludes transactions that contain one of the invalid combinations of data in the department, transaction type, and legacy code fields listed in the table and will not process them further. Transactions that contain data entry errors in these fields will pass the Filter Exclusion Table and process through to the crosswalk tables. The crosswalk tables determine whether each transaction contains a valid line of accounting, specifically in the department, transaction type, and legacy code fields. Transactions that contain errors will fail the crosswalk tables and be suspended. When suspended transactions are corrected, BEIS maintains a record of the correction, which becomes the audit trail. Finding C contains additional discussion of the Filter Exclusion Table.

Transactions That Passed the Filter Tables

BEIS provides an audit trail so that accountants and auditors can trace source transactions that pass the filter tables to the general ledger. Of the 12.83 million transactions that passed the filter tables in January 2006, we selected 289,272 transactions, totaling \$1.04 billion, to trace forward to the January 2006 general ledger. We used the unique combination of batch ID and record sequence ID to trace these transactions forward to the Order Line Detail Table. We then used the pro forma codes assigned to these transactions to identify the general ledger accounts that were affected by the each of the 289,272 transactions. As a result, we concluded that BEIS provides an audit trail to trace transactions that pass the filter tables forward to the general ledger.

BEIS also provides an audit trail for suspended transactions by maintaining a history of every change to the source transaction. Suspended transactions are transactions that pass the filter tables but do not match the valid data combinations contained in the crosswalk tables and, therefore, do not generate an SFIS transaction. Once BEIS users correct the errors that cause transactions to suspend, they can resubmit the corrected transactions. BEIS then assigns a new unique batch ID and record sequence ID combination to each of the resubmitted transactions. BEIS maintains a history of all changes made to a suspended transaction, which provides a link between the original transaction and any corrections. This history provides a complete audit trail for suspended transactions through all phases of processing, including error correction.

Transactions That Did Not Pass the Filter Tables

BEIS did not provide sufficient information to allow us to match transactions that did not pass the Filter Criteria Table to any correcting entries. Transactions entering BEIS through batch files first must pass the Filter Criteria Table, then the Filter Exclusion Table, prior to the crosswalk process. The Filter Criteria Table excludes the transactions that Accounting Services Army has decided BEIS should not process (for example, other Military Services' transactions that do not affect the Army General Fund). The Filter Criteria Table also excludes transactions that contain errors within the department code, basic symbol, or limit fields. Transactions that do not contain a valid combination of data, as defined by the Filter Criteria Table, are sent to an archive file.

Data Input Errors. We reviewed 227,263 Army General Fund transactions, totaling \$209.8 billion, with effective dates from January 1 to May 12, 2006 that did not pass the Filter Criteria Table.¹² Of these, 1,061 transactions, valued at \$196.3 billion, contained data entry errors.¹³ Data entry errors include transactions that do not contain the mandatory number of alpha/numeric characters in a field or contain an invalid alpha/numeric character ("O" instead of

¹² See Finding B for a discussion of the 227,263 transactions.

¹³ 150 of these transactions, valued at \$196.2 billion, were submitted through the Program Budget Accounting System.

“0”) within the field. Because the fiscal stations cannot change these fields, they must either submit corrected transactions in new batch files or request that Accounting Services Army submit corrected transactions for them. BEIS assigns these corrected transactions unique batch IDs and record sequence IDs that are not linked to the original filtered transactions. This means there is no audit trail between filtered transactions and the correcting entries, and we cannot confirm that the 1,061 original transactions were corrected and processed. As a result, Accounting Services Army cannot prepare reliable financial reports using financial data from BEIS.

Reorienting the Filter Criteria Table. We discussed potential solutions for establishing an audit trail for transactions that contain data entry errors in the department, basic symbol, and limit fields with the BEIS Program Management Office. The BEIS Program Management Office believes that reorienting the Filter Criteria Table to operate similarly to the Filter Exclusion Table will provide an audit trail for corrections to transactions that have data entry errors in the department, basic symbol, and limit fields. Reorienting the Filter Criteria Table to exclude transactions that match invalid combinations of data will ensure that transactions with data entry errors are processed through to the crosswalk tables. Because these transactions will fail the crosswalk tables, they will be suspended. When the transactions are corrected, BEIS will maintain a record of the correction, which will result in a complete audit trail for all Army General Fund transactions processed by BEIS.

Reorienting the Filter Criteria Table will require Accounting Services Army to identify all combinations of department, basic symbol, and limit values that should not process through to the Order Line Detail Table. In addition, the table must be maintained as new appropriations are established by the Congress.

We also discussed reorienting the Filter Criteria Table with Accounting Services Army personnel. They agreed that this solution would result in a complete audit trail for BEIS. However, they expressed concern that the effort to update and maintain the table would outweigh the benefits. Accounting Services Army personnel believe that maintaining a centralized log of archived transactions and the related correcting transactions will provide the ability to confirm the correction of the data entry errors.

Conclusion

Good audit trails allow for the tracing of transactions through all phases of processing. This includes providing a mechanism to determine whether incorrect transactions were corrected. BEIS does not provide an audit trail for filtered transactions that require correction. The centralized log of archived transactions suggested by DFAS will not result in a complete audit trail within BEIS. However, it will provide an adequate compensating control to confirm that incorrect transactions were corrected. Accounting Services Army will need to maintain this log under the same standards as other financial accounting records. (See the “Requirements for Audit Trails” section on page 5.)

Recommendation and Management Comments

A. We recommend that the Director, Defense Finance and Accounting Service Indianapolis Operations maintain a centralized log that identifies transactions that archive and require correcting transactions. This log is to include the batch file and record sequence identification number of both the archived and correcting transaction.

Management Comments. The Director of DFAS Indianapolis Operations and the Director of the Business Transformation Agency concurred and stated that manual processes will be documented when an off-line file is created to correct filtered transactions. They anticipate the volume of off-line files to decrease once BEIS is in production. The Director of DFAS Departmental Accounting will implement an internal policy no later than May 31, 2007, that requires documentation of any off-line filtered transaction corrections.

B. Filtered Transactions

The Filter Criteria Table contained basic symbol and limit combinations that were not listed in the Treasury and DFAS guidance and omitted combinations that were listed in the guidance. DFAS Army Accounting did not reconcile the Filter Criteria Table combinations with the Treasury and DFAS guidance when the table was created. Because the Filter Criteria Table was not accurate, transactions were incorrectly filtered. A total of 223,497 source transactions for \$624 million did not correctly pass the Filter Criteria Table. As a result, we could not confirm that BEIS processed all valid transactions.

Filter Criteria Table

The Filter Criteria Table should list all combinations of department, basic symbol, and limit values that should be processed through BEIS. There were 3,848 Army General Fund combinations in the Filter Criteria Table at the time of our review. Transactions containing combinations of data that match those in the Filter Criteria Table proceed to the Filter Exclusion Table. Transactions containing combinations of values that do not match those in the Filter Criteria Table will archive and not process through BEIS. Three documents in the Treasury and DFAS guidance identify valid basic symbol and limit combinations for the Army General Fund.

- The “Federal Account Symbols and Titles, Supplement to Volume I Treasury Financial Manual,” August 2006 (Treasury FAST Book) contains receipt, appropriation, and other fund account symbols (basic symbols) and titles assigned by the Treasury, as well as agency (department) codes.
- The DFAS Indianapolis Center Manual 37-100-06, “Financial Management, The Army Management Structure Fiscal Year 2006” (DFAS 37-100-06) establishes the standard codes and terms for classifying financial resource transactions and includes Army values for the basic symbol and limit fields.
- The DFAS Manual 7097.01, “Financial Management, Departmental Reporting Manual for Office of the Secretary of Defense (Treasury Index 97)¹⁴ Appropriations” contains limits for each DoD Component that receives allocations of the Defense Agencies’ appropriations and funds.

¹⁴ Treasury Index 97 refers to the DoD. To avoid duplication, DFAS 37-100-06 Manual no longer maintains the DoD appropriation limits and refers to Chapter 1d-limit of DFAS Manual 7097.01.

Filter Criteria Table Combinations

Of the 3,848 combinations contained in the Filter Criteria Table, 1,268 combinations were listed in the Treasury and DFAS guidance and 2,580 combinations were not. Because the Filter Criteria Table was not accurate, transactions were incorrectly filtered.

Of the 2,580 combinations not listed in the guidance, 10 contained unidentified basic symbols and 2,570 contained unidentified limits. We performed tests of these combinations in BEIS to determine their activity for January 2006. There was no transaction activity for 2,579 of the combinations. One combination had 64 transactions that were processed with an absolute value of \$89,734. We were unable to determine why Accounting Services Army included combinations on the Filter Criteria Table that were not specified in Treasury or DFAS guidance when only one combination had transaction activity.

From January 1 through May 12, 2006, a total of 227,263 Army General Fund transactions, valued at \$209.8 billion, did not pass the Filter Criteria Table. The following table categorizes these transactions.

Army Transactions that Did Not Pass the Filter Criteria Table		
<u>Category</u>	<u>Number of Transactions</u>	<u>Dollar Value (In Billions)</u>
Not Listed in Guidance - Data Entry Errors	1,061	\$196.3
Not Listed in Guidance - Invalid Combinations	2,705	12.9
Listed in Guidance - Not Included in Table	<u>223,497</u>	<u>0.6</u>
Total	227,263	\$209.8

Invalid Symbol and Limit Combinations. There were 3,766 transactions that contained department, basic symbol, and limit combinations that were not listed in the Treasury or DFAS guidance. The details of the 1,061 transactions that were archived because of data entry errors are discussed in Finding A. An example of a data entry error is a transaction with a limit of “0.” This appears to be an error in entering the correct limit of “0000.” These transactions filtered because the Filter Criteria Table does not recognize “0” as a valid limit. The remaining 2,705 transactions contained combinations that were not listed in the Treasury or DFAS guidance, but did not appear to be data entry errors. For example,

307 transactions contained the basic symbol “9999,” which was not listed in the Treasury or DFAS guidance. Because these combinations were not listed in the guidance, we believe their exclusion from further processing was proper.

Valid Symbol and Limit Combinations. Of the 227,263 transactions we reviewed, 223,497 transactions valued at \$624 million, contained department, basic symbol, and limit combinations that were listed in the Treasury and DFAS guidance. These transactions contained 45 different department/basic symbol/limit combinations that were not in the Filter Criteria Table and were therefore excluded from further processing. For example, the following two combinations were identified in the Treasury and DFAS guidance but not included on the Filter Criteria Table:

- 21.1210.0000
 - 21 - Department of the Army
 - 1210 - “Contributions to ‘Conscience Fund’” account
 - 0000 - No limit listed; per DFAS guidance defaults to “0000.”
- 21.1435.0000
 - 21 - Department of the Army
 - 1435 - “General Fund Proprietary Interest - Not Otherwise Classified” account
 - 0000 - No limit listed.

Validation of the Filter Criteria Table

The basic symbol and limit combinations in the Filter Criteria Table had not been reconciled with Treasury and DFAS guidance. Of the 3,848 combinations in the Filter Criteria Table, 3,831 were added between October 1 and December 31, 2004. Since that time, only 17 combinations have been added, and no deletions have been recorded in the edit log. Accounting Services Army has the authority to add and delete basic symbol and limit codes in the Filter Criteria Table. However, we were not provided any evidence of why some valid combinations were in the Filter Criteria Table and others were not. Nor were we provided evidence of why invalid combinations were included in the Filter Criteria Table.

Because the Filter Criteria Table excluded transactions with combinations listed in the Treasury and DFAS guidance, and it included combinations that were not listed, we could not confirm that BEIS included all valid transactions in the general ledger accounts. In order to ensure that all valid transactions are properly processed by BEIS, the Filter Criteria Table should be reconciled with Treasury and DFAS guidance. Invalid combinations listed in the Filter Criteria Table should be deleted, and valid codes that are not in the table should be added. Written justifications should be prepared explaining any exceptions. The reconciliation and written justifications should be retained as part of the system documentation.

Recommendation and Management Comments

B. We recommend that the Director, Defense Finance and Accounting Service Indianapolis Operations and the Business Enterprise Information Services Program Manager:

1. Reconcile the combinations listed in the Filter Criteria Table with the combinations listed in the Treasury Federal Account Symbols and Titles Book, DFAS Manual 37-100-06, and DFAS Manual 7097.01.

2. Document the reason and justification for any differences between the Filter Criteria Table and the Treasury Federal Account Symbols and Titles Book, DFAS Manual 37-100-06, and DFAS Manual 7097.01 guidance before the system is used to prepare official Army General Fund financial statements or budget reports.

Management Comments. The Director of DFAS Indianapolis Operations and the Director of the Business Transformation Agency concurred with Recommendations B.1 and B.2. The Directors stated that this action will be completed by the Fiscal Code Group no later than May 31, 2007.

3. Maintain the reconciliations and justification documentation as part of the system's official documentation.

Management Comments. The Director of DFAS Indianapolis Operations and the Director of the Business Transformation Agency concurred and stated that the reconciliation and justification will be maintained by the Fiscal Code Group and completed by April 30, 2007. They also stated that the March 2007 release enhanced system functionality related to the Filter Criteria Table to include an audit log for deleted and changed records.

C. BEIS Process Documentation

BEIS processed 12.83 million Army General Fund transactions through to the Order Line Detail Table for January 2006; however, we were unable to determine if BEIS processed them correctly to the general ledger accounts. For example, there were 586,000 transactions for \$86.9 billion that did not post to the general ledger accounts, but the system documentation did not explain why this occurred. DFAS Army Accounting has not adequately documented the process for converting nonstandard accounting transactions into standard transactions and for posting them to the Army General Fund general ledger accounts. As a result, we cannot confirm the accuracy of the general ledger and will not be able to verify the related budget reports and financial statements prepared from the general ledger accounts.

Transaction Processing

Although transactions can be traced from the general ledger accounts to the source transactions as discussed in Finding A, we were unable to determine if BEIS processed all source transactions correctly. Transactions pass the filter and crosswalk tables and are assigned pro forma codes that post to the general ledger accounts. However, there are transactions that do not process normally. These include:

- filter exclusion transactions,
- suspended transactions,
- BEIS-created transactions,
- reversed-sign transactions, and
- non-posting transactions.

Filter Exclusion Transactions. Accounting Services Army personnel are responsible for updating the Filter Exclusion Table, which lists all invalid combinations of data in the department code/legacy code and department code/transaction type fields. Transactions with combinations that do not match those in the Filter Exclusion Table proceed to the crosswalk tables. Transactions with combinations that match those in the Filter Exclusion Table will archive. Accounting Services Army personnel identified 395 invalid combinations of data to be listed in the Filter Exclusion Table. However, they had not documented the reasons for including and excluding transactions with specific department code/legacy code or department code/transaction type combinations. Unlike the Filter Criteria Table, there was no guidance that specified the combinations of data that should be included in the Filter Exclusion Table. As a result, we were unable to determine if the transactions were properly excluded from posting to the general ledger accounts.

Suspended Transactions. Transactions are suspended in BEIS when they contain data that is not in the crosswalk tables. This occurs when the crosswalk tables do not contain all valid data combinations or when the transactions submitted contain invalid data. Suspense tables store transactions that contain data that are not in the crosswalk tables. Fiscal stations can access the suspense tables to process corrections. The Army Suspense Manual documents the process fiscal stations use to correct suspended transactions; however, there is no documentation explaining why BEIS processed or suspended certain transactions. Accounting Services Army has not documented the selection criteria for valid fields represented in the crosswalk tables.

BEIS-Created Transactions. Transactions that populate the nonstandard transaction tables can be submitted by fiscal stations through a daily batch file submission process. However, for certain transaction types that are submitted, BEIS is programmed to generate an additional, related, nonstandard transaction. For example, when a fiscal station submits a transaction with a direct expense transaction type, BEIS creates a related nonstandard transaction with a reimbursable expense transaction type. This causes a discrepancy between the total number of transactions in the nonstandard table and the total number of transactions submitted by the fiscal station. Accounting Services Army has not documented the reasons why BEIS creates new related nonstandard transactions. Therefore, we were unable to confirm that BEIS-created transactions were valid.

Reversed-Sign Transactions. The transaction dollar amount field in a standard transaction is normally identical to the transaction dollar amount field in the corresponding nonstandard transaction. For example, if a nonstandard transaction is for \$100, the corresponding standard transaction is also for \$100. However, for 51 types of nonstandard transactions, BEIS reverses the sign of the transaction dollar amount (changes a positive amount to a negative amount, or a negative to a positive) when it creates the standard transaction. For example, when BEIS processes an accounts receivable collection transaction from the Standard Finance System, it changes a positive transaction dollar amount to a negative amount. Accounting Services Army has not documented why BEIS is programmed to reverse the signs for these transactions. These 51 types of transactions were processed with the normal transactions to the Order Line Detail Table. However, we were unable to confirm that reversing the signs on these transactions was proper.

Non-Posting Transactions. Each transaction that processes through BEIS is assigned a pro forma code. Pro forma codes indicate how each transaction affects the general ledger by identifying the accounts that are to be debited or credited. However, some pro forma codes indicate that the transaction neither debits nor credits the general ledger accounts. Transactions assigned to these non-posting pro forma codes do not impact the general ledger.

We reviewed the pro forma codes assigned to the 12.83 million Army General Fund accounting transactions that occurred in January 2006 and processed through to the Order Line Detail Table. BEIS assigned non-posting pro forma codes to approximately 586,000 of these transactions, valued at \$86.9 billion. For example, pro forma code 2439 is a “Commit Funds” transaction type that does not post to the general ledger. There are five other pro forma codes with the same

transaction type that do post to the general ledger accounts: 2434, 2437, 2440, 3628, and 3804. However, Accounting Services Army has not documented the reasons certain transactions do not post to the general ledger accounts.

Transaction and Process Documentation

Federal and DoD policies require that accounting processes be adequately documented. However, Accounting Services Army has not documented the process for BEIS to convert nonstandard accounting data into standard accounting data and post this data to the general ledger accounts. Specifically, Accounting Services Army did not adequately document the rationale for the values used in the Filter Exclusion and suspense tables and why BEIS created certain transactions, reversed some transaction signs, and did not post certain transactions.

Federal System Requirements. The Office of Federal Financial Management, “Core Financial System Requirements,” January 2006, states that software documentation “must be written at a sufficient level of detail that users who are familiar with the Core system and its functions, but are new to the product, can understand and use the documentation without assistance from the vendor.” Specifically, the application documentation should include entity relationship diagrams, cross references between internal files, and system flowcharts.

DoD System Requirements. DoD Regulation 7000.14-R, “Financial Management Regulation,” volume 1, chapter 3, prescribes the procedures for determining whether DoD accounting systems are designed, documented, and operated in accordance with applicable regulations. Specifically, “Key Accounting Requirement Number 10” states that:

... the system documentation shall be in enough detail to be understood by computer personnel and system accountants assigned to develop applicable software. It shall demonstrate readily to users, auditors, and evaluators the system’s conceptual processes and procedures. The documentation should be in good order to facilitate maintenance operations and transaction testing. Good documentation would permit transaction testing which is designed to disclose whether valid transactions are processed properly, and whether the system rejects invalid transactions.

Accounting Services Army personnel stated that they have not documented the process because they have been focused on BEIS implementation and testing, but that they plan to complete this documentation when the system is fully implemented. Accounting Services Army plans to use BEIS to prepare Army financial management reports in May 2007. We do not understand the value of testing the system when its processes have not been adequately documented and necessary corrections made.

We believe that the following processes should be written and maintained as part of BEIS system documentation:

- the maintenance of the Filter Exclusion Table, including rationale used to determine invalid combinations of department code and transaction type or legacy code;
- the suspension of transactions, including what transactions the crosswalk tables should suspend and why;
- the creation of additional transactions based on transaction type, including the reason that the related transaction is necessary;
- the sign reversal by BEIS for certain transaction types received from certain source systems and corresponding rationales; and
- the assignment of non-posting pro forma codes to certain transactions.

Recommendations, Management Comments, and Audit Response

C. We recommend that the Director, Defense Finance and Accounting Service Indianapolis Operations and the Business Enterprise Information Services Program Manager document the method by which transactions are processed through Business Enterprise Information Services, including, but not limited to, explanations for the following exceptions to normal processing:

1. Document the reasons for including transactions with specific department code/legacy code or department code/transaction type combinations on the Filter Exclusion Table.

Management Comments. The Director of DFAS Indianapolis Operations and the Director of the Business Transformation Agency concurred and stated that DFAS Indianapolis Operations will validate and document the reasons for the entries in the Filter Exclusion Table by May 31, 2007.

2. Document the process of suspending transactions, to include what the various crosswalk tables suspend and why.

Management Comments. The Director of DFAS Indianapolis Operations and the Director of the Business Transformation Agency concurred and stated that the documentation is currently available in training materials maintained by the BEIS Program Management Office as well as local training supplements and procedural documents maintained by the operational activities that use the BEIS. Both Directors stated that this action is completed.

Audit Response. The comments provided by the Director of DFAS Indianapolis Operations and the Director of the Business Transformation Agency are

responsive. DFAS Indianapolis Operations personnel provided additional documentation after the draft report was issued that meets the intent of the recommendation.

3. Identify those transaction types that create an additional transaction and document the reason that the related transaction is necessary.

4. Document why Business Enterprise Information Services reverses the sign for certain transaction types received from certain source systems.

Management Comments. The Director of DFAS Indianapolis Operations and the Director of the Business Transformation Agency concurred with Recommendations C.3. and C.4. The Directors agreed to review system change request documentation and provide additional rationale as needed by June 30, 2007.

5. Document the reasons for assigning transactions pro forma codes that do not post to the general ledger.

Management Comments. The Director of DFAS Indianapolis Operations and the Director of the Business Transformation Agency concurred and stated that the non-posting transaction types will be documented and validated by May 31, 2007.

Appendix A. Scope and Methodology

We evaluated BEIS procedures for processing and posting transactions to the Army General Fund general ledger. We assessed BEIS system documentation and audit trails to determine if they complied with the Office of Federal Financial Management, “Core Financial System Requirements,” January 2006, and DoD Regulation 7000.14-R, “Financial Management Regulation,” volume 1, chapter 3. We reviewed system documentation made available to us by Accounting Services Army and the Program Management Office. In addition, we reviewed the 12.83 million transactions that processed through BEIS in January 2006. These transactions were valued at \$159 billion. We also reviewed 227,263 Army General Fund transactions for \$209.8 billion with effective dates between January 1 and May 12, 2006, that did not pass the Filter Criteria Table. Our review of the audit trail was limited to tracing transactions through BEIS. We performed limited procedures at field accounting organizations in an attempt to trace transactions through the feeder systems to their origin. However, we did not obtain sufficient evidence to develop an opinion on the adequacy of the audit trail through the feeder systems.

Additional transaction files can enter BEIS through Army Property Systems. These transactions do not follow the processes discussed in this report and they were not reviewed during the audit. Therefore, we did not extend an opinion on these transactions.

We interviewed DFAS Army Accounting personnel at field accounting offices. Specifically, we spoke with personnel located in Indianapolis, St. Louis, San Antonio, San Diego, and Orlando. We contacted the DFAS personnel in these offices to gain an understanding of the procedures in place to submit data to BEIS, correct data submission errors, and reconcile the source system data with the data submitted to BEIS. We interviewed personnel in the Program Management Office to gain an understanding of how transactions process in BEIS.

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

Use of Computer-Processed Data. We used transaction data in BEIS to perform this audit. We reviewed BEIS procedures for processing and posting these data to the general ledger. The lack of system documentation explained in Finding C prevented us from determining if BEIS processed the data correctly. We did not audit the reliability of the data submitted to BEIS by the fiscal stations because it was not a critical factor in determining if BEIS properly processed the transactions.

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

Prior Coverage

During the last 5 years, the Government Accountability Office (GAO) and the Department of Defense Inspector General (DoD OIG) have issued four reports discussing BEIS. Unrestricted GAO reports can be accessed over the Internet at <http://www.gao.gov>. Unrestricted DoD OIG reports can be accessed at <http://www.dodig.mil/audit/reports>

GAO

GAO-03-465, “DoD Business System Modernization Continued Investment in Key Accounting Systems Needs to be Justified,” March 28, 2003

DoD OIG

DoD OIG Report No. D-2006-068, “Implementation of the Business Enterprise Information Services for the Army General Fund,” March 31, 2006

DoD OIG Report No. D-2006-033, “Defense Finance and Accounting Service Corporate Database User Access Controls,” December 7, 2005

DoD OIG Report No. D-2002-014, “Development of Defense Finance and Accounting Service Corporate Database and Other Financial Management Systems,” November 7, 2001

Appendix B. Report Distribution

Office of the Secretary of Defense

Under Secretary of Defense for Acquisition, Technology, and Logistics
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

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
Director, Business Transformation Agency

Non-Defense Federal Organization

Office of Management and Budget

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 Homeland Security and Governmental Affairs
House Committee on Appropriations
House Subcommittee on Defense, Committee on Appropriations
House Committee on Armed Services
House Committee on Oversight and Government Reform
House Subcommittee on Government Management, Organization, and Procurement,
Committee on Oversight and Government Reform
House Subcommittee on National Security and Foreign Affairs, Committee on Oversight
and Government Reform

Defense Finance and Accounting Service Comments



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

MAR 12 2007

DFAS-JBI/IN

MEMORANDUM FOR INSPECTOR GENERAL, DEPARTMENT OF DEFENSE

SUBJECT: Draft Report of Internal Controls over Army General Fund Transactions
Processed by the Business Enterprise Information Service. D2006-D000 FI -
0085.000

Indianapolis Operations is providing management comments to the following recommendations:

Recommendation A: We recommend that the Director of the Defense Finance and Accounting Service Center Indianapolis Operations maintain a centralized log that identifies transactions that archive by BEIS and require correcting transactions. This log is to include the batch file and record sequence identification number of both the archived and correcting transactions.

Management Comments: Stakeholder: Sam Graham, 317-510-1114. Concur.
In production, we will document manual processes where we have to create an off-line file to correct for filtered transactions. As noted in the audit report, 99.9% of the dollar value reported resulted from interfaces created by the PBAS system. That interface has been corrected and we are no longer experiencing problems with filtered transactions from PBAS. We anticipate the volume of off-line files to decrease significantly once we begin to use the system as our official reporting channel.

In addition, functionality was added to BEIS in September, 2006 to allow an Army user with the appropriate job responsibility to query, select and reprocess Army transactions that were originally filtered out. This functionality will reprocess the original Army transactions through the file inventory control system after making the necessary updates to the Army Filter and/or Army Filter Exclusion tables to allow for the appropriate postings to the general ledger without requiring the Army customer to process any manual adjustments in the system.

We will implement an internal policy no later than May 31, 2007 that will require documentation of any off-line filtered transaction corrections. As stated, we anticipate these types of files to be minimal.

Estimated Completion Date: May 31, 2007

Recommendation B: Recommend that the Director, Defense Finance and Accounting Service Indianapolis Operations and the Business Enterprise Information Services Program Manager:

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1. Reconcile the combinations listed in the Filter Criteria Table with the combinations listed in the Treasury Federal Account Symbols and Titles Book, DFAS Manual 37-100-06 and DFAS Manual 7097.01.

Management Comments: Stakeholder: Sam Graham, 317-510-1114. Concur. This action will be completed by the Fiscal Code Group no later than May 31, 2007.

Estimated Completion Date: May 31, 2007

2. Document the reason and justification for any differences between the Filter Criteria Table and the Treasury Federal Account Symbols and Titles Book, DFAS Manual 37-100-06 and DFAS Manual 7097.01 guidance before the system is used to prepare official Army General Fund financial statements or budget reports.

Management Comments: Stakeholder: Sam Graham, 317-510-1114. Concur. This action will be completed by the Fiscal Code Group no later than May 31, 2007.

Estimated Completion Date: May 31, 2007

3. Maintain the reconciliations and justification documentation as part of the system's official documentation.

Management Comments: Stakeholder: Sam Graham, 317-510-1114 and Greg Williams, 317-510-3135. Concur. The reconciliation and justification will be maintained by the Fiscal Code Group. Additionally, system functionality related to the Filter Table will be enhanced to include an audit log for deleted and changed records. This enhancement is currently scheduled for March, 2007 release.

Estimated Completion Date: April 30, 2007

Recommendation C: Recommend that the Director, Defense Finance and Accounting Service Indianapolis Operations and the Business Enterprise Information Services Program Manager document the method by which transactions are processed through Business Enterprise Information services, including, but not limited to, explanations for the following exceptions to normal processing.

1. Document the reasons for including transactions with specific department code/legacy code or department code/transaction type combinations on the Filter Exclusion Table.

Additional Information: When we received interface files, we identified many transaction types that were not normally reported through the normal Budget Execution process. For example, Transactions Disbursed for Other Accounting stations, reported through the monthly Expenditure reporting process, was included on the daily interfaces. The exclusion table was designed to specifically exclude these types of transactions,

based either on the STANFINS ledger code, or the SOMARDS legacy transaction type. Excluding these transactions at the beginning of the process precludes having to manually archive them later on in the process.

Management Comments: Stakeholder: Sam Graham, 317-510-1114 and Greg Williams, 317-510-3135. Concur. We will validate and document the reasons for the entries in the Filter Exclusion Table. Action will be completed by May 31, 2007.

Additional Information: When we received interface files, we identified many transaction types that were not normally reported through the normal Budget Execution process. For example, Transactions Disbursed for Other Accounting stations, reported through the monthly Expenditure reporting process, was included on the daily interfaces. The exclusion table was designed to specifically exclude these types of transactions, based either on the STANFINS ledger code, or the SOMARDS legacy transaction type. Excluding these transactions at the beginning of the process precludes having to manually archive them later on in the process.

Estimated Completion Date: May 31, 2007

2. Document the process of suspending transactions, to include what the various crosswalk tables suspend and why.

Management Comments: Stakeholder: Sam Graham, 317-510-1114 and Greg Williams, 317-510-3135. Concur. This documentation already exists in training materials maintained by the BEIS Program Management Office as well as local training supplements and procedural documents maintained by the operational activities that use the BEIS. Each BEIS user has access to a complete training manual located on the web forms BEIS MENU > Training User Manuals. This action is completed.

Estimated Completion Date: Already completed.

3. Identify those transaction types that create an additional transaction and document the reason that the related transaction is necessary.

Management Comments: Stakeholder: Sam Graham, 317-510-1114 and Greg Williams, 317-510-3135. The rationale for creating an additional legacy transaction type should be documented in each of the specific System Change request document maintained by the BEIS Program Management Office. In most of the cases, Army Accounting identified the need for an additional transaction type in order for the BEIS to properly post the US Standard General Ledger. We will review SCR documentation and provide additional rationale, as needed. Action will be completed by June 30, 2007.

Additional Information: A basic premise of the development of the BEIS was to minimize system changes to the legacy field accounting systems. As part of that premise, interface files were established to receive all daily transactions from the field systems, with their specific system codes and formats. Once received by the BEIS, series of

crosswalk routines would edit and convert the legacy information to standard values that would post to the US Standard General Ledger. However, there are certain legacy system transaction types that spawn additional internal processes in the legacy system for which a separate transaction type is not created. The effect of that spawned process, however, is needed for proper General Ledger postings in the BEIS. For example, the STANFINS system does not have a transaction type that indicates a collection of unearned revenue. The only way for BEIS to know it is a collection of unearned revenue is by reading additional data elements contained elsewhere in the transaction. Without a different system generated transaction type, the posting would show the liquidation of a receivable instead of posting to unearned revenue.

Estimated Completion Date: June 30, 2007

4. Document why Business Enterprise Information Services reverses the sign for certain transaction types.

Management Comments: Stakeholder: Sam Graham, 317-510-1114 and Greg Williams, 317-510-3135. Concur. We will review SCR documentation and provide additional rationale, as needed. Action will be completed by June 30, 2007.

Additional Information: As stated previously, a basic premise of the development of the BEIS was to minimize system changes to the legacy field accounting systems. As part of that premise, interface files were established to receive all daily transactions from the field systems, with their specific system codes and formats. Once received by the BEIS, series of crosswalk routines would edit and convert the legacy information to standard values that would post to the US Standard General Ledger. During testing of the system, we discovered that legacy systems sometimes used a negative amount in its internal logic. When that transaction was received, the General Ledger effect in BEIS was not correct. The Transaction Type crosswalk was modified to include a data element that indicated how the sign should be handled.

Estimated Completion Date: June 30, 2007

5. Document the reasons for assigning transactions pro forma codes that do not post to the general ledger.

Management Comments: Stakeholder: Sam Graham, 317-510-1114. Concur. The non-posting transaction types will be documented and validated. Action will be completed by May 31, 2007.

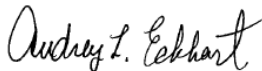
Additional Information: The BEIS also receives legacy transactions that have will have a General Ledger Posting during one phase of an appropriation's life, and a different posting once the appropriation has expired. The pro forma table differentiates between the applicable postings based on where the appropriation is in its life cycle.

The pro forma table also provides the transactional reference to the standard transaction type for all processed transactions, making it a necessary part of every transaction. The BEIS receives transactions that are used as internal control references, but do not post to the general ledger.

The BEIS also receives transactions that do not post to the general ledger, but are used by offline utilities to create management reports that are not currently being produced from the BEIS. For example, non-posting transactions are submitted on a monthly basis to create the 'Report on Receivables Due from the Public'. These transactions, which represent report line totals, are processed into the BEIS and stored in a separate table. This process was coordinated with the DODIG, under Project Number D2005-D000FI-0052.001.

Estimated Completion Date: May 31, 2007

My point of contact is Sam Graham, 317-510-1114.


f Steve R. Bonta
Director, Indianapolis Operations

Business Transformation Agency Comments



BUSINESS TRANSFORMATION AGENCY
1851 SOUTH BELL STREET
ARLINGTON, VA 22202

MAR 14 2007

MEMORANDUM FOR ASSISTANT INSPECTOR GENERAL AND DIRECTOR,
DEFENSE FINANCIAL AUDITING SERVICE

SUBJECT: Draft Report D2006-D000FI-0085.000, "Internal Controls Over Army
General Fund Transactions Processed by the Business Enterprise Information Services"

Business Transformation Agency (BTA) thanks the DoD IG for the opportunity to review and comment on its draft report D2006-D000FI-0085.000, "Internal Controls Over Army General Fund Transactions Processed by the Business Enterprise Information Services (BEIS)." BTA concurs with the DFAS Indianapolis Operations office's position and the BTA BEIS Program Office will work closely with DFAS to ensure successful closure of all recommendations.

BTA's position on each recommendation is listed below.

Recommendation A

Recommend that the Director, Defense Finance and Accounting Service Indianapolis Operations maintain a centralized log that identifies transactions that archive by BEIS and require correcting transactions. This log is to include the batch file and record sequence identification number of both the archived and correcting transaction.

Concur. BEIS PMO added functionality in September 2006 to provide an Army user, with the appropriate job responsibility, the ability to query, select and reprocess Army transactions that were originally filtered out. This allows for the reprocessing of Army transactions through the file inventory control system after necessary updates to the Army Filter and/or Army Filter Exclusion tables are made by Army customer.

To facilitate this process, DFAS Indianapolis Operations plans to take necessary action to document manual processes where they have to create an off-line file to correct for filtered transactions. An internal policy should be implemented no later than May 31, 2007 that will require documentation of any off-line filtered transaction corrections.

Recommendation B

Recommend that the Director, Defense Finance and Accounting Service Indianapolis Operations and the Business Enterprise Information Services Program Manager:

1. *Reconcile the combinations listed in the Filter Criteria Table with the combinations listed in the Treasury Federal Account Symbols and Titles Book, DFAS Manual 37-100-06 and DFAS Manual 7097.01*

Concur. BEIS PMO will work with the DFAS Indianapolis Fiscal Code Group to complete this action by May 31, 2007.

2. *Document the reason and justification for any differences between the Filter Criteria Table and the Treasury Federal Account Symbols and Titles Book, DFAS Manual 37-100-06 and DFAS Manual 7097.01 guidance before the system is used to prepare official Army General Fund financial statements or budget reports.*

Concur. BEIS PMO will work with the DFAS Indianapolis Fiscal Code Group to complete this action by May 31, 2007.

3. *Maintain the reconciliations and justification documentation as part of the system's official documentation.*

Concur. DFAS Indianapolis Fiscal Code Group plans to maintain the reconciliation and justification documentation. BEIS PMO will enhance system functionality related to the Filter Table to include an audit log for deleted and changed records. This enhancement is scheduled for March 2007 release.

Recommendation C

Recommend that the Director, Defense Finance and Accounting Service Indianapolis Operations and the Business Enterprise Information Services Program Manager document the method by which transactions are processed through Business Enterprise Information Services, including, but not limited to, explanations for the following exceptions to normal processing.

1. *Document the reasons for including transactions with specific department code/legacy code or department code/transaction type combinations on the Filter Exclusion Table.*

Concur. DFAS Indianapolis Operations plans to take action to validate and document the reasons for entries in the Filter Exclusion Table by May 31, 2007. BEIS PMO will provide support as required.

-
2. *Document the process of suspending transactions, to include what the various crosswalk tables suspend and why.*

Concur. This documentation exists in training materials maintained by the BEIS PMO, as well as in local training supplements and procedural documents maintained by the operational activities that use BEIS. Each user has access to a complete training manual provided via BEIS web forms. This action is completed.

3. *Identify those transaction types that create an additional transaction and document the reason that the related transaction is necessary.*

Concur. BEIS PMO will work with DFAS Indianapolis Operations in reviewing SCR documentation and ensuring that additional rationale is provided. Action will be completed by June 30, 2007.

4. *Document why Business Enterprise Information Services reverses the sign for certain transaction types.*

Concur. BEIS PMO will work with DFAS Indianapolis Operations in reviewing SCR documentation and ensuring that additional rationale is documented. Action will be completed by June 30, 2007.

5. *Document the reasons for assigning transactions pro forma codes that do not post to the general ledger.*

Concur. BEIS PMO will work with DFAS Indianapolis Operations to ensure non-posting transaction types are documented and validated by May 31, 2007.



David Fisher
Director

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.

Paul J. Granetto
Patricia A. Marsh
Jack L. Armstrong
Carmelo G. Ventimiglia
Mark A. Ives
John T. Ferguson
Adriel E. Braaksma
Donna J. Paterson
Marcus A. Gullett
E. Ellen Kleiman-Redden
Ann L. Thompson



Inspector General Department of Defense

