

# Inspector General

United States  
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Internal Controls Over United States Marine Corps  
Commercial and Miscellaneous Payments Processed  
Through the Deployable Disbursing System

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## Acronyms and Abbreviations

DDS	Deployable Disbursing System
DFAS	Defense Finance and Accounting Service
DOD FMR	DOD Financial Management Regulation
EDA/VPS	Electronic Document Access/Voucher Processing System
PMO	Program Management Office
SABRS	Standard, Accounting, Budgeting, and Reporting System
U.S.C.	United States Code
USMC	United States Marine Corps



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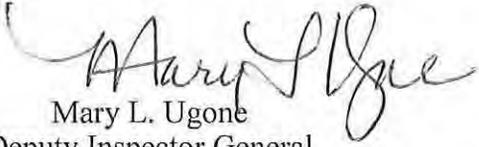
January 25, 2010

MEMORANDUM FOR NAVAL INSPECTOR GENERAL  
DIRECTOR, DEFENSE FINANCE AND ACCOUNTING SERVICE

SUBJECT: Internal Controls Over United States Marine Corps Commercial and Miscellaneous  
Payments Processed Through the Deployable Disbursing System  
(Report No. D-2010-037)

We are providing this report for your information and use. We considered management comments on a draft of this report when preparing the final report. The Department of the Navy and Defense Finance and Accounting Service comments conformed to the requirements of DOD Directive 7650.3; therefore, additional comments are not required. The complete text of the comments is in the Management Comments section of the report.

We appreciate the courtesies extended to the staff. Please direct questions to me at (703) 604-8900 (DSN 664-8900).

  
Mary L. Ugone  
Deputy Inspector General  
for Auditing





# Results in Brief: Internal Controls Over United States Marine Corps Commercial and Miscellaneous Payments Processed Through the Deployable Disbursing System

## What We Did

The objective of the audit was to determine whether the internal controls over transactions processed through the Deployable Disbursing System (DDS) were adequate to ensure the reliability of the data processed. The audit included financial information processed by disbursing stations supporting the Operation Iraqi Freedom and included the recording of related obligations. We focused our review on United States Marine Corps (USMC) commercial and miscellaneous payments. The USMC processed more than 22,870 payments of at least \$520 million during FYs 2006 and 2007.

## What We Found

USMC internal controls over payments processed through DDS were not adequate to ensure the reliability of the data processed. Specifically, USMC did not:

- properly authorize 9,675 payment vouchers, totaling \$310.4 million;
- separate authorization and payment duties;
- adequately control access because it used 14 multiple user accounts and 14 generic user accounts to process a combined total of \$52.7 million in payments; and
- maintain a centralized database of the transactions processed through DDS.

In addition, the USMC made 32 duplicate payments, totaling \$2.5 million that if collected, could be funds put to better use. (Appendix C)

The Defense Finance and Accounting Service (DFAS) did not design DDS to:

- provide sufficient functionality for management to readily review and monitor DDS access and usage;

- capture the audit trail for key payment information, such as, certifying officer name, contract or requisition numbers, invoice received date and, invoice number for 185 of 200 payments in our sample;
- adequately capture line of accounting information; and
- centralize data for efficient management oversight and review.

We determined the USMC did record timely and sufficiently \$6.3 million in obligations for 150 commercial and miscellaneous payments.

## What We Recommend

We recommend that the Assistant Deputy Commandant, Programs and Resources Department, and Fiscal Director of the USMC, develop and implement procedures to:

- eliminate multiple user accounts,
- minimize system administrators,
- collect on over payments,
- review the DDS data,
- resolve 806 missing vouchers, and
- maintain a centralized DDS database.

We recommend the Director, DFAS, enhance DDS to improve the oversight and review capabilities, and maintain data reliability.

## Management Comments and Our Response

The Assistant Secretary of the Navy (Financial Management and Comptroller) (Acting) and the Director, DFAS Information and Technology, agreed with our recommendations and the USMC concurred with the potential monetary benefits. Please see the recommendations table on page ii.

## Recommendations Table

<b>Entity</b>	<b>Recommendations Requiring Comment</b>	<b>No Additional Comments Required</b>
Assistant Deputy Commandant, Programs and Resources Department; and Fiscal Director of the United States Marine Corps		A.1.a.1, A.1.a.2, A.1.a.3, A.1.a.4, A.1.b, A.1.c, A.1.d, B.1.a, and B.1.b
Director, Defense Finance and Accounting Service		A.2.a, A.2.b, A.2.c, B.1.a, B.1.b, B.2.a, B.2.b, B.2.c, B.2.d, and B.2.e

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# Introduction

## Objective

Our audit objective was to determine whether the internal controls over transactions processed through the Deployable Disbursing System (DDS) are adequate to ensure the reliability of the data processed. The audit included financial information on commercial and miscellaneous payments processed by disbursing stations supporting the Operation Iraqi Freedom and included the recording of related obligations. Please see Appendix A for scope and methodology and prior coverage related to the objective.

## Background

On May 22, 2008, DOD Inspector General Audit Report D-2008-098 “Internal Controls Over Payments Made in Iraq, Kuwait, and Egypt,” addressed a material internal control weakness over in-theater payments. In response to a draft of that report, the Under Secretary of Defense (Comptroller)/Chief Financial Officer stated that DDS would improve the controls. As follow-on to the audit of “Internal Controls Over Payments Made in Iraq, Kuwait, and Egypt,” we reviewed the controls over commercial and miscellaneous payments processed through DDS. This audit is the second of a series of audits that addresses DDS internal controls and the United States Marine Corps’ (USMC) use of DDS. The first audit reported that the USMC recorded classified information in unclassified DOD Systems. The third audit will report on the U.S. Army’s mishandling of classified information posted in DDS.

## ***Deployable Disbursing System***

The Defense Finance and Accounting Service (DFAS) DDS Program Management Office (PMO) developed DDS to fulfill a need for a tactical disbursing system and to maintain accountability of Treasury funds entrusted to disbursing agents. DDS automates a variety of disbursing office functions including travel, military, commercial, and miscellaneous payments; accounts payable; collection processes; and financial reporting requirements.

According to USMC personnel, prior to implementing DDS, the entire deployed accountability and disbursement process was manual. Operating in a deployed environment with a manual process was unmanageable because the USMC did not have a way to ensure that the accountability and disbursement documentation was being prepared as required. The USMC began using DDS in FY 2006. DDS brought systemic enforcement of accountability and disbursing requirements and improved transparency over the process.

The USMC uses DDS at main sites located in Camp Pendleton, California; Camp Lejeune, North Carolina; and Camp Foster, Okinawa, Japan. In addition, USMC deploys disbursing personnel from the main sites to remote sites in Southwest Asia (for example, Camp Fallujah, Iraq and Camp Al Asad, Iraq). The main site disbursing stations accumulate disbursing data from their respective remote sites.

In FYs 2006 and 2007, the USMC processed through DDS more than 22,872 commercial (contract and vendor payments) and miscellaneous payment vouchers totaling at least \$520 million. Miscellaneous payments included condolence payments<sup>1</sup> and some travel and military payments. Table 1 provides a breakout of commercial and miscellaneous payments processed through DDS.

**Table 1. USMC Commercial and Miscellaneous Payments Processed Through DDS in FYs 2006 and 2007**

<b>Source/Type of Files</b>	<b>Number of Vouchers*</b>	<b>Value (in millions)</b>
DDS Databases	9,675	\$310.4
Archived DDS Vouchers	13,197	209.6
<b>Total</b>	<b>22,872</b>	<b>\$520.0</b>

\* We identified at least 806 additional USMC disbursements for which the DDS PMO did not provide DDS data. For additional detail, see Finding B.

Of the 9,675 DDS vouchers totaling \$310.4 million, remote sites in Iraq processed through DDS \$158.7 million<sup>2</sup> in cash and check vouchers. The main sites processed all Electronic Fund Transfer payments to include those payments initiated at remote sites. We did not determine the method of payment for the 13,197 archived DDS vouchers totaling \$209.6 million because the USMC and DDS PMO did not provide this data in time for our review.

### ***USMC Roles and Responsibilities for Disbursing***

The Marine Corps Disbursing Operations and Systems Section, Kansas City, Missouri, provides oversight to the USMC field finance and disbursing offices. The Marine Corps Disbursing Operations and Systems Section is responsible for ensuring that USMC disbursing personnel follow internal controls. The disbursing offices located at Camps Pendleton, Lejeune, and Foster perform the day-to-day disbursing operations.

### ***USMC Procurement and Disbursing Process***

The USMC disbursing cycle starts with a request for a procurement action. The requestor enters a procurement request into the USMC in-theater procurement system. The USMC uses the Standard Accounting, Budgeting, and Reporting System (SABRS) to record the commitment and obligation of funds for the request. Once the vendor provides the goods or services, the receiving official acknowledges receipt of goods or services on the receiving report. When the vendor provides an invoice, the certifier then reviews the

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<sup>1</sup> A condolence payment is an expression of sympathy for death, injury, or property damage caused by coalition or U.S. forces generally during combat.

<sup>2</sup> The remote sites processed 5,217 cash payments totaling \$60.4 million and 1,122 check payments totaling \$98.3 million.

supporting documentation and certifies the voucher for payment. When the voucher and supporting documentation is certified, the disbursing office can make a payment using DDS. See Appendix B for a detailed discussion and flowchart of this process.

### ***Federal Financial System Requirements***

DDS processes Operation Iraqi Freedom transactions and, based on the dollar value of the transactions processed, is a key component of the USMC financial system. Office of Management and Budget Circular No. A-127, “Financial Management Systems,” July 23, 1993,<sup>3</sup> states that a “financial system” is an information system, consisting of one or more applications, that an entity uses to collect, process, maintain, transmit, and report data about financial events.

The Federal Financial Management Improvement Act of 1996 requires that agencies comply with Federal accounting standards and Federal financial management system requirements (Federal system requirements). The Office of Federal Financial Management, Office of Management and Budget, issues the Federal system requirements. The Office of Federal Financial Management, Report No. OFFM-NO-0106, “Core Financial System Requirements,” January 2006 (Core Financial System Requirements), are the mandatory functional and technical requirements that agency financial management systems must meet to comply with the Federal Financial Management Improvement Act of 1996. These requirements stipulate that systems have controls over function access (for example, transaction access and authority for approval) and data access. Furthermore, the Government Accountability Office, “Federal Information System Controls Audit Manual,” January 1999, concludes that access controls should be in place to provide reasonable assurance that there is protection of computer resources against unauthorized modification, disclosure, loss, or impairment. Inadequate access controls diminish the reliability of computerized data and increase the risk of destruction or inappropriate disclosure of data.

According to the Core Financial System Requirements, all financial management systems must have security, internal controls, and accountability built into the processes and must provide an audit trail. These requirements also state that adequate audit trails are critical to providing support for transactions and balances maintained by the core financial system. In addition, with audit trails, agencies are able to reconcile accounts, research document history, and query data stored in the core financial system.

The Core Financial System Requirements define rules for recording, editing, and processing transactions input into the core financial system. The core financial system must ensure that agencies maintain proper control of transactions to provide reasonable assurance of the availability of funds and ensure that transactions pass other processing edits. In addition, the core financial system must provide automated functionalities to support the document and transaction control process, the invoicing process, the disbursing process, and the audit trails processes.

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<sup>3</sup> A new version of Office of Management and Budget Circular No. A-127, dated January 2009, has since superseded this version.

## **Review of Internal Controls**

DOD Instruction 5010.40, “Managers’ Internal Control (MIC) Program Procedures,” January 4, 2006, requires DOD organizations to implement a comprehensive system of internal controls that provide reasonable assurance that programs are operating as intended and to evaluate the effectiveness of the controls. We identified internal control weaknesses for the USMC. The USMC did not have effective internal controls over the authorization of payments, separation of duties, and DDS access. Implementing Recommendations A.1.a through A.2.c will improve payment authorization compliance, separation of duties, and DDS access controls and could result in potential monetary benefits of \$2.5 million (Appendix C). We will provide a copy of this report to the senior Navy official responsible for internal controls in the USMC.

## **Finding A. Controls Over Disbursement Authorizations and DDS Access**

The USMC did not have adequate internal controls over the entry of disbursement transactions and access to transactions in DDS. Specifically, the USMC did not:

- properly authorize 9,675 payments, totaling \$310.4 million;
- separate authorization and payment duties; and
- adequately control access because it used 14 multiple user accounts to process \$5 million in disbursements and 14 generic user accounts to process \$47.7 million in disbursements.

This occurred because the USMC did not:

- issue appointment letters for personnel who were certifying payment documents and did not comply with the separation of duty requirements in the DOD Regulation 7000.14-R, “DOD Financial Management Regulation” (DOD FMR), and
- have adequate procedures over the use and access of DDS.

In addition, the USMC did not establish adequate oversight over the DDS payment process and the DDS PMO did not provide sufficient functionality in DDS for management to readily review and identify access control weaknesses.

As a result, the USMC did not comply with section 3325, title 31, United States Code (31 U.S.C. 3325) when it made \$310.4 million in payments. Further, USMC payments are at increased risk for unauthorized modification, erroneous payments, or disclosure of classified information. We found that the USMC made 32 duplicate payments, totaling \$2.5 million and mishandled classified information.

### **Authorization and Access Requirements**

The United States Code (31 U.S.C. 3325) requires the USMC to “disburse money only as provided by a voucher certified by an officer or employee of the executive agency having written authorization from the head of the agency to certify vouchers.”

The DOD FMR implements 31 U.S.C. 3325 and Federal financial system requirements. The DOD FMR provides guidance on the authorization and certification of payment vouchers and the separation of duties between the certifying and disbursing officials. In addition, DOD Instruction 8500.2, “Information Assurance Implementation,” February 6, 2003, states that authorized users with a need-to-know only access data that applies to their authorized privileges.

The Core Financial System Requirements address access controls. In addition, the National Institute of Standards and Technology, Federal Information Processing Standards Publication 200, “Minimum Security Requirements for Federal Information and Information Systems,” March 2006, states that organizations must limit information system access to authorized users and to the types of transactions and functions that authorized users are permitted to exercise. Furthermore, the Government Accountability Office, “Federal Information System Controls Audit Manual,” January 1999<sup>4</sup>, concludes that access controls should be in place to provide reasonable assurance that there is protection of computer resources against unauthorized modification, disclosure, loss, or impairment. Limiting access helps to ensure that:

- users only have the access needed to perform their duties,
- user access is limited to only a few individuals, and
- user access is restricted from performing incompatible functions.

## **Voucher Authorization**

The USMC did not properly authorize vouchers for 9,675 payments totaling \$310.4 million in accordance with 31 U.S.C. 3325 and the DOD FMR.<sup>5</sup> For a payment to comply with 31 U.S.C. 3325 and the DOD FMR, a properly appointed certifying officer must authorize the payment. The USMC did not properly appoint certifying officials. In addition, the USMC used disbursing personnel to both certify vouchers and make disbursements which should have been duties performed by separate personnel.

### ***Certifying Officer Appointments***

The USMC did not properly appoint personnel who certified the 9,675 vouchers for payment. We requested the certifying officer appointment letters from disbursing offices at Camps Pendleton, Lejeune, and Foster, which included the remote sites located in Southwest Asia (for example, Camp Fallujah, Iraq and Camp Al Asad, Iraq). USMC disbursing offices were unable to provide any certifying officer appointment letters. USMC officials confirmed that none of the disbursing offices had certifying officer appointment letters. USMC personnel were not aware that they had not complied with 31 U.S.C. 3325.

### ***Separation of Duties***

The USMC did not maintain separation of duties between certifying vouchers and disbursing funds for 9,675 payments. The separation of duties were lacking because disbursing office personnel who authorized payments also disbursed funds. That is, the

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<sup>4</sup> The Federal Information System Controls Audit Manual was revised in February 2009; however, the January 1999 version was in effect at the time we tested USMC internal controls and DDS data.

<sup>5</sup> We did not review the archived transactions for entry and access controls because the data was not available at the time of the review.

same individual who authorized vouchers for payment also input and paid the voucher in DDS. DOD FMR, volume 5, chapter 33, states that a disbursing officer is not eligible for appointment as a certifying officer and may not appoint a certifying officer. USMC personnel stated that their actions complied with DOD FMR, volume 10, chapter 8, which states, “The disbursing office and designated representatives qualify as certifying officers and may certify vouchers for payment.” However, certain conditions have to exist for disbursing personnel to act as certifying officers. The DOD FMR, volume 5, chapter 33, states that an individual may be appointed as a certifying officer under the direct supervision of a disbursing officer in special, limited situations, which include tactical operations. Those special appointments require “direct written notification from the respective Head of the DOD Component to the designated appointee, or by delegation through command channels excluding the disbursing officer.” The USMC did not provide an appointment letter or justification for using the same person to certify a voucher and disburse funds for payment.

DOD FMR, volume 5, chapter 1 further delineates DOD policy for the separation of the voucher certifying and disbursing functions. Volume 5 requires the separation of duties related to disbursement functions such as authorizing, approving, and recording transactions; making payments; preparing and signing checks; and certifying funding. On August 27, 2008, we informed the USMC that they had not complied with 31 U.S.C. 3325. The USMC created a policy memorandum on September 8, 2008, to change their disbursing practices to comply with 31 U.S.C. 3325. We have verified that the USMC has implemented this policy and, as a result, we are not making a recommendation addressing the issue.

## **Access Controls**

The USMC did not maintain proper access controls to protect DDS transactions from increased risk of fraud, waste, and abuse. Specifically, the USMC:

- assigned multiple user accounts to individual DDS users,
- created generic user accounts in DDS that were not assigned to specific individuals,
- assigned substitute user accounts for outside agents<sup>6</sup> that did not have access to DDS, and
- assigned system administrator access to an excessive number of user accounts.

## **Multiple User Accounts**

The USMC circumvented DDS controls by assigning multiple user accounts to 57 individual users in DDS (see Table 2). An individual with more than one user account

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<sup>6</sup> Agents of the disbursing office include appointments with the responsibilities of a disbursing, paying, or collection agent.

has the ability to bypass separation of duties to process disbursing transactions. Individuals with multiple user accounts can access several privileges within DDS that are not available to a single user account. A privilege allows a user to perform assigned disbursing functions within DDS. These privileges include system administrator, accounting, payment certification, check printing, and voucher input.

We identified 14 users who processed 296 vouchers for approximately \$5 million by using multiple user accounts. In one instance, a single user from Camp Foster created a system certified cash disbursement using two user accounts. The voucher supporting documentation shows that this same individual signed as a certifying official on the DDS printed voucher, a sub-voucher, and the contract.

**Table 2. USMC Multiple User Accounts FYs 2006 and 2007**

Location	Number of Multiple User Accounts		Number of Vouchers Processed	Value (in Millions)
	Created	Used		
Camp Lejeune	21	3	34	\$1.9
Camp Foster	10	8	185	1.3
Camp Pendleton	26	3	77	1.8
<b>Total</b>	<b>57</b>	<b>14</b>	<b>296</b>	<b>\$5.0</b>

Existing DDS controls reduce the risk of using one user account to process a transaction from beginning to end. The DDS controls limit the types of privileges assigned to a single user account. For example, if a user account is assigned agent privilege, DDS will disable the deputy agent and vault privileges.<sup>7</sup> DDS also issues a warning message if the system administrator attempts to assign a single user the agent privilege and additional privileges such as, system administrator, print checks, and certify disbursement voucher. The USMC circumvented the DDS controls by creating multiple user accounts within DDS to process electronic funds transfers and to perform the duties of absent deputy disbursing officers. The user account list<sup>8</sup> in DDS does not show the system privileges assigned to users. DFAS should add the user privileges to the DDS user account lists so management can readily identify assigned privileges when reviewing and monitoring DDS user access.

The USMC should establish and implement procedures that require management and oversight personnel to review DDS user account lists and monitor user access. A review for multiple user accounts and privileges should be a USMC oversight function. The

<sup>7</sup> A vault privilege provides the user the capability to adjust the amount of cash that is in the disbursing station's vault. DDS maintains an inventory of cash.

<sup>8</sup> A user account list provides the name of the user, user ID, and the user's outstanding fund balance.

procedures should eliminate the use of multiple user accounts, thus removing the risk of misuse of the accounts and privileges. If the USMC requires multiple user accounts for rare mission critical circumstances, the procedures should require justification.

### **Generic User Accounts**

The USMC established 44 generic user accounts that allow individuals access to DDS without identification of who processed transactions in DDS (see Table 3). Generic user accounts in DDS are not specific to an individual, for example, MEU TWENTYSIX, SYSTEM ADMIN, INPUT DATA, or ANOTHER AGENT. We identified that 14 generic user accounts processed 1,191 vouchers in DDS for \$47.7 million. For example, USMC personnel used the generic user account, PAY AGENT, to create, certify, and pay 440 vouchers for \$35.2 million in DDS. The USMC cannot trace the vouchers to a specific user to identify who input, certified, or paid the vouchers in DDS. In another instance, one generic user by the name of PAY AGENT, created and paid 364 of the system voids<sup>9</sup> in DDS. Because the USMC used generic user accounts to process the system-voided transactions, we could not identify the individual responsible for processing the transactions, the nature of the transactions, or the cause of the system voids. In addition, the USMC and DDS information technology specialists could not provide an explanation as to why these transactions were system voided.

**Table 3. USMC Generic User Accounts FYs 2006 and 2007**

Location	Number of Generic User Accounts		Number of Vouchers Processed	Value (in Millions)
	Created	Used		
Camp Lejeune	22	4	209	\$1.6
Camp Foster	2	0	0	0
Camp Pendleton	20	10	982	46.1
<b>Total</b>	<b>44</b>	<b>14</b>	<b>1,191</b>	<b>\$47.7</b>

USMC personnel stated that they created and used generic user accounts so they could:

- perform the archive and purge function,
- provide users a backup account if other user accounts are suspended,

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<sup>9</sup> A system void is a transaction that was not completed because of an interruption such as power loss or system restart, for which DDS maintains a voucher number associated with that unpaid transaction.

- relieve staffing issues, and
- set up DDS at deployed sites.

The electronic signature block in the DDS user setup screen does not require the system administrator to input the title within the disbursing office that correlates to the appointment letters. DFAS should update the DDS signature block to require the system administrator to select from a drop-down list, the title within the disbursing office that correlates to the individual appointment letters. By having to select a title that corresponds to the appointment letter, this would mitigate the risk the system administrator would create a generic user account.

On August 27, 2008, we informed the USMC of the problem with using generic user accounts. The USMC established policy on September 8, 2008, that requires the elimination of generic user accounts. We have verified that the USMC has implemented this policy and, as a result, we are not making a recommendation addressing the issue. In addition, the USMC should periodically review the DDS user account list for the use of generic user accounts. To ensure the USMC properly paid these transactions that used multiple and generic user accounts, the USMC should review the transactions. The USMC should initiate administrative action against the responsible DDS user if they identify improper payments associated with the multiple and generic user accounts.

### ***Substitute User Accounts***

The USMC assigned 18 substitute user accounts to track the accountability of outside agents; however, the substitute user accounts do not allow for the identification of the individuals who actually processed the disbursement transactions in DDS. The USMC created the substitute user accounts in DDS for outside agents working remotely from the Camp Lejeune disbursing office and who did not have access to DDS. These substitute user accounts were available to Camp Lejeune disbursing office personnel and not available to the actual agent assigned to the user account. The agents provided their payment supporting documentation to the disbursing office to be processed. Disbursing office personnel accessed DDS using the corresponding agent's user account (substitute account) to track the accountability of the agent. We identified that 2 of the 18 substitute user accounts had processed 3 vouchers in DDS beginning in March 2007. Camp Lejeune personnel informed us of their use of substitute user accounts in April 2008.

DDS requires each agent to have an assigned user account in order to establish accountability, but does not capture the identity of the substitute user who actually processed the transactions for outside agents. According to the DDS PMO, the Camp Lejeune disbursing office did not have an alternative way to process the transactions that outside agents made because the outside agents do not have physical access to DDS. DFAS should create a user role for substitute users in DDS to identify the individual who actually processed the transaction.

## **System Administrator Access**

The USMC assigned the system administrator privilege to 32 out of 52, or 62 percent, of the individual user accounts in DDS (see Table 4). This privilege allows the user to access the user setup screen, which includes Privacy Act information of DDS users, such as their social security number and name. The system administrator privilege allows the user to:

- manipulate DDS transaction data,
- grant or deny user access by creating user accounts,
- update user accounts,
- assign access privileges,
- reset passwords,
- activate or deactivate accounts,
- back out transactions already certified or paid, and
- archive and purge data.

**Table 4. USMC System Administrator Privilege FYs 2006 and 2007**

<b>Location</b>	<b>Number of Main Site User Accounts</b>	<b>Number of User Accounts With System Administrator Privilege</b>	<b>Percentage of User Accounts With System Administrator Privilege</b>
Camp Lejeune	20	19	95
Camp Foster	9	4	44
Camp Pendleton	23	9	39
<b>Totals and Percentage</b>	<b>52</b>	<b>32</b>	<b>62</b>

USMC personnel stated that they needed to assign the system administrator privilege to back out transactions. However, the USMC did not have procedures for documenting and monitoring assignments of the system administrator privilege. The USMC should establish and implement these procedures such as reviewing the DDS user account list to ensure they provide the system administrator privilege to the minimum number of users

necessary. Inadequate controls over DDS access and usage place payment transactions at increased risk for unauthorized modification, disclosure, or erroneous payments.

## **Results of Internal Control Weaknesses**

The USMC internal control weaknesses over payment authorizations place payments at increased risk for unauthorized modification, erroneous payments, or disclosure of classified information. We found that the USMC made duplicate payments and mishandled classified information.

### ***Duplicate Payments***

The USMC made 32 duplicate payments totaling \$2.5 million to vendors for goods and services and did not take collection on these erroneous payments. We reviewed DDS commercial and miscellaneous payments made in FYs 2006 and 2007 for selective attributes and identified 32 duplicate payments totaling \$2.5 million. These duplicate payments included instances where, the USMC:

- overpaid a vendor \$225,064 by paying the same invoice three times;
- made a cash payment and a check or electronic funds transfer payment for the same goods or services;
- paid for the same invoice and receiving report at multiple locations; and
- made at least nine duplicate payments totaling \$0.5 million to one contractor. For example, in January 2007, USMC made a \$28,000 check payment to this contractor against a numbered invoice for goods received in November 2006. In September 2007, the USMC made a \$28,000 cash payment to this contractor from a different disbursing station for the same goods and services for November 2006, but this time using a different invoice number and the same receiving report.

We have referred 34 duplicate and triplicate payments to the Defense Criminal Investigative Service for followup. We provided the USMC with evidence of 17 duplicate payments in September 2008 and requested a response. In June 2009, the USMC provided evidence that they had taken collection on two of the duplicate payments. The Government could put to better use the \$2.5 million in duplicate payments by initiating collection on the 32 remaining duplicate payments from the companies who received the duplicate payments. The USMC should research and initiate collection procedure where warranted for duplicate payments. In addition, the USMC should develop and implement procedures to conduct periodic reviews of DDS data to identify anomalies, which could indicate potential illegal and improper payments. See Appendix C for the Summary of Potential Monetary Benefits.

### ***Classified Information***

The USMC disclosed classified information from 33 payments in two unclassified DOD systems: DDS and Electronic Document Access/Voucher Processing System (EDA/VPS). DDS captures disbursement information and makes payments, and

EDA/VPS maintains voucher documentation for commercial and miscellaneous payments processed. DDS feeds disbursement data to EDA/VPS, which provides access to documents used to support the procurement, contract administration, bill paying, and accounting processes. Because DDS and EDA/VPS are unclassified systems, these systems should not contain classified information.

As a result of identifying these vouchers in EDA/VPS, DFAS shut the system down to remove identified classified information on November 6, 2008, and as of December 3, 2008, DFAS and the USMC had removed 32 of the 33 vouchers we identified as containing classified information. In addition, the USMC entered data from four disbursement vouchers containing classified information in the “Payee's Name and Address” and in the “Payee” fields in DDS.

The USMC took corrective actions in response to DOD IG Report No. D-2009-054, “Identification of Classified Information in Unclassified DOD Systems During the Audit of Internal Controls and Data Reliability in the Deployable Disbursing System,” February 17, 2009. The USMC developed policy to ensure that finance personnel can identify classified information and remove it before entering it into unclassified systems. In addition, the USMC researched and identified DDS disbursement transactions containing classified information and removed the transactions from the system, as a result, we are not making a recommendation on this issue.

## **Conclusion**

USMC disbursing personnel had not complied with statute when authorizing vouchers for payment, not separated certifying and disbursing duties when making payments, and circumvented internal controls for access to DDS information. The USMC needs to strengthen its procedures and management oversight of disbursing operations to prevent disbursing personnel from making unauthorized, duplicate, and improper payments. These procedures should address the disbursement process to ensure disbursing personnel are making payments in accordance with legal and DOD FMR requirements. In addition, these procedures should address:

- proper voucher certification requirements,
- separating voucher certification and payment functions,
- written justification for using multiple user accounts,
- eliminating of the use of generic accounts,
- minimizing number of users with the system administrator privilege, and
- periodic reviews of DDS data to identify anomalies that could indicate potential illegal and improper payments.

In addition, the DDS PMO did not provide sufficient functionality in DDS for management to readily identify the assignment of multiple user accounts, generic user

accounts, substitute user accounts, and an excessive number of system administrators. DFAS should make the following improvements to DDS:

- update the DDS signature block to require the System Administrator to select the appointment that correlates to the individual appointment letters,
- add user privileges to the DDS user account list, and
- develop a user role that identifies the substitute user processing DDS transactions for outside agents.

DOD depends on responsible officials to make payments and to oversee the disbursement of Government funds. When DOD disbursing personnel are responsible for disbursing Government funds, strong internal controls over the disbursing operations are critical to reduce the risk of improper payments or fraudulent activity.

## **Recommendations, Management Comments, and Our Response**

### **A.1. We recommend that the Assistant Deputy Commandant, Programs and Resources Department; and Fiscal Director of the United States Marine Corps:**

#### **a. Develop and implement procedures to:**

- 1) Eliminate the use of multiple user accounts in the Deployable Disbursing System and require justification for rare circumstances when multiple users are necessary.**

### ***Department of the Navy Comments***

The Assistant Secretary of the Navy (Financial Management and Comptroller) (Acting) agreed. The USMC established policy to eliminate the use of multiple user accounts and require justification when it is necessary to use a multiple user account. He stated that the USMC validated compliance with this policy and that all offices are in compliance.

### ***Our Response***

Comments from the Assistant Secretary of the Navy (Financial Management and Comptroller) (Acting) are responsive and no additional comments are required. The September 8, 2008, USMC policy did not specifically address the assignment of multiple user accounts to a single individual. However, on November 5, 2009, the USMC provided the audit team with the Marine Corps Administrative Analysis Team Disbursing/Finance Office Checklist and Standards. The USMC uses the checklist to conduct formal unannounced annual inspections. The checklist includes a review to determine whether Disbursing Officer or Finance Office adheres to separation of duties within the Deployed Disbursing System.

- 2) **Minimize the number of users with the system administrator privilege.**

### ***Department of the Navy Comments***

The Assistant Secretary of the Navy (Financial Management and Comptroller) (Acting) agreed. The USMC established policy to restrict system administrator privileges to those individuals who have no other duties or roles within DDS. He stated that the USMC validated compliance with this policy and that all offices are in compliance.

### ***Our Response***

Comments from the Assistant Secretary of the Navy (Financial Management and Comptroller) (Acting) are responsive and no additional comments are required. The September 8, 2008, USMC policy did not specifically address the excessive number of users assigned the system administrator privilege. However, on November 5, 2009, the USMC provided the audit team with a list of system administrators demonstrating that they had deactivated many users with the system administrator privilege.

- 3) **Review Deployable Disbursing System user's access, including the use of multiple and generic user accounts and system administrator privilege, to ensure separation of duties.**

### ***Department of the Navy Comments***

The Assistant Secretary of the Navy (Financial Management and Comptroller) (Acting) agreed. The USMC established policy to eliminate generic user accounts and system administrator privileges, and to ensure separation of duties. He stated that the USMC validated compliance by with this policy and that all offices are in compliance.

### ***Our Response***

Comments from the Assistant Secretary of the Navy (Financial Management and Comptroller) (Acting) are responsive and no additional comments are required. The September 8, 2008, USMC policy did not specifically address the review for multiple user accounts and an excessive number of system administrators. However, on November 5, 2009, the USMC provided the audit team with the Marine Corps Administrative Analysis Team Disbursing/Finance Office Checklist and Standards, which the USMC uses to conduct formal unannounced annual inspections. The checklist includes a review to determine whether Disbursing Officer or Finance Office adheres to separation of duties within the Deployed Disbursing System.

- 4) **Conduct periodic reviews of Deployable Disbursing System data to identify anomalies, which could indicate potential illegal and improper payments. When warranted, the United States Marine Corps should initiate collection procedures on identified improper payments.**

### ***Department of the Navy Comments***

The Assistant Secretary of the Navy (Financial Management and Comptroller) (Acting) agreed. He stated the USMC conducts monthly and annual reviews along with formal unannounced reviews of DDS to identify anomalies that could indicate illegal and improper payments and, when warranted, to initiate corrective action.

### ***Our Response***

Comments from the Assistant Secretary of the Navy (Financial Management and Comptroller) (Acting) are responsive and no additional comments are required. The USMC provided the audit team with the Marine Corps Administrative Analysis Team Disbursing/Finance Office Checklist and Standards on November 5, 2009. The checklist includes a standard of establishing an effective Internal Control Audit Program to prevent or discover unauthorized, fraudulent, or otherwise irregular transactions or activities. In addition, on November 13, 2009, the Deputy Director, Marine Corps Disbursing Operations and Systems Section, stated that the USMC is working with DFAS to develop a DDS query function to identify potential duplicate payments.

- b. Perform reviews of Deployable Disbursing System procedures implemented in Recommendations A.1.a.1-4 during periodic reviews of disbursing offices.**

### ***Department of the Navy Comments***

The Assistant Secretary of the Navy (Financial Management and Comptroller) (Acting) agreed. He stated that USMC's policy requires offices to conduct internal assessments of compliance regarding DDS profiles and access every 60 days. In addition, the USMC conducts annual informal on-site reviews and formal unannounced inspections to ensure compliance with regulations and policy memorandums.

### ***Our Response***

Comments from the Assistant Secretary of the Navy (Financial Management and Comptroller) (Acting) are responsive and no additional comments are required.

- c. Review the transactions processed using multiple and generic user accounts to ensure the payments were proper. The United States Marine Corps should initiate administrative action against the responsible Deployable Disbursing System user if they identify improper payments associated with the multiple and generic user accounts.**

### ***Department of the Navy Comments***

The Assistant Secretary of the Navy (Financial Management and Comptroller) (Acting) agreed. He stated they examined transactions processed by the multiple and generic user accounts as part of USMC's monthly and annual reviews. The USMC did not identify any improper payments associated with those multiple and generic user accounts.

### ***Our Response***

Comments from the Assistant Secretary of the Navy (Financial Management and Comptroller) (Acting) are responsive and no additional comments are required.

- d. Review the Deployable Disbursing System payments for FY 2006 and FY 2007 for duplicate payments and collect the over payments.**

### ***Department of the Navy Comments***

The Assistant Secretary of the Navy (Financial Management and Comptroller) (Acting) agreed. The USMC conducts reviews on a monthly and annual basis. He stated they have or will resolve 24 of the 32 duplicate payments using a collection or a reduced payments voucher. He stated that 8 of the 32 duplicate payments remain outstanding, but that the USMC has issued demand letters to the vendors.

### ***Our Response***

Comments from the Assistant Secretary of the Navy (Financial Management and Comptroller) (Acting) are responsive and meet the intent of the recommendation. The USMC provided collection vouchers for 11 of the 32 duplicate payments representing cash collections or offsets totaling \$0.9 million. The USMC also provided two demand letters requesting repayment for overpayments. We have provided the remaining duplicate payments to Defense Criminal Investigative Service for followup. On November 13, 2009, the Deputy Director, Marine Corps Disbursing Operations and Systems Section, stated that the USMC is working with DFAS to develop a DDS report to identify potential duplicate payments. On November 24, 2009, the Deputy Director stated the USMC will complete the review for duplicate payments by September 1, 2010.

### **A.2. We recommend that the Director, Defense Finance and Accounting Service:**

- a. Update the Deployable Disbursing System signature block to require the System Administrator to select the appointment that correlates to the individual appointment letters.**
- b. Add user privileges to the Deployable Disbursing System user account list.**
- c. Develop a user role that identifies the substitute user processing Deployable Disbursing System transactions for outside agents.**

### ***Defense Finance and Accounting Service Comments***

The Director, DFAS Information and Technology, agreed. DFAS has written System Change Requests to add user privileges to the DDS user account list and to develop a user role identifying substitute users. The Strategic Disbursing Initiative Change Control Board will consider these modifications and schedule completion dates at its next scheduled meeting in January 2010.

### ***Our Response***

Comments from the Director, DFAS Information and Technology, are responsive and no additional comments are required.

## **Management Comments on the Potential Monetary Benefits and Our Response**

### ***The United States Marine Corps Comments***

We followed up with the USMC to determine whether they agreed with the potential monetary benefits identified in the report. On November 17, 2009, the Deputy Director, Marine Corps Disbursing Operations and Systems Section, confirmed that the USMC concurs with the potential monetary benefits.

### ***Our Response***

Comments from the USMC are responsive and no additional comments are required.

## **Finding B. Reliability of USMC Payment Data**

The USMC commercial and miscellaneous payment data processed through the USMC financial system was incomplete and inaccurate. Specifically, the USMC financial system, which includes DDS, did not:

- maintain complete or accurate certifying officer, contract or requisition numbers, invoice received date, or invoice number data for 185 out of 200 payments reviewed;
- adequately capture the line of accounting information; and
- maintain a complete set of DDS data and all the data elements that make up a finalized transaction.

This occurred because:

- the USMC did not have an integrated entitlement system and, as a result, manually entered key commercial payment information into the USMC financial system using DDS;
- there was a delay between the time the user entered new accounting line information and the time DDS saved the new accounting line information to the DDS database; and
- the USMC did not maintain a centralized DDS database and the DDS archive process did not capture all data elements.

As a result, the USMC financial system did not have adequate audit trails for payment transactions and did not comply with the Federal system requirements. The USMC DDS files did not account for all the commercial and miscellaneous payments. In addition, DOD funds are at an increase risk for fraud, waste, and abuse.

### **Data Reliability Requirements**

The Core Financial System Requirements state that audit trails are essential to providing support and must exist for recorded transactions. In addition, the Government Accountability Office has provided guidance related to accounting systems and data reliability. The Government Accountability Office Report No. GAO-03-273G, “Assessing the Reliability of Computer-Processed Data,” October 2002, states that data are reliable when they are:

- complete (they contain all of the data elements and records needed for the engagement), and
- accurate (they reflect the data entered at the source or, if available, in the source documents).

DOD FMR requires that DOD Components, including the USMC and DFAS, maintain a complete and documented audit trail. Audit trails enable the tracing of a transaction from the manual vouchers and supporting documentation to the financial statements. This is necessary to demonstrate the accuracy, completeness, and timeliness of a transaction. This is also necessary to provide documentary support, if required, for all data generated by the USMC and submitted to the DFAS for recording in the accounting systems and use in financial reports. Agencies should ensure they code each charge to an appropriation or fund with a complete accounting classification and country code, when applicable.

## **DDS Payment Information**

The USMC financial system, which includes DDS, did not capture or maintain all key payment information and the audit trail required by the Core Financial System Requirements for 185 of 200 vouchers we reviewed. Specifically, DDS and the USMC financial system did not:

- capture the name of the individual certifying the voucher (91 vouchers),
- prevent the voucher from being processed and paid if the contract or requisition number was absent (132 vouchers),
- accurately capture the invoice received date (103 vouchers), and
- capture the invoice number for check or cash commercial payments (35 vouchers).

We reviewed a statistical sample of 200 payment vouchers for data reliability from the consolidated databases of 9,675 disbursements totaling \$310.4 million provided by the DDS PMO.<sup>10</sup> The sample included 160 commercial and 40 miscellaneous payments.

DDS was the initial point of entry into the USMC financial system for commercial and miscellaneous payments. The USMC did not have an integrated entitlement system to populate key payment information in DDS. As a result, the USMC currently processes commercial and miscellaneous payment information into DDS manually. Because the USMC relied on manual input of key commercial and miscellaneous payment information into DDS, its financial system did not capture or maintain key payment information and the audit trail required by the Core Financial System Requirements. USMC personnel stated that they have initiated plans to use an entitlement system, the Computerized Accounts Payable System, which will interface with DDS to process commercial and miscellaneous payment transactions. DFAS should enhance DDS to capture and maintain key payment information and to meet the audit trail requirements in the Core Financial System Requirements.

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<sup>10</sup> We did not sample the archived transactions because the data was not available at the time of our review.

### ***Certifying Officer Name***

DDS did not capture the name of the individual who certified 91 of the 200 sample vouchers for payment. The job title (for example, pay agent) of the individuals who submitted the 91 vouchers for electronic certification in DDS was different from the individual's job title who actually certified the voucher for payment with a handwritten signature. The signature block of the voucher<sup>11</sup> that DDS produces reflects the "Title" of the DDS user who recorded the certification in the system while the handwritten signature included in the signature block reflects who manually certified the payment. According to DOD FMR, volume 5, chapter 33, certifying officers are pecuniarily liable for erroneous payments and must rely on the efforts of others who support the certification process. Section 2773a, title 10, United States Code holds the departmental accountable officials pecuniarily liable for illegal, improper, or incorrect payments resulting from the negligent provision of information, data or services to certifying officials. The inability to identify who certified the voucher prevents the USMC from identifying who is pecuniarily liable for the payment. As a result, DFAS should modify DDS to capture the name of the certifying officer signing the vouchers to ensure that DDS reflects the actual certifier, the individual who is pecuniarily liable for the payment.

### ***Contract and Requisition Numbers***

The DDS data for 132 of the 160 commercial pay vouchers in our sample did not contain a contract or requisition number in the contract or requisition number field. The contract and requisition numbers were available in the supporting documentation. DDS does not require the user to populate the contract or requisition number field for commercial payments to complete the processing of the data. The Core Financial System Requirements state that the core financial system must provide automated functionality to record an agency-assigned source document number, which may be a contract or requisition number.

DDS currently provides the field to record a contract or requisition number; however, the users do not populate the field every time a commercial pay voucher is processed. This reduces the adequacy of the audit trail. In order for the USMC to maintain an adequate audit trail, DFAS should modify DDS to require the user to populate the contract or requisition number field before they can process a commercial payment.

### ***Invoice Received Date***

DDS did not accurately capture the invoice-received date for 103 of the 200 payment vouchers reviewed. The Core Financial System Requirements state that adequate internal controls must be in place to verify that the USMC ordered, received, accepted, and paid for goods and services and that they computed proper due dates and payment amounts. To support this invoicing process, the core financial system must provide automated functionality to capture the invoice receipt date.

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<sup>11</sup> Standard Form 1034, Public Voucher for Purchases and Services Other Than Personal.

DDS does not allow the user to process the voucher unless the invoice-received date is populated. However, DDS automatically pre-populates the invoice received date field with the current business date, which was often not the actual date of the invoice receipt. Because DDS pre-populates the invoice-received date, the system relies on the user to manually update the current business date with the actual commercial payment invoice-received date. This affects the ability of the user to calculate interest or discounts in compliance with the Prompt Payment Act. DFAS should modify DDS so the system does not pre-populate the invoice received date field with the current business date while maintaining the requirement to enter an invoice received date.

### ***Invoice Number***

The supporting documentation for 35 of the 200 sample vouchers contained invoice numbers; however, DDS did not provide the capability to capture these invoice numbers. DDS currently has the ability to capture the invoice numbers for electronic funds transfer commercial payments, but it does not maintain the ability to capture invoice numbers for check or cash commercial payments. Additionally, DDS does not maintain the capability to validate for duplicate invoice numbers or the ability to query on the invoice number field. The Core Financial System Requirements state that the core financial system must provide the functionality to capture the invoice number and the functionality to validate for duplicate invoice numbers in order to prevent duplicate payments. The inability to capture the invoice number or validate for duplicate invoice numbers inhibits users' ability to query the vouchers by invoice number, limiting the audit trail, which may lead to duplicate payments made using the same invoice. For example, the USMC paid an invoice for \$735,600 on January 14, 2007, and later paid that same invoice again on February 28, 2007. Therefore, DFAS should modify DDS to capture invoice numbers of check and cash commercial payments and the ability to validate for duplicate invoice numbers for electronic funds transfer, check, and cash commercial payments.

### **Line of Accounting**

The USMC did not ensure DDS captured the line of accounting information for 21 out of 9,675 disbursement vouchers. The line of accounting for the 21 USMC disbursement vouchers did not reside within the DDS data, and the line of accounting did not appear on the DDS generated voucher. This occurred because of a delay between the time the user entered new accounting line information into the DDS table and the time DDS saved the new accounting line information to the DDS database. The supporting documentation for 19 of the 21 disbursement vouchers revealed that 4 of the vouchers contained a handwritten line of accounting in their supporting documentation.

OMB Circular A-127 requires financial management systems to reflect an agency-wide financial information classification structure that is consistent with the U.S. Standard General Ledger. The Core Financial System Requirements state that the core financial system must provide automated functionality to maintain an accounting classification structure that includes the treasury account symbol; budget fiscal year; internal fund code; organization; program; project; activity; cost center; object class; revenue source; budget function; budget sub-function code; and the accounting period. In addition, DOD FMR, volume 5, chapter 11, states that agencies should ensure they code each charge to

an appropriation or fund with a complete accounting classification and country code, when applicable. If the space available for the accounting classification data is insufficient, then list the information on a continuation form.

We informed the DDS PMO that DDS generated vouchers without a line of accounting. The DDS PMO demonstrated that they fixed this problem in version 3.3 of the application, which USMC implemented at Camps Pendleton, Lejeune, and Foster September through November 2008. As a result, we are not making a recommendation addressing this issue.

## **Centralized Database**

The USMC did not have a centralized database to maintain all DDS transactions and to ensure the completeness of DDS data. DDS did not maintain complete records of all disbursement transactions because the DDS archive process did not capture key information required by the Core Financial System Requirements. DFAS developed DDS to operate as a standalone application; the USMC maintained separate databases for each disbursing site. As a result, DDS PMO and USMC personnel could not provide, in a timely manner, a complete set of DDS data for this audit.

### ***DDS Databases***

The USMC financial system did not maintain a complete set of DDS data. The DDS PMO and the USMC personnel did not immediately provide us the FYs 2006 and 2007 DDS databases. We initially requested these databases in October 2007 and did not receive our total universe of DDS data for 9,675 vouchers until March 2008. We tested completeness of the FYs 2006 and 2007 DDS databases and identified that at least 14,003 USMC vouchers were missing from the DDS data originally provided. In October 2008, we notified the DDS PMO of the missing vouchers; personnel provided archived files containing only 13,197 vouchers, totaling \$209.6 million. The DDS PMO did not provide DDS data for the remaining 806 USMC disbursement vouchers and could not provide an explanation of what happened to the data for these vouchers. The USMC should coordinate with the DDS PMO in locating the missing DDS data for these 806 vouchers. If the USMC cannot locate the missing data, they should research the vouchers and reconstruct the DDS data.

### ***Archived Data***

The DDS archive process did not capture key information required by the Core Financial System Requirements. The Core Financial System Requirements state that core financial systems must provide the functionality to capture all document changes, including the date, time, and user identification to support the audit trail. However, the DDS voucher archive process<sup>12</sup> only captures the title and not the name of the user that certified each disbursement for payment. As a result, the DDS voucher archive process did not

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<sup>12</sup> This refers only to the archiving process of “Standard Form 1034. Public Voucher for Purchases and Services Other Than Personal.”

maintain an audit trail to identify the individuals who paid or certified 12,873<sup>13</sup> of the 13,197 archived disbursements in FYs 2006 and 2007. The identity of the individuals who paid or certified the disbursement is critical for payment accountability. The DDS PMO should update the archive process to capture this key information.

The USMC and DFAS should develop and maintain a centralized database of the transactions processed through the Deployable Disbursing System. A centralized database would provide useful information for USMC financial managers to better manage and evaluate disbursing operations, and better provide oversight on how the USMC uses funds. USMC financial managers could also evaluate the centralized database by using data mining tools to identify the improper payments and user access issues presented in this report.

## Conclusion

USMC audit trails for commercial and miscellaneous payment data processed through DDS are inadequate, and DDS did not comply with the financial system requirements in the Federal Financial Management Improvement Act of 1996. The USMC and DFAS should improve the accuracy and completeness of USMC commercial and miscellaneous payment data processed through DDS. DFAS should modify DDS to require the input of key payment information and capture key data elements in the archiving process. In addition, the USMC and DFAS should develop and maintain a centralized database of the transactions processed through DDS. Without complete and accurate data and a transparent audit trail, DOD funds are at an increased risk for fraud, waste, and abuse.

## Revised Recommendation

In response to recommendation B.1.a, DFAS worked with the USMC in locating and providing the missing transactions to the audit team. As a result of reconciling the information provided by USMC and DFAS to our original list of missing vouchers, we concluded that the original number of missing vouchers should have been 806 and not the 815 presented in the draft report. We revised the numbers in the finding and in recommendation B.1.a accordingly.

## Recommendations, Management Comments, and our Response

**B.1. We recommend that the Assistant Deputy Commandant, Programs and Resources Department; and Fiscal Director of the United States Marine Corps, in coordination with the Director, Defense Finance and Accounting Service:**

- a. Locate the missing Deployable Disbursing System data for the 806 United States Marine Corps' disbursement vouchers not provided by the Deployable Disbursing System Program Management Office. If they are unable to locate**

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<sup>13</sup> Of the 13,197 disbursements, 12,873 used Standard Form 1034; 320 were manual disbursements; and 4 used Standard Form 44, "Purchase Order-Invoice-Voucher."

**these missing data, the United States Marine Corps should research the vouchers and reconstruct the Deployable Disbursing System data.**

***Department of the Navy and Defense Finance and Accounting Service Comments***

The Assistant Secretary of the Navy (Financial Management and Comptroller) (Acting), and the Director, DFAS Information and Technology, agreed. DFAS worked with the USMC in locating and providing the audit team with the missing transactions.

***Our Response***

Comments from the Assistant Secretary of the Navy (Financial Management and Comptroller) (Acting) and the Director, DFAS Information and Technology, are responsive to the recommendations and no additional comments are required. We received the missing vouchers from the DDS PMO on October 21, 2009.

- b. Develop and maintain a centralized database of the transactions processed through the Deployable Disbursing System.**

***Department of the Navy and Defense Finance and Accounting Service Comments***

The Assistant Secretary of the Navy (Financial Management and Comptroller) (Acting) and the Director, DFAS Information and Technology, agreed. They stated that DFAS has completed development of a centralized repository that should be operational in November 2009.

***Our Response***

Comments from the Assistant Secretary of the Navy (Financial Management and Comptroller) (Acting) and the Director, DFAS Information and Technology, are responsive and no additional comments are required. On November 5, 2009, we met with the DDS PMO and verified that they have completed the centralized repository.

**B.2. We recommend that the Director, Defense Finance and Accounting Service, establish a time-phased plan to modify the Deployable Disbursing System to:**

- a. Capture the name of the certifying officer signing the vouchers to reflect the actual certifier.**
- b. Require users to enter the contract number or requisition number for commercial payments.**
- c. Eliminate the pre-population of the invoice received date field with the current business date while maintaining the requirement to enter an invoice received date.**

- d. Capture the invoice number(s) for commercial payments and maintain the ability to validate for duplicate invoice numbers.**
- e. Capture, within the archive data, the identity of an individual who pays or certifies a voucher.**

### ***Defense Finance and Accounting Service Comments***

The Director, DFAS Information and Technology, agreed. DFAS has written System Change requests and will submit them to the Strategic Disbursing Initiative Change Control Board in January 2010.

### ***Our Response***

Comments from the Director, DFAS Information and Technology, are responsive and no additional comments are required.

## Finding C. Recording Obligations

The USMC timely<sup>14</sup> and sufficiently recorded \$6.3 million in obligations for 150 commercial and miscellaneous payments processed in the DDS databases. We did not review the obligations for the disbursements that USMC had archived because the information was not available at the time of our test.

### Obligation Requirements

DOD FMR, volume 10, chapter 1, requires that a planned disbursement match a recorded obligation before DOD personnel make the payment. The requirement is in place for personnel to determine if an obligation is sufficient to cover the planned disbursement. However, DOD FMR, volume 3, chapter 8, recognizes that on occasion personnel can make a disbursement without the related obligation having been recorded previously by allowing the obligation and the payment to be recorded simultaneously. In general, DOD personnel should not disburse funds if they have not been legally obligated. The timely and accurate recording of obligations facilitates the disbursing officer's ability to verify fund availability before authorizing a payment.

### Voucher Analysis

The USMC timely and sufficiently recorded obligations for commercial and miscellaneous payments processed in the DDS FYs 2006 and 2007 databases. We reviewed obligations related to 150 vouchers, totaling \$6.3 million, out of the 200 randomly sampled vouchers. We used the standard document number from the DDS voucher line of accounting as the unique identifier to locate the related obligation records in the SABRS. We analyzed each DDS voucher to determine whether an obligation amount greater than or equal to the payment amount that USMC recorded in SABRS was obligated in accordance with regulations.

We did not review obligations for the remaining 50 sample vouchers totaling \$0.7 million because there was no matching obligation recorded in SABRS or the voucher was outside the scope of the audit. The obligation information was not in SABRS or not reviewed for justifiable reasons.

- Of the 50 vouchers, 27 vouchers contained disbursements against Army and Defense appropriations. These payments were not against allocations received and executed by the USMC. As a result, the USMC did not record an obligation in SABRS.

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<sup>14</sup> An obligation is reported "timely" if the obligation date was recorded in the accounting system on or before the DDS disbursement date.

- The USMC and DFAS personnel indicated that 16 of the 50 vouchers related to military payments. We did not review the obligations associated with these military pay related disbursements because the audit scope was limited to commercial and miscellaneous payment vouchers.
- Of the 50 vouchers, 7 were for miscellaneous payments posted to a budget clearing account (suspense). Because the USMC does not record budget clearing account transactions in SABRS, we could not match these transactions to obligations in SABRS.

Because the USMC timely and sufficiently recorded the obligations in SABRS for the 150 disbursements in our sample of DDS vouchers, we are not making any recommendations.

## Appendix A. Scope and Methodology

We conducted this performance audit from May 2008 through September 2009 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives.

In FYs 2006 and 2007, the USMC processed through DDS more than 22,872 commercial (contract and vendor payments) and miscellaneous payment vouchers totaling at least \$520 million. We received complete DDS data for 9,675 vouchers. We received archived data for an additional 13,197 commercial and miscellaneous USMC DDS payments. We could not review these archived vouchers because we did not receive the archived DDS data in time for our review and because DDS does not capture certain key data elements in the archived files. In addition, the DDS PMO could not provide DDS data for 806 USMC disbursement vouchers. Therefore, this was a scope limitation. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

From the DDS databases the DDS PMO originally provided, we obtained a universe for FY 2006 and FY 2007 USMC vouchers, which totaled 9,675 vouchers valued at \$310.4 million. We selected a statistical sample from this universe. The universe included commercial and miscellaneous payment vouchers from the three USMC disbursing stations: Camp Pendleton, California; Camp Lejeune, North Carolina; and Camp Foster, Okinawa, Japan. Our statistical sample approach resulted in the selection of 200 vouchers.

The table shows a break out of the vouchers by location. We tested the reliability of DDS payment information by comparing 200 hard copy vouchers and supporting documentation to the DDS data. In addition, we reviewed USMC obligations related to \$6.3 million of disbursement vouchers from 150 of the 200 randomly sampled vouchers. The other 50 vouchers were outside the scope of the audit, as discussed in Finding C.

**Statistical Sample of USMC Payment Vouchers**

<b>Location</b>	<b>Number of Vouchers</b>	<b>Amount</b>
Camp Lejeune	161	\$4,528,123
Camp Foster	12	15,039
Camp Pendleton	27	2,519,789
<b>Total</b>	<b>200</b>	<b>\$7,062,951</b>

We analyzed the selected payment vouchers to determine whether internal controls over transactions processed through the DDS are adequate to ensure the reliability of the data processed. We completed a review of the sample vouchers to determine if key data elements such as certifying official information, contract and requisition numbers, invoice received date, and invoice number were complete and accurate.

We compared the universe of DDS data to data from SABRS to verify that all the DDS data matched to data within SABRS and that the data was complete and accurate.

## **Use of Computer Processed Data**

We relied upon computer-processed data obtained from DDS and SABRS to perform this audit. We performed a reliability assessment for computer-processed data out of DDS. As discussed in Findings A and B of this report, we found DDS control weaknesses and data discrepancies, in that the USMC DDS data was incomplete and inaccurate. We assessed the reliability of SABRS data by comparing the line of accounting from hardcopy vouchers and DDS data to SABRS data. As discussed in Finding C, we did not find discrepancies in the reliability of the data. We assessed the reliability of EDA/VPS, a document repository, by comparing the hardcopy vouchers and supporting documentation in EDA/VPS to the DDS data. We did not find discrepancies in the reliability of the EDA/VPS data. As a result, we found the SABRS and EDA/VPS data sufficiently reliable for our purposes.

## **Use of Technical Assistance**

The Quantitative Methods and Analysis Division, Quantitative Methods Branch, provided technical assistance throughout the sample selection. The Quantitative Methods Branch provided a sample of disbursements from the DDS to test for reliability.

The Quantitative Methods and Analysis Division, Data Mining Branch, consolidated the DDS databases provided by the DDS PMO into the data mining program for the audit team to analyze.

## **Prior Coverage**

During the last 5 years, the Department of Defense Inspector General (DOD IG) and the Army Audit Agency (AAA) have issued five reports discussing the Deployable Disbursing System. One can access unrestricted DOD IG reports at <http://www.dodig.mil/audit/reports>. One can access unrestricted AAA reports at <https://www.aaa.army.mil/>.

### ***DOD IG***

DOD IG Report No. D-2009-054, "Identification of Classified Information in Unclassified DOD Systems During the Audit of Internal Controls and Data Reliability in the Deployable Disbursing System," February 17, 2009

DOD IG Report No. D-2009-003, "Internal Controls Over Army General Fund, Cash and Other Monetary Assets Held Outside of the Continental United States," October 9, 2008

DOD IG Report No. D-2008-098, "Internal Controls Over Payments Made in Iraq, Kuwait, and Egypt," May 22, 2008

DOD IG Report No. D-2008-040, "Defense Retiree and Annuitant Pay System and Deployable Disbursing System Compliance with the Defense Business Transformation System Certification Criteria," January 4, 2008

**Army**

AAA Report: A-2003-0360-FFG, "Validation of the Deployable Disbursing System - Defense Finance and Accounting Service," July 21, 2003

# Appendix B. USMC Disbursement Cycle

## *USMC Procurement and Disbursing Processes*

The USMC procurement and disbursing process begins with the entry of purchase data into the procurement system and culminates with a payment out of DDS. See the flowchart of this process on the next page. The requestor enters a procurement request into the USMC in-theater procurement system. Upon approval of the request, the Marine Expeditionary Force Comptroller's Office commits funding in the SABRS. The Comptroller Office then routes the commitment to the contracting manager who will then award a contract. The contracting manager enters the contract information into the procurement system and routes the information back to the Comptroller's Office to obligate funds in SABRS. The vendor provides the goods or services and submits an invoice. The receiving official acknowledges receipt of goods or services on the receiving report. The payment cell<sup>1</sup> prepares a payment package, which includes the vendor invoice, receiving report, and contract. The payment cell submits the payment package to the Comptroller's Office so the payment can be pre-validated. Finally, the Comptroller's Office submits the payment package to the certifying officer for review and certification. Once the certifier approves the payment package, the disbursing office can make the payment.

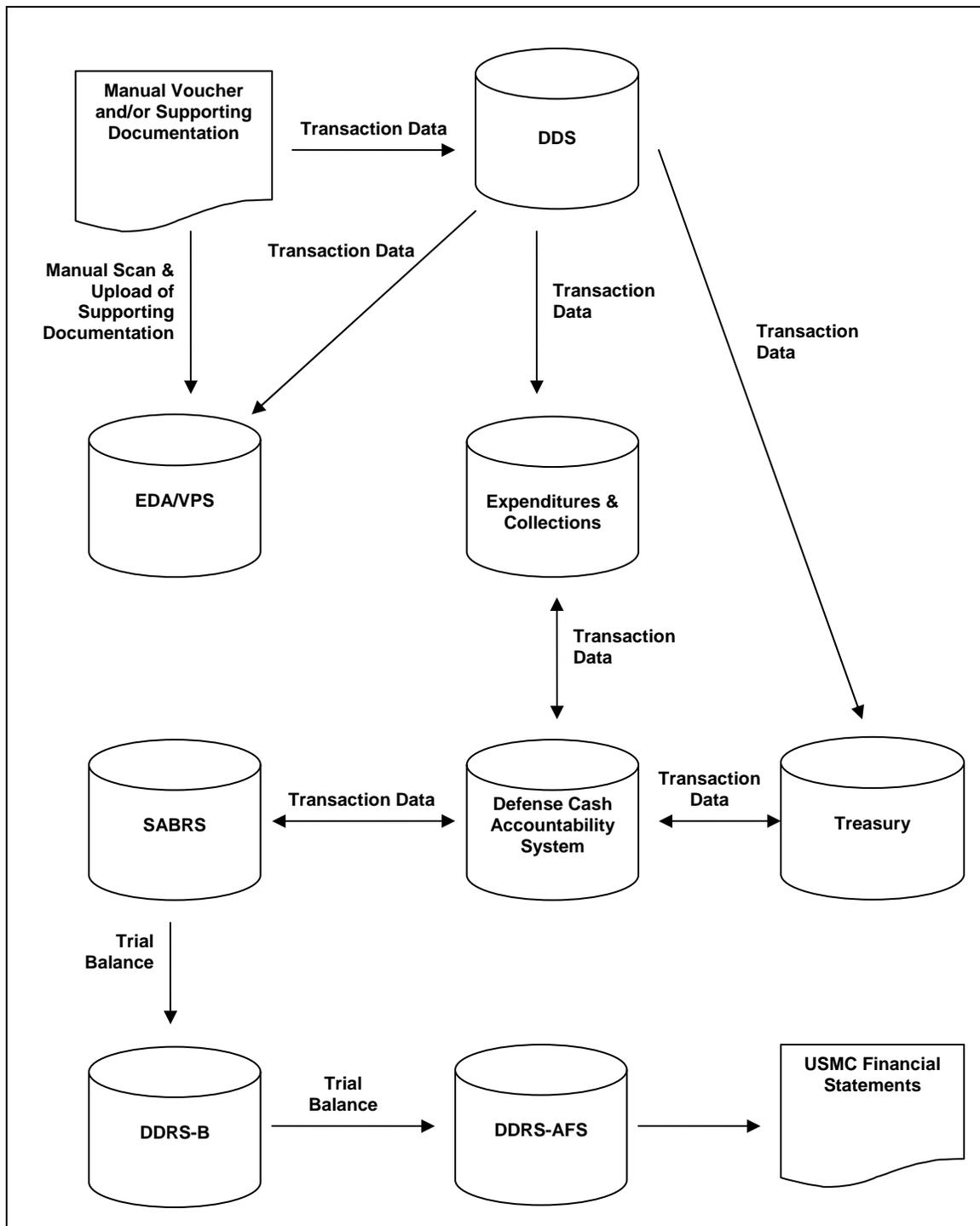
The disbursing office uses DDS to process manual SF 1034, Public Voucher for Purchases and Services Other Than Personal, vouchers from deployed disbursing agents. The disbursing office makes payments using DDS by cash, check, or electronic funds transfer. The disbursing office enters the payment data into DDS and scans the supporting documentation into the EDA/VPS for record retention. DDS interfaces with EDA/VPS to provide an electronic copy of the voucher data. Then EDA/VPS matches the voucher data with the appropriate supporting documentation.

In addition to providing transaction data to EDA/VPS, DDS provides transaction data to the Expenditures and Collections and the Treasury system through an interface. The Expenditures and Collections system forwards transactional data through an interface to the Defense Cash Accountability System. The Defense Cash Accountability System interfaces with the Treasury system and SABRS. SABRS then provides trial balance data to the Defense Departmental Reporting System for creation of budgetary reports, using the Budgetary Module, and the USMC financial statements, using the Audited Financial Statements Module.

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<sup>1</sup> The payment cell, housed in the contracting office, collects the contract modification documents, contract, checklist, invoice, and DD Form 250, Material Inspection and Receiving Report, for preparation of the payment package.

## USMC Flow of DDS Disbursement Transactions<sup>2</sup>



<sup>2</sup> Defense Departmental Reporting System-Budgetary (DDRS-B);  
 Defense Departmental Reporting System-Audited Financial Statements (DDRS-AFS)

## Appendix C. Summary of Potential Monetary Benefits

Recommendation Reference	Type of Benefit	Amount of Benefit	Account
A.1.d	Economy and Efficiency. The Government could better use these funds for needed projects.	\$2.5 million	\$2.3 million from Operations and Maintenance, Marine Corps  \$0.2 million from Operations and Maintenance, Army

# Department of the Navy Comments



**THE ASSISTANT SECRETARY OF THE NAVY**  
(FINANCIAL MANAGEMENT AND COMPTROLLER)  
1000 NAVY PENTAGON  
WASHINGTON DC 20350-1000

October 22, 2009

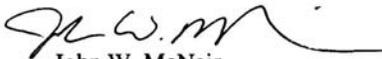
MEMORANDUM FOR INSPECTOR GENERAL, DEPARTMENT OF DEFENSE

SUBJECT: DoDIG Draft Report, "Internal Controls Over U.S. Marine Corps Commercial and Miscellaneous Payments Processed Through the Deployable Disbursing System", Dated 22 September 2009 (Project No. D2007-D000FL-0252.001)

The attached is the coordinated Department of the Navy response to Department of Defense (DoD) Inspector General (DOD IG) letter of September 22, 2009 of the same subject. The response addresses the recommendations made in the draft report.

My point of contact for any questions on this issue is [REDACTED],

[REDACTED].

  
John W. McNair  
Acting

Attachments:  
As stated

cc:  
CMC

DODIG DRAFT REPORT DATED 22 SEPTEMBER 2009  
Project No. D2007-D000FL-0252.001

“Internal Controls Over U.S. Marine Corps Commercial and Miscellaneous Payments  
Processed Through the Deployable Disbursing System”

DEPARTMENT OF THE NAVY COMMENTS  
TO THE DODIG RECOMMENDATIONS

**RECOMMENDATION A.1:** We recommend that the Assistant Deputy Commandant, Programs and Resources Department, and Fiscal Director of the United States Marine Corps:

- a. Develop and implement procedures to:
  - 1) Eliminate the use of multiple user accounts in the Deployable Disbursing System and require justification for rare circumstances when multiple users are necessary.
  - 2) Minimize the number of users with the system administrator privilege.
  - 3) Review Deployable Disbursing System user’s access, including the use of multiple and generic user accounts and system administrator privilege, to ensure separation of duties.
  - 4) Conduct periodic reviews of Deployable Disbursing System data to identify anomalies, which could indicate potential illegal and improper payments. When warranted, the United States Marine Corps should initiate collection procedures on identified improper payments.
- b. Perform reviews of Deployable Disbursing System procedures implemented in Recommendations A.1.a.1-4 during periodic reviews of disbursing offices.
- c. Review the transactions processed using multiple and generic user accounts to ensure the payments were proper. The United States Marine Corps should initiate administrative action against the responsible Deployable Disbursing System user if they identify improper payments associated with the multiple and generic user accounts.
- d. Review the Deployable Disbursing System payments for FY 2006 and FY 2007 for duplicate payments and collect the over payments.

**DON RESPONSE:**

- a.1. Concur. Policy memorandum was issued and implemented on September 8, 2008, to eliminate multiple user accounts in the Deployable Disbursing System and to require justification for rare circumstances when multiple users may be necessary. Validation of compliance was conducted by the Marine Corps Disbursing Operations and System Section (MCDOSS) and all offices are now in compliance. Proof of compliance provided to the DODIG on July 15, 2009.
- a.2. Concur. Policy memorandum was issued and implemented on September 8, 2008, to restrict system administrator privileges in the Deployable Disbursing System to individuals not assigned any duties or other assigned roles within the system. Validation of compliance was conducted by MCDOSS and all offices are in compliance. Proof of compliance provided to the DODIG on July 15, 2009.
- a.3. Concur. Policy memorandum was issued and implemented on September 8, 2008, to eliminate all generic user accounts and system administrator privileges, and to ensure separation of duties. Validation

of compliance was conducted by MCDOSS and all offices are now in compliance. Proof of compliance provided to the DODIG on July 15, 2009.

a.4. Concur. The Deployable Disbursing System data is reviewed remotely by MCDOSS on a monthly basis to identify potential anomalies which could indicate illegal and improper payments. MCDOSS also conducts annual on-site reviews of DDS data. Additionally, formal unannounced inspections are conducted annually by the Marine Corps Administrative Analysis Team (MCAAT). All reviews and inspections are conducted to identify anomalies which could indicate illegal and improper payments and, when warranted, corrective action is initiated.

b. Concur. Offices are required by regulation and USMC policy to conduct internal assessments of their own compliance regarding DDS profiles and access every 60 days. This self-inspection is a normal procedure required for all disbursing system profiles and accesses. MCDOSS also conducts annual informal on-site reviews to ensure offices are in compliance. Additionally, formal unannounced inspections are conducted annually by MCAAT. All reviews and inspections are conducted to ensure compliance with regulations and USMC Policy memorandums.

c. Concur. Reviews of transactions processed using multiple and generic user accounts were conducted by MCDOSS monthly remote reviews and annual on-site reviews. There was no need for administrative action against the responsible Deployable Disbursing System user, because there weren't any identified improper payments associated with the multiple and generic user accounts.

The United States Marine Corps should initiate if they identify.

d. Concur. Reviews were conducted as part of MCDOSS monthly remote reviews and annual on-site reviews. Of the 32 duplicate payments identified by the DODIG, the following corrective action has been taken:

18 - Have been resolved via collection or reduced PV;

6 - Will be resolved via collection voucher on October 15, 2009;

8 - Remain outstanding. Demand letters were submitted to the vendors on July 7, 2009.

**RECOMMENDATION B.1:** We recommend that the Assistant Deputy Commandant, Programs and Resources Department; and Fiscal Director of the United States Marine Corps, in coordination with the Director, Defense Finance and Accounting Service:

a. Locate the missing Deployable Disbursing System data for the 815 United States Marine Corps' disbursement transactions not provided by the Deployable Disbursing System Program Management Office. If they are unable to locate these missing transactions, the United States Marine Corps should research the transactions and reconstruct the Deployable Disbursing System data.

b. Develop and maintain a centralized database of the transactions processed through the Deployable Disbursing System.

**DON RESPONSE:**

a. Concur. MCDOSS and DDS PMO have worked together to locate 659 of the 815 missing transactions in DDS. The remaining 156 documents have been located and all data will be provided to the DODIG team.

b. Concur. The DDS PMO completed development of the central repository and it should be operational in November 2009.

# Defense Finance and Accounting Service Comments



DEFENSE FINANCE AND ACCOUNTING SERVICE  
ARLINGTON  
1851 SOUTH BELL STREET  
ARLINGTON, VA 22240-5291

OCT 26 2009

DFAS-HT

MEMORANDUM FOR INSPECTOR GENERAL, DEPARTMENT OF DEFENSE

SUBJECT: Management Comments for DoD IG Draft Report, Project No. D2007-D000FL-0252.001, "Internal Controls Over U.S. Marine Corps Commercial and Miscellaneous Payments Processed Through the Deployable Disbursing System (DDS)."

Attached is updated management comments for subject audit; recommendations A.2., B.1. and B.2.

My Point of Contact (POC) for these recommendations is [REDACTED], DFAS-HTSCB,  
[REDACTED]

A handwritten signature in black ink, appearing to read "Jerry S. Hinton".

Jerry S. Hinton  
Director, Information and Technology

OCT 28 2009

ACTION MEMO

TO: DIRECTOR, INFORMATION AND TECHNOLOGY

THRU: DEPUTY DIRECTOR, INFORMATION AND TECHNOLOGY

FROM: DIRECTOR, SYSTEMS MANAGEMENT

SUBJECT: Management Comments for DoD IG Draft Report, Project No. D2007-D000FL-0252.001, "Internal Controls Over U.S. Marine Corps Commercial and Miscellaneous Payments Processed Through the Deployable Disbursing System (DDS)."

PURPOSE: To provide management comments for subject audit report recommendations A.2, B.1 and B.2

- Recommendation A.2 recommends development of three system improvements which would enhance visibility over user roles and system administrator functions. System Change requests are written and being impacted. Acceptance of requirements and scheduled completion date to be determined by the SDI CCB expected to meet in January 2010.
- Recommendation B.1 recommends the Assistant Deputy Commandant, Programs and Resources, Fiscal Director, United States Marine Corps coordinate with Director, Defense Finance and Accounting Service to locate missing data for 815 disbursing transactions. In addition, it is recommended the DDS PMO develop and maintain a centralized database of all transactions processed through DDS. The DDS PMO and Marine Corps Disbursing Office Systems Support (MCDOSS) have worked together to locate 659 of the 815 missing DDS transactions. The remaining 156 documents have been located and all data will be provided to the DoDIG team. The DDS PMO completed development of the central repository and it should be operational in November 2009
- Recommendation B.2 recommended DFAS establish a time-phased plan to modify DDS with five system enhancements to strengthen DDS internal controls and data reliability. System Change requests are written and being impacted. Acceptance of requirements and scheduled completion date to be determined by the SDI CCB expected to meet in January 2010.

RECOMMENDATION: Director, Information and Technology sign the memorandum.

COORDINATION: [REDACTED] Director, Accounting Systems

Attachment:  
As Stated

Prepared By: [REDACTED] s, DFAS-HTS(B), [REDACTED]

**Management Comments for DoD IG Draft Report, Project No. D2007-D000FL-0252.001,  
"Internal Controls Over U.S. Marine Corps Commercial and Miscellaneous Payments  
Processed Through the Deployable Disbursing System (DDS)."**

**Recommendation A.2** : We recommend that the Director, Defense Finance and Accounting Service:

- a. Update the Deployable Disbursing System signature block to require the System Administrator to select the appointment that correlates to the individual appointment letters.
- b. Add user privileges to the Deployable Disbursing System user account list.
- c. Develop a user role that identifies the substitute user processing Deployable Disbursing System transactions for outside agents.

**Management Comments:**

- a. Concur. Maintenance of individual appointment letters is an administrative control of the Disbursing Officer and is not a requirement of a disbursing system. The recommended capability will be presented to the SDI CCB for consideration. Next SDI CCB scheduled for January 2010.
- b. Concur. System Change Request written and being impacted by TSO. Acceptance of requirements and scheduled completion date to be determined by the SDI CCB expected to meet in January 2010.
- c. Concur. System Change Request written and being impacted by TSO. Acceptance of requirements and scheduled completion date to be determined by the SDI CCB expected to meet in January 2010.

**Estimated Completion Date:** December 2010

**Recommendation B.1:** We recommend that the Assistant Deputy Commandant, Programs and Resources Department; and Fiscal Director of the United States Marine Corps, in conjunction with the Director, Defense Finance and Accounting Service:

- a. Locate the missing Deployable Disbursing System data for the 815 United States Marine Corps' disbursement transactions not provided by the Deployable Disbursing System Program Management Office. If they are unable to locate these missing transactions, the United States Marine Corps should research the transactions and reconstruct the Deployable Disbursing System data.
- b. Develop and maintain a centralized database of the transactions processed through the Deployable Disbursing System.

**Management Comments:**

- a. Concur. The DDS PMO and Marine Corps Disbursing Office Systems Support (MCDOSS) have worked together to locate 659 of the 815 missing transactions in DDS. The remaining 156 documents have been located and all data will be provided to the DoDIG team.
- b. Concur. The DDS PMO completed development of the central repository and it should be operational in November 2009.

**Estimated Completion Date:** November 2009.

**Recommendation B.2:** We recommend that the Director, Defense Finance and Accounting Service, establish a time-phased plan to modify the Deployable Disbursing System to:

- a. Capture the name of the certifying officer signing the vouchers to reflect the actual certifier.
- b. Require users to enter the contract number or requisition number for commercial payments.
- c. Eliminate the pre-population of the invoice received date field with the current business date while maintaining the requirement to enter an invoice received date.
- d. Capture the invoice number(s) for commercial payments and maintain the ability to validate for duplicate invoice numbers.
- e. Capture, within the archive data, the identity of an individual who pays or certifies a voucher.

**Management Comments:** Concur on all five items. System Change requests are written and being impacted by TSO. Acceptance of requirements and scheduled completion date to be determined by the SDI CCB expected to meet in January 2010.

**Estimated Completion Date:** December 2010.







# Inspector General Department of Defense

